

Jarmon Sirigunna¹

MARKET FACTORS INFLUENCING THE DECISION TO PATRONIZE BUDGET HOTELS IN BANGKOK

The aims of this research were to examine the behavior of customers who frequently patronize budget hotels and to study the market factors which could influence the decision of customers to patronize budget hotels in Bangkok, Thailand. The total of 10 key informants were interviewed by means of indepth interview. Also, the total of 100 customers were interviewed via questionnaire. The main decision to choose budget hotels was low fixed price for regular customers. The findings also revealed that the first 3 market factors influencing the decision of the respondents to patronize budget hotels were low fixed price (price), location (place), and friendly staff (people).

Keyword: market factors; budget hotels; Bangkok.

Джармон Сірігунна

РИНКОВІ ФАКТОРИ, ЩО ВПЛИВАЮТЬ НА РІШЕННЯ СТАТИ ПОСТІЙНИМ КЛІЄНТОМ БЮДЖЕТНОГО ГОТЕЛЯ: НА ПРИКЛАДІ БАНГКОКУ

У статті зроблено спробу оцінити поведінку постійних клієнтів бюджетних готелів, а також дослідити, які саме ринкові фактори впливають на таке рішення у випадку м. Бангкок, Таїланд. Спочатку було проведено детальні інтерв'ю з 10 експертами галузі. Після того – опитування 100 клієнтів бюджетних готелів Бангкоку. Найголовнішою причиною вибору бюджетного готелю, за результатами як інтерв'ю, так і опитування, стала низька фіксована ціна для постійних клієнтів. Ключові ринкові фактори, що впливають на такий вибір респондентів, у рейтингу розташувались таким чином: фіксована ціна, місце розташування готелю та привітний персонал.

Ключові слова: ринкові фактори; бюджетні готелі; Бангкок.

Табл. 2. Літ. 10.

Джармон Сиригунна

РЫНОЧНЫЕ ФАКТОРЫ, ВЛИЯЮЩИЕ НА РЕШЕНИЕ СТАТЬ ПОСТОЯННЫМ КЛИЕНТОМ БЮДЖЕТНОГО ОТЕЛЯ: НА ПРИМЕРЕ БАНГКОКА

В статье сделана попытка оценить поведение постоянных клиентов бюджетных отелей, а также исследовать, какие именно рыночные факторы влияют на такое решение в случае г. Бангкок, Таиланд. Сначала были проведено детальные интервью с 10 экспертами отрасли. Затем – опрос 100 клиентов бюджетных отелей Бангкока. Самой главной причиной выбора бюджетного отеля, по результатам и интервью, и опроса, стала низкая фиксированная цена для постоянных клиентов. Основные рыночные факторы, влияющие на такой выбор респондентов, расположились в рейтинге следующим образом: фиксированная цена, месторасположение отеля и дружелюбный персонал.

Ключевые слова: рыночные факторы; бюджетные отели; Бангкок.

Introduction. It is known for the fact that high growth rate of tourism in Thailand results in high growth rate of budget hotels in Thailand overall. Budget hotels have been the factor of competitiveness that demonstrated its power at the market for the last 3 decades. However, the level of competition is constantly increasing with the growing number of budget hotels in Bangkok, Thailand. It is important that budget hotels must focus on low cost strategy which means managing cost effectively and

¹ Demonstration School, Suan Sunandha Rajabhat University, Bangkok, Thailand.

efficiently in order to pass the saving costs to their customers. During an economic downturn or recession, consumers have a tendency to be price sensitive and there is an increasing demand for budget hotels, low cost airlines and so forth (Kasikorn Bank Research Institution, 2014). As a matter of fact, low price alone may not be sufficient for customer satisfaction is the key factor for long-term success (Wongleedee, 2014). Budget hotels have become a very popular choice for both domestic and international business travelers (Crompton, 1979). The lack of some services and lower quality do not deter customers from patronaging low cost hotels. This research paper aims to examine the behavior of customers to see how and why customers prefer budget hotels, and to study the market factors which influence their decision regarding budget hotels. The market factors include product, price, distribution channel, promotion, people, process, physical environment and quality.

Literature review. Generally, market segment of budget hotels is an important topic often discussed in hotel business and management. The growth of tourism and hospitality means the growth of budget hotels (Qu et al., 2011). Consumer behavior in this context often includes activities and buying process regarding where to buy, when to buy, and how much to buy (Knosiri et al., 2005). Serirat et al. (2003) suggested the proper marketing technique to review consumer behavior by using 6 W questions and 1 H question. However, the vitality of important market questions can also be explained by using the market concept of the marketing guru, Ph. Kotler (2003, 2012). The first W question is *who* is in the target market of budget hotels? This question asks about the demographics of target customers for budget hotels. The second W question is *what* does consumer buy from a budget hotel? This question asks about the product or service components that consumer really wants to see in a budget hotels. The third W question is *why* does consumer buy the service from budget hotels? This question asks about the objective (purpose) of using budget hotels. The fourth W question is *who* participates in the decision to use budget hotels? This question asks about the role of people around the consumer who might have influence on the decision to use budget hotels. The fifth W question is *when* does the consumer buy? This question asks about timing and occasion of using budget hotels. The sixth W question is *where* does the consumer buy? This question asks about the distribution channels which consumer can use do opt for budget hotels. The H question is *how* does the consumer buy? This question asks about the process of renting budget hotels.

Methodology. Both qualitative and quantitative methods were used in this research paper. An indepth interview was applied for the qualitative part of the research. The total of 10 budget hotel managers were selected from various budget hotels in Bangkok districts. The questions for an indepth interview were set up in two areas. The first area was about the main reasons for customers to choose budget hotels. The second area of questions was about how each market factor is influencing the decision to choose budget hotels?

Since the overall population of budget hotels clients is hard to measure correctly, this research paper used the sampling method of T. Yamane (1967) to obtain 100 samples. The questionnaire used in the study comprised of 3 parts. The first part of questionnaire included the demographic questions such as gender, age, education, income, and occupation. The second part of questionnaire addressed the behavior of customer such as how often did they use budget hotels? When do they use budget

hotels? etc. The third part of the questionnaire concerned the influence of market factors on their decision to use budget hotels. In order to obtain a standard of validity and reliability, the questionnaire had been read and commented by 3 experts in the field of hotel business research. Moreover, 10 pilots were done to make certain that the questions are tested until passed at least 0.7 of Cronbach alpha.

Findings. The demographic data of this research paper shows that the majority of the respondents were male, between 20–30 years old. Most of them were married. The majority earned an undergraduate degree, most of them have income per month between 25,000–40,000 Baht. The majority preferred to pay cash and travelled alone. The frequency of using budget hotels was 5–6 times per year. The respondents’ attitudes towards marketing factors indicated high level of interest in low fixed price. The findings also revealed that the main decision for the respondents to choose budget hotels was low fixed price in which customers prefer to pay cash. The findings also indicated that the first three market factors influencing the decision of the respondents to patronize budget hotels were low fixed price (price), location (place), and friendly staff (people).

Table 1 reveals that low fixed price is the most important reason for individual customers to choose to stay with budget hotels.

Table 1. Market factors of influence on budget hotels choice, author’s

Market factors	Mean	S.D.	Rank
1. Price factor	4.80	0.840	1
2. Place factor	4.79	0.873	2
3. People factor	4.65	0.787	3
4. Promotion factor	4.59	0.878	4
5. Product factor	4.57	0.744	5
6. Process factor	4.55	0.715	6
7. Physical factor	4.47	0.686	7
Overall	4.60	0.784	

The findings in Table 1 also demonstrate the ranking of importance from the highest mean to the lowest as follows: price factor, place factor, people factor, promotion factor, product factor, process factor. The overall means is 4.60 with 0.784 S.D.

Table 2. Market factors of influence according to indepth interviews, author’s

Market factors	Rank
1. Price factor	1
2. Place factor	2
3. Promotion factor	3

The findings in Table 2, obtained via indepth interviews, reveal the first three main market factors as follows: price, place and promotion. This information represents the opinion of 10 key informants who had been selected from many budget hotels managers. Therefore, low price is the most important market factor, and this strongly implies that the majority of budget hotel customers are price sensitive.

Limitations and future studies. One of the major limitations in this research paper came from the sampling technique. Since the overall population is unknown, there

should have been proper 400 samples used. However, due to limited time and budget, only 100 samples were used. Therefore, in order to obtain more specific results, the future research should survey a variety of budget hotels customers to obtain more representative opinions from a variety of provinces in Thailand. In addition, future research should focus on a proportion and random sampling technique with diverse budget hotel customers and larger group interviews to investigate the reasons behind choices to patronize budget hotels in the future too.

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