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CONSUMER RESPONSE TO PROMOTIONAL PRICING OF URBAN TOURISM PRODUCT: THE CASE OF POZNAN (POLAND)

The paper refers to consumer involvement in unusual promotional activities, which are simultaneous 50% price cuts of basic tourism services in the city. The aim of the paper is to estimate how long promotional pricing in the form of a marketing event organized once a year can produce positive consumer response and therefore can be considered as an effective marketing tool. A survey among consumers and organisations involved in the event has been carried out since the very first edition and has been repeated using the same methodology. The findings show that consumers reactions to promotional pricing and thus the effectiveness of this marketing tool decreases after the third event edition. Moreover, despite the growing number of the services sold up to the third edition the share of visitors in consumer structure fluctuates with a decreasing tendency.

Keywords: promotional pricing, place marketing, consumer behaviour, cities, Poland.

Introduction. Growing global competition between areas makes destinations adopt marketing methods and tools used for commercial goods and services markets so far. The joint price decision-making in the form of promotional pricing is an example of such activity. It is a frequently used sales promotion technique among organisations; however, its use in territory marketing with respect to tourists is relatively seldom and therefore there are few descriptions of using it in the literature (Kolb, 2006).

There is a number of ways to evaluate the effectiveness of sales promotion in general and promotional pricing in detail. The points of reference are always consumer reactions (Kalwani & Yim, 1992) and that is why the basic measures are sales volume or number of consumers involved. The effectiveness of price cuts depends on duration, timing and depth of discounts, as well as on their frequency. Besides challenge is a single assessment of their effectiveness in monitoring the degree of consumer response in each single promotion period to state whether or not it changes over time. This, in turn allows to answer the question of whether it is profitable to use this tool within overall marketing strategy.

With respect to the fact that destinations are spatial organisations with an informal structure and a dispersed ownership status, administering and promoting them are conditioned by other factors than in the case of enterprises. The conceptual issues and the spatial extent of the place tourist product must be taken into account. According to Ashworth & Voogd (1994, p. 43), the pricing of places is usually indirect, intangible and often only expressible in non-monetary units. Many of the essential attractions and facilities are characterized as public goods (Samuelson & Nordhaus, 1995, Socher, 2006) and are therefore provided to tourists on a non-market basis for fixed prices or for free. In this case tactic changes of prices do not refer to them. Additionally, considering the involvement of various types of services in joint pricing project it can be a problem to set up clear rules of promotional price cuts. From the point of view of creating marketing strategies on the level of destinations, it is especially crucial to determine the effectiveness of price deals in the long term of a repeated character of this tool application.

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Literature review: effectiveness of promotional pricing as a tourism-destination marketing tool

Promotional pricing, also known as price dealing or price-cutting, is a temporary reduction of a brand's regular price, sometimes even below costs. It is a frequently used sales promotion technique among organisations, which lasts for a short period of time and has a complementary role to advertising and public relations (Armstrong & Kotler, 2011, p. 459; Beltov, Jorgensen & Zaccour, 2006). The general objective of promotional pricing for businesses is to stimulate earlier or stronger market response by bringing on a buying frenzy, and, consequently, to increase sales. They are also frequently used within the hospitality and tourism industry because of the seasonal, perishable and inseparable nature of tourist services (Kotler, Bowen & Makens, 1999; Middleton & Clarke, 2001:144; Bowie & Buttle, 2004). In literature more attributes as well as limitations and drawbacks of promotional pricing influencing its effectiveness are pointed out (Kotler & Armstrong, 2008, p. 316; Kotler, Haider & Rein, 1993, p. 169; Middleton & Clarke, 2001, pp. 263-265; Holloway, 2004, pp. 303-305; Bowie & Buttle, 2004, pp. 169-170).

Kolb (2006, p. 262) distinguishes two types of destination promotional pricing: price reductions offered in off-season (for example half price for all attraction tickets), and package pricing to make purchase easier (for example package price for hotel and art fest tickets). The objective of using the price cuts aimed at tourists, unlike in increasing short-run sales in the case of enterprises, is to motivate potential visitors to visit a city by reducing purchase risk (Kolb, 2006). It was examined that the reasonable price level is an essential pull factor for tourists from specific segments (according to nationality or age) (Grabler, 1997; Pikkemaat, 2004). That is why price deals are most effective in stimulating first-time visits – they give a potential tourist an excuse to take the risk of visiting a new destination. They are also useful in encouraging to repeat visits and increasing visits during the off-season (Kolb, 2006, p. 262). The second objective is to get a destination wide publicity. That is why most often it is turned into a marketing event, advertised with full media coverage. When it is implemented with a proper frequency, promotional pricing can have a long-term effect in creating a tourist image and building customer relations. It mainly refers to places lacking a well-established position on the tourist market or introduces a re-imagining and repositioning strategy. Ritchie & Crouch (2003:191) observe that a special event may be an important source of the appeal in attracting visitors who might otherwise have little or no interest in visiting the destination, and of reputation as part of total destination marketing strategy.

In the empirical marketing literature one can seldom find research results of an effectiveness of repeated sales promotion campaigns, not to mention promotional pricing, despite the fact that the research on the general effectiveness of sale promotion is in progress (see: Blattberg, Briesch & Fox, 1995; Beltov, Jorgensen & Zaccour, 2006; Kalwani & Yim, 1992; Pauwels, Hanssens & Siddarth, 2002; Rao, 1991). Cummins & Mullin (2002, p. 104) observe that the coordination of sales promotion in time is of significant importance for its effectiveness. The decisions concerning both the term and the duration of price cuts are the result of many factors, including the periods of the fluctuations of demand for an offered product, frequency of purchase by buyers and the duration of the process of an event preparation and its promotion. If an

individual promotion period is too short, many targeted consumers will miss it; if it is too long, it will lose some of its 'incentive to buy now' function (Armstrong & Kotler, 2011, p. 463). Middleton & Clarke (2001, p. 263) argue that a well-known brand should not be put on promotion more than 30% of time; however, we must point out that it depends on the type of a product and the market character.

In case of the price cuts available for all consumers, a precise determination of a degree of success is a function of such elements as a number of regular or previous consumers, number of consumers who switch from competing brands, number of previous non-buyers who choose to enter the market because of price cuts and individual costs. Moreover, Holloway (2004, p. 313) points to the necessity of assessment of the effectiveness of the sale promotion not only at the moment of its ending, but also with respect to its influence upon later sales and overall turnover in a longer period. If after an increased sale during the promotional period it will return to the level before its beginning or it will be greater than at the beginning period, one may speak about the lack of losses or gaining a profit. When the level of sale was below than at the beginning period it has to be stated that price cuts were ineffective even if high sales were reached. Pauwels, Hanssens & Siddarth (2002) point out to the fact that long-term effects of price promotion are still an unresolved issue in marketing literature. Moreover, Holloway (2004) argues that "sales promotion should not be judged only in terms of its success at generating sales in the short term, and its success in achieving other objectives should be likewise measured" (p. 313). An extra assessment tool could be a frequency of purchases or changes in a consumer's attitude towards a product or an organisation.

Broadly defined targets of city price cuts should be mirrored through the effectiveness measurements. The most crucial question is to measure the direct results like a number of sold services, a number of consumers taking advantage of promotional offer or a determination of a price-cut impact as a factor attracting the city visitors (which can be measured by means of a questionnaire research). Next, it is also necessary to measure the indirect effects, exceeding the duration of the campaign. For this purpose, such measurements as the consumer readiness to visit a city once again or recommend it as the destination to friends or relatives determine a tourist appeal of a city.

General scientific problem

The aim of this paper is to discuss the aspects of using promotional pricing as a tourism destination marketing tool and assess how big the consumer involvement to promotional pricing of a city could be and how long promotional pricing as a repeated event could produce positive consumer response. Poznan is the oldest and the fifth largest city of Poland, and a strong trade, service, industrial, academic and cultural centre. The main tourism indicators are not low – there are 496 thousand visitors including 153 thousand international ones, 892 thousand overnight stays and 8173 beds in 75 accommodation establishments (Institute of Tourism, 2011).

The research was made on the basis of the performance of a promotional pricing event project "Poznan for half-price", which has been taking place in Poznan annually since 2008.

The event has been organised during the prolonged May or June weekend devoted to the Feast of Corpus Christi. The promotional idea behind the project was to give visitors and locals 50% reduction of the prices of tourist services, attractions and facil-

ities in the city, which are bought by visitors and are the elements of a city tourism product. During the organisation of the first stage of price cuts the concept was innovative on the national level – no city had ever used such a tool before in Poland and there have been few information of using such tools in other cities. The price deal tool was chosen as a direct response to this and as an incentive to have the use of the city's cultural and recreational offer. The event was also a part of the plan to change a tourism image of the city and became a part of a series of marketing activities, aimed at three target groups: city visitors, its inhabitants and the public opinion.

The number of entities involved in joint price cuts has increased since the first stage when it amounted to 35 partners. Hotels, restaurants and cultural objects were the main types of objects constituting the most important element of the basket of services purchased by visitors. It is worthwhile to observe that this structure was gradually supplemented by additional types of products and services, mostly from the scope of entertainment and specialised tourist services (Table 1).

Table 1. "Poznan for half-price" event's characteristics: the supply side

Event edition / year	2008	2009	2010	2011
Date	May 24-25	June 13-14	June 5-6	June 4-5
Partners involved	35	58	113	130
including:				
- hotels	12	20	33	35
- catering businesses	9	20	45	57
- cultural facilities	8	16	22	24
- other partners/providers	6	2	13	14

Source: Author's

Methodology

The use of case-study method allows to show the complexity of the project resulting from an engagement of a union of operations brought together offering at the same time price reductions, using multiple source of evidence and a long time perspective of using this tool – surveys have been conducted since the very first edition and repeated in the three following years using the same methodology which brings a unique and original analysis of a consumer response to that type of marketing activities.

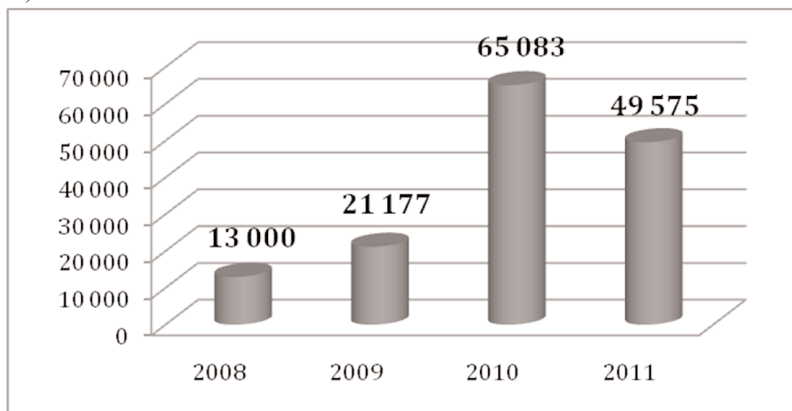
To evaluate the effectiveness of price cuts, primary and secondary research techniques were applied. Every year during the event, a series of face-to-face interviews with the consumers participating in the event were carried out. During the first edition, because of the ignorance of the general population participating in the event, 320 respondents were chosen on a random basis. Since the second edition, general population was calculated on the basis of the visitor number during the previous years, thus 377-471 (377 in 2009, 380 in 2010, and 471 in 2011) respondent samples were collected based on strata, which constituted 10 areas of survey specified on the basis of localization of attractions and service sellers offering 50% price cuts and the level of their popularity in previous years. Error margin amounted to 4.5%. In this way the use of the same questionnaire form allowed to gain information concerning the consumer structure of the event, share of international visitors, the level of response to sales incentive and the consumer assessment of the Poznan appeal as a weekend destination.

The second element of the research procedure was a series of face-to-face (only at the first edition) and Internet questionnaire surveys aimed at partners involved at the event. The exhaustive survey was conducted a week after every event edition. Its aim was to gain internal data of service sellers participating in joint price reductions concerning the volume of half-price services sales, changes in sales in comparison to the previous prolonged weekend. Moreover, partners were asked to evaluate the organizational and promotional aspects of the event.

The survey results were analysed using the descriptive statistics and time series analysis methods. Also, public statistics regarding tourism flows were analyzed. The following measurements of promotional-pricing effectiveness were used by the city with respect to tourists: number of services sold, share of external consumers (visitors) in consumer structure, share of consumers, for whom price cuts are a decisive factor of visiting Poznan, share of consumers planning to visit the city in the nearest future, and consumer readiness to recommend visiting the city. The first two indices should be regarded as the crucial ones to assess the effectiveness of price cuts as a tool of the city marketing while the next three are the fulfilment of the image of the consumer response.

Results: consumer response to the city promotional pricing in the long term

Analyzing the effectiveness of price reductions of the entities participating in the joint project it must be stated that the main indicator – total number of services sold – achieved the highest level in the third edition of the action at which 65,000 services were sold at reduced prices (Figure 1). Both earlier and in the next edition the number of the services sold was lower (5 times in 2008, 3 times in 2009 and 30% in 2011). However, it is worthwhile to observe that the high level of the services sold in 2010 could result from the opening of the new "elephant-house" in the Poznan Zoo, which was strongly advertised in the national media – during the promotional weekend 20,000 tickets were sold.

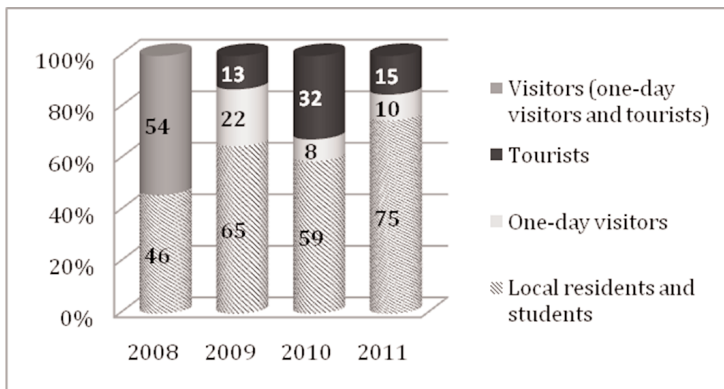


Source: Author's

Figure 1. Number of services sold over 2008-2011

Analyzing the second basic indicator of the action effectiveness – consumer structure of the promotional pricing (Figure 2) – it is worthwhile to point to the participation of external consumers, i.e. one-day visitors and tourists, who can be regarded as new-won clients in the case of the price cuts carried out by enterprises. As

for the "Poznan for half price" action the participation of residents is also important; yet, it is of secondary importance, which results from the lack of possibilities to separate the two consumer segments. Moreover, it must be stated that their participation in the action is burdened with a much greater risk of an increased number of "deal-prone" customers, delaying their purchases to the period of price promotions, which was observed by the authors. The greatest participation of visitors was observed during the first and the third edition of the action; however, in the latter case one should remember about the above-mentioned effect of the "new elephant-house" which could contribute to a large participation of tourists. Taking this into account, we can state that since the first edition the participation of the segment of the main addressees of price cuts has dropped from 54 to 25%. Considering this issue more closely we can also point to the participation of foreign visitors in the total number of the action participants which can be a measurement of the effectiveness of promotion action internationalization. In the subsequent action editions it amounted to 7.0%, 12.2%, 13.5% and 11.2% respectively. To draw the conclusions from these data, it is worthwhile to pay attention to the fact that an international promotion campaign took place only at the two last editions (promotion at the ITB in Berlin).



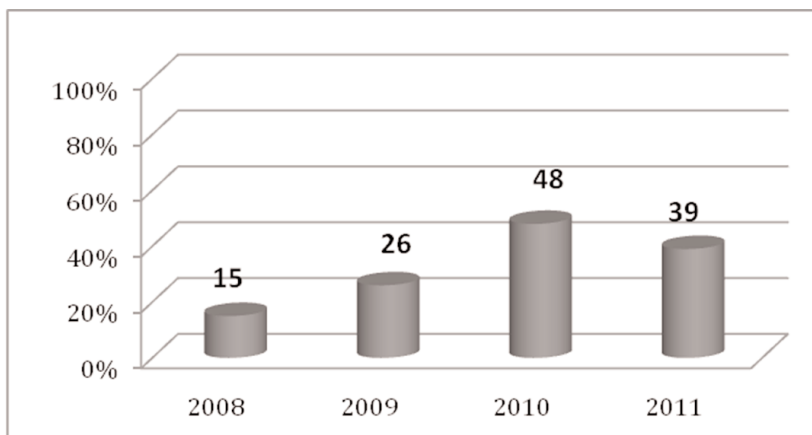
Source: Authors

Figure 2. **Consumer structure of the event 2008-2011**

The image of consumer response to "Poznan for half price" campaign should be supplemented by indirect measurements gained on the basis of its receivers' opinions during the particular editions. In order to achieve the possibly best transparency of the achieved results the data presented in Figures 3, 4 and 5 include only a proportion of positive answers registered in Likert five-point scale (the answers "definitely yes" and "yes" refer to all the participants, including the residents).

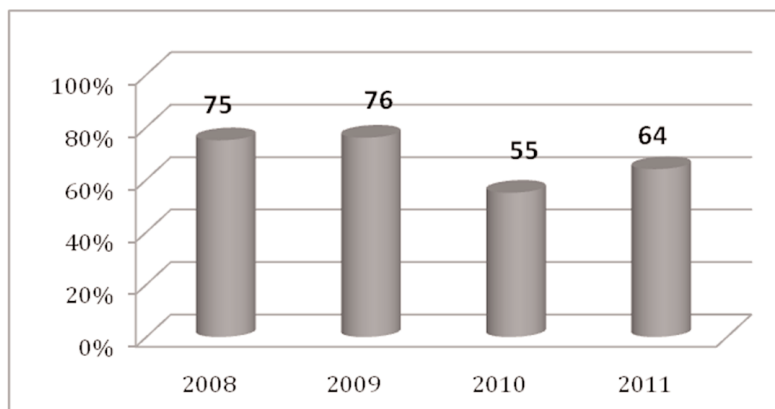
The participation of the respondents, for whom price deals were a decisive factor to spend their time in Poznan during the promotional weekend has been systematically growing up to the third action edition from the level of 15 to 48% (Figure 3). The fourth edition of price cuts was the main motivation for 39% of consumers. The impact of promotional pricing upon the consumer purchase activity is mirrored by the other measurements. In the time of conducting the research the share of respondents who planned a weekend break in Poznan during the next year varied from 55 to

76% (Figure 4). It is worthwhile to observe that the lowest share of respondents who declared such an intention was noted during the third edition when the number of the services sold was the highest. The share of respondents who recommend Poznan to friends and relatives as the weekend destination is much bigger; however, a downward trend is clearly visible (Figure 5). The most indirect measurement of price cuts is a general attractiveness of the city conducted among the respondents (Figure 6). Employing a ten-point scale (where 10 is the highest note), an average note was in the range from 7.63 to 8.13.



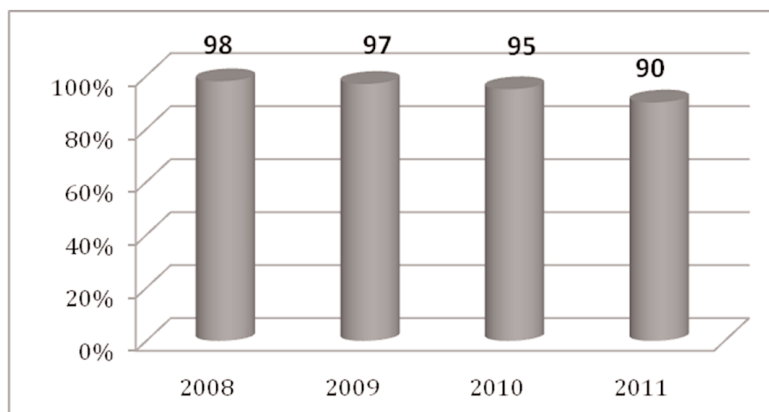
Source: Author's

Figure 3. "Poznan for half-price" as a decisive factor of visiting the city over 2008-2011



Source: Author's

Figure 4. Consumers planning a weekend break in Poznan over 2008-2011 (in %).



Source: Author's

Figure 5. Consumers going to recommend Poznan as a weekend destination to friends and relatives over 2008-2011 (in percentages).

The research results allowed to answer the following questions: Is the use of price promotion by a city with respect to a tourist product effective both in a short (single campaigns) and in a long period? After what period of time the consumer response to promotional pricing decreases?

Taking into account only the direct effect with respect to the whole city measured by the indicator of the total sales volume we may state that all the four editions conducted so far have been effective and that the third edition of price cuts was the most effective one. However, this clearly-cut positive assessment cannot be verified by consumers. Firstly, the research results of the consumer structure confirm that the form of price cuts employed in Poznan, resembling a classic "shelf-price", is burdened by a characteristic emphasised by the authors (Armstrong & Kotler, 2011, p. 459; Cummins & Mullin, 2002; Beltov, Jorgensen & Zaccour, 2006) – they are indiscriminate and consequently, targeted at everybody, not only at visitors. Both them and the inhabitants receive the benefit of the price cuts irrespective of whether they needed this inducement to visit the city or stay within it or not. It was only during the first price campaign conducted in 2008 that the number of visitors exceeded the number of residents (while one should be very cautious with these results because of the changed methodology with respect to the other editions); in the next years one can observe a decrease in the visitors' participation which points to the decrease of the effectiveness of this marketing tool with reference to these target consumers. Thus, we can state that the event has become local, not tourist in nature. Secondly, the percentage of respondents who stated that price cuts were decisive factors of visiting or staying in the city during promotional weekends is low – it did not exceed 50% at any edition, which may certify the lower effectiveness of this tool as compared to sales promotions carried out by enterprises. Thirdly, since the first edition the value of two of three indirect indicators has been decreasing which points to more permanent and not only short-time effects of price cuts – readiness to visit and recommend the city.

Applications, limitations, and conclusion

The study of the four-year period of applying promotional pricing and the measurement of consumer reactions to these actions may be a useful theoretical and practical material, especially for organisations in charge of destination marketing and tourism destination development. However, it must be added that the possibility of generalizing the presented results upon other forms of price cuts used on a city level is diminished by the specificity of the event. The time of a single period of price reductions is very short. Moreover, the reductions concern a lot of independent entities, so it is useful to evaluate the strength of the collaborative interactions between partners.

In addition, the limitations of the study should be discussed. The first of them is the modification of the methodology of conducting the primary research among consumers, which resulted from the fact that it was impossible (because of a unique character of promotion) to select an expected population participating in the event. This weakness has been leveled since the second edition. Secondly, it was impossible to mark off the factors which influence the effectiveness of price cuts, so the final image of the consumer involvement is blurred.

It has to be stated that the effectiveness of "City for half price" campaign confirms the fact that Poznan appeared to have many imitators – up to the fourth edition five Polish cities and towns: Wisla, Torun, Gdansk, Szczecin, Lodz as well the Ukrainian Lviv copied the Poznan initiative. On the other hand, it should be added that an easy copying of price promotions by competitors has an impact on diminishing their effectiveness.

Taking into account the dynamics of using price cuts as a tool to promote the city with respect to tourists in a long period of time, on the basis of the research it must be stated that the greatest consumer response and consequently the greatest effectiveness of this tool occurs in the third year (edition) followed by a visible drop, what is documented by the fluctuations of 3 of 5 indicators, including the one of crucial significance (sales volume). The second basic indicator – the share of visitors in consumer structure – also partially confirms the above-described trend in the situation when the results of the first edition, where a slightly different methodology was employed, are disregarded. It is worthwhile to observe that the effectiveness of the fourth edition of price cuts – despite the drop – is still high. An unambiguous verification of this thesis (i.e. the confirmation of the decreasing trend of indicators) will be possible after the conduct of the fifth edition of the event.

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