Exploration of Pricing Strategies in North Cyprus Hotels

Anatolii Falalieiev

Submitted to the
Institute of Graduate Studies and Research
in partial fulfillment of the requirements for the Degree of

Master of Science
in
Tourism Management

Eastern Mediterranean University
September 2014
Gazimağusa, North Cyprus

Approval of the Institute of Graduate Studies and Research

Prof. Dr. Elvan Yılmaz
Director

I certify that this thesis satisfies the requirements as a thesis for the degree of Master of Science in Tourism Management.

Prof. Dr. Mehmet Altınay
Dean, Faculty of Tourism

We certify that we have read this thesis and that in our opinion it is fully adequate in scope and quality as a thesis for the degree of Master of Science in Tourism Management.

Asst. Prof. Dr. Mine Haktanır
Supervisor

Examining Committee

1. Prof. Dr. Hasan Kılıç
2. Asst. Prof. Dr. Mine Haktanır
3. Asst. Prof. Dr. Ilkay Yorganci Maloney

ABSTRACT

The purpose of this study is to explore pricing strategies in the hotel industry. The importance of pricing and price setting in relation to profit maximization objectives of businesses is well known. Understanding the processes of pricing, factors influencing pricing decisions, and strategies developed in the businesses are the key issues this study aims to find out. The study will be carried out in the hospitality businesses where literature related to hotels and their pricing is widely covered. The study's primary data collection is done in the 4 and 5 star hotels of North Cyprus. The importance of tourism on economic and social development of North Cyprus is a known fact. Resort hotels with different facilities and services are being built and marketed in the last few years. Therefore, understanding their concept and their pricing practices is believed to yield valuable information.

Four and five star hotels together with holiday villages are included in the data collection. Sales/marketing managers, accounting/finance managers and/or general managers were the respondents. One manager from each hotel is accessed and in total 18 interviews were carried out. The outcomes of these interviews were initially transcribed and then analyzed by using qualitative data categorizations.

The results of the present study revealed that four and five star hotels and holiday villages of Northern Cyprus are utilizing different types of pricing strategies. A precondition for such decisions is the influence of external and internal factors while selecting appropriate pricing strategy. The key external factors are determined to be seasonality, location, competition and demand fluctuation; whereas main type of the internal factors is the service quality and costs. Appropriate price setting are based on review of previous data, occupancy level and average room rate (ARR). As a result of the interviews with the hotel managers, price fairness depends on the quality of the hotel and satisfaction and happiness of the customers. Generally, managers conduct surveys and review comments on the website for assessing the quality of services provided to customers during their stay in the hotel. In the financial evaluation process, the managers stated that their main concern is the fixed and variable costs, together with the timely examination of marginal cost and revenue in their aim to maximize profitability.

Keywords: pricing, pricing policy, pricing strategies, hotels, North Cyprus

ÖZ

Bu çalışmanın amacı otellerdeki fiyat stratejilerinin araştırılmasıdır. Fiyat ve fiyatlandırma yöntemlerinin işletmelerin azami karlılık hedeflerine ulaşmadaki önemi bilinen bir gerçektir. Dolayısı ile, bu çalışmadaki ana tema fiyatlandırma süreci, fiyatlandırma kararını etkileyen faktörler ve kullanılan stratejilerdir. Kuzey Kıbrıs turizminin ekonomiye ve sosyal gelişime olan etkisi bilindiğinden, çalışma Kuzey Kıbrıs otel sektörünün dört ve beş yıldızlı otellerini kapsamaktadır. Çalışma pazarlama/satış müdürü, muhasebe/finans müdürü, ve/veya genel müdür ile yapılan mülakatlar ile yürütüldü. Her otelden tek müdür olmak üzere toplam 18 mülakat yapıldı.

Sonuçlar dört ve beş yıldızlı otellerin farklı fiyatlandırma stratejileri kullandığını gösterdi. Bunu yaratan temelde iç ve dış faktörlerin olduğu tespit edildi. Sezonluk talep ve talep dalgalanmaları, yerleşim yeri ve rekabet başlıca öne çıkan dış etkenlerdi. Servis kalitesi ve maliyet ise fiyatlandırmayı etkileyen temel iç faktörlerdir. Yöneticiler doğru fiyatlandırma yapabilmek için çoğunlukla önceki dönemlere ait verileri, doluluk bilgilerini ve ortalama oda fiyatı rakamlarını kullanmaktadır. Sonuçta, otel müdürleri algılanan fiyat adaletinin otelin servis kalitesi ve dolayısı ile müşteri memnuniyetine bağlı olduğunu belirtmiştir. Genellikle müdürler, müşterilerin geri bildirimini ve bazı internet sitelerinin müşteri görüşlerini kullanarak fiyat algılamasını ölçerler. Finansal konularda ise otel müdürleri sabit ve değişken maliyetleri, marjinal maliyet ve gelir ilişkisini kullanırlar.

Anahtar kelimeler: fiyatlandırma, fiyatlandırma politikaları, fiyatlandırma stratejileri, oteller, Kuzey Kıbrıs

ACKNOWLEDGMENT

I would like to express deep gratitude to my supervisor, Asst. Prof. Dr. Mine B. Haktanır, for her support, assistance, guidance and inspiration throughout the research and courses which I had with her during my master program in Eastern Mediterranean University.

I would like to give my thanks to our Dean of the Faculty of Tourism, Prof. Dr. Mehmet Altınay and Vice – Dean Prof. Dr. Hasan Kılıç, for their support, advice and ideas that have helped me during the writing of thesis.

Finally, I would like to give my deepest thanks to my friends, especially to PhD. Research Assistant, Georgiana Karadaş, who provides me guidance and support with my thesis.

TABLE OF CONTENTS

LIST OF TABLES

LIST OF FIGURES

LIST OF ABBREVIATIONS

ADR	Average Daily Rate
ARR	Average Room Revenue
DNI	Desired Net Income
Non-op. exp.	Nonoperating Expenses
Op. Dep. In.	Operating Department Income
ROI	Returned on Investment
Undist. Op. Exp	Undistributed Operating Expenses

Chapter 1

INTRODUCTION

This chapter of the thesis includes information regarding research philosophy, aim and objectives of the study. It is aimed to introduce the key terminologies and concepts together with a background to the research methods. It depicts the methodology and outline of the thesis.

1.1 Research Background

Nowadays, it is a well-known fact that most prices of products depend on their success or failure. The importance of pricing was underestimated for many years. Studies in the 1950s showed that most of the firms mechanically established prices based on cost, following competitors or analyzing factors such as customer demand (Duhina, 2005; Finch et al., 1998). Only in later years, practitioners recognized the importance of pricing within the company. By the mid-1970's pricing erected mainly to the calculation of costs which were added to the calculation of the rate of return (ROR). This cost method of pricing takes into account consumer demand. That is, if consumers do not buy the product at the set price, the company reduces it to see whether consumers are willing to buy the product at the new price level (Duhina, 2005).

Therefore, the ideas of managers regarding the importance of pricing have changed, and thus in 1984, research indicated that management considers pricing as a major problem faced by companies. Replacing the cost method, companiesbeganto use policies that were more focused on demand, and the prices were set in order to achieve specific purposes (Duhina, 2005; Solntsev, 2012).

That is why today, leading companies all around the world realize the importance of pricing to accomplish their goals and to increase profitability. Today companies are mainly focusing on the development and improvement of their pricing policy. In conclusion, many companies conduct market research nowadays to better understand consumer motivation and to examine the activities of their competitors in order to make use of cost accounting methods.

1.2 Aim and Objectives

The task of pricing policy in the hospitality industry is associated with the development of strategies and tactics of pricing for existing and new products and services. The development and management of pricing strategies and tactics of hotel products is always a continuous process. Companies can not use the same pricing policy for their products years after years. Pricing policy should always be evaluated and implemented in relation to internal and external factors within the market place (Malska, Pandyak and Zanko, 2011). The pricing strategy of each hotel depends on several factors.

Therefore, the purpose of this study is to analyze pricing strategies in the hotel industry, specifically in North Cyprus. In order to attain the above aim, the following objectives are set:

- Exploration of pricing theory and the concept of pricing for products and services in the generic literature and in hotel industry in specific. The literatures review aims to draw clear understanding to approaches for pricing decisions, factors influencing pricing decisions, and practices used in service setting such as hotels. A field study including 4 and 5 star hotels in North Cyprus will be carried out in order to examine and determine the real life experiences about the above set issues.

- In the final section, a comparison of literature and the field work outcomes will be carried out to see the gap between the two.

Some research questions are studied to guide the research. These are:

- What are the pricing strategies used in 4-5 star hotels?
- What are the factors influencing the decisions on types of pricing strategies?
- How are the forecasts set and used in pricing decisions?
- Do the hotels utilize the concept of "perceived price fairness"?
- What alternative methods are used in setting prices?
- How do hotels use cost measurement in setting price?

1.3 Contribution of study

A careful analysis of factors which affect the pricing decision regarding products and services is a challenging task and it depends on the validity of the strategic and tactical decisions regarding pricing policy. An efficient pricing policy includes not only the analysis of the initial market price of products and services, but also payment methods, types of discounts, price differentiation based on several criteria (Malska, Pandyak and Zanko, 2011).

Tourism industry is the core aspect of the blossoming economy of Northern Cyprus (Karatepe and Uludag, 2008). Previous studies indicated several issues which tourism and hospitality industry in Northern Cyprus copes with such as inadequate qualified staff, lack of high quality service and a range of high prices (Akis and

Warner, 1994; Altinay et al., 2002; Altinay and Bowen, 2006; Kilic and Okumus, 2005; Yavas et al., 2004).

Tourism is often considered as a significant generator of economic development for any country (Webster and Ivanov, 2013). For example, tourism can enhance the economic well-being for provincial population. This viewpoint explains the division of community resources of countries such as Northern Cyprus into encouraging more tourists to visit these destinations. Therefore, their competitive position on the marketplace may become stronger among other main competitors.

In the past, North Cyprus had distinctive characteristics that spread negative consequences as far as political and economic segregation is concerned in the international market (Yasarata, Altinay, Burns and Okumus, 2009). After 1974, the international sanctions hit primarily in the economic development of the country and of slowed the development of tourism sector too.

The development of sustainable tourism needed to achieve common interactions between public and private sectors, for example, the local community and the government had to cooperate together in order to improve the attractiveness of places and increase the economy concentrating also on boosting the flow of foreign tourists (Yasarata et al., 2009).

Therefore, from economic point of view is very little known regarding the function area of pricing strategy and the impact of different factors on decision-making process of utilizing the appropriate strategy that increases the profitability of hotels, particularly within hotel industry in Northern Cyprus.

1.4 Proposed Methodology

This study aims to explore the pricing strategies in general and its use in hotels in particular. It would be appropriate to use a qualitative method of research in order to obtain a wide range of data from real life experts. Although a quantitative approach would also yield valuable information about pricing strategies, this study utilized a more qualitative approach in order to see things from a broader perspective. The aim is not to gather some specific data about pricing of hotels, rather, it aims to gain a deep understanding about the processes and real life experiences. Therefore, the present study utilities a qualitative approach based on semi-structured in-depth open-ended interviews (Elo and Kyngäs, 2007; Walsh, 2003). The proposed methodology is based on exploratory research which is in line with the qualitative approach. The present study includes purposeful sampling that plays an important role when the researcher needs to obtain significant data by selecting certain participants (Coyne, 1997; Morse, 1991). Interview questions are addressed mainly to two types of departmental managers of the four and five star hotels including sales & marketing and accounting in order to examine the aim of the current research conducted in North Cyprus. Finally, the present study is based on content analysis method which consists of gathering and categorizing data into consequential and beneficial information as part of the coding process (Altinay and Paraskevas, 2008; Elo and Kyngäs, 2007; Walsh, 2003).

1.5 Outline of the Thesis

This thesis includes five chapters. Chapter one provides information about research philosophy, aim and objectives of the study, contribution of the present study and proposed methodology.

Chapter two presents literature review. This chapter gives information about basic economic, financial and accounting theories of prices and pricing process, particularly in different areas of the tourism industry.

Chapter three describes the qualitative approach. It includes also a list of interview questions, purposive sampling as one of the sample tool, data collection process and data analysis.

Chapter four presents information about findings of the present study based on the results of the interview questions.

Chapter five provides information about discussions and conclusion of the findings. Furthermore, in this chapter, limitations of the study, recommendations for future research and implications of the present study are discussed.

Chapter 2

LITERATURE REVIEW

2.1 Introduction

An important element of marketing tools is the price, which is a leader in the mechanism of formation of market relations (Solntsev, 2012). Price significantly affects the results of sales and capacity of relevant departments. It provides income development, determines the level of competitiveness of products, facilitates mutually beneficial relationships between businesses and consumers, as well as other market players (Solntsev, 2012). The price is a critical tool in satisfying the needs of consumers on one hand, and improving the profitability of the enterprise on the other hand. The price should match the quality of goods, which is determined by consumers. If the price is too high, then consumers will realize that they do not get the equivalent for the money spent. If the price is too low, then consumers will question the quality of goods, because they realize that in most cases a lower price may mean lower quality level.

“Pricing policy - the art of pricing and price management, the art set of goods (services) such as price and they vary depending on the position of the product on the market to set goals were achieved.” (Duhina, 2005, p. 5) Pricing policies and tactics of hospitality businesses are essential in the development of appropriate business strategies. Revenue management is a widely used term which indicates the importance of managing the ‘selling’ side of the business operations where pricing the products and services is the core of this ideology. So, it is important to investigate the pricing process and pricing strategies, which are closely related to revenue management or so-called yield management, especially in the hotel industry. It has direct effect on the overall financial performance.

2.2 Room management characteristics

The hotel industry as one of the biggest part of business in the world and the main direction is to provide a large selection of accommodation and service for tourists. Travelers rely upon hotels that offer a secure, pleasant place not for long term stay. The aim of hotel industry is providing a comfy accommodation for each individual guest, whether the guests are working people, families on vacation, or some tourist groups. Therefore the room management is one of the most important aspects of revenue generation in the hotels, where the key role is providing the room rate pricing strategies for consumer market.

From economic point of view price is a particular amount of money in order to trade them for receiving a certain amount of goods or services (Monroe, 2003). Usually the seller can manipulate the price in order to gain more profit, but the role of the room rate also should be consider from customer's perceptions which consist of several factors: perceived quality, perceived value, fairness, willingness to book a room. These factors together with customer's perceptions influence the decision-making process. Hoteliers determine the room rate price by considering the initial and final price discretion.

Harris (2006) stated that this discretion is a result of receiving benefits from selling the rooms at highest price and minimizing costs to the lowest level without making any loss. In the direction of creating and sustaining the rapport between hotelier and customer, there are the factors that will be affected on the initial price discretion as an internal and external factor. Harris (2006) defined that companies are using tangible and intangible resources as internal factor, while external factor would include several macro environmental forces such as technological, social, economic, and demographic. Factors that influence on the competitive position are customers, competitors and suppliers. According to Harris (2006) the final price discretion regulates the possible price range that is completed with equality of booking the rooms by customers and selling it by managers.

Adams (2006) suggests that by using room resources the manager should attempt to make balance between keeping the prices and achieving maximum occupancy where even a slight rise in price will not have an appreciable influence on the overall profitability of the hotel.

There are a number of factors that should be considered in relation to the hotel occupancy level, such as size of the hotel, average room rates, facilities, location (Lockyer, 2005). In order to gain the maximum level of room occupancy, hotels started widely to use an approach so-called Yield Management. Desiraju and Shugan (1999) stated that yield management system is an instrument for realizing the best possible strategy in order to achieve full capacity. Donaghy et al., (1995) defined that yield management is a technique for maximizing revenue by making forecasted pattern for each room and selling them at favorable price. The successful implementation of YMS depends on human activity, because it requires the knowledge and understanding the consumer market, especially a consumer behavior.

Price-setting will take into consideration also the customers who may be relatively sensitive or insensitive to the price in airline and hotel industry.

Competitive position matrix.

		Relative resource-produced value		
		Lower	Parity	Superior
Relative resource cost	Lower	1 Indeterminate position	2 Competitive advantage	3 Competitive advantage
	Parity	4 Competitive disadvantage	5 Parity position	6 Competitive advantage
	Higher	7 Competitive disadvantage	8 Competitive disadvantage	9 Indeterminate position

Figure 1: Competitive position matrix
Source: Hunt and Morgan, (1997)

Thereby yield management can increase revenue and it can also demonstrate a strong competitive position and high financial performance on the market among other rivals. In order to determine the organizations' competitive position in the market place, Hunt and Morgan (1995) proposed the theory of comparative advantage theory of competition or resource-advantage theory (R-A theory). This theory determines the market position of a particular firm which uses vast resources by analyzing in which the service sector need to make funding for achieving greater performance in comparison with other firms within the industry.

As figure 1 illustrates, there are nine types of competitive positions based on the firm's resources. The interpretation of this matrix can be as follows. Cell 3 demonstrates that firms can produce and offer products for some particular market segments by having enough resources in order to achieve superior value and lower costs. Furthermore,organizations in this position can be situated as shown in cells 6 and 2. To counterbalance it, the firms will try to lose their competitive advantage as shown in cells 7, 8, 4 which can lead to low returns. The firm's positions in cells 1 and 9 describe their skills they can manage in order to deliver superior performance.

The R-A theory contributes to set up the room rate for appropriate prices. It can provide the information about hotel market position by establishing accurate price discretion, because the feasible price range between initial and final price discretion has a direct effect on the financial performance. If the price for customer is too high, then he/she can switch too their competitive firms.

The price discretion in the competitive position matrix.

		Relative resource-produced value		
		Lower	Parity	Superior
Relative resource cost	Lower	1 Downward skewed price discretion	2 Wide price discretion	3 Wide price discretion
	Parity	4 Narrow price discretion	5 Similar price discretion	6 Wide price discretion
	Higher	7 Narrow price discretion	8 Narrow price discretion	9 Upward skewed price discretion

Figure 2: The price discretion in the competitive position matrix
Source: Hunt and Morgan, (1997)

Figure 2 illustrates that feasible price range of the room rates depends on market position and price discretion. If the hotel is considered in the parity market position, then price discretion of rooms are similar with value and cost to the competing hotel. Cells 2, 3, 6 depict the room rate discretion of companies that have wider competitive advantage in market positions and cells 4,7,8 show the price discretions as narrow for competitive disadvantage market positions. And the last cells 1, 9 identify the price discretion of rooms in the middle positions that can be slanted up or down. Therefore, even if the hotel has weak market position, but higher room rate pricing resources, it can improve its position from weak to strong. A superior resource can change a situation of financial performance in a positive way, but not for long-term if hotel market position is in competitive disadvantage. The hotel with strong market position has the advantage of using resources and being able to increase financial capital.

2.3 Pricing

The concept of pricing as part of human interaction process consists of collaborative work of different departments such as accounting and finance, operational, marketing, human resource. By determining the pricing policy, it is needed to make certain steps at the departmental level, such as gathering the information, analyzing, interpreting and negotiating. Moreover, the building of relationships with clients and understanding the consumer behavior can play an important role in the determining pricing policy. The pricing process can certainly have some distinctive features that belong to particular types of industries and this is primarily concerned with service industries.

The main task in the service industries is making the right decision by managing the fixed capacity andit is the balance process between demand and accessible hotel rooms. Because all products, such as empty seats in the airplane or unsold rooms in the hotel are perishable, this characteristic leads to a loss of potential revenue. Every specific service industry has various characteristics in creating pricing policies, but the basic ground of pricing process is making profit. In the airline industry the customers can buy a ticket, where the price is different according to types of certain classes (business, economy, first class), customer price sensitivity (high-fare or low-fare passengers) and booking in advance. The offering of discounted rate fares helps to fill the empty seats in the airplane. Thereby, Belobaba (1987) determined that seat inventory control system creates abalance between making full-fare reservations and providing of particular number of discounts in order to get maximum revenue from passengers. The pricing process in the hotel industry is similar to the airline industry. In the hotel industry the decision process of establishing the room price is one of the core elements of pricing strategies, because the price is the main indicator of choosing a suitable room (Lockyer, 2005). The pricing process can be distinguished by certain aspects, such as goal of vacation (business traveler or leisure traveler), advanced booking, seasonality, customer perception of service quality and customer satisfaction. According to Hung et al., (2010) pricing strategies can be suppler compared with other marketing strategies because of the ability to adapt easily in case of changed surrounding conditions, e.g. seasonality that involves weather changes.

Choi and Cho (2000, p. 18) claim, “Hotel managers have long been using various pricing strategies to bring the seasonal demand for hotel rooms and hotel capacity constraint into balance.”

In the cruise industry the pricing process depends on capacity of ship, offering special travel packages, e.g. air-fare package, which includes the airfares by arriving to gateway city or cruise line package. Lieberman (2012) conducted his research about cruise industry and he contends that cruise ship categorizes their cabins in more different categories and each category is determined by its own price. In the restaurant sector manager is unable to predict the customer duration of seating, but he can manage the time by offering some special menu with the special price in the limited time per day. The price setting is also practical for using in car parks, where the profit comes at the expense of providing available space for parking cars. The pricing can be differentiated considering duration of parking and what time of day either day or night parking (Guadix et al., 2011).

2.3.1 Economic theory of pricing

Price is an interrelated method between a certain currency and goods or services for purchasing purpose, but in reality price is very complicated aspect on the international financial market (McAfee and Johnson, 2005). Every product is estimated by the major indicator such as quality of the product that diversifies the degree of product price and decision of purchasing process (McAfee and Johnson, 2005; Rittenberg and Tregarthen, 2009).

In the basic economic law the price is stemmed from the interrelations of supply and demand. These two variables are the basic instruments for providing analysis of economic and financial situation of the particular company or firm (McAfee and Johnson, 2005). Demand is the quantity of product, that consumer is capable to obtain it through the purchasing process at certain price. Supply is the quantity of product, that producer wants to sell at various prices (Schiller, 1991; 2005). The principle of settling price has direct correlation with the quantity of product, whenever the price is high, then demand is low and vice versa if the price is low, then demand is high. After the analyzing of buyers and seller desires then the next stage appears an exchange of goods or services that is satisfied to some extend both of the side. This resulting price is referred to as the equilibrium price. In principle of equilibrium price means the parity between the quantity of a good that producer delivered and the quantity demanded that customers are able to purchase (Schiller, 1991; 2005). (see Figure 3).

In the case of any changing in price will lead to different consequences. When the price is decreased below P1, it means the quantity demanded is over the quantity supplied. In result the consumers will be worried about purchasing a particular product, because the seller will unable to supply and it creates product shortage on market. Thus the consumers should spend more money in order to buy product. Supplier must increase deliveries of production in order to fill enough the products on market. Conversely, if the price is increased above P1, then in this situation a market is becoming in surplus, where the quantity supplied is over the quantity demanded. In this situation seller should decrease the price in order to clear the market of excess supplies, whereas consumers should be encouraged to raising their consumptions in order to decline the price. In both of consequences the price will become equal between supply and demand (Rittenberg and Tregarthen, 2009).

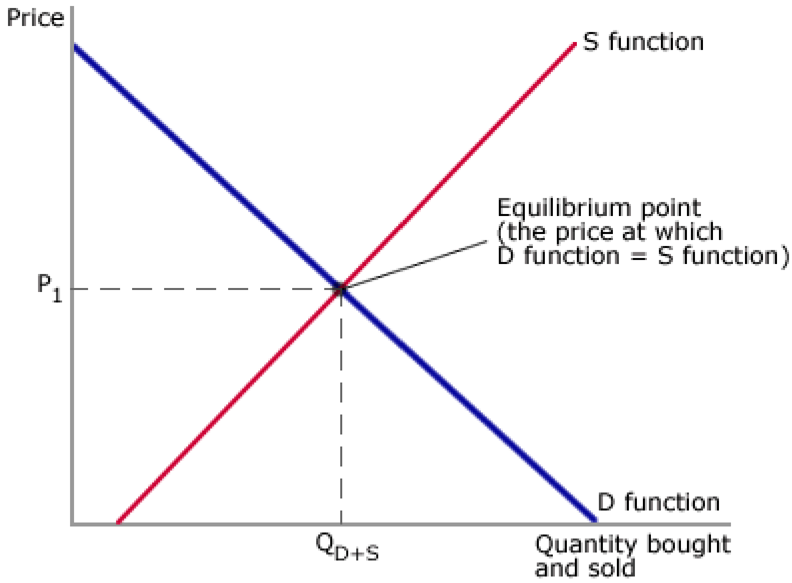

Figure 3: Price equilibrium
Source: Wikipedia, Encyclopedia, (2005)

Another important issue is considering the concept of price elasticity of demand and supply. The determined process of price elasticity requires to measure changes in quantity demanded that is influenced on price changes (Tranter, Stuart-Hill and Parker, 2008). In the economic theory of price elasticity of demand it helps to identify consumer behavior, especially how consumer responds to any variation in price, by using specific formulas: (Schiller, 2005)

$$Elasticity\ of\ Demand\ (E) = \frac{Percentage\ change\ in\ quantity\ demanded}{Percentage\ change\ in\ price}$$

1) $Percentage\ change\ in\ quantity\ demanded = \dfrac{change\ in\ quantity}{average\ quantity}$

$$= \frac{q1 - q2}{\frac{q1+q2}{2}}$$

$$2)\ Percentage\ change\ in\ price = \frac{change\ in\ price}{average\ price} = \frac{p1 - p2}{\frac{p1+p2}{2}}$$

If elasticity is larger than one, the demand is elastic and consumers are more sensitive to price changes. If elasticity that is equal to one is unit elastic, whenever the demand is going up or down, the price will be move equally as well. While the elasticity that is lower than one is inelastic. In this situation consumers are not very sensitive to price changes (Schiller 2005; Syafruddin and Koesrindartoto, 2012).

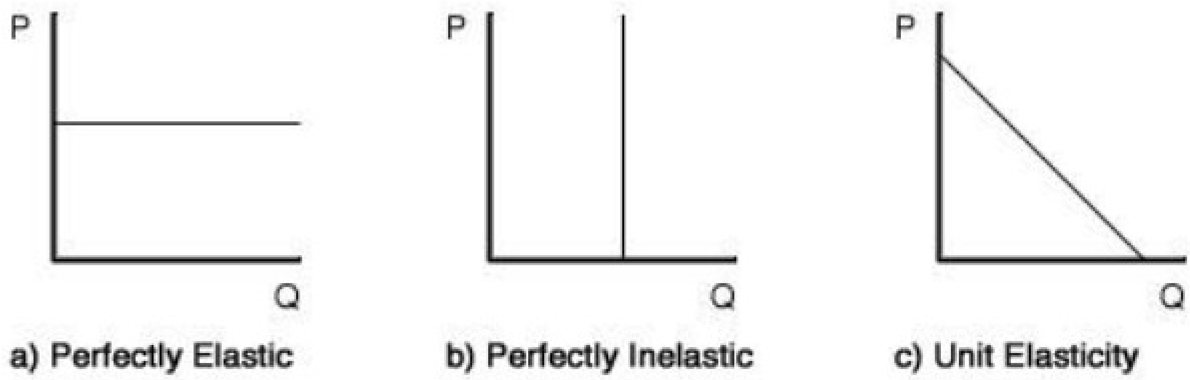

Figure 4: Price elasticity of demand
Source: Kudurshian, (2006)

As Figure 4 illustrate 3 types of elasticity: a) Perfectly Elastic Demand (E = ∞) depicted on the left figure and it means that any price change will reduce demand to zero. b) Perfectly Inelastic Demand (E = 0) demonstrated in the figure which is located in the middle and in spite of whether the price changes or not, the demand will stay at the same position. c) Unitary Elastic Demand (E = 1) portrayed on the right figure and it explains that any price changes will be compensated by falling exactly proportional to demand. Between these three types of elasticity it may also be intermediate stage as relatively elastic (E > 1) or relatively inelastic (E < 1) (McAfee and Johnson, 2005; Schiller, 1991).

The elasticity of demand has also direct impact on total revenue and it can be described in this way: a) Products with elasticity equal to one is unitary elastic, where a price rise will not change total revenue b) Products with elasticity higher than one is elastic, where a price rise will decline total revenue c) Products with elasticity lower than one is inelastic, where a rise in price will increase total revenue (McAfee and Johnson, 2005).

Price elasticity of supply evaluates the level of suppliable amount in relation to price variation. The formula for measuring price elasticity of supply is:

$$PeS = \frac{Percentage\ change\ in\ quantity\ supplied}{Percentage\ change\ in\ price}$$

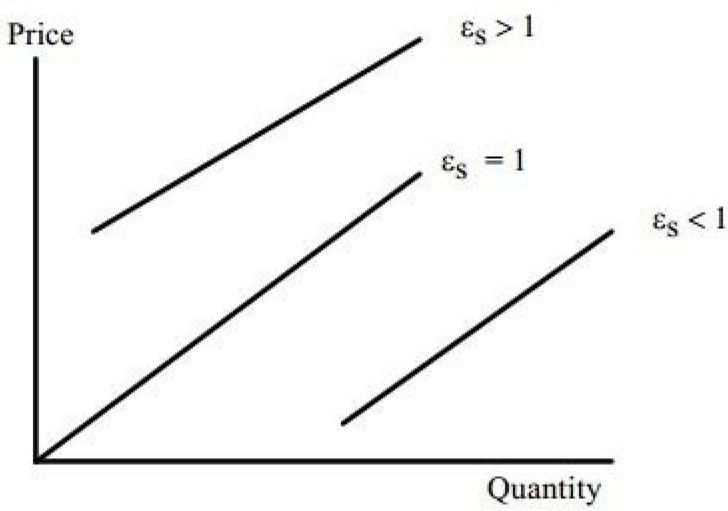

Figure 5: Price elasticity of supply
Source: Walden, (2007)

The principle of elasticity of supply is provided the information about products sensitivities to price alteration. If elasticity of supply is increased more than one unit (Es > 1), the supply is price elastic and more sensitive to price changes. In this case producers can sell more products at higher prices and at the same time increase general profit. If the elasticity of supply is less than one (Es < 1), the supply is inelastic. In this situation the product supplying is not very sensitive to price changes and the quantity of production will declined. If the elasticity of supply is equal to one (Es = 1), the supply is unit elastic, so there is no any influence between quantities of supplied and price changes (McAfee and Johnson, 2005; Rittenberg and Tregarthen, 2009; Schiller, 1991).

Using the price elasticity of demand and supply can provided the information how the price is influenced on consumers and sellers behaviors at one particular product (Rittenberg and Tregarthen, 2009). Simultaneously, the economists can also measure both of the products by evaluating the price change of one product and its impact on necessitated amount of demand of another product. This concept of elasticity is called Cross-Price Elasticity of Demand (CPEoD) and the process of measuring is related to both of them percentage changes in price and in demand. The concept of cross-price elasticity of demand is considered in two types of products, which can be substitute or complimentary. With substitute products the process is going in the way of direct impact of price increasing for one product on the increasing the demand foranother product. If the cross price elasticity will be positive, the both of the products are substitutes. With complementary products by increasing the coefficient of one product will influenced on decreasing demand of another product. The more effective interactions between two products, then the higher are the negative coefficient of cross-price elasticity of demand (Ghai and Gupta, 2002; Rubinstein, 2006; Schiller, 1991).

The formula of Cross-Price Elasticity of Demand (CPEoD) is demonstrated like:

$$Cross - price\ elasticity\ of\ demand = \frac{Percentage\ change\ in\ quantity\ demanded\ of\ good\ X}{Percentage\ change\ in\ price\ of\ good\ Y}$$

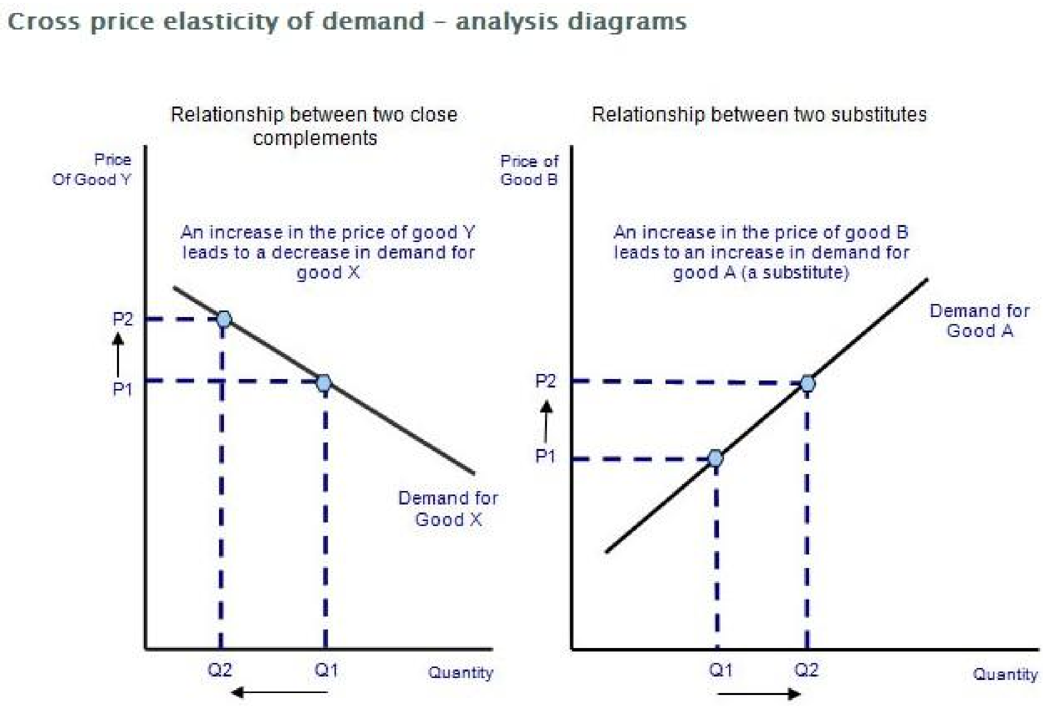

Figure 6: Cross price elasticity of demand
Source: Rilley, G., (2012)

2.3.2 Pricing setting techniques

Harris (2006) claim that the concept of price setting can be conventionally distinguished between price setting and price changing. Price setting process is considered as making some plan, while price changing means to apply some tactic, but both of them have direct relation to time-scale. There are three factors, which may influence on demand and supply: 1) customers 2) competitors 3) costs. Horngren (2006) argues, that customers have direct impact on the demand for a product or service and basically it depends on characteristics of a products and their quality. In the business area the company should have information about competitors in order to set up its own price and being aware how to manage products and sell at higher prices. Costs have effect on prices in relation to supply. Companies offer product as long, because the extra revenue from selling a new unit exceeds the extra value of manufacturing it. The lower value of manufacturing a product, the bigger the amount of product the company is willing to produce (Horngren, 2006). Thereby pricing decisions create general pricing policy, which is based on financial costs in order to be in profit the price should be on that level that will compensate all costs of producing particular product (Adams, 2006). In practice, manager should be aware in the process of cost of producing a product, because it will indicate the level of company's profitability. Schiller (2005) affirms that total cost of producing a product is included all resources and it can be classified into two groups: variable and fixed costs. Variable costs are unstable in depends on quantity of demand of product, which include the variable inputs such as labor and raw materials. Fixed costs are expenses that are unchangeable depending on quantity of product and included fixed amount of money that it should be paid for rent, equipment or machinery. Manager can calculate total cost by using formula: $Total\ cost = Fixed\ costs + Variable\ costs$

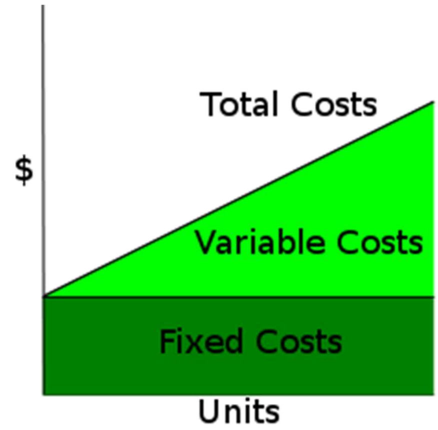

Figure 7: Total costs
Source: Wikipedia, Encyclopedia, (2010)

To maximize profits in the short term the manager should consider two factors: what is the cost of producing a one product and what is the revenue of selling it. In order to determine if the product is profitable, the economists are using a theory of marginal cost and marginal revenue. Basic concept of marginal revenue is defining new total revenue due to the growth in sales for one unit of product and marginal cost refers to analyze a cost of producing one additional unit of product (Ghai and Gupta, 2002). If the firm is trying to be competitive at high level, the manager should keep the price constant as long as possible, since price equals to marginal revenue. Schiller (1991) claim that firm can maximize profit when marginal revenue will be equal to marginal cost. In other casesthe relation between marginal revenue and cost will be influence on positive or negative indicator of profit, where in the first case marginal revenue prevails over expenses and it will show in increasing of product quantity, but in the second case the whole process will be the opposite in relation to income and expenses and the company should produce less amount of product. Therefore, marginal profit has direct effect on total profit that can increase or decrease in resulting of positive or negative situation of marginal profit. To calculate marginal revenue and marginal cost, the economists propose to use formulas:

$$Marginal\ Revenue\ (MR) = \frac{Change\ in\ total\ revenue}{Change\ in\ output}$$

$$Marginal\ Cost\ (MC) = \frac{Change\ in\ total\ cost}{Change\ in\ output}$$

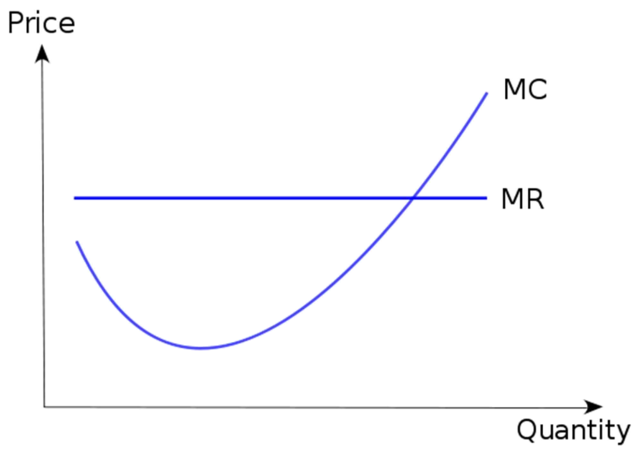

Figure 8: Marginal cost and revenue
Source: Wikipedia, Encyclopedia, (2010)

In cost accounting there are two main approaches for pricing decisions, which can help to determine the right charging of price for product. The market-based approach to pricing is putting the price for product which is based on customer expectations and demand. Basically, the manager establishes the price from the highest level, afterwards by decreasing the price he ought to concentrate on the costs. This approach is focusing on increasing the profit by reducing costs, but not raising price (Drury, 2008).

The cost-based approach to pricing is mainly focusing on costs. The manager considers at which high level a price can be charged by estimating of customer demand. This approach allows establishing the price at the bottom and increasing till that level where manager can to maximize profit (Drury, 2008).

The processes of pricing decision are complex and important, because it requires carefully analyzing the markets, competitors and costs. These processes need to be performed before developing a pricing strategy. The formation of pricing strategy needs also using special leverages in order to manage pricing techniques. The first one is using operating leverage and the second is financial leverage. The operational leverage of a firm is expounded to the magnitude relation of total fixed prices to total variable prices. Companies with a better proportion of total prices described by fixed prices can have a better operational leverage for a particular sales volume (Monroe, 2003). Financial leverage cares to manage debt of firm. Since, a firm is paying interest of debt for receiving a backing and also the quantity of payment is relied on earnings. The bigger the utilization of debt, the bigger the money leverage and also the additional fixed financial costs are added to fixed operating costs to boost the impact of changes in sales volume (Monroe, 2003). Both of the leverages can be measured by identifying degree and using common formulas:

$$Degree\ of\ operating\ leverage\ (DOL) = \frac{Percentage\ change\ in\ operating\ profit}{Percentage\ change\ in\ sales\ volume}$$

The degree of financial leverage (DFL) is indicated by percentage change between operating profits before interest and taxes relative to the change in operating profits before tax:

$$Degree\ of\ financial\ leverage\ (DFL) = \frac{Percentage\ change\ in\ operating\ profits\ before\ interest\ and\ tax}{Percentage\ change\ in\ operating\ profits\ before\ tax}$$

According to Morris and Morris (1990), cost-based and market based approaches are different types of pricing strategies. Using every single strategy has its specific purpose in relation to the financial side of the company and distribution of products to the market as existing and new product among buyers.

Types of Pricing Strategies:

Cost-based approach, which is focusing mainly on the costs, has a certain subdivisions of pricing technique:

1) Mark-up pricing – is analyzing the variable and fixed costs by estimating total cost per product. This is the difference between cost of producing one product and price of selling it. This strategy indicates thepercent of proportion of sales and costs (Morris and Morris, 1990);
2) Target return pricing – is setting a price in order to return the amount of invested money in a product in a certain period of time. The result is divided by estimated sales (Morris and Morris, 1990);
3) Rule of Thumb – this approach is widely known in hotel industry, based on average room rate (ARR). Mainly, the principle of applying this method is

estimating one dollar in ADR per every one thousand dollars in value per guest room (O'Neill, 2003);

4) "Bottom up" or "Hubbart formula" – is useful for providing information about hotel's ADR for achieving the main financial goal. This process is called "bottom up", because the calculation is started from bottom to top of income statement and included several steps (Dopson and Heys, 2008): a) To calculate DNI that is based on the owner's desired ROI and perform the job with the financial statement by supplementing back proposed taxes, Non-op. exp., and Undist. Op. Exp. and the next step is deducting of evaluated Op. Dep.In. (excluding rooms). The results are appraised the operated department of financial benefit for accommodations. b) To calculate separately the evaluated Op. Dep. In. for accommodations by considering revenue and costs. One time the room costs are deducted, but the room revenue doesn't calculate. This revenue will then be divided one more time in order to designate different types of rooms for sale. c) And finally ADR is giving the information about daily revenue and it helps for managers to set up or change the prices in very short term in order to avoid the loss of profit so as to achieve desired profit (Dopson and Heys, 2008).

Normal Format for the Income Statement		Bottom-Up Format for the Hubbart Formula	
	Operated Department Income (Rooms)		Net Income
+	Operated Departments Income (Excluding Rooms)	+	Taxes
–	Undistributed Operating Expenses	+	Nonoperating Expenses
–	Nonoperating Expenses	+	Undistributed Operating Expenses
–	Taxes	–	Operated Departments Income (Excluding Rooms)
=	Net Income	=	Operated Department Income (Rooms)

Figure 9: Normal format vs. Bottom up format
Source: Dopson and Hayes, (2008)

Steps 1–5:

Bottom-Up Format for the Hubbart Formula	Calculations
Before-Tax Net Income	$ 3,243,480
+ Nonoperating Expenses	+4,292,400
+ Undistributed Operating Expenses	+6,761,520
– Operated Departments Income (Excluding Rooms)	–4,486,200
= Operated Department Income (Rooms)	**$9,811,200**

Step 6:

240 rooms × 365 days in a year × 0.80 occupancy = 70,080 rooms
70,080 rooms × 60 expense per room = 4,204,800 estimated rooms expenses

Operated Department Income for Rooms	9,811,200
Estimated Rooms Expenses	+4,204,800
Estimated Rooms Department Revenues	**$14,016,000**

Step 7:

$$\frac{\$14,016,000}{70,080} = \$200$$

Figure 10: Bottom up format for the Hubbart Formula
Source: Dopson and Hayes, (2008)

Market-based approach – is a more widely used strategy in the service industry, which is considering the customer reaction and their expectation by setting every price from the top level and decreasing it when the demand will be at maximum level. Some strategies are using for amplifying of new product and strengthening it on the market (penetration pricing and “skimming” pricing strategies). Morris and Morris (1990) refer to different types of pricing strategies:

1) Floor pricing – price setting process that is comprised enough money in order to cover the costs;
2) Penetration pricing – set up the price that is lower than with other main competitors in order to receive fast adoption of the product on market;
3) Parity pricing (going rate) – the main goal of using this strategy is setting prices that are mainly equal to the other competitors;
4) Premium pricing (skimming) – the price setting process is based on offering relative higher prices compared with other main competitors in order to take advantage by distributing of new products and proposing them for the customers that are less sensitive to price changes;
5) Price leadership – sometimes involves the top firms within the business for creating fairly conservative prices that are afterwards followed by different corporations within the business;
6) Stay out pricing – the firm is offered very low pricesin relation to demand quantity for making market entry barriers by new competitors;
7) Bundle pricing – this strategy is included a conjoined products or services, which are sold under the same total price that is lower than if you sell each product or service separately. A good example in the hotel industry can be a tourist package which includes not only accommodation but also fly tickets;
8) Cross-benefit pricing – this strategy is setting the prices in the way of having low costs just for one particular product, but in all types of product line, however the costs can be increased if the customer will order a certain supplement within that product line (Morris and Morris, 1990).

Mostly hoteliers face difficulties in practice in order to increase profit by focusing on costs, because it takes a lot of time to make right price decision. Using the cost-based approach will not be a very effective technique, because “it is difficult to appropriately determine the unit cost associated with the product since unit costs fluctuate with sales volume and it leads to over-pricing or under-pricing” (Collins and Parsa 2006, p. 93).

Collins and Parsa (2006) proposed to consider another two approaches which are also using as techniques in price setting: 1) Customer-driven pricing is strategy with setting flexible price for customers that are willing to pay for certain amount of product. The disadvantage of this strategy is that sales organization can not distribute products at any price what the customers want. Primarily, the price should be responded to real value of product and to be paid up for appropriate price for it. 2) Competition-driven pricing is strategy that has similar features to penetration pricing in the way of cutting price to receive a market-share. Mainly, this strategy can realize sales volume goals in the short-term, but at the same time it can bring more income to set up price for market-niche in order to generate adequate stock-in-trade.

Nagle and Holden (1995) offered to use in pricing setting another strategy so-called value-based pricing strategy, where process of pricing decision was opposite to principle of cost-based approach. They believed this strategy would be more profitable, because charging the price of product will depend on real value for what the customers are willing to pay. This strategy is more complicated because it required applying different price levels for product to different groups of customers that are willing to pay for it. Using the value-based pricing strategy, researchers also have introduced new methodas price segmentation. This method is differentiated price setting and group of customers into particular market segments. In terms of customers is another fact which performs an important role in the purchasing process, is a time. The time of purchase can be affected on price setting level and decision-making process of buyers. Thereby, Nagle and Holden (1995) proposed to use a method of peak-load pricing that is efficiently working due to demand fluctuation of product for a certain time period.

2.3.3 Revenue management

One of the techniques which play an important role in pricing strategy to maximize the profit by controlling a price and room occupancy in the hotel sector is referred as revenue management (RM), also known as yield management (YM). The early stage of successful applying and implementing this technique was in the airline industry in the late 70's. For the last two decades researchers investigated revenue management in order to specify meaning and purpose of using this approach in different service industries. Kimes (1989) defined that yield management (YM) has a conjoint relationship with the two basic economic sides as a demand side and supply side for maximizing profits by performing certain operations. The researchers highlighted the fact that all main products in the service industries are perishable, because of limited capacity of space as an airline seats, rooms in the hotels, car parking and they claimed that yield management system will ensure proper allocation and fill places by implementing advance sale, reservation and the introduction of discounts (Desiraju and Shugan, 1999; Donaghy et al., 1995; Guadix et al., 2011; Kimes, 1989; Liebermann, 1993).

Furthermore, revenue manager should be aware in order to manage the fixed-capacity it requires to make some decisions in advance as a forecasted demand that helps to optimize a numbers of reservations in the present time and in the future (Tse and Poon, 2011; Upchurch et al., 2002). The complexities of using yield management are including itself different processes, which revenue manager should take into consideration in order to enhance profit to maximum level, such as monitoring of no-shows and cancellations structures, determining of demand and supply patterns for particular period of time by using previous statistical data and making some assumptions for future arrivals by considering also seasonality (Subramanian et al., 1999; Upchurch et al., 2002).

In addition, researchers examined that yield management provides some direction for establishing appropriate pricing policy, where price setting will be dynamically changeable in relation to each market segments and products categories (Aziz et al., 2011; McDonald and Rasmussen, 2009). It helps to increase revenue by offering right price for each customer at the right time. Basically the aim of revenue management is to manipulate the price in that way that will keep demand at the necessary level in order to receive high profit by offering lower price when demand is low and high price when demand is high (Heo and Lee, 2011).

2.3.3 i Hotel room pricing

In hotel industry revenue manager should also mention that by charging the prices for customers, it needs to make some observation how the customers perceive that price for buying a particular product. The investigation of fairness perceptions of pricing was conducted by various researchers. Kimes (2002) stated that price should be responded to product value and customer value that are going to give money for it. If the price is too high for good or service then the customer will consider that price as unfair versus if the price is too low, then customers will think about quality of good or service. The main point of customer fairness perceptions is being aware about revenue management price (Kimes and Wirtz, 2007). Choi and Mattila (2005) investigated that the customers can be satisfied or dissatisfied with the price depending on the quantity of information they received about revenue management practice and hotel's pricing policy.

Bujisic et al., (2014) examined about fairness perceptions of price based on previous studies which were mentioned above and the researchers investigated the influence of pricing strategy on customer's perceptions and their behavior in relation to the food and beverage prices.

2.4 Key Outcomes of Literature Review

Price is one of the key issues of microeconomic theory, especially in financial and accounting fields, because it has impact on two main directions, the first one is on satisfaction of customers' needs and the second one is on increasing the profitability of companies. Thus, most of the companies or firms have a cost control department or accounting department that are working on establishing the pricing policy. Within tourism industry, the pricing policy is the base of creating, developing and managing the pricing strategies. Therefore, pricing strategies play a significant role in the hotel industry in order to set up and manage the right price for goods and services on the marketplace in order to maximize revenue for short or long term (Drury, 2008; Monroe, 2003).

However, the prices are generated in line with each hotel's competitive position in the market aiming to achieve high profitability among other hotels. That's why, accounting, sales & marketing managers gather information and provide deep analyses of the important market segments by using economic tools, such as elasticity of demand and supply, total cost, marginal cost and revenue, in order to evaluate the current or future situation of the hotel.

Therefore, the following chapters develop the main research questions, based on information gathered within TRNC hotels.

Chapter 3

METHODOLOGY

This chapter includes information about types of research in current study. The sample size of present study that that will help to receive necessary data for further investigation in the hotel industry of North Cyprus. The measurement type of data collection represents in this chapter.

3.1 Qualitative Approach

This study introduces qualitative approach in order to gather detailed information from the representatives' departmental managers in the hotels. Qualitative approach is conducted through the contact with real life situation among different groups, individuals and organizations. Qualitative data is considered the issues that are related to the people, objects and situations and it gives substantial information that can be useful and practical in further researchers. Qualitative research is related as a method where investigator tries to interpret gathered information and analyzed it in order to clarify a particular phenomenon (Walsh, 2003). The way of using qualitative research is conducting interviews that can be more flexible and effective during the interview for collecting data and later providing results more deeply, in a sense of better understanding of respondents' perspective (Amaratunga et al., 2002; Davies, 2003). The criteria of selecting respondents are related to using a particular type of sample size regarding types of methodology approach. Therefore, in the present study the purposeful sampling is used regarding the qualitative approach. This type of sample size is more appropriate in order to obtain significant in-depth information from specific group of people, in this case from the respondents that have specific knowledge and experience in financial and cost accounting fields (Coyne, 1997; Morse, 1991; Patton, 2002).

Inductive approach that related to qualitative research is more practical and useful when the investigator faced with lack of knowledge and information about the phenomenon (Elo and Kyngäs, 2007). In addition, this approach gives a meaning of gathered data in the form of summary by the treatment and processing them (Thomas, 2006). The process of conducting interview takes a lot of time with participants and it needs their interactions among employees. Even the respondents are plunging during the discussion in their field,it gives detailed information about the particular phenomenon (Amaratunga et al., 2002; Elo and Kyngäs, 2007). After gathered information needs to make interpretation of the data by doing categorizing process in order to clarify and analyze the research process (Patton, 2002).

3.2 Interview Questions

Accordingly to the aim of the study, the following interview questions are considered. The present interview questions have been adapted from Queenan et al.'s (2011) research and minor changes have been made in order to fit the hotel industry in Northern Cyprus. The main purpose of interview is to obtain the necessary information regarding the present study in order to understand and clarify the key financial and accounting issues in the four and five star hotels and holiday villages of Northern Cyprus. The method of choosing the respondents was based on experience, knowledge and high skilled managers that are specialists in the financial and accounting fields. Basically, the current interview questions are related to sales & marketing and accounting managers, but during conducting interviews the answers can be given by another manager who is responsible and has appropriate knowledge regarding the present study.

1. What kind of strategy do you measure for setting room prices?
    - Cost-based;
    - Demand-based;
    - Revenue-based Yield management;
    - Flat rate;
    - Off-peak/on-peak season
2. What are the factors influencing on types of pricing strategies and how do you measure those factors in order to keep profitability of the hotel?
    - External (demand fluctuation; seasonality; competition)
    - Internal (service quality; costs; price fairness)
3. How do you set your forecasts?
    - Previous data;
    - Revenue management system;
    - ARR;
    - Occupancy level
4. What do you think about the concept "perceived price fairness"?
    - Product/customer value;
    - Quantity of information about revenue management
5. Do you use any method such as positive word-of-mouth and customers' return intention while setting prices?
    - Intrapersonal comparison;
    - Buyer and seller relationship/Trust;

- Perceived value of buyers' purchasing and sellers' offering

6. How do you use cost measurement in setting price?
    - Fixed/Variable cost;
    - Marginal cost/ Marginal revenue
    - Operating/Financial leverage

3.3 Sample size

In the current study, purposeful sampling was used in qualitative research approach (Coyne, 1997; Patton, 2002). Purposeful sampling plays an important role when the researcher needs to obtain significant data by selecting certain participants (Coyne, 1997; Morse, 1991). It helps to receive deep information from participants that have some experience and knowledge in a particular area (Coyne, 1997; Patton, 2002).

"Purposeful sampling focuses on selecting information-rich cases whose study will illuminate the questions under study" (Patton, 2002, p. 273). Thus, purposeful sampling is considered the most valuable approach in qualitative approach, because the sample size is related to in-depth understanding of a particular phenomenon from the specific group or individuals, events or processes and it does not require statistical data that are used in quantitative approach (Creswell, 1998; Dey, 1999; Miles and Huberman, 1994). Moreover, all participants are interviewed individually and sometimes if the respondents are fully emerged in this process, then the interviewer can obtain deeper and additional information regarding the necessary knowledge that can used in the current research (Amaratunga et al., 2002). Therefore, the interviewing is considered more flexible and appealing for interviewer and respondents and later results of the research may play a further significant role for the particular area.

The purpose of sample size was directed to representatives of tourism hotel industry in North Cyprus, especially departmental managers of mid-scale and upscale hotels. The full information about hotel brand, star and location was taken from "KITOB Üyesi Olan Oteller" web page. The data was collected data from all four and five star hotels and holiday villages. The preliminary arrangements were scheduled as a meeting with the sales & marketing and accounting managers. The appointments of the interviews for each hotel were achieved by means of using personal contact and through the help of staff within Faculty of Tourism, Eastern Mediterranean University.

As a result, a total number of 18 hotels participated in the current research, out of 27 hotels.

In this section the full list of hotels and respondents are given.

Table 1: List of Interviewees

Interviewees	Name of Hotel	Star	Current position	Education	Experience	Duration of Interview
1.	Arkin Palm Beach	Boutique Hotel	Sales & Marketing manager	Master degree	15 years	15 min.
2.	Kaya Artemis Resort & Casino	5	Assistant of Sales & Marketing manager	Secondary school	10 years	23 min.
3.	Noah's Ark	5	Sales & Marketing	Master degree	10 years	18 min.

	Deluxe Hotel & Casino		manager			
4.	Golden Tulip Nicosia Hotel & Casino	5	Sales & Marketing manager	Bachelor degree	1 years	32 min.
5.	Golden Tulip Nicosia Hotel & Casino		Accounting manager	Bachelor degree	7 years	15 min.
6.	Salamis Bay Conti Resort Hotel	5	Sales & Marketing Manager	Master degree	15 years	16 min.
7.	Cratos Premium Hotel & Casino	5	Room division manager	Master degree	18 years	18 min.
8.	Korineum Golf &Country Club	Boutique Hotel	Assistant of Sales &Marketing	Master degree	7 years	10 min.

			manager			
9.	Kyrenia Oscar Resort Hotel	4	Front Office manager	College	13 years	8 min.
10.	The Colony Hotel	5	Sales & Marketing manager	Bachelor degree	12 years	11 min.
11.	Pia Bella Hotel	4	Assistant of General Manager	Bachelor degree	6 years	9 min.
12.	Denizkizi Royal Hotel	4	Sales & Marketing manager	Master degree	1,5 years	13 min.
13.	Mercure Hotel	5	Sales & Marketing manager	Bachelor degree	7 years	14 min.
14.	Merit Crystal Cove Hotel	5	Accounting manager	Bachelor degree	24 years	10 min.
15.	La Hotel & Resort	4	Sales &Marketing manager	Master degree	20 years	7 min.

16.	Acapulco Beach Club & Resort	5	Front Office manager	Bachelor degree	14 years	22 min.
17.	Savoy Hotel	5	General manager	Master degree	12 years	8 min.
18.	Malpas Hotel	5	Sales & Marketing manager	Master degree	10 years	7 min.

3.4 Data Collection

In this study conducted exploratory in-depth interview questions to the particular numbers of residents (Marshall, 1996; Sandelowski, 2000). The structure of the research questions in qualitative approach is open-ended question that helps to manage time and process of conducting interviews after getting necessary information from respondents.

To provide the qualitative research with appropriate sampling size gives an opportunity to obtain significant information according to the research subject from the people who have work experience in that field.

All respondents of this study are the residents of North Cyprus. Data was collected in summer time period from June to August. The respondents were managers from different department of hotel.

3.5 Data Analysis

The current study includes content analysis in relation to the qualitative data (Elo and Kyngäs, 2007). The content analysis conducts in both types of research approaches, but the main difference depends on aim of the study (Elo and Kyngäs, 2007). According to Graneheim and Lundman (2004), the most applicable method for conducting qualitative research is interview with the certain groups of participants.

Thereby, to provide data analysis it requires creating some categories within content analysis in order clearly understand the answers on the direct research questions. The content analysis depends on research questions through their types of format and time-consuming for discussion (Elo and Kyngäs, 2007).

The purpose of qualitative data analysis is to summarize the collected data and to clarify the related key issues into the groups or categories. But at first, data analysis starts from transcribing process. The transcribing process is based on typing all information regarding to the interview questions that was given by respondents in order to define similarity and dissimilarity in all given me answers (Krippendorf, 2004; Walsh, 2003). The way of writing word by word was used recorder that helped me not to lose important information obtained from experts. Afterwards, the next step of data-analysis is making grouping and coding process that helps to identify the key points from obtained data and to interpret them in logical sense. The grouping and coding process helped me to describe in appropriate way the findings from gathered information in the following chapter. (see Table 2).

Table 2: Grouping and coding

№	**Grouping**	>	**Coding**
Gr.1	Pricing Strategy	>	code: str.
Gr.2	External & Internal factors	>	code: ex/in fact.
Gr.3	Forecasts	>	code: fr.
Gr.4	Perceived price fairness	>	code: per. pr. f.
Gr.5	Method	>	code: m.
Gr.6	Cost measurement	>	code: c. m.

Chapter 4

FINDINGS AND ANALYSIS

This chapter presents the information about transcribing and interpreting data by using qualitative approach, namely semi-structured interview with open-ended questions, with the managers from different departments of the hotels that are located in North Cyprus. The data collection was conducted in 4 and 5 Stars Hotel, where 2 hotels in Famagusta, 2 hotels in Bafra, Iskele, 1 hotel in Lefkosa and 15 hotels in Girne. The main source of the name, star, and location of hotels was taken from Internet "KITOB Üyesi Olan Oteller".

4.1 Findings

4.1.1 Room pricing strategy

Findings show that by indicating 5 main strategies as cost-based, demand-based, yield management, flat rate and off/on peak season, the results demonstrate that not one hotel use the same pricing strategies in North Cyprus, but the numbers from these 5 strategies are different. Some of the hotels make use one or three, other hotels are using all strategies, but at the same time they focus on the most preferable and profitable pricing strategy. In results fourteen respondents indicated that the most useful pricing strategy in the hotel is off/on peak season that is mainly based on external factor such as seasonality (high and low season). One of the Sales & Marketing manager of the hotel explained that based on high and low season they are using off/on peak season strategy. He said, "The price of the seasons, every season is changing, for example, low season or high season is different, they look at how much the cost of hotel it's going to be." They consider yield management strategy by checking previous data according to the particular numbers of tourist arrivals in order to set the right price for customers. In addition they analyze Local and Turkish markets as a report of revenue for the last year that helps better determine the right price for the next year. Another strategy can be considered the market-based strategy.

Nine respondents reported that for their hotel the price setting process depends on using cost-based strategy. One Sales & Marketing manager stated, "Actually all of them, but firstly of course for our income, that should be cost-based, we should determine first cost, then sell the rooms." Based on this, the managers try to determine their cost before to settle the price for the rooms and the cost is changeable in relation to different seasons. Another manager indicated, "First of all we have to calculate our cost that based on off/on peak season as well."

Eight respondents stated that based on high and low seasons they prefer to use demand-based strategy, because the main profit is coming from the holiday guests in summer time and less profit in providing different kind of conference or meeting in winter time. The most of the hotels are becoming as a business hotel in low season, when the numbers of tourists are much lower than in high season. One of the manager of 5 Star hotel replied, "And in different seasonal time we are as a resort hotel and business hotel for providing different kind of meetings, conference etc." Another thing is dealing with travel agencies, where Assistant of Sale & Marketing stated, "We have few companies of travel agencies and they combine prices with Turkish travel agencies and the demand is coming from Turkish travel agencies, so based on combining prices with travel agencies, our strategy is demand-based."

Eight respondents also indicated that using yield management strategy in the right way increase the profitability of the hotel, but this strategy is inferior in the position among other strategies taking into account the statements of all managers 4 and 5 star hotels. One of the manager replied, “We are using cost-based strategy and sometimes yield management in relation to the high or low season.” Another manager indicated that using yield management strategy is more practical for hotels with big capacity level. One manager of boutique hotel stated “We are not using any another strategies, except off/on peak, cost-based and demand-based, because our hotel is small, we have just 86 rooms. So, it is more practical to use yield management in the huge hotel.”

Four respondents confirmed that they are focusing also on flat rate strategy. The differences between those hotels are in utilizing this strategy, because in one hotel flat rate is the single strategy, in other hotels are additional strategy among others. One of Sale & Marketing manager indicated, “They are giving just one price and travel agencies decide how they want to sell the rooms, its related to company not to the hotel.” Another manager confirmed “The best strategy for us is flat rate, because we have total 170 rooms, where 100 rooms are related to casino, we don’t have any agreement about prices with the travel agencies, we do the price individually.”

Finally, three respondents determined during interview that making the analysis of different markets, such as Cyprus market; Turkish market and European market helps to put right price for the product that they are selling and offering in their hotels. So, manager indicated, “At first what I do, we have some position on the market, let say within Kyrenia market, we know those 5 Stars hotel and more or less their quality, so I always try to keep the prices in that boundary and I check the market how the prices is going now." Another manager emphasized, "In this business or of this part of business, if we talk about Cyprus, the business is different. There are some big agencies, even Turkish agency, they are holding all the market."

The uniqueness of findings, based on semi-structured interview with different managers according to the first question that related to using appropriate pricing strategy, is the expression of a manager who underlined that in addition to the above-mentioned strategies they use SWOT analysis, as one of the matrix in strategic management in order to analyze the strongest and weakest strategies. Manager indicated, "First of all we are making SWOT analysis, because we compare our hotel with other local hotels, it means that we are considering the strongest and the weakest strategy for our hotel." In addition he added to consider a strategy such as quality of service.

Another thing of using different types of pricing strategies is the fixed-capacity level of four and five star hotels. Based on findings, the managers are using similar or same pricing strategies, where one of them is off/on peak season strategy. However, during conducting interview in four and five star hotel and holiday villages, the findings demonstrate that capacity level of the hotel plays also significant role in setting process of pricing strategies. Thus, the five star hotels with high capacity level are utilizing a few or all types of pricing strategies, whereas the four star and boutique hotels with low capacity level can use a couple of same pricing strategies, but not all strategies can be profitable in their hotels. It explains that those managers in four stars and boutique hotels consider that pricing strategies, which are the most practical in order to maximize a profit level in a short and long terms.

4.1.2 External and Internal factor

Seventeen respondents approved that the most important external factor in hotel industry is seasonality. This factor is related very close to the off/on peak season strategy that was mentioned in the first question as most useful pricing strategy among 4 and 5 Star hotels. Because based on seasonality the hotel manager can make a plan in order to get profit in different seasons. By considering North Cyprus as an island in geographical location, in summer time is very hot, and in winter time is quit cold. Therefore, hotel managers consider summer time as a high season, and winter time as a low season. In addition, hotel manager distinguish two types of customers, in high season most of the customers are holiday guests, in low season are business guests, because in the summer time the hotel main revenue come from customers as tourists but in the winter time, the hotel receives profits from business people, except those hotels, which are located not on the seaside. In the winter time the hotel transformed into a place of major conferences, meetings as representatives of the public sector and the private sector including various large companies. Mainly, all managers agree, "The main factor is related to the external, when the season is changing, in the winter season they are working with meeting groups and in the summer season they have just holiday guests."

Another important thing is the location, where just four respondents measured that factor as an external. The location has a huge impact of utilizing a right pricing strategy, because in North Cyprus the most hotels are located close to the seaside and these hotels are using one type of pricing strategies, but other hotels that are little bit far or very far away from the sea, they are setting another type of pricing strategies. Those hotels that are located in the capital of North Cyprus, they don't have enter to the sea, it means that their main revenue is from business guests and their prices are stable all the year. One of the managers indicated, “In the summer period we try to set the prices lower in compare with other hotel that has sea. Because we are city/business hotel we don’t have low prices in winter time.” Even in Girne area, where some hotels are located in the city center, they also are using another pricing strategy in comparing with the hotels that have outlet to the sea. Hotel manager in the city center stated, “Off/On peak season is very important, because we are in the city center we don’t have sea and beach, generally our guests are from England, Casino and business. So, in summer period they don’t prefer to choose our hotel, but in other time like off season is opposite for us as a high season.”

Five respondents revealed that demand fluctuation has also impact on deciding of pricing strategy, because it has close relation to the seasonality. The demand is changing according to the high and low season. One of the Sales & Marketing manager stated, “Our pricing strategy is depending on the demand, if people give right money and take in return right service, it means everything is ok, if you would like to sell product for the right price and right quality, then you will have a profit.”

Sixteen respondents determined another external factor such as competition among hotels. Most of the hotels are competitive between each other, but some of them do not consider this factor. Therefore, manager indicated, “We don’t do any competition, we are competitive in ourselves and our prices are little bit lower than in other hotels, but we give good service. We are economical hotel.”

By summarizing external factors, some of the managers pay attention to other things that was not mentioned by the majority. Two of them are similar between each other. It was transportation and flight rates. Another thing was related to unrecognized country. One of the manager of 5 Star hotel underlined, “First of all, we are in unrecognized country that is the biggest factor, if we put this away, as external factors are seasonality and transportation, like plane and ship, because we are on island.” Concerning the flight rates, another manager stated, “In the external factors, we are usually selling rooms as a packaging mainly, because we have founded that is much better in that way. As we sell package so the external factor for us is also flight rates, because flying to North Cyprus is more expensive.”

As internal factors the majority of managers’ number of seventeen respondents confirmed that service quality is the most important factor in the hotel. One of the manager replied, “We focus on certain amount of quality and we can compete with hotels our level and we do the pricing according to our quality and products that we use.” The main point is that some of the hotels put service quality and cost at the same level. They claim, “When tourists arrive to hotel, they give money, but they have to take a good service, it means that price and quality must be same level.” Another citation “As internal factors we also consider service quality and costand of course accounting department measure all cost related to rooms and service. Based on prices we determine our cost and quality.” One more manager stated, “As internal factors we consider service quality and costthat is changeable every year.” Basically nine respondents consider cost as a separate factor or as a factor that is including at the same time with service quality.

The rest of the managers indicated new factors that were not mentioned in the question. The first factor as an internal is casino. Casinos are the main source of income of the hotel and it can have impact on occupancy level of the hotel. One of manager explained, “On this island most of the hotels have Casino and on Friday and

Saturday most of the guests are Casino guests. In the rest of days we are trying to sell our rooms. It depends on Casino guest occupancy, it depends if they have some tournaments, then they ask us more rooms." The second factor is sales market, because based on types of customers the managers determine the type of sales market. Therefore, one of the managers explained, "Our market is businesses and government." The last two factors were staff cost and qualified staff. These factors were stated by one of the managers of 5 Star hotels. He said, "For the internal factors at the summer time the staff cost is maybe double or triple, because we have to hire some accommodation, we have to give transportation and that's why in our property is included Casino, thousands of people are working in the hotel, casino, port area, that's' why is changing and it is very difficult to find quality staff, because this is the most important subject."

Finally, some of the hotels do not even measure internal factor that can influence on utilizing the right pricing strategies. So, manager replied, "We pay more attention on external factors, because the most customers are from casino and for example, from internal factors do not have impact on changing our prices."

4.1.3 Forecast setting

The most suitable way to determine forecasts is looking at previous data daily, monthly, annually and with this method agreessixteen respondents. The only difference is that every hotel prefers to use different period of time. One of the manager identified, "We are looking this year prices, we try to calculate how much the price will be in serving in the economy, how much it can affect, for example extra sales of the rooms in general and we are looking at the last year and trying to put the same things." Another manager indicated, "Every week we have some reports, it gives us some forecasts how many reservation we have and comparison with other hoteland this process we are doing monthly." One more manager explained daily forecasts, "Previous data, which is history and every single day we have chart, which is included how many rooms sold, month to day and year to day, comparing with them and the revenue for the rooms and other outlets, the current and last year."

Twelve respondents measure in the forecasting process average room revenue (ARR). This method is not very popular, but still gives necessary information about revenue from every single room in order to predetermine the right price for the next year. One of manager of Boutique hotel mentioned, "We are checking report automatically of ARR how much we have in daily, monthly." The interesting thing is that one of the managers of all inclusive explained a new thing in the forecasting process, such as "First of all I'm taking the current and previous customer profile and everything. Then I can put average room revenue (ARR), you cannot put every year the same, you have to put up."

Eighteen respondents agree that the most important factor of analyzing is occupancy level of the hotel. Based on occupancy level the manager can manage the price level in the hotel, especially in high and low season by comparing last year and current year. The Sales & Marketing manager of the hotel in Girne area identified, "When the occupancy level is more than 70%, then I increase the price."

Finally, revenue management system is more practical only when the hotel manager put on the first stage yield management strategy among others strategies. Otherwise this approach is not reasonable for the forecasts. A good answer is given from the Accounting manager. He said, "Concerning revenue management system we have some particular aim for one month or for three months, as like aim of revenue of achieving certain amount of money."

The new thing is related to the analyzing of market situation for making some future plan. The only one manager stated, "You have to calculate nearly your expectation about customers, for example you should have contact with all markets, like European market, Turkish market and local Cyprus market." Another manager added that he is checking also cancelled reservation in the form of report for better managing his or her forecasts.

4.1.4 Concept of "perceived price fairness"

Basically, the perceiving price fairness for managers' point of view in relation to the customers is quite different, but some of the managers expressed the similar meaning. Four respondents measured that price setting process is based on in providing high or appropriate service quality. The price level is depended on the level of service quality. Among these three managers, one of them replied, "Our price is high, because we have A+ quality and quality equal to price, if you want something, you should pay something." Another Front Office manager stated, "Firstly we think about our self, if you look at the prices, our prices are not too low and not too high according to our quality." The same answer was given by third manager that price is setting according to the quality. Fourth manager also refers to giving high service quality and it was measured, "We think that our prices is fair, because our quality of hotel is high, for example, if we are selling the room for 100 pounds, we are giving 150 pounds with the high quality, so the guest are satisfied or 90% are satisfied. So the quality that we give, service that we give, there is no problem with the price, because we are sure what we do." One more manager added to this point, such as "value of prices is related to room quality and service quality.

Two respondents affirmed that even if their prices are lower than in others hotels, because they are economically hotel, they give high service quality. One of them manager indicated, “Our price is not too high, because we are economically hotel, but we are giving a high service quality that the customers will be satisfied with our service.” But the second respondents denominated two main reasons why their prices are lower than in others. The manager stated, “Because of competition, location and market our prices cannot be very high.”

Three respondents focused their attention on travel agencies. They asserted that price setting is based on travel agencies and also giving tourist package with flight tickets. The first respondent indicated, “They are giving just one price and travel agencies decide how they want to sell the rooms, its related to company not to the hotel, because the hotel gives the prices to company and if travel agency wants to change prices, they change, but not about customers, they never come to ask hotels about prices.” The second respondent stated, “On the island you are not totally, but mostly you have relation to the agency, that you have contract with them. You have 100 rooms and you sold 70 rooms then in the next few hours the customers can book 50 rooms more and you are trying to sell those rooms at higher rates.” And the third respondent replied, “Our customers are happy with the prices, so usually they make reservation for holiday from tour operators, so they have whole package that is included flight tickets as well.”

Finally, several respondents have different meaning about price fairness. Among these hotel managers, it can be clarified through determining price based on demand; customers’ point of view and high standards. One more thing is giving discount and special discount for the customer and some kind of commission for the travel agency.

Price level is determined according to the amenities. And the last thing is creating the right hotel concept that will have also right price and right customers. In last thing manager specified, "We are thinking in order to increase demand and we have to find a good concept for the customer, so if the people come to our hotel, the expectation and concept level is the same, then the customer will be happy by leaving this hotel."

4.1.5 Method setting

Fourteen respondents confirmed that making positive word-of-mouth among customers is related in providing feedbacks, questionnaires and checking the comments on very famous website Tripadvisor, where the customers can find different travel information by reading comments others travelers. One of the managers stated, "We are also looking on Tripadvisor and we can see if the customers are happy or not and we can make measurement in our hotel, then we can see." Another manager said, "We have guest questionnaires and we are checking the feedback from website. If the customers are satisfied with our hotel, so the next time they can bring a new group to us."

Two respondents specified in the way of customer value, their satisfaction and needs. One of the Sales & Marketing manager indicated, "Actually value of buyers, for example, is so important, first of all you should decide what customer needs." Another manager explained, "The first aim of our hotel is customer satisfaction, when the customer are leaving our hotel with 100%, they can tell about our hotel in all countries, it means that it is very important."

Three respondents mentioned that they are doing some discounts for those customers that are visiting a particular hotel regular. One of the manager said, "We have a lot of repeat and loyal customers. We do some discounts for the loyal customers, but it depends on the level of loyalty." Another manager indicated, "We have repeat guest and we are giving some discounts for them, and they have some special prices."

Finally, one of the Sales & Marketing managers mentioned about political situation of North Cyprus, namely about unrecognized status of this country, it requires to have agreements with the local and Turkish travel agencies and the local government is giving some financial support for the hotels. She said,

> The Island also has different travel agency system, because of political situation and as you know this island is unrecognized. You should work with partner agency from Turkey. Turkish travel agencies have contact with Cyprus travel agencies and as a hotel we give offer to local agencies. And the government is paying some money for each tourist that is arriving to Cyprus as a support to bring more people here.

In addition, one of the new things was measured by manager of 5 Star hotel. In his hotel Sales department and Guest Relation department have a call center instead of using written questionnaires forms; they are calling to customers to ask about their opinions during staying in the hotel. He said,

> We do make call center with sales department and guest relation department, maximum three days after guests check out, we call them and we are asking, how are you; how was your trip; are you satisfied with our hotel, but it has to be in three days, because after more than three days the guest can forget that feelings.

4.1.6 Cost measurement process

Eleven respondents pay more attention to measure fixed and variable cost, because it helps better to analyze financial situation of the hotel. One of the managers replied, "We measure our fixed and variable costas main factors for our hotel and we do measurement these things all the time in order to see what is the situation with our hotel from financial side."

Seven respondents specified that fixed and variable cost is changeable and it depends on two main factors: seasonality and competition. One of the managers said,

> In the high season the prices are changing every day, they are checking debt and occupancy level, if the occupancy is decreased, then they are changing the prices, if the other hotel the occupancy is increased and no other hotel near by our, then we are never change the prices, because we are sure that the customers will come to us if another hotel is full.

Another manager said,

> We measure also our debt and cost in order to get profit, but most of the time we are full from Thursday till Sunday, for example in January is not like this, we can have even minus, because it is low season and we don't have a lot of tourists like in summer time."

One more expression was, "We are measuring fixed and variable cost in different time of seasonality."

Three respondents identified that the most preferable method for their hotels in cost measurement process is calculating marginal cost and marginal revenue, where one of the Sales & Marketing manager said, "Marginal cost are using when we offer more product." Another manager indicated, "Marginal cost is depending on market and is nearly to marginal revenue."

Finally, the findings showed that two respondents measured about two factors that can also influence on the financial situation of the hotel, where one of them is economic situation and the second one is political situation in the country. Sales & Marketing manager said,

> In external factors, for example, political situation or changing currency in some way it is affected on us. That's why we are doing some periodic agreement with the company and if it is something changeable happen on the market, and then we can change our strategy.

Another manager indicated, “We are measuring at first fixed cost, because it can be changeable in relation to the economically and political situation of country.”

In addition, another two respondents mentioned that cost of staff, product and amenities have impact on financial side, where the Accounting manager said, “I’m looking on the cost of the product, what debt we have, what kind of perfect aim we have for the current year, I’m looking on data base for the last year.”

Chapter 5

DISCUSSION AND CONCLUSION

The content of this chapter is related with the results of the study and its conclusion. Additionally, here the chapter includes explanation about the implications of the study and some information about the limitations and suggestions for future research.

5.1 Discussion

The findings of the study revealed that pricing policy, especially utilizing pricing strategies in the hotel industry is the main economic and financial factor that from one side helps to manage better profitability and to increase total assets in different period of the time, from other side it gives information in order to analyze and control total liability and debt. The results of the present study are in line with previous works of different researchers (Collins and Parsa 2006; Dopson and Heys 2008; Morris and Morris, 1990; O’Neill, 2003).

According to the results, sales & marketing, accounting departments in the hotels, as the basis of financial profits and controlling costs, played the role of developing and establishing a pricing strategy in pricing process that includes a lot of steps such as analysis, reports, forecasting, comparison etc.

The results of the study demonstrated that in the pricing policy most of the managers are taking into consideration market-based approach, but at the same time some of them do not forget about cost-based approach as well (Morris and Morris, 1990;

O'Neill, 2003). In the case of utilizing cost-based approach, it's related mainly to "Rule of Thumb" method, because some of the managers calculate average room rate (ARR) in order to set the right price for short or long period of time in the future. Concerning mark-up pricing strategy, it can be useful if between existing hotels appear a new competitor. Another method such as bottom up approach can be practical in establishing pricing strategy by identifying average daily rate (ADR) for the rooms, when the hotel has cost control department itself and just one hotel has this department. Unfortunately, no one from the managers did give information about this method. Another important technique, so-called yield management plays important role in the hotel industry for increasing the main profit and controlling the occupancy level. Thus, yield management or revenue management was considered as a one of the separate types of pricing strategies, where revenue manager should be aware in order to manage the fixed-capacity it requires to make some decisions in advance as a forecasted demand that helps to optimize a numbers of reservations in the present time and in the future (Tse and Poon, 2011; Upchurch et al., 2002).

Therefore, the results obtained from the data collection regarding pricing strategies that were supported by literature review too (Collins and Parsa, 2006; Dopson and Heys, 2008; Morris and Morris, 1990; O'Neil, 2003; Tse and Poon, 2012; Upchurch, et al., 2002).

The findings aboutthe pricing setting process and pricing strategies revealed that the main factors are seasonality, competition and demand fluctuation. Koenig-Lewis and Bischoff, (2005) stated that those factors have a strong impact on the pricing policy of the hotel, because they depend on the knowledge and experience of the manager who may be able to make the right decision for different seasons and to provide an analysis of the main competitors and to measure the demand in high and low season. Another important factor, that can be reviewed as an external factor is location. Several respondents underlined that every hotel has specific destination, it means the managers consider location as well, in order to decide what types of pricing strategies could be the most valuable and later profitable in the particular area. In line with to Oh's research (1999), the findings demonstrated that among internal factors, most of the managers indicated service quality (including also high serving of the food and beverage, qualified staff of all departments) to be related to consumer service. All these things make customer satisfied and the provide motivation to revisit the hotel one more time.

The results of the study show that forecast setting revealed that basically, hotel managers are using previous data as a main source for the forecast. This data helps them to make a comparison about the financial situation in a day, month or year. So, every manager is doing daily, monthly or annually report that will be the basic information for setting appropriate pricing strategy in advance. According to research study conducted by O'Neill (2003), the findings demonstrate that other two approaches in forecasting process are average room rate (ARR) and occupancy level. These two approaches are the most popular and beneficial in the hotel industry, where ARR can be related to "Rule of thumb" method by estimating interior facilities and evaluating real value of equipment in order to settle appropriate price (O'Neill, 2003). At the same time, ARR is interacting with occupancy level, because it helps to manage better fixed capacity of the hotel and to avoid different kind of mistakes in reservation process. Furthermore, some of the hotels are using also revenue management system, but this method is advantageous, if the main hotel pricing strategy is yield management. One respondent added that this method is not very known among managers, because they are not well qualified how to use this system.

The purpose of the next key issue was to examine the managers' attitude in relation to the perceived price fairness. The most of the managers agreed that price fairness is based on the quality of the food and beverages and overall service in the hotel. Furthermore, according to previous studies performed by Kimes (2002) and Bujisic et al., (2014), price is fair when the customers are receiving appropriate service quality for what they sacrificed their money. Therefore, perceiving price fairness from the customers' point of view is based on providing service. From another point of view, prices are depending on external factors, such as seasonality, location and competition. One of the hotels is more economic among other main competitors and other hotels are more profitable in low season in comparing with the hotel, which are getting more profit in high season. These hotels are contingent through the one factor that is location. Just location plays important role in the tourism industry, in the case of North Cyprus. This island washed by Mediterranean Sea, which attracts a lot of tourists from all around the world. In addition, price can be fair in the way of agreement between hotel and local or turkish travel agencies. Price setting process is also related how travel agencies are putting the prices for the customers and what is including in that price, either it is including whole tourist package, or just flight tickets.

According to the method setting issue, the question was related to investigate the way of improving hotel quality by getting information from the customers. Major respondents revealed that the main indicator of positive word-of-mouth is customers' feedbacks from the websites, especially from Tripadvisor. Usually, managers are doing questionnaires in the hotel in order to find out about customer satisfaction. In addition, they are reading comments from the Internet for understanding the situation, if some problem is existed in the hotel or no. Then they are doing analysis in the format of the report or discussion at the meeting in order to solve a particular problem and avoid it in the future. The indicator of customers' return intention is depended on the level of their satisfaction during the staying in a hotel. The present study supported the research study conducted by Oh (1999). The uniqueness in providing questionnaires is call center that is one of the innovations among 4 and 5 Star hotels.

The findings of the last question were related to discussing about cost measurement process. The price setting process has also relation to the costs measurement that is important for every hotel manager in order to analyze and make decision in the financial situation of the hotel. The decision-making process leads to the setting the right price for product and service for measuring total costs. Basically, all respondents agreed that fixed and variable cost is more useful in cost accounting. However, some of the respondents indicated that they are taking into consideration marginal cost and marginal revenue in order to increase the profitability of the hotel in the short-term (Schiller, 1991). Concerning financial and operating leverages, the findings revealed that managers pay attention to both of them for making the balance between costs and debt.

The findings of the present study were supported by previous studies (Adams, 2006; Drury, 2008; Ghai and Gupta, 2002; Horngren, 2006; McAfee and Johnson, 2005; Rittenberg and Tregarthen, 2009; Rubinstein, 2006; Schiller, 1991; 2005; Tranter et al., 2008).

5.2 Summary

The main goal of the present study was to investigate the pricing strategies that are useful in the hotel industry of North Cyprus. Based on the theory and previous studies of researchers, this study can bring high significance and contribution in the sustainable development of tourism industry for the present and future time. Because pricing strategies play important role such as instrument in the accounting and financial segments and the way of managing those strategies require high knowledge, skills and experience in the analytical, economic, political, strategic sectors. Even the changes in the global economic and one of the external factor such as weather can have impact on decision-making process of applying a particular pricing strategy.

Another factor is that every hotel should have competitive ability among other competitors and take a strong position not only on the local, but also on the international market. The high competitive position on the market demonstrates prestige of the hotel, where service delivering for the customers is one of the key elements in the hotel and the right execution of this issue can increase the profitability and later customer loyalty to the particular hotel brand.

Elasticity of the demand and supply can provide the necessary information about products and consumer sensitivities and it can help for manager to make right decision on time in order not lose the profit in a certain time. Fixed and variable cost, marginal cost and marginal revenue are those elements that are using in the cost control department for analyzing and overseeing the general financial situation and these indicators are essential in making important decisions regarding the implementation of the necessary pricing strategy.

According to the results, hotels in North Cyprus are using different types of pricing strategies, these differences can depended on star rate of the hotel. Because data collection was conducted in four and five star hotel and holiday villages, the results demonstrated that they have different pricing policy and in result they are setting different pricing strategies. The level of competitive ability is based on star rate between hotels. Most of the respondents indicated that without any cost measurement process, they can not put the right price for the product in order to sell it and get profit, because it requires a necessary information and processing i.e. using previous data and analysis, that helps to make the right decision and establish the right pricing strategy.

Other respondents added that the location is one of the important external factors that have a huge impact in the pricing policy of the hotel, because in the case of North Cyprus some of the hotels are located in the city center and other hotels are close to the sea. This leads to the explanation that certain hotels can be divided into two types business and holiday hotels.

Finally, perceived price fairness from managers' point of view was questioned. They are concerned about making the customers more satisfied and happier with the service that they offer. In any case the managers are trying to put the price that will fit their service. From another point of view, most of the managers have agreement with the local and international travel agencies, where the final price setting process will be set up by the travel agency.

5.3 Limitation and Recommendation for Further Research

The subject of the present study is related to examine the pricing policy, in particular price setting process as a strategy in four and five stars hotels of North Cyprus. One of the limitations is the numbers of respondents for taking interview with them, because of full schedule and limited time for discussion. Some of the respondents were not able for interviewing and thus, data could be more extensive for the research. Therefore, one of the recommendations for further research is giving enough time without any limitation with appropriate representatives for receiving full information according to the interview questions. Using of time would better if open-ended questionnaires used and more time is allocated for each respondent.

Another limitation was that some of the managers did not understand the main purpose of interviewing and giving confidential information about hotel and it required additional explanation that the data are needed just for the educational purposes.

Others limitation are related to the star rate and location. In this thesis the data were collected from four and five star hotels in North Cyprus. For further research, data can be collected from lower hotels' star rate, because for every hotel from one till five stars are existed different types of pricing strategies. In addition, this research can be expanded to another area such as Turkey and later it can provide general comparison between the two.

5.4 Implications of the Study

Present study demonstrated a lack of information and research in the field of the managerial accounting in North Cyprus. Previous study was investigated just one of the direction in the pricing policy so-called yield management or revenue management. In this thesis the research subject is tried to be broader in order to describe and depict as much as possible the hotels' pricing policy in general and open a new ways of research areas in the future.

The data of the research study will be useful for other researchers and it revealed that tourism industry of North Cyprus is developing every year and tourism plays significant role in the economic and political situation of the island. The development process of the tourism industry will bring a lot of opportunities, benefits for public and private sector i.e. one of the positive meanings can be related to create new workplaces, and another one is increasing financial budget of the island.

Findings showed that every hotel face with different kind of problems, but these are the challenges for achieving and developing sustainable tourism on the island. This study was focused on analyzing and identifying the general situation of pricing policy in order to comprehend the designation and the role of pricing strategies in the hotel industry of North Cyprus.

REFERENCES

Adams, D. (2006). *Management accounting for the hospitality, tourism and leisure industries*: *A strategic approach* (2[nd]ed.). London: Thomson Learning.

Akis, S. and Warner, J. (1994). A descriptive analysis of North Cyprus tourism. *Tourism Management*, 15, (5), 379-388.

Altinay, L. and Bowen, D. (2006). Politics and tourism interface: the case of Cyprus. *Annals of Tourism Research*, 33 (4), 939-956.

Altınay, L. and Paraskevas, A. (2008). *Planning research in hospitality and tourism*. Elsevier, Oxford, USA, 101-192 pp.

Aramatunga, D., Baldry, D., Sarshar, M. and Newton, R. (2002). Quantitative and qualitative research in the built environment: application of “mixed” research approach*. Journal of Work Study*, 51 (1), 17-31.

Aziz, H. B., Saleh, M. and Rasmy, M. H. (2011). Dynamic room pricing model for hotel revenue management systems. *Egyptian Informatics Journal*, 12 (3), 177-183.

Belobaba, P. (1987). Airline yield management: an overview seat inventory control. *Journal of Transportation Science,* 21 (2), 63-73.

Bujisic, M., Bilgihan, A. and Hutchinson J. (2014). The effect of the type-pricing strategy on perceived price fairness and behavioral outcomes in beverage establishments. *Journal of Revenue and Pricing Management*, 13 (1), 35-60.

Choi, T. Y. and Cho, V. (2000). Towards a knowledge discovery framework for yield management in the Hong Kong hotel industry. *Journal of Hospitality Management*, 19, 17-31.

Choi, S. and Mattila, A. S. (2005). Impact of information on customer fairness perceptions of hotel revenue management. *Cornell Hotel and Restaurant Administration Quarterly,* 46 (4), 444–451.

Creswell, J. W. (1998). *Qualitative inquiry and research design: Choosing among five traditions*. Thousand Oaks, CA: Sage Publications.

Collins, M. and Parsa, H. G. (2006). Pricing strategies to maximize revenues in the lodging industry. *International Journal of Hospitality Management*, 25, 91-107.

Coyne, I. T. (1997). Sampling in qualitative research. Purposeful and theoretical sampling: merging or clear boundaries? *Journal of Advanced Nursing*, 26, 623-630.

Davies, B. (2003). The Role of Quantitative and Qualitative Research in Industrial Studies of Tourism. *International Journal of Tourism Research*, 5, 97-111.

Dawson, C. (2002). *Practical Research Methods*. New Delhi, UBS Publishers' Distributors.

Desiraju, R. and Sbugan, S. (1999). Strategic service pricing and Yield Management. *Joumal of Marketing,* 63, 44-56.

Dey, I. (1999). *Grounding grounded theory: Guidelines for qualitative inquiry*. San Diego, CA: Academic Press.

Donaghy, K., MacMahon, U. and McDowell, D. (1995). Yield management – an overview. *International Journal of Hospitality Management,* 14, 139–150.

Dopson, L. R. and Hayes D. K. (2008). *Managerial Accounting for the Hospitality Industry*. John Wiley and Sons.

Duhina, S. I. (2005). Marketing pricing policy. Kyiv: KNEU, 393p.

Drury, C. (2008). Management and Cost Accounting, (7thed.). R. R. Donnelley, China.

Elo, S. and Kyngäs, H. (2007). The qualitative content analysis process. *Journal of Advanced Nursing*, 62 (1), 107-115.

Ghai, P. and Gupta, A. (2002). *Microeconomics: Theory and Applications*. Shri Lam College of Commerce Delhi, Sarup & Sons, New Delhi.

Graneheim, U. H. and Lundman, B. (2004). Qualitative content analysis in nursing research: concepts, procedures and measures to achieve trustworthiness. *Nurse Education Today*, 24, 105-112.

Guadix, J., Onieva L., Munuzuri J. and Cortes P. (2011). An overview of revenue management in service industries: an application to car parks. *Journal of Service Industries,* 31 (1), 91-105.

Harris, P. and Mongiello, M. (2006). *Accounting and financial management: development in the international hospitality industry*. MPG Books Ltd, Cornwall, Great Britain.

Heo, C. Y. and Lee, S. (2011). Influence of customer characteristics on fairness perceptions of revenue management pricing in the hotel industry. *International Journal of Hospitality Management*, 30, 243-251.

Hung, W. T., Shang, J. K. and Wang, F. C. (2010). Pricing determinants in the hotel industry: Quantile regression analysis. *International Journal of Hospitality Management*, 29, 378-384.

Horngren, C. T., Srikant, D. M. and Foster, G. (2006). *Cost Accounting: A Managerial Emphasis*. Pearson/Prentice Hall.

Hunt, S. D. and Morgan, R. M. (1995). The comparative advantage theory of competition. *Journal of Marketing*, 59, 1-15.

Hunt, S. D. and Morgan, R. M. (1997). Resource-advantage theory: a snake swallowing its tail or a general theory of competition? *Journal of Marketing*, 61, 74-82.

Kilic, H. and Okumus, F. (2005). Factors influencing productivity in small island hotels: evidence from Northern Cyprus. *International Journal of Contemporary Hospitality Management*, 17 (4), 315-331.

Kimes, S. E. (1989). Yield management: a tool for capacity-constrained service firms. *Journal of Operations Management,* 8 (4), 348–363.

Kimes, S.E. (2002). Perceived fairness of yield management. *Cornell Hotel and Restaurant Administration Quarterly*, 43 (1), 21–30.

Kıbrıs Türk Turizm ve Seyahat Acenteleri Birliği (2014). KITOB Üyesi Olan Oteller, from www.kitsab.org/kitob-uyesi-olan-oteller.

Kothari, C. R. (1985). *Research Methodology-Methods and Techniques*. New Delhi, Wiley Eastern Limited.

Krippendorf, K. (2004). Measuring the Reliability of Qualitative Text Analysis Data. *Journal of Quality & Quantity*, 38, 787-790.

Kudurshian, A. (2006). *Elasticity study guide*. EDU Libs, USA, 1-3 pp.

Kumar, R. (2005). *Research Methodology - A Step-by-Step Guide for Beginners,* (2nd ed.). Singapore, Pearson Education.

Libermann, H. W. (1993). Debunking the Myths of Yield Management. *Cornell Hotel and Restaurant Administration Quarterly,* 34 (1), 34-41.

Lieberman, H. W. (2012). *Pricing in the cruise line industry*. The Oxford Handbook of Pricing Management, 199-216 pp.

Lockyer, T. (2005). The perceived importance of price as one hotel selection dimension. *Tourism Management,* 26 (4), 529–537.

MacDonald, L. and Rasmussen, H. (2009). Revenue management with dynamic pricing and advertising. *Journal of Revenue and Pricing Management*, 9 (1/2), 126-136.

Malska, M. P., Pandyak, I. H., and Zanko, V. Z. (2011). *The Organization of Hotel Service*, Kyiv: Sage Publications.

McAfee, R. P. and Johnson, J. S. (2005). *Introduction to Economic Analysis*. California Institute of Technology.

Marshall, M. N. (1996). Sampling for qualitative research. *Journal of Family Practice*, 13, 522-525.

Miles, M. B., and Huberman, A. M. (1994). *Qualitative data analysis: An expanded source book* (2nd ed.). Thousand Oaks, CA: Sage.

Monroe, K. B. (2003). *Pricing: making profitable decisions*, (3rd ed.). McGraw-Hill Book Company, New York.

Morris, M. H. and Morris G. (1990). *Market-oriented pricing: strategies for management.* Quorum Books.

Morse, J. M. (1991). *Strategies for sampling. In Qualitative Nursing Research: A Contemporary Dialogue* (Morse J.M. ed.). Sage, Newbury Park, California, pp. 127-145.

Oh, H. (1999). Service quality, customer satisfaction and customer value: A holistic perspective. *International Journal of Hospitality Management*, 18, 67-82.

O'Neil, J. W. (2003). ADR Rule of Thumb: Validity and Suggestions for Its Application. *Cornell Hotel and Restaurant Administration Quarterly,* 4, 7-16.

Patton, M. Q. (2002). Two Decades of Developments in Qualitative Inquiry: A Personal, Experiential Perspective. *Journal of Qualitative Social Work*, 1 (3), 261-283.

Queenan, C. C., Ferguson, M. E. and Stratman, J. K. (2011). Revenue management performance drivers: An exploratory analysis within the hotel industry. *Journal of Revenue and Pricing Management*, 10 (2), 172-188.

Riley, G. (2012). Cross-price elasticity of demand. Retrieved September, 2012, from http://tutor2u.net/economics/revision-notes/as-markets-crossprice-elasticity-of-demand.html

Rittenberg, L. and Tregarthen, T. (2009). *Principles of Microeconomics*. Flat World Education, Inc.

Rubinstein, A. (2006). *Lecture Notes in Microeconomic Theory: The Economic Agent*. Princeton University Press.

Sandelowski, M. (2000). Focus on Research Methods Whatever Happened to Qualitative Description? *Research in Nursing & Health*, 23, 334-340.

Schiller, B. R. (1991). *The Economy Today*. McGraw-Hill, Inc.

Schiller, B. R. (2005). *Essentials of Economics*, (5thed.). McGraw-Hill, Irwin.

Solntsev, S. O. (2012). Formation price policy and pricing mechanisms on market of hotel services. *Journal of Effective Economy,* 5, 65-80.

Subramanian, J., Stidham, S. JR. and Lautenbacher, C. J. (1999). Airline Yield Management with Overbooking, Cancellations, and No-Shows. *Journal of Transportation Science,* 33 (2), 147-167.

Syafruddin, H. M. and Koesrindartot, D. P. (2012). Effectiveness analysis of yield management implementation in hotel ABC. *Journal of Business and Management*, 1 (1), 40-49.

Thomas, D. R. (2006). A General Inductive Approach for Analyzing Qualitative Evaluation Data. *American Journal of Evaluation*, 27, (2), 237-246.

Tranter, K. A., Stuart-Hill, T. and Parker, J. (2008). Introduction to Revenue Management for the Hospitality Industry: Principles and Practices for the Real World. New Jersey: Prentice Hall.

Tse, Tony S. M. and Poon, Y. T. (2012). Revenue management: resolving a revenue optimization paradox. *International Journal of Contemporary Hospitality Management*, 24 (4), 507-521.

Upchurch, R. S., Ellis, T. and Seo, J. (2002). Revenue management underpinnings: an exploratory review. *Journal of Hospitality Management*, 21, 67-83.

Walden, M. (2007). *Elasticity*. NC State University: Sage Publications.

Walsh, K. (2003). Qualitative Research: Advancing the Science and Practice of Hospitality. *Cornell Hotel and Restaurant Administration Quarterly,* 44 (2), 66-74.

Wei-Ting Hung, W.T., Shang, J.K., Wang, F. C. (2010). Pricing determinants in the hotel industry: Quantile regression analysis. *International Journal of Hospitality Management*, 29, 378–384.

Webster, C. and Ivanov, S. (2014). Transforming competitiveness into economic benefits: Does tourism stimulate economic growth in more competitive destinations? *Tourism Management*, 40, 137-140.

Wikipedia Encyclopedia. (2005). Price equilibrium. Retrieved May, 2006, from http://en.wikipedia.org/wiki/Economic_equilibrium

Wikipedia Encyclopedia. (2007). Total costs. Retrieved February, 2008, from http://en.wikipedia.org/wiki/Total_cost

Wikipedia, Encyclopedia. (2010). Marginal cost and revenue. Retrieved September, 2010, from http://en.wikipedia.org/wiki/Marginal_cost

Yasarata, M., Altınay, L., Burns, P. and Okumus, F. (2010). Politics and sustainable tourism development – Can they co-exist? Voices from North Cyprus. *Tourism Management*, 31, 345-356.

Yavas, U., Karatepe, O. M., Babakus, E. and Avci, T. (2004). Customer complaints and organizational responses: a study of hotel guests in Northern Cyprus. *Journal of Hospitality and Leisure Marketing*, 11 (2/3), 31-46.

APPENDIX

Interview

Hotel Brand……………………….. Education………………………

Current Position…………………… Experience……………………...

1. What kind of strategy do you measure for setting room prices? (Examination of the practical, useful and preferable hotels' pricing strategies in North Cyprus)

   …………………………………………………………………………

   …………………………………………………………………………

   …………………………………………………………………………

   ………………

2. What are the factors influencing on types of pricing strategies and how do you measure those factors in order to keep profitability of the hotel? (Analysis of the main external and internal factors that can have an impact of choosing and applying appropriate pricing strategy for particular hotel)

   …………………………………………………………………………

   …………………………………………………………………………

   …………………………………………………………………………

   ………………

3. How do you set your forecasts? (Determining of forecasts process in the hotel)

…………………………………………………………………………

…………………………………………………………………………

…………………………………………………………………………

………………

4. What do you think about the concept “perceived price fairness”? (Justification of thoughts from manager point of view in relation to perceived price fairness)

…………………………………………………………………………

…………………………………………………………………………

…………………………………………………………………………

………………

5. Do you use any method such as positive word-of-mouth and customers’ return intention while setting prices? (Principle of applying above mentioned methods)

…………………………………………………………………………

…………………………………………………………………………

…………………………………………………………………………

………………

6. How do you use cost measurement in setting price? (Examination of managing cost and debt in the hotel)

…………………………………………………………………………

…………………………………………………………………………

…………………………………………………………………………

………………