# A Marketing Experiment Regarding the Importance of Price Discounts when Booking a Vacation Abroad during Covid-19 Pandemic

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Abstract: When deciding to book a vacation abroad, consumers take into consideration many factors, such as the hotel facilities, its location, the attractiveness of the presentation images, the price and, more recently, the safety measures taken during the COVID-19 pandemic. It is important to understand the role of price in this decision and especially of the price discounts that are often displayed in tourist ads. Starting from this idea, a marketing experiment was created and it aimed to investigate the extent to which the price discount will influence the respondents' perception towards the attractiveness of a vacation offer. The research used a sample of 40 random subjects, males and females, aged between 21 and 27 years. The participants were divided into two equal and similar groups: 20 participants in the control group and 20 participants in the experimental group. The research design used for this marketing experiment was "before-after with control group". The information regarding the price was manipulated and used as the independent variable for this experiment. The research results showed that the assumption that a certain accommodation will be perceived as being more attractive if the price discount is presented to consumers proved to be correct.

Key-Words: experiment, consumer behavior, price, discount, COVID-19.

JEL Classification: M31.

## **1** Introduction

During the last two years the tourism industry has largely suffered due to COVID-19 pandemic. This year however tourist destinations are expecting a rise in the number of tourists since the travel restrictions are eased. Many forecasts are indicating that the number of travelers will match or even exceed levels in the prepandemic days. A large number of hoteliers are "currently competing to make promotions through advertising and price discounts to attract local people to vacations" (Yusnita, Saufi & Handayani, 2021, 81).

According to a Statista (2020) survey conducted in December 2020 "around 76 percent of travelers worldwide expect that companies will attempt to boost travel sales with the help of special offers and discounts after the pandemic. At the same time, over 50 percent agreed that travel prices will be higher after the pandemic." Starting from this idea, a marketing experiment was created and it aimed to investigate the extent to which the price discount will influence the respondents' perception towards the attractiveness of a vacation offer. Different studies published in the scientific literature show that "discounts have a significant effect on buying interest" (Yusnita, Saufi & Handayani, 2021, 82). According to the study conducted by Yusnita, Saufi & Handayani (2021, 88), "price discounts have proven to have a significant effect on interest in staying at hotels during the Covid-19 pandemic. The more attractive the discounted price given, the stronger someone's interest to stay at hotels even during the Covid-19 pandemic."

### **2** Experimental research

Experimental research is a scientific approach to research, where *one or more independent variables* are manipulated and applied to *a dependent variable* in order to measure their effect on the latter (Cătoiu et al., 2009). In other words, experimental research is the primary approach used to examine the causal (cause-effect) relationships between two or more variables.

In general, a marketing experiment has two fundamental objectives:

- 1. Discovering the causal relationship between various marketing variables;
- 2. Measuring the effect that an independent (explanatory) variable has on a dependent (explained) marketing variable.

True experimental research designs are those where researchers have complete control over the extraneous variables and can predict confidently that the observed effect on the dependable variable is only due to the manipulation of the independent variable. In a true experiment, three conditions need to be satisfied:

- the true experimental research design must contain at least *a variable that can be manipulated by the researcher (an independent variable)*.
- the true experimental research design must contain *a control group*, which won't be subject to changes, and *an experimental group*, which will experience the changed variables.
- the true experimental research design must contain *a random distribution of the subjects*.

In order to achieve these objectives it is necessary to choose an appropriate research design and to develop an experimental research. The classification of experimental designs includes (Cătoiu et al., 2009):

- "after-only without control group" design
- "before-after without control group" design
- "after-only with control group" design
- "before-after with control group" design
- "Solomon four-group" design

The "before-after with control group" research design involves establishing two random samples or groups of respondents: an experimental group, that would be exposed to the independent variable, and a control group, that would not be subjected to the independent variable under study. The two groups would be matched. That is, the two samples would be identical in all important respects. Measurements are taken from both groups before the experimental variable is introduced. The control group is not subjected to the experimental variable. Afterwards measures are taken from both groups. The idea is that any confounding factors would impact equally on both groups and therefore any differences in the data drawn from the two groups can be attributed to the experimental variable.

The "before-after with control group" design can be represented, with the help of notations, as follows (Cătoiu et al., 2009):

Experimental group:	R1 Yb X	Ya
Control group:	R2 Yb -X	Ya

(2)

## Where: Ya (experimental group) – Yb (experimental group) = E + U (1)

E – the effect of the explanatory (experimental) independent variable

U – the effects of other variables (in this case it is always considered that  $U\neq 0$ )

### And: Ya (control group) – Yb (control group) = U

U – the effects of other variables (in this case it is always considered that  $U\neq 0$ ) **Therefore:** 

Ya (experimental group) – Yb (experimental group) = E + Ya (control group) – Yb (control group) (we replaced U from the first equation (1) with U from the second equation (2))

### E = [Ya (experimental group) – Yb (experimental group)] – [Ya (control group) – Yb (control group)]

The notations used in experimental research are:

- the explanatory (experimental) independent variable which is manipulated by the researcher
- $\overline{-X}$  the explanatory (experimental) independent variable which is not manipulated by the researcher, but varies naturally
- Ya the dependent variable measured **after** the explanatory (experimental) independent variable was manipulated by the researcher (post-test)
- Yb the dependent variable measured **before** the explanatory (experimental) independent variable was manipulated by the researcher (pre-test)
- R random sample

Х

## **3** The research methodology

The research problem is represented by the fact that when consumers are faced with the decision to book a vacation abroad they form their attitudes and perceptions based on numerous factors, one of the most important factors being the price.

Experimental research design is concerned with examination of the effect of one or more independent variables on one or more dependent variables, where the independent variable is manipulated through treatment or interventions, and the effect of those interventions is observed on the dependent variable.

For this marketing experiment two vacation offers from Greece have been selected. These have been identified as *accommodation A* and *accommodation B*. The vacation offers were presented using an image and some details, such as: the score from the evaluations of other clients and the number of reviews received, the all-inclusive options, the free cancellation policy, the free Wi-Fi facilities and the safety measures taken during the COVID-19 pandemic. The information regarding the price was manipulated and used as the independent variable for this experiment. The explanatory (experimental) independent variable was represented by the price discounts and the dependent variable measured in this experiment was the attractiveness of the vacation offer.

The purpose of the study was to discover the causal relationship between the price discounts and the attractiveness of a vacation offer for clients. The objective of the study was to measure the effect that the independent/explanatory variable (the price discounts) has on the dependent/explained variable (the attractiveness of the vacation offer). Also, the objective of the study was to determine whether there is a difference in choices between the consumers that are exposed to discounts and those not exposed to discounts.

Therefore, the research hypotheses were the following:

- The discount will influence the participants' perception towards the attractiveness of a vacation.
- Accommodation A will be perceived as being more attractive if the discount is not presented.
- Accommodation B will be perceived as being more attractive if the discount is presented. The research design used for this marketing experiment was "before-after with control group".

The sample for this experiment consisted of 40 random subjects, males and females, aged between 21 and 27 years. The participants were divided into two equal and similar groups: 20 participants in the control group and 20 participants in the experimental group. The experimental group is the group of subjects that receives the experimental treatment. The control group is the group of subjects not receiving the same manipulation as the experimental group.

The data was collected using two online surveys, one for the experimental group and one for the control group. The questionnaire used to collect the data consisted of 10 questions. The participants to this study were asked to not return to a previous page in their online questionnaire, to not change their previous answers and to give answers as sincerely as possible.

The participants from the experimental group received an initial set of images with the two vacation offers (for the "before" measurements) in which the following information could be observed: for accommodation A the hotel presentation included the text "15% less than usual", and for accommodation B the hotel presentation included the text "36% less than usual". The experimental group received a second set of images with the two vacation offers (for the "after" measurements) in which the participants could see the prices as follows: for accommodation A the hotel presentation included the text "special price: Euro 1495 Euro 1299" and for accommodation B the hotel presentation included the text "special price: Euro 1495 Euro 1299", showing that the accommodations are offering a special price discount.

The participants from the control group received an initial set of images with the two vacation offers (for the "before" measurements) with no information regarding any price discounts. The control group received a second set of images with the two vacation offers (for the "after" measurements) in which the participants could see the prices as follows: for accommodation A the hotel presentation included the text "special price: Euro 1299" and for accommodation B the hotel presentation included the text "special price: Euro 1399". All sets of images are presented in Figure 1.

## Figure 1. Sets of images used in the marketing experiment Experimental group - BEFORE



### **Control group - BEFORE**





## 4 Research data analysis

The experimental group was formed of 7 men and 13 women, aged from 21 to 27 years old. The control group was formed of 10 men and 10 women, aged from 21 to 24 years old.

The participants from both groups were first asked to mention (using a scale from 1 to 5, where 1 means to a very small extent, and 5 means to a very large extent) to what extent each of the following elements will influence the attractiveness of an accommodation when making the decision to book a vacation abroad. The results were:

	Average score	
	Experimental group	Control group
All-inclusive options	3	4.05
Free cancellation before check-in	3.7	4.15
Free Wi-Fi	3.9	4.6
Special price offer	3.85	4.25
High ratings / reviews	4.6	4.5
Attractive presentation images	4.1	4.45
Safety measures taken during Covid-19	3.5	3.85

According to the results, high ratings / reviews, attractive presentation images and free Wi-Fi are among the most important factors that will influence the attractiveness of an accommodation when making the decision to book a vacation abroad. The special price offers are also important, but according to the results, they are more important for the participants in the control group.

Next, the participants from both groups were asked to look at the images depicting the two vacation offers (A and B) in Greece. They were informed that both accommodations are located on the same island, close to each other and are classified as 5 star hotels. After seeing the first and the second set of pictures (Figure 1), the participants were asked to mention which vacation offer they find to be more attractive. The results were:

Experimental group			
Before		After	
А	В	А	В
40%	60%	45%	55%

Control group			
Bef	fore	Af	ter
А	В	А	В
20%	80%	35%	65%

All the participants selected accommodation B both before and after they analyzed the sets of pictures that they received in the questionnaire.

Not taking into consideration a specific budget, the participants were asked to mention which vacation offer they would choose. The results were:

Experimental group			
Before		After	
А	В	А	В
40%	60%	40%	60%

Control group			
Bef	fore	Af	ter
А	В	А	В
20%	80%	30%	70%

All the participants selected accommodation B both before and after they analyzed the sets of pictures that they received in the questionnaire.

Asked which vacation offer they think has the best price offer, the participants responded as follows:

Accommodation	Results	
	Experimental group	Control group
А	50%	65%
В	50%	35%

The members of the experimental group considered that both accommodation A and B have a good price offer. The members of the control group considered that accommodation A has the best price offer.

Assuming that their vacation budget is around 1200 Euros, the participants were asked to mention how willing they would be to book each accommodation (using a scale from 1 to 5, where 1 means not willing at all, and 5 means completely willing):

Accommodation	Average score	
	Experimental group	Control group
А	3.75	4
В	2.85	3.8

Constrained by a certain budget, the members of the experimental group declared that they would choose accommodation A with a greater chance. The members of the control group declared that they would also choose accommodation A, but accommodation B received a similar average score.

Not taking into consideration a specific budget, the respondents were asked to mention to what extent each of the following elements influences the attractiveness of accommodations A and B (using a scale from 1 to 5, where 1 means to a very small extent, and 5 means to a very large extent). The results were:

Accommodation A	Average score	
	Experimental group	Control group
All-inclusive options	3.45	4.4
Free cancellation before check-in	4.25	4.3
Free Wi-Fi	4	4.5
Special price offer	3.95	4.25
High ratings / reviews	4.6	4.55
Attractive presentation image	4.3	4.2
Safety measures taken during Covid-19	3.45	3.8

Accommodation B	Average score	
	Experimental group	Control group
All-inclusive options	3.45	4.5
Free cancellation before check-in	4.15	4.3
Free Wi-Fi	4.1	4.5
Special price offer	3.95	4.25
High ratings / reviews	4.3	4.55
Attractive presentation image	4.25	4.35
Safety measures taken during Covid-19	3.45	3.75

For both accommodations, the high ratings / reviews were the most important factor. In addition, the attractive presentation image was an important influencing factor. The option of free cancellation before checkin and the free Wi-Fi were the following influencing factors. Interestingly, the special price offer was more important for the control group who did not received the images with the discounts displayed in the offer. Also, the all-inclusive options were considered to be more important factor that influences the attractiveness of accommodations.

## **5** Conclusions

The purpose of this research was to investigate the extent to which the price discount will influence the participants' perception towards the attractiveness of a vacation.

The initial hypothesis that accommodation A will be perceived as being more attractive if the discount is not presented was incorrect since the majority of respondents from the control group selected accommodation B. Even though the members of the control group considered that accommodation A has the best price offer, they would choose accommodation B. Constrained by a certain budget, the members of the control group declared that they would choose accommodation A, but accommodation B received a close average score.

The initial hypothesis that accommodation B will be perceived as being more attractive if the discount is presented was correct since the majority of respondents from the experimental group selected accommodation B.

The experiment is not conclusive because the decision to choose a certain holiday offer is strongly influenced by other factors, not only by the price. According to this research the high ratings / reviews, the attractive presentation image, the option of free cancellation before check-in and the free Wi-Fi are important influencing factors. A conclusive experiment should measure in detail the influence of all these factors.

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