

## **Consumers Preference for Hotel Amenities and Willingness to Pay in Lagos**

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### **Abstract**

The paper investigated user demand and pricing determinants of hotel facilities in Lagos. The main objective was to develop a model of these perceptions that will serve as a tool or framework for prospective investors and management staff of related investments. Using information obtained from personal interviews and structured questionnaires served on users of selected hotels in Lagos Island (Ikoyi, Victoria Island and Lekki), Hedonic Model was developed with the aid of certain identified attributes. The findings revealed that security and safety attributes, location attributes, recreation and entertainment (including food and beverages), hospitality and basic attributes are some of the significant factors affecting demand and pricing of hotel in the study area. It is recommended that investors and managers should take into consideration attributes of hotels in line with customers' value hierarchy when making investment decisions to realize optimum sustainability; and that hoteliers need to ensure that the qualities of these hotel attributes are maintained at an acceptable level by constantly reviewing customers' feedback.

**Keywords:** Hedonic pricing, Hotels, Lagos Island, Pricing, Users demand.

## Introduction

Tourism is a major industry in many countries and an important factor in global economic development. This phenomenon is partly attributable to the rapid growth of the hospitality sector which products consists of lodging, food and beverage operations, entertainment and recreation (Hayes & Ninemeier, 2007). A hotel provides lodging for transient visitors or lodgers. It is a facility that offers lodging accommodation and a wide range of other services such as restaurants, commercial shops, and convention facilities. According to Middleton and Clarke (1999) accommodation plays a functional role by providing facilities that make travel convenient and comfortable. In his conceptual model of tourism market system, Hall (1995) regarded accommodation as one of the most critical components of the demand side of hotel because it has a major influence on the type of visitors who come to a destination. Hotels must ensure that they provide the kind of service that will satisfy current customers and motivate new customers, hence hotels should make a vital contribution to overall visitor satisfaction at a particular satisfaction, as suggested by Cooper, Fletcher, Gilbert and Wan hill (1996), that accommodation provides essential support services to satisfy the wider motivation that brought the visitor to the destination.

According to the Nigerian Tourism Development Corporation (NTDC, 2009) there are 258 hotels of all types in Lagos State and 46.09% of the expenditures from inbound tourists are made within these hotels. This statistic reflects the importance of the hotel sector in the tourism industry development. The number of hotels in Lagos has increased

rapidly in recent years, reaching 258 hotels with a total of 6000 rooms in 2009 (Frontier Capital 2008, in Otegbulu & Odu, 2011). The rapid expansion of the hotel industry has produced a highly competitive market. Effective resource allocation, careful marketing strategy formulation and enhanced customer satisfaction to services provided have become essential for survival. For instance, Kim (2011) proposed a model which indicated that customers' perception of service quality fully mediates the effect of employees' service orientation on customer satisfaction and that customer satisfaction fully mediates the relationship between customers' perception of service quality and customers' decision to remain loyal. Servic and Gil-saura (2012) however, were of the view that using Partial Least Square technique, information and communication technology has positive influence on dimensions of hotel brand quality. Hotels and motels have been seen to be special real estate investment and may include commercial hotels, convention hotels and extended stay hotels involving heavy financial outlays and sustainable supporting facilities (Sirota, 2004)

The sources of demand for hotel services come from business, leisure, vacation, and convention travellers. Hotels are therefore usually designed, equipped and operated to cater primarily for one or more of these market segments. The success of a hotel is therefore closely linked to its location with respect to major commercial and industrial areas, places famed as tourist attraction or well suited for corporate conventions and association meetings.

The Nigerian hotel industry is in its infancy despite the continued springing up of hotels and guest houses across the country and

is not yet an important destination for international tourists though huge potential abounds (Babawale, 2012). The bulk of hotel guests in Nigeria at present are therefore mainly business clients while leisure, meeting and other convention travels represent just a small percentage. The on-going drive and promotion in the tourism and hospitality industry in the country is expected to positively impact on the prosperity in the hotel industry. Presently, hotels of international standards are limited and are concentrated in very few cities. Babawale (2012) reported that the key players in Nigerian hotel industry include Eko Hotel and Suites Lagos; Lagos Sheraton Hotel and Towers; Abuja Sheraton Hotel and Towers; Le Meridian Abuja; Le Meridian Port Harcourt; and Transcorp Hilton, Abuja. Demand and supply of hotel facilities and services have been curtailed in the past due to a combination of factors including the prolonged military rule with its economic implications, insecurity, low per capita income, unstable government policies, the deplorable state of infrastructure particularly power, water and roads, and precarious business environment which has curtailed inflow of foreign investor/funds into the industry (NTDC, 2009). It is against the foregoing that the following questions are raised to guide the study: What factors determine demand of hotel users? What informs price to be paid by hotel users? How is price-demand relationship expressed?

This study investigates how users of hotel identify attributes they require (Demand) and how much they are willing to pay on them (Price) for their maximum enjoyment and comfort with a view to identifying factors that determines user demand; price to be paid on such demand and also to formulate a model that expresses the demand-price relationship.

## Review of Related Literature

### *Factors Affecting Demand for a Hotel Property*

Hotels have the opportunity to set many pricing strategy in order to fit with the customers' needs. Hotel industry is considered as a unique industry where they have an extra advantage as they can charge different prices from different customers based on room types (standard, superior, deluxe, suite, executive), seasons (off, shoulder, peak), value of facility (i.e. luxury hotels charge higher price than non-luxury hotels), additional services consumed by customers (i.e. extra bed, breakfast) rack rate according to their rating, types of travellers (differentiating the price according to types of travellers). Therefore, for customers who demand for high quality services and of accommodation they should be willing to pay a higher price and vice versa.

To remain competitive and financially successful, the most important concern is therefore the pricing strategy to meet customers' expectations. The ever-increasing competition in the current environment has become a strategic issue for the hotel sector. Hotel companies have had to redefine themselves to reduce costs, offer attractive pricing, enhance customer's satisfaction, and gain a competitive advantage (Cooper et al. 1996). To achieve these, they should make sure policies adopted are in line with their pricing objectives or goals.

The factors (style) that affect the profitability of hotel business are the same factors that directly or indirectly affect the volume of leisure, business, meeting and conference travels. These include the state of the economy; the political atmosphere in terms of stability and security; and the state of the

tourism industry. Others are the location of the hotel; the quality of its immediate environment/ambient scenery or aesthetics; the quality and range of services; and very importantly, the quality and reputation of management. These factors affect the occupancy rate, a crucial factor to the value of any hotel.

Hotel business is very sensitive to micro-economic performances. In times of economic downturns, travels for leisure, business, and conferences are curtailed both in terms of the number of trips and the average length of stay. Likewise, when a country's business partners are experiencing difficult economic times, investors from such countries often prefer to invest funds in more prosperous economies to minimize risk. On the contrary, when the economy is doing well, people can afford to spend more on leisure and allied services offered by the industry. Thus, the marginal real growth rate in the economy achieved by the country between 2003 and 2013 witnessed emergence of all categories of hotels. Given the continued emphasis on privatisation, trade liberalization, improved security and fight against corruption, it is expected that the economy will recover rapidly as ailing businesses become more efficient and are able to contribute to economic growth.

Political instability and intolerance scare away foreign investors, tourists and other intending visitors; and also curtails meeting and conference travels among citizenry. Local investors are known to engage in massive capital flight when political atmosphere is precarious. On the other hand, an atmosphere of political tolerance and peace tends to promote the volume of leisure, business, meeting and conference travels.

Hotels located close to the airport and other transient of lodgers or potential users are

usually very successful. The ideal hotel is situated in an attractive, quiet location, convenient to major roads with shops and other amenities nearby; and in an important place famed for either business or tourism or both and also free from miscreants. The quality and quantity of trade is also influenced by the density and class of housing and other real estate development in the immediate neighbourhood. Hotel industry is a part of tourism industry thus, where the tourism industry is well developed; hotel industry thrives and vice versa.

In all types of hotel, the standard and variety of guest rooms, services and facilities are important. Bedrooms that are ensuite (bath/toilet); restaurant that can accommodate all or most of the guests at one sitting, one or more meeting rooms and bars, are cogent to the level of patronage and profitability.

Hotel business is labour intensive and requires specialized and highly trained management and personnel in areas such as food and beverages, accounting, marketing, and engineering. The quality, experience and competence of management determine the standard of services offered and the efficiency with which human and material resources are deployed. Rutherford (2002, cited in Durodola, 2009), explained that today's hotel organization structure is based on line and staff structured hierarchical organized with general manager (GM) at the top and assisted by the executive assistant manager who reports to the manager, consisting of the rooms divisional head, personnel, accounting marketing and sales, engineering, purchasing food and beverage.

Different hotels possess different rules or laws, as in the United Kingdom where a hotel is required by law to serve food and drinks to all guest within certain stated hours, it is also

common to find private hotels not subjected to this requirements hence people who deviated from those hotels are found occupying the private hotels. Also in Japan, capsule hotels provide a minimized amount of room space and shared facilities.

For hotels to remain in high demand, competitive and highly successful, the provision of services must be adequate and should also meet the expectations of customers in order to retain their customers and also attract more customers. Common and influential factors like these should be considered; aesthetic, location, customer services, availability of recreational facilities, courtesy of cleaning staff, level of information technology communication facilities, value added services, standard and quality of accommodation, and level of security. Also for hotel structure to serve the purpose for which it was built, it has to be continuously maintained to minimize depreciation or obsolescence which may arise from the impairment or damage either physically, functionally or economically.

Furthermore, managers need to understand the types of service quality factors that can affect their services and understand the relationships between customers' perception of their services and performance in order to design, measure and control their services. Quality and reputable management therefore promotes patronage which keeps expenses as low as possible. For successful operation of hotel, there is no alternative to good management. This factor partly explains why hotels with 5-star feature having expatriates with international experiences tend to attract more customers.

### ***Consumer opinions and willingness to pay for hotel rooms***

Chen and Rothschild (2010) identified pricing as the singular element in the accommodation marketing mix that impacts directly on revenues. Many prior studies on the determinants of hotel room price have adopted the hedonic pricing models, which assume that the price of a product is a linear function of a bundle of items White (2000); Espinet, Saez, Coenders, & Fluvia, 2000, 2001 and 2003); Chen and Rothschild (2010); Monty and Skidmore, 2003; Thrane, 2007). The basic idea of these studies is that room price is linked to the presence or absence of various hotel items. That is, the existence of a certain item will influence hotel quality, and the quality will influence a customer's willingness to pay. Hedonic model is regularly used in property valuation and related topics in Nigeria but has hardly had any recognition in the analysis of Hotels and other lodging facilities (Otegbulu & Odu, 2011).

Hedonic pricing involves the estimation of implicit prices of the attribute embodied in that product. In a typical case, the price of, for example, a hotel room is empirically modelled as the additive function of various attributes. This model is usually estimated by means of Ordinary Least Squares Regression or other similar techniques. In hospitality and tourism research, hedonic pricing models have been widely developed to assess the different attributes that characterize a package tour, hotel, real estate, and the price competitiveness of vacation destinations (Aguilo et al., 2003; Corgel, 1997; Corgel 2007; Mangion et al., 2005; Taylor, 1995). Focusing on the determinants of hotel room prices, a pioneer study by Hartman (1989) stated that business travellers exhibit a willingness to pay for

amenities such as room service and facilities, availability of free parking, and guaranteed reservations in a luxury hotel.

According to White (2000), while studying hotels in Arizona, it was observed that site and situation attributes are systematically reflected in hotel room rate. Chen and Rothschild (2010) study showed that in Taipei, while hotel location, the availability of LED TV and the presence of a fitness centre have significant effects on both weekday and weekend room rates, internet access and the presence of a fitness centre have significant effects on weekday rates only, while room size has a significant effect on weekend rates only. Espinet et al (2001) used hedonic pricing model and found out that in the Spanish continental Mediterranean coast, besides hotel category, region, distance to the beach, availability of parking place and room equipment have an effect on peak price and also on seasonality. A study in 2003 also revealed that a significant attribute that have effect on price are town, hotel size, distance to the beach and availability of parking place. (Espinete et al, 2003).

Monty and Skidmore (2003) conducted research into the bed-and-breakfast market and identified the determinants as a hot tub, a private bath and a large room. With price data from 1991 to 1998, Espinete et al., (2003) used panel models to examine how a number of hotels attribute in the sun-and beach segment in Northern Catalonia influenced room prices. Similarly, White (2000) identifies three historic methods of pricing room rates as the \$1 per \$1000 rule (charging one dollar per one thousand dollars invested to include construction and equipment costs), the Hubbart Formula (covering all operating costs while providing a 15 percent profit on investment), and management decisions (hotel managers

determined their prices relative to the competition). In some situation the hotel managers give reasonable discount to attract more customers.

Thrane (2007) examined how hotel attributes such as the presence of mini-bars and hairdryers, affected room rates in capital cities. Bull (1994) focused on how certain locational attributes including the distance from, and access to, specific places and the proximity of neighbourhood amenities, affected motel room prices in Ballina, Australia. White and Mulligan (2002) further added other attribute variables of temperature and specialization of the local economy to the hedonic price model. Dube and Renaghan (2000), noted that "room design and amenities" are attributes considered most important in creating value during customers' stays and that location is the attribute that most strongly influences their purchasing decision. Additionally, Isreali (2002) suggested that the ability to charge a premium for the hotel corporate affiliation or brand name is not consistent in Israel, but the star-rating system is a stable and consistent predictor of room prices.

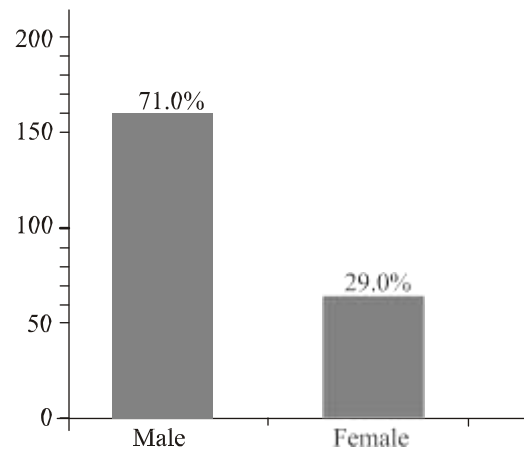
## Research Method

From the literature review, it is evident that not very much research has been conducted on Hospitality and Tourism industry generally in Nigeria among construction professionals including real estate practitioners. The study population comprised of hotels that fall between 3 and 5 stars rating in Lagos Island (Ikoyi, Victoria Island and Lekki). The list of hotels available in Lagos was obtained from Nigerian Tourism Development Corporation (NTDC). The corporation has the function of regulating the tourism industry and updating

tourism information among others. The NTDC listed 25 hotels of between 3-5-star ratings in Lagos. Research instrument used is the questionnaire designed to elicit information on respondents' views on issues such as what drives or determines their lodging needs; the prices that they are willing to pay for such request or needs; their perception on state of the hotels and lodging facilities. The study area was stratified into three strata (Victoria Island, Ikoyi and Lekki) for easy sampling of the study population. The sample was drawn randomly from each stratum from which a sample size of 18 hotels was obtained, constituting about 72 percent of the total population. The study examined 32 different attributes. These attributes are shown in Table 2. The analysis of the data was carried out with the use of a Hedonic Price Model in line with the views of Espinet et al. (2003); Chen and Rothschild (2010); and Otegbulu & Odu (2011). Out of 320 questionnaires that were administered, 252 were returned and found usable. The returned responses represented 79 percent of the total questionnaire administered. The dependent variable was the room rate/price offered in the hotels. While the independent variables were regrouped into 6 components, namely; security attributes, location attributes, recreation/entertainment and hospitality/basic attributes, appearance/accommodation attributes and Supplementary attributes.

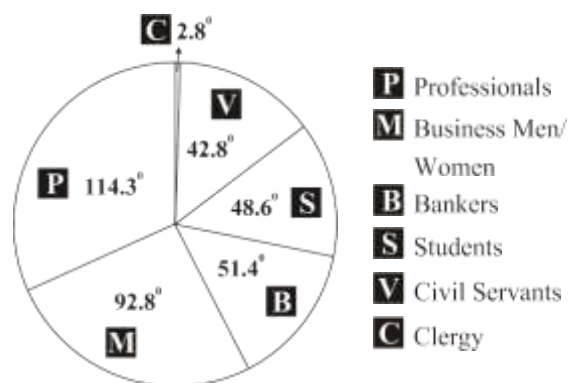
**Results**

Figure 1 shows the frequency distribution of the respondents by sex. This figure show that one hundred and seventy-one (71.0%) are males while seventy-three (29.0%) are females. This infers that there are more male lodgers than females.



**Figure 1:** Distribution of Respondent by Sex

Figure 2 shows the frequency distribution of the respondents by occupational status. This figure show that 31.75% of the respondents are professionals, 25.79% of the respondents are business men/women, 14.29% of the respondents are bankers, 13.49% of the respondents are students, 11.90% are civil servants while 2.8% of the respondents are clergy. From this, it is seen that majority of the respondents are both the professionals and business men/women.



**Figure 2:** Distribution of respondent by occupational status

Table 1 displays the list of users' demand and pricing influencing factors considered in this research but without following any particular pattern of arrangement.

**Table 1:** List of factors influencing demand and pricing of hotel

S/N	Factors
1.	Availability of fire extinguisher
2.	Security and safety
3.	Availability of recreational facilities
4.	Responsible security personnel
5.	Good fire detection system
6.	Courtesy of cleaning staff and decency of the hotel
7.	Secure fire door
8.	Innovative & value added services (value for money)
9.	Level of information technology communication facilities
10.	Food value of the restaurant (variety in cuisine)
11.	Serenity of the neighborhood
12.	Physical appearance/attractiveness of the hotel.
13.	Convenient payment method
14.	Interior decor & exterior aesthetics.
15.	Corporate affiliation and brand name
16.	Availability of swimming pool
17.	Spacious & well maintained rooms (Quality of accommodation)
18.	Convenient location & accessibility to specific places and proximity of neighborhood amenities
19.	Availability of bar/café
20.	Availability of free convenient parking
21.	Guaranteed reservation
22.	Constant power supply.
23.	Regular water supply
24.	Reasonable room price

25. Availability of Expo/conference facilities
26. Functional and operation of elevators
27. Laundry services
28. Availability of shuttle services
29. Availability of club
30. Availability of business centre
31. Room facilities e.g design, lighting, temperature, easy to handle door knob, supporting mattress and chairs etc.
32. Star-rating system of the hotel

Table 2 shows the frequency distribution of the respondents by nationality. This figure show that 71.43% of the respondents are Nigerians while 28.57% of the respondents are non-Nigerians. This shows an approximate ratio of 2.5:1 for Nigerians to non-Nigerians.

**Table 2:** Frequency distribution of the respondents by nationality

Nationality	Frequency	Percentage
Nigerians	180	71.43
Foreigners	72	28.57
Total	252	100

From table 3, it is seen that 67.1% constituting the majority of the respondents lodge in the hotels very often while often and occasional visits are at par with 11.9% apiece. 9.1% of the respondents however rarely visit the hotels in question.

**Table 3:** Frequency of visit to Hotel

Category	Frequency	Percentage
Very often	169	67.1
Often	30	11.9
Occasionally	30	11.9
Rarely	23	9.1
Total	252	100



Table 4 shows the frequency distribution of the respondents by respondents' years of patronage. This figure show that 48.8% of the respondents have been patronizing the hotels for 10 years and below, 35.30% of the respondents have been patronizing the hotels for between 11-19 years, 11.10% of the respondents have been patronizing the hotels for close to 3 decades while the remaining 4.8% had their un-parallel patronage for 30years and beyond. This makes their views reliable.

**Table 4:** Number of years of patronage of hotels by the respondents

Category	Frequency	Percentage
Less than 10 years	123	48.8
11-19 years	89	35.3
20-29 years	28	11.1
30-40 years	7	2.8
40years & above	5	2.0
Total	252	100

Table 5 shows the ranking of the factors influencing demand and pricing of a hotel. Security and safety was ranked first with a Relative Impact Index (RII) of 0.99; availability of fire extinguisher was ranked second with RII of 0.98; responsible security personnel was ranked third with RII of 0.96; good fire detection system was ranked fourth with RII of 0.94; secure fire door was ranked fifth with RII of 0.93; level of information technology/ communication facilities was ranked sixth with RII of 0.90; functional and operation of elevators was ranked seventh with RII of 0.89 (the high ranking of these seven attributes may be a reflection of the growing concern about security challenge in the country); convenient location and accessibility to specific places and proximity to

neighbourhood amenities was ranked eighth with RII of 0.88; serenity of neighbourhood was ranked ninth with RII of 0.87; room facilities, e.g. design, lighting, temperature, easy to handle door knob, supporting mattress and chairs etc, was ranked tenth with RII of 0.84; availability of free convenient parking was ranked eleventh with RII of 0.84; star-rating system of the hotels was ranked twelfth with RII of 0.84; availability of recreational facilities was ranked thirteen with RII of 0.83; food value of the restaurants (variety of cuisine) was ranked fourteenth with RII of 0.76; availability of swimming pool was ranked fifteenth with RII of 0.75; availability of a club was ranked sixteenth with RII of 0.73; guaranteed reservation was ranked seventeenth with RII of 0.72; prompt and courteous room service quality was ranked eighteenth with RII of 0.68; spacious and well maintained rooms (quality of accommodation) was ranked nineteenth with RII of 0.67; courtesy of cleaning staff and decency of hotel was ranked twentieth with RII of 0.65; constant power supply was ranked twenty-first with RII of 0.64; regular water supply was ranked twenty-second with RII of 0.63; availability of expo/conference facilities was ranked twenty-third with RII of 0.62; physical appearance/attractiveness of the hotel was ranked twenty-fourth with RII of 0.61; interior décor & exterior aesthetics was ranked twenty-fifth with RII of 0.60; reasonable room price was ranked twenty-sixth with RII of 0.60; laundry services was ranked twenty-seventh with RII of 0.58; availability of business centre was ranked twenty-eighth with RII of 0.57; availability of a bar/café was ranked twenty-ninth with RII of 0.56; innovative and value added services (value for money) was ranked thirtieth with RII of 0.55; availability of shuttle

*Table 5: Ranking of the factors influencing respondents demand and pricing of a hotel*

<b>Components</b>	<b>RII</b>	<b>Rank</b>
Security and safety	0.99	1
Availability of fire extinguisher	0.98	2
Responsible security personnel	0.96	3
Good fire detection system	0.94	4
Secure fire door	0.93	5
Level of information technology/communication facilities	0.90	6
Functional and operation of elevators	0.89	7
Convenient location & accessibility to specific places and proximity of neighborhood amenities	0.88	8
Serenity of Neighbourhood	0.87	9
Room facilities e.g design, lighting, temperature, easy to handle door knob, supporting mattress and chairs e.t.c	0.84	10
Availability of free convenient parking	0.84	11
Star-rating system of the hotel	0.84	12
Availability of recreational facilities	0.83	13
Food value of the restaurant (variety in cuisine)	0.76	14
Availability of swimming pool	0.75	15
Availability of club	0.73	16
Guaranteed reservation	0.72	17
Prompt & courteous room service quality	0.68	18
Spacious & well-maintained rooms (Quality of accommodation)	0.67	19
Courtesy of cleaning staff and decency of hotel	0.65	20
Constant power supply	0.64	21
Regular water supply	0.63	22
Availability of Expo/conference facilities	0.62	23
Physical appearance/attractiveness of the hotel	0.61	24
Interior décor and exterior aesthetics	0.60	25
Reasonable room price	0.60	26
Laundry services	0.58	27
Availability of business Centre	0.57	28
Availability of a bar/café	0.56	29
Innovative & value added services (value for money)	0.55	30
Availability of shuttle services	0.54	31
Convenient payment method	0.52	32

service was ranked thirty-first with RII of 0.54; while convenient payment method was ranked thirty-second with RII of 0.52 and, considered least among the factors influencing user demand and pricing in hotel development attributes in the study area. The last nine attributes rank most insignificant; this may be attributed to the fact that if the services are unavailable in the hotel/ guesthouse, they may be sought elsewhere and are therefore not regarded as essential to the lodgers.

Table 6 shows the Eigen values of the attributes. The table shows that all the 6 attributes have Eigen values greater than 1 although the first-four of these attributes namely, Security attributes, Locational attributes, Recreational and entertainment, Hospital and basic attributes are the most significant factors that influence the demand and pricing for accommodation in the study area.

**Table 6:** Total variance explained

Com- ponent	Initial Eigen values			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loading		
	Total	Variance %	Cumulative %	Total	Variance %	Cumulative %	Total	Variance %	Cumulative %
1	5.471	22.137	22.137	5.471	22.137	22.137	4.411	19.471	19.471
2	3.113	17.134	39.271	3.113	17.134	39.271	4.121	12.259	31.730
3	2.183	15.211	54.482	2.183	15.211	54.482	3.151	11.112	42.842
4	2.123	12.123	66.605	2.123	12.123	66.605	2.212	8.021	50.863
5	1.241	9.871	76.467	1.241	9.871	76.467	1.879	5.321	56.184
6	1.033	3.142	79.609	1.033	3.142	79.609	1.231	2.314	58.498

Table 7 shows factor analysis that leads to the existence of six factors which are identified as Security attributes, Location attributes, Recreation and Entertainment, Hospitality and Basic attributes, Appearance/ Accommodation attributes, and Supplementary attributes. These factors represent different attributes and explain the 79.61% of the total variance, while reliability for each factor measured by Cronbach's Alpha ranges from 0.52 to 0.996, which can be considered satisfactory (Nunnally, 1978). The reliability of this six-factor mode was tested by using scale analysis and the result of Cronbach's alpha is

satisfactory since it is more than 0.5 for each factors, thus considering both six factors and loading remained unchanged.

**Table 7:** Factor analysis of hotel demand and pricing determinant

Component	Eigen value	% of Variance	Attributes	RII			
1	5.471	22.137	Security and safety	0.99			
			Availability of fire extinguisher	0.98			
			Responsible security personnel	0.96			
			Good fire detection system	0.94			
			Secure fire door	0.93			
			Level of information/communication facilities	0.90			
			Functional and operation of elevators	0.89			
2	3.113	17.134	Convenient location & accessibility to specific places and proximity of neighborhood amenities	0.88			
			Serenity of Neighbourhood	0.87			
			Room facilities e.g design, lighting, temperature, easy to handle door knob, supporting mattress and chairs etc	0.84			
			Availability of free convenient parking	0.84			
			Star-rating system of the hotel	0.84			
			Availability of recreational facilities	0.83			
			Food value of the restaurants (Variety of cuisine)	0.76			
3	2.183	15.211	Availability of swimming pool	0.75			
			Availability of a club	0.73			
			4	2.123	12.123	Guaranteed Reservation	0.72
						Prompt and courteous room service quality	0.68
Spacious & well-maintained rooms	0.67						
Courtesy of cleaning staff and decency of hotel	0.65						
5	1.241	9.871	Constant power supply	0.64			
			Regular water supply	0.63			
			Availability of Expo/conference facilities	0.62			
6	1.033	3.142	Physical appearance/attractiveness of the hotel	0.61			
			Interior decoration & exterior aesthetics	0.60			
6	1.033	3.142	Reasonable room price	0.59			
			Laundry services	0.58			
			Availability of business centre	0.57			
			Availability of a bar/café	0.56			
			Innovative and value added services (value for money)	0.55			
			Availability of shuttle services	0.54			
			Convenient payment system	0.52			

Table 8 shows the result of the regression analysis. Multiple linear regression statistical tool was chosen based on the number of dependent variables that are significant, the value of the Coefficient of multiple determinations (R<sup>2</sup>), the F-value as well as the value of the standard error. The table showed that R<sup>2</sup> is 0.61 meaning that the independent variables can explain about 61% of the variations in dependent variables. F-value of 19.361, meaning that the overall equation is significant (p<0.01), Durbin Watson (DW) of 0.896 (which is less than 1.0) shows the presence of auto-correlation.

The result shows that out of six attributable variables four were significant; i.e. Security attributes, Location attributes, Recreation & Entertainment and Hospitality & Basic attributes are significant (p<0.05) while Appearance and Accommodation and Supplementary attributes did not significantly affect the demand and pricing of hotel in study area. Security is followed by Locational; Recreational & Entertainment; and Hospitality in that order, are the most significant factor affecting demand and pricing of hotel in the study area.

**Table 8:** Determinant of user demand and pricing in hotel development

Model	Estimates	Std.Error	t	Sig.
(Const)	3.124	1.512	2.102	0.038
Security Attributes	0.410	0.126	3.247	0.002
Locational Attributes	0.467	0.155	3.024	0.003
Recreational & Entertainment	0.375	0.106	2.712	0.008
Hospitality & Basic Attributes	0.261	0.119	2.217	0.006
Appearance/ Accommodation Attributes	0.014	0.035	0.410	0.683
Supplementary Attributes	0.020	0.160	0.123	0.903
R <sup>2</sup>	0.617			
Adjusted R <sup>2</sup>	0.601			
Std. Error	1.056			
DW	0.896			
F	19.361			

\*\*Significant at 1% level, \*Significant at 5% level;

$$Y = b_{0(3.124)} + b_{x1(0.410)} + b_{x2(0.467)} + b_{x3(0.375)} + b_{x4(0.261)} + b_{x5(0.014)} + b_{x6(0.020)} + e_{(1.056)}$$

Where:

Y = User Demand

X1 = Security Attributes

X2 = Locational Attributes

X3 = Recreational & Entertainment

X4 = Hospitality & Basic Attributes

X5 = Appearance/ Accommodation Attributes

X6 = Supplementary Attributes

e = Error Term

## Discussion of Findings

Unlike the results of similar studies by Otegbulu and Odu (2011) who found that locational attributes and quality of service provided are what influence preference of lodgers, this study revealed that four attributes are most important to hotel lodgers. These are security and safety, location accessibility, recreational and entertainment as well as hospitality and basic attributes. The difference in results is a reflection of the growing concern about insecurity in the country. This could also mean that security and safety may be a major factor for Western travellers especially after the US September 11 terrorist attack and other similar attacks experienced around the world. While hotels sited on the Lagos Mainland are struggling for alternative power supply, water, good road networks as well as public infrastructure, Hotels on the Lagos Island enjoy the luxury of better infrastructural provision which enable them concentrate their resources on adequate security strategies and planning amongst others.

The travellers/lodgers consider security and safety as the most influential factor on their willingness to pay for mid-scale and luxury hotels. The importance of a secure atmosphere and prime locations in investment siting has been buttressed in this study. With an R2 of 0.61, lodgers would give up almost every other thing to be secured and close to the city centre. This simply shows that revenue generated from a well secured hotel investment is likely to cover the high cost of acquiring the investment. Location being the second most important consideration which travellers require from midscale and luxury hotels, should also be treated as a variable within a strategic

programme for a business. For an existing location therefore, hoteliers can focus on the advantages that their businesses have with regard to accessible distance to an attraction or a city centre, as well as the inherent advantages of their neighbourhood characteristics, such as serenity or a beautiful landscape.

## Conclusion and Recommendation

The main objective of the study was to investigate the user demand and pricing determinants in hotel development. The study performed descriptive and logistic regression analysis in order to achieve the objective of the study based on the 32 attributes. The results from logistic regression carried out, shows that four of the six attributable variables are significant. The hedonic price model quantified the effect of each of the significant variables on the room rates. This allows prospective investors economic estimates of the impact of decisions concerning the variables. This is important as some of these variables are things that should be taken into consideration at the inception of the project to avoid unnecessary spending on modification projects in later life of the investment. The analysis also shows that a high level importance is attached to the provision of security gadgets/equipment by customers. Investors, hotel management and other stakeholders in the hospitality industry are therefore encouraged to invest more in the area of security, recreational facilities and good hospitality packages that determines overall satisfaction level which may lead to revisiting intention. Furthermore, hoteliers should ascertain that all employees are involved in upgrading quality standards, and make them realise that a warm and cordial reception is

imperative in their profession. Most importantly, it is necessary that investors and managers take into consideration attributes of hotels/guest houses in line with customers' value hierarchy when taking investment decisions to realize optimum sustainability.

There are other hotel factors that appeared to be comparatively less influential in determining the demand and price of hotels and its services for overall satisfaction levels among the users/customers. Nevertheless hoteliers still need to ensure that the qualities of these hotel attributes are maintained at an acceptable level by constantly reviewing customers' feedback.

There are possible avenues that can be explored in future research regarding the factors influencing demand and pricing for hotel investment. As such, it would be interesting to see if future studies will be able to confirm and compare the findings of this study with other states of the federation.

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