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# Changes in pre- and post-pandemic pricing decision factors: An overview of South Africa's luxury accommodation sector

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**ABSTRACT:** Large-scale events such as a worldwide pandemic impact multiple areas of the hospitality business, including the factors that influence luxury pricing. As pricing cannot be done in isolation, changes in trading environments need to be identified and pricing approaches adjusted to keep access to luxury products in the hospitality sector in line with changing consumer expectations and access to disposable incomes. An investigation was conducted using a qualitative method by collecting insights from 50 experts in pricing roles in the luxury hospitality sector in South Africa to determine the changes in pricing levels and approaches in the last decade and the expected future changes based on the current status of the economic and public health environment. The results from this investigation have shown a continuous increase in luxury accommodation price points with expected decreases in accommodation and events and catering revenue streams in the future, but no major change in food and beverage and auxiliary revenue streams due to the current global pandemic. The investigation has also shown, based on opinions of 50 key pricing decision-makers in South Africa, that service and product offerings, customer segmentation, location, forecast demand and the competitive environment remain the strongest influences in pricing decisions, with price sensitivity/elasticity, online presence strength, cost of hygiene practices and technological advancements becoming more relevant.

**KEYWORDS:** digitalisation, hospitality, influencers, luxury, pricing, profitability, revenue management, technology

## Introduction

Pantelic (2017) has established pricing as one of the four factors in hotel selection factors that influence guest decision process and purchase. Equally, Kapferer and Laurent (2016, p. 333) suggest that "price is central in the perception of luxury", with expensiveness argued to be the first characteristic consumers look for when defining luxury (Dubois & Paternault, 1995; Groth & McDaniel, 1993).

As pricing has a direct impact on the revenue achieved and, combined with costs, will result in the overall profitability of the organisation. This was also found in a study by Al-Shakhsheer et al. (2017). While reducing room rates will improve room occupancy, it is not an effective strategy to maximise hotel revenue. Similarly, it could be suggested and thought of that lowering pricing can also be an indication of business difficulty or in some regards a change or depletion in quality. This makes the pricing strategy critical for long-term organisational success. Enz (2013) mentioned that pricing plays a key role in shaping the market share of a firm and elicit firms' responses more than other types of competitor activities, which highlights the critical nature of correct pricing.

Price decision-makers should consider and understand various elements, including consumer's purchasing behaviour (especially in the luxury accommodation segment), competitive environment, distribution mix, demand and supply elements in the market, demand forecasting and the establishment's overall

image in the market to manage pricing more effectively to increase the overall profitability of the hotel.

Turner (2016) mentioned that the luxury consumer has a unique need for exclusivity and the promise of decadence. These elements have a direct impact on the price elasticity of the luxury consumer/guest and must be considered just as strongly as the actual price point when making a pricing decision in this unique segment.

Evolution in the hospitality industry is resulting in better technology that opens many more channels for reaching a new segment of guests. This allows marketing methods that are based on channels that are integrated with various online platforms (Williams & Levitt, 2019). These channels present new opportunities for the pricing strategy and new restrictions with pricing parity requirements. For luxury hotels, however, this may cause challenges if not approached cautiously as Yang et al. (2015, p. 1) have observed. They state that their

results indicate that consumers who are high in NFS exhibit less favourable attitudes towards the luxury hotel and a lower likelihood to return on having learned that the hotel plans to implement price promotions through discount websites. Therefore, luxury hotels that traditionally attract consumers high in NFS need to be aware that using price promotions via discount websites might have a detrimental effect on consumers' perceptions of the hotel.

Turner (2016) stated that luxury compares with extravagance,

opulence and social rank which can explain the above impression that discounts have on luxury value for some. Luxury consumers see the reduction of price for luxury hospitality offerings as a reduction in their value and prestige.

New members are entering the rank of luxury and represent a group that is often called "new money". The dawn of the millennium could not only have been called the turn of the experiential economy (Pine & Gilmore, 1999) but also the start of the new luxury period. Frank Schab, co-founder of 6 Degrees, states that more people than ever are spending money on luxury brands. Some will buy for personal enrichment and experience and others will buy to signal they have joined the upper class, and some will buy for both reasons (Schab, 2020). This indicates the evolution of the luxury traveller profile.

Turner (2016, p. 3) states that

[i]n spite of the global recession, luxury seems to be everywhere. Luxury is a term that is routinely used in our everyday life: a promise of decadence and a dream of an exclusive lifestyle, a key component of marketing management and a tagline in commercials and advertising campaigns.

This indicates the global perspective that luxury still has.

## Literature review

### *The essence of luxury: Uncompromising service and product offerings*

Luxury has always been synonymous with a high level of service and products as confirmed by a statement by Chris Fradin, Vice-President of Europe for *Forbes Travel Guide* in Godfrey (2017, p. 1): "around three-quarters of the 526 standards that the influential *Forbes Travel Guide* uses to evaluate hotels around the world are based on service". That indicates the importance of service for this well-known travel guide. With many hotels currently in the market claiming to be luxury and providing high levels of service, the measurement can become difficult. Changing customer expectations need to be considered when updating service standards and product offerings.

If we then consider the quality of our service in our pricing decision, what impact does that have on the establishment and the guest buying behaviour for a luxury brand? A study done by Ye et al. (2014) discovered — by reviewing 43 726 online surveys covering 774 star rated hotels — that price has a significant impact on perceived quality for higher-star, luxury hotels. Ye et al. (2014) also found that higher pricing has a positive impact on perceived quality, but has a negative impact on perceived value. Perceived value is driven by the customer's impression of the benefits they will get from the product or service. So, to maximise perceived value, luxury hotels must keep their service and product levels in line with the price being charged. It could be argued that the higher the price, the higher the expected quality that the consumer expects.

Reasons for high prices are debatable; however, it is seen that the human element remains important in service delivery and emphasises the need for continuous staff training. Higher staffing levels and possibly higher salaries all can contribute to the need for luxury hotels to charge higher prices. Service can further be enhanced by applying AI and robotics to apply a new service concept, by providing services focused on a reduced-touch approach, which will add value in a pandemic environment (Jiang et al., 2020). The challenge in a luxury

environment remains to reduce physical touch points with guests, but to not lose connection at the same time.

### *Using customer segmentation to meet the needs of the luxury traveller and track the evolution of this segment*

Forgacs (2017, p. 117) provides the following reasoning for customer segmentation: "To better understand the characteristics of different people, the market can be divided into groups that have common needs and distinct buying habits". Lynn (2011) elaborates that

you may differentiate your customers on the basis of demographic variables (such as age, gender, education, and income), geographic variables (such as nation, state, region, and neighbourhood type), psychographic variables (such as attitudes, opinions, interests, and values), and behaviours (such as media habits, purchase frequency, brand loyalty, and channel usage).

Crafting services in line with customer segmentation is especially relevant in the luxury hospitality sector as guests have very high and, at times, specific needs that need to be met to create the best value perception. Another important reason for customer/market segmentation is to guide your marketing activities and assist with pricing decisions (Kimes, 2010). Market segmentation can guide package creation to ensure guest needs are met. With a clearly defined market segmentation in place, additionally, price elasticity evaluation becomes easier. Lynn (2011) mentions the STP (segmentation, targeting and positioning) approach which suggests that the mass market consists of a number of relatively homogeneous groups, each with distinct needs and desires. He explains further that STP marketers attempt to identify those market segments, direct marketing activities at the segments which the marketers believe that their company can satisfy better than their competitors, and position their product offering to appeal to the targeted segments. Luxury hotels which have at their core goals to provide a high level of service and guest experience can benefit from the STP approach.

The luxury traveller profile is also changing with the emergence of the millennial traveller. Fromm (2016) states that the millennial traveller is changing the face of affluence as they are gaining more wealth at an unprecedented rate, which is changing the profile of luxury travellers. Pricing and marketing need to be made accessible to this growing segment of luxury traveller.

### *Evolution of technology in hospitality and the effect on pricing*

Technology is always evolving in the world as we know it and the hospitality industry is not immune to this evolution. Technological advancement remains constant and swift and must be taken into account when strategy discussions are done. Technological enhancement can have a positive effect on the guest experience in various ways. "Smart technology, like remote check-in and mobile room keys, cater to guest wants and expectations" (Bradley, 2019, p. 1).

Further benefits of implementing better technologies in the hospitality sector include a hotel being able to maintain their presence globally (Moro et al., 2017) and selling their rooms easily through online travel agencies (Dominique-Ferreira & Antunes, 2019).

The internet makes hotels' prices more transparent (Nagle et al., 2014), customers can easily compare the prices offered for similar services (Moro et al., 2017) and they are more informed

about products and services alternatives, benefits, qualities and prices (Al-Mamun et al., 2014). This should be a key consideration in pricing decisions to make sure that price parity is maintained to protect the luxury brand's reputation and guest loyalty. Guests can have alternatives in an instant if any confusion arises from inconsistent or confusing pricing structures. As services can now be easily communicated and marketed through these new technologies, the prices of these luxury services can be better supported with the vast amount of luxury product information at the guest's fingertips to speed up the buying process. "Specifically, in the luxury hospitality sector, authentic and tailor-made service is key to success and this makes the need clear for further digital transformation of the industry in order to meet the level of personalization that guests demand" (Les Roches, 2020).

As the industry finds itself in the grips of the Covid-19 pandemic, there has never been a more important time to assess guest needs and find solutions to be able to stand out from the competition. Hotels are likely to adopt "unmanned" devices and provide contactless services in the near future (Jiang, 2020). The challenge for luxury hotels will be to physically be as far as possible from guests to ensure guest and staff safety, but to keep as connected as possible to deliver the high level of service and personalisation expected.

The "new normal" under Covid-19 seems to have made the sector realize that investment in innovative technology must have a clear ROI (return on investment) where the impact can be measured by looking at the RevPar (room revenue per available room) or TrevPar (total revenue per available room) (Les Roches, 2020).

This ROI is directly driven by smart pricing decisions that deliver the maximum number of guests at the best possible price point to maximise RevPar and TrevPar performances consistently.

### **Digitalisation and emergence of social media**

As the world embraces digitalisation, social media becomes a bigger factor in people's social lives and a stronger marketing platform for organisations. No business can ignore it, especially not the luxury hospitality sector that sells experiences. Due to the constant increase in users on online platforms, it becomes more critical to incorporate a very strong online marketing strategy alongside the pricing strategy. It is important to include search engine optimisation (SEO), search engine marketing (SEM) and social media in your online marketing strategy to develop a strong online presence (Atwal, 2017).

Further, Atwal (2017, p. 27) states that

[I]luxury travellers' first source of information is always online. They look for inspiration on Instagram, experiences at destinations on the hotel's own website and travel blogs for practical information to plan their perfect trip.

Due to luxury hotels' often exotic locations, they must maximise this element to inspire travellers through visual platforms such as Instagram, Snapchat, TikTok and Tumblr. Research by Travolution shows 40% of millennial travellers chose a destination based on how "instagrammable" it was, bypassing the cost and availability of alcohol (24%) and the opportunities to explore local cuisine (9.4%) (Varkaris & Neuhofer, 2017).

InterContinental Hotels and Resorts has revealed — through an in-depth study done in the luxury travel segment by analysing

7 083 survey responses — that there is an increased focus on travelling "for the 'gram" and a continued focus on social media for travel inspiration as well as gratification in posting on social media while travelling (Lane, 2019). Further results from this study showed that in 2020, 39% of global luxury travellers will put more focus on social media when travelling in the coming year, and 55% of global luxury travellers believe capturing social media content while travelling increases their ability to have a meaningful experience. This indicates the value that social media is gaining for luxury travellers in their planning and travelling phases.

Vakaris et al. (2017) report from their study on the influence social media has on the customer's decision journey that social media help users accumulate information about products and services, evaluate alternatives, save time, make their decisions easily and select the most appropriate accommodation. Even if pricing is right, but the online brand is lacking, a traveller might choose one of the alternatives instead.

When a strong online brand is established and regular engagement occurs with guests through social media, brand loyalty is the result, and this enables a brand to become more confident in their pricing strategy, which in turn increases revenues and overall profit.

### **Problem identification**

A study was conducted by du Plessis & Saayman (2011) that determined the factors influencing pricing in the accommodation sector in South Africa from the accommodation provider perspective by gaining insights from various South African accommodation establishments through the databases of three major associations in the accommodation market. The findings indicated that the following ten factors were the most relevant through the respondents: (1) Environmental qualities (natural surroundings, location, climate, quality of air and water); (2) Amenities (lifts, casinos, tennis courts, children's facilities and recreation facilities); (3) Image (uniqueness of facility, status, total experience offered, and target market); (4) Management (costs incurred to develop facilities, demand, quality of basic infrastructure); 5. Positioning (included factors such as what competitors offer); 6. Quality service (product quality, quality of food, hygiene and safety); 7. Infrastructure service factor (basic infrastructure of establishment); 8. Location (distance from airport, distance from the beach and quality of the beach); 9. Marketing (marketing plan expenses); and 10. Product quality factor (facility's grading status, services like air-conditioning, digital satellite television, internet, room service, en-suite rooms and the privacy of rooms).

The above research, while relevant at the time, does not include perspectives of crucial developments in technology, revenue management and luxury traveller profiles which influence pricing decisions. The current pandemic (Covid-19) also presents some drastic changes in customer expectations and supplier responsibilities that need to be taken into account for successful pricing structures.

More research is needed to understand the current considerations for commercial leaders in charge of luxury hospitality pricing decisions as these considerations need to remain in line with technological and consumer buying behaviours.

## Research methodology

A qualitative research methodology was followed in this investigation with an exploratory questionnaire being used. Questionnaires were used to gain insights by asking for opinions on a selection of possible factors and open-ended questions on the drivers of the change of factors supported by literature reviews. According to Hammarberg et al. (2016, p. 1), "qualitative methods are used to answer questions about experience, meaning and perspective, most often from the standpoint of the participant".

### Questionnaire

The questionnaire was set up in an electronic GoogleForm with three questions and distributed electronically to targeted members. The survey was used to gain insights into the changing factors influencing pricing decisions in the luxury hospitality market in South Africa and expected changes to price points in the next one to five years. The first question looked at the factors that influence pricing decisions in the luxury hotel market and provided 18 factors. Respondents were asked to select up to ten factors in the three different periods: in the last ten years; in the last two years; and in the next ten years. The second question was aimed at establishing what the respondent's opinion was on the movement of four revenue streams, including accommodation revenue, food and beverage revenue, events and catering revenue and auxiliary revenue. Respondents needed to indicate their opinion of the price/revenue movement from four options for the revenue streams mentioned above. The options included: significant increase (15% or more), insignificant increase (15% or less), significant decrease (15% or more) or insignificant decrease (15% or less). Both of the above questions had an area where the reasons for the answers were requested. Both of these questions were mandatory. A third, optional question was added asking respondents if there were any other factors that they felt were relevant that were not covered in the first two questions. This question was not mandatory to complete the survey.

### Sample

Invitations to take part in the survey were communicated to hospitality and tourism professionals who currently hold or held commercially orientated roles (in the last ten years) in luxury and premium establishments in South Africa. Commercial roles included sales, marketing, catering and revenue management disciplines. Invitations were communicated via email, mobile devices and through commercially orientated professional network groups online.

A total of 150 invitations were sent out and 50 responses were received on the electronic survey, providing a good sample size. Due to the current uncertainties in the industry due to the Covid-19 pandemic, many respondents expressed their reluctance to complete a survey. While only 50 responses were received, respondents included pricing experts from international hotel brands in regional roles and independent luxury hotels, revenue management and digital marketing specialists, independent hotel revenue and marketing consultants and travel agent representatives who book luxury travel.

### Secondary analysis/archival study

Data on luxury hotel price performance was acquired from Smith Travel Research (STR) for the last ten years (2010–2019). STR is a third-party data collection agency that independently collects

revenue and occupancy performance data from hotels globally and safely analyses this data to supply hotel operators, owners, asset managers, and researchers etc. with benchmark data to compare their performances to their predefined competitive sets. Various rules are followed by the collecting agency and data contributors/hotel operators to ensure data is handled, stored and distributed in a way that meets the requirements of all competition commissions and anti-price fixing initiatives. This data was used to review and identify the price movement of the select set of hotels in the luxury segment in the last ten years. STR allocated 150 hotels to this set based on their qualifying selection criteria.

## Results

### *Movement of price points in the luxury hotel category between 2010 and 2019*

A review of the latest STR data for the "luxury class" selection of hotels in South Africa in their data set revealed an increase year on year, with no decline observed except for 2011 which was after South Africa hosted the FIFA World Cup (Figure 1).

Six out of ten months had an increase of over 9%, with three out of ten months recording a growth between 0% and 8.9%, and only one month showing a decline. This indicates the continued willingness of luxury travellers to pay for luxury accommodation services at growing rates in South Africa in the last ten years.

### *Expected price movement in the next one to five years*

From the survey (question 2) that was sent out, the question (Figure 2) was asked and below is a summary of some of the more popular replies received. This question was asked after Covid-19 was declared a pandemic, meaning that was a strong influencer on the perspectives shared. It is clear there was a general opinion that accommodation revenue will drop significantly (more than 15%), while food and beverage revenue is expected to increase insignificantly (below 15% increase), events and catering revenue and auxiliary revenue is expected to decrease significantly (more than 15%) as well.

Some of the reasons provided by respondents for the above responses included:

- Remote working will decrease the need for unnecessary international business travel which will in turn decrease demand for accommodation and have a negative impact on pricing for accommodation services to maintain current market share;
- Potential short-term evolution of segment changes may occur in the luxury hospitality sector by targeting lower-rated business to cover basic costs until international demand returns to previous levels;
- While more electronic meetings will happen, high-end business meetings which are normally associated with luxury hotel guests will still be taking place due to the importance of these meetings;
- Food and beverage prices will increase as operational costs will need to be covered with increased hygiene costs and new government regulations on restaurant capacities;
- Local utilisation of outside food and beverage outlets will remain strong until international travel returns, while these guests will not be able to afford significantly high prices, which will need to be taken into account when setting prices, especially in the short term;

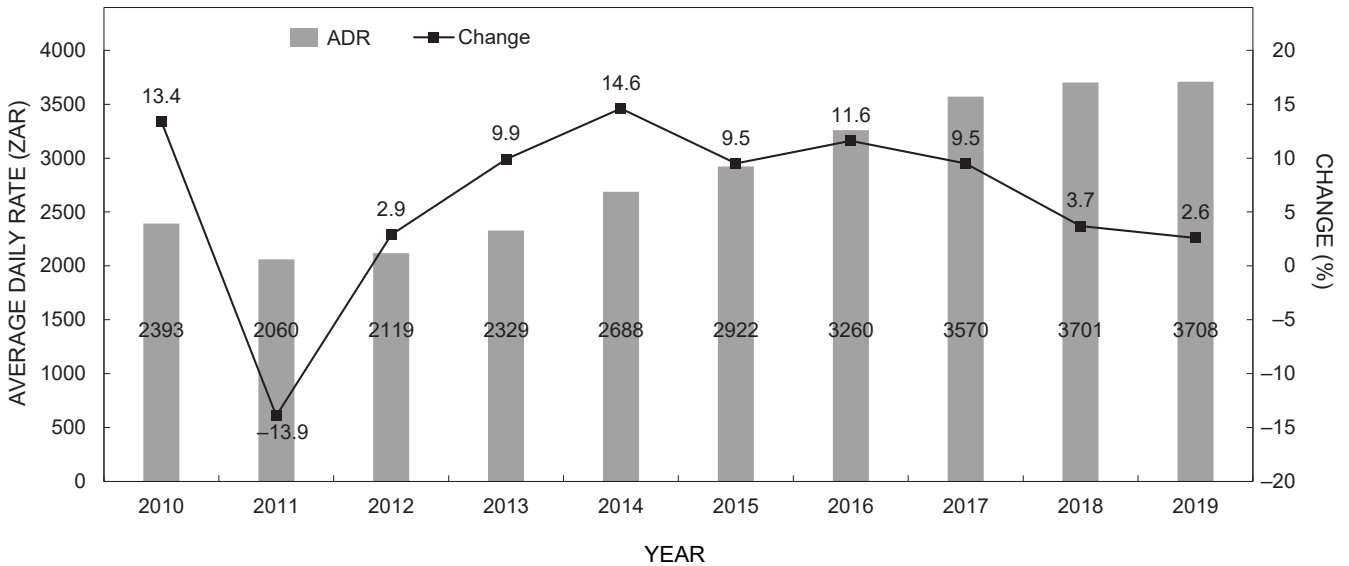


FIGURE 1: Average daily rate performance for selected luxury class properties in South Africa (author's analysis based on data from STR Trend Report)

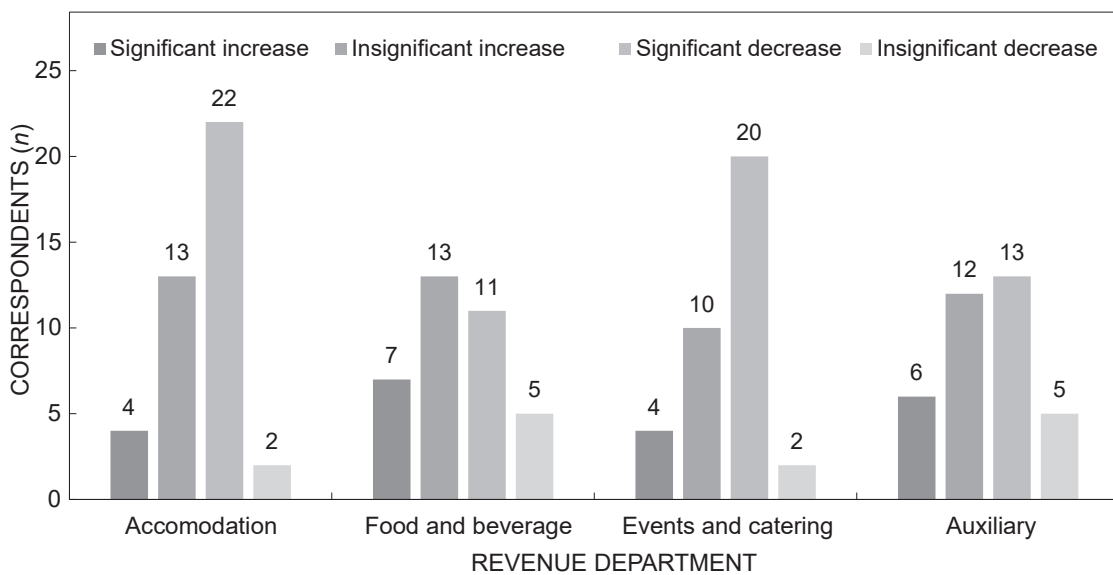


FIGURE 2: Results from the survey on change in pricing patterns in the next one to five years

- Due to social distancing regulations and technology advancements, many events will be held digitally until a vaccine is created, which in turn will significantly decrease event and catering demand, which will push down pricing to gain market share in this highly competitive market; and
- Auxiliary services will remain a guest's choice to use or not and will keep the same relationship to accommodation demand, while the change in price point on average will not see much change compared to the past.

**Changing factors that influence pricing decisions in the luxury hospitality market in South Africa**

The results from the survey (question 1) have shown that the top ten factors that will be the main considerations in pricing decisions in the next ten years show some significant

changes compared to the main considerations from the last ten years. Factors that remain important include quality of service offering, customer segmentation, the presence of a competitive environment and forecast demand. Considerations that will become more important include price sensitivity, an establishment's online presence (or not), cost of hygiene practices, and technology and social media. Full survey results can be viewed in Table 1.

**Additional considerations that can affect pricing decisions during and after the current pandemic**

The third question in the survey was an open question that allowed respondents to share their thoughts on any further considerations in pricing decisions in the current pandemic. Some of the thoughts provided by respondents included:



TABLE 1: Rank of influence factors according to the survey

Rank	Factors in the last ten years	Factors in the last two years	Factors in the next ten years
1	Forecast demand	Quality of service offering	Quality of service offering
2	Competitive environment	Competitive environment	Price sensitivity
3	Quality of service offering	Forecast demand	Establishments online presence strength
4	Quality of product offering	Customer segmentation	Cost of hygiene practices
5	Locations (access to attractions and services)	Quality of product offering	Customer segmentation
6	Historical demand patterns	Locations (access to attractions and services)	Technology and social media
7	Customer segmentation	Technology and social media	Competitive environment
8	Price sensitivity	Establishments online presence strength	Forecast demand
9	Establishments value proposition	Price sensitivity	Quality of product offering
10	Public image of establishment	Availability of growing booking channels	Locations (access to attractions and services)
11	Establishments online presence strength	Establishments value proposition	Public image of establishment
12	Current exchange rates	Amenity offerings available	Current exchange rates
13	Quality of infrastructure	Historical demand patterns	Establishments value proposition
14	Amenity offerings available	Public image of establishment	Availability of growing booking channels
15	Technology and social media	Current exchange rates	Value of marketing spend
16	Availability of growing booking channels	Value of marketing spend	Amenity offerings available
17	Value of marketing spend	Quality of infrastructure	Quality of infrastructure
18	Cost of hygiene practices	Cost of hygiene practices	Historical demand patterns

- Changes in company travel policies, consumer willingness to travel and structural changes to demand (the option of video conferencing instead of in person events);
- Special events planned before the pandemic will be difficult to cancel and will very likely still go ahead, for example, the British and Irish Lions Rugby Tour to Johannesburg in July 2021;
- A more detailed classification of luxury is needed to identify a premium luxury traveller and a mid-level luxury traveller as their needs may be different in the current economic situation;
- Available airlift to destination and travel restrictions in place that may increase the journey to destination that could add costs to overall travel expenses;
- Cancellation and booking policies can affect pricing due to fencing on lower rates and more flexibility on non-discounted rates; and
- Changes in supply as the economic environment could have devastating effects on various accommodation suppliers.

## Discussion

### *Considerations remaining important*

#### *Competitive environment and demand forecasting*

As customer demand can vary due to changes in demand and supply in the market, economic downturns and changes in guest booking behaviour, hotels need to remain aware of the environment they operate in and adjust pricing to stay competitive. This is as important now and the future as it has been in the past, with the current pandemic, which was declared a public health emergency of international concern on 30 January 2020, providing a very useful example of an economic downturn resulting from a global event and which could change the competitive environment. Pricing may need to be adjusted in such situations, but it may be unclear what to do with the pricing. The best aid to guide your pricing strategy is to undertake a focused approach to demand forecasting, but what is demand forecasting?

"Demand forecasting asks how much of a good or service would be bought, consumed, or otherwise experienced in the future, given marketing actions and industry and market

conditions" (Armstrong & Green, 2017, p. 3). This is the value of an accurate demand forecast. The price has a direct impact on the number of rooms that will be booked. Demand forecasting uses a combination of historical data and the current booking pace to determine the likelihood of historical patterns to re-occur. Due to the current pandemic, historical patterns have become somewhat irrelevant and demand forecasts will need to depend more on assumptions of possible outcomes supported by currently observed trends. Historical data that may serve some purpose though would be, for example, the trends observed during the SARS (Severe Acute Respiratory Syndrome) pandemic in 2000, as this may provide some trends that may be useful in the Covid-19 pandemic. These forecasts should guide pricing decisions in these uncertain times, while traditional demand patterns may not.

In any business environment, being aware of competitor movements remains critical, especially in a time of uncertain demand. The view is shared by (Riavoglou, 2019), who states that as it happens in every other business, hoteliers have to closely observe their competitors in order to be able to remain attractive and competitive. They should understand that the goal is not to constantly observe every action of their competitors, but to ensure that they neither underestimate nor overestimate their hotel rooms' prices."

#### *Quality of service offering and customer segmentation*

As the luxury segment is uncompromising when it comes to service, service levels should be kept at expected levels irrespective of changing market conditions. The relationship between the service level and pricing remains a direct one as the luxury customer segment, in general, is happy to pay a fair price for impeccable service. Service would include pre-arrival services such as booking, arrival services such as arrival at the hotel and check-in, occupancy services such as housekeeping, food and beverage and other revenue-based services during the stay, and departure services such as check-out and departure from the hotel. One can say that during a pandemic, service processes may pose many more health risks that should be considered during the delivery of service. Hygiene practices during service procedures and the costs associated with

these practices should be considered in pricing decisions as well. Customer segmentation would be critical in these times with lowered demand, and hotels may have to relook at their market mix to establish if they should extend their focus to new emerging markets seeking the luxury experience. These markets could come in at a different price point though, which will be a key consideration when creating the sales strategy.

### **Considerations becoming more important**

#### *Price sensitivity*

Price sensitivity measured by price elasticity, which is the percentage change in quantity demanded as a result of one per cent change in price (Fibich et al., 2005), will be more important going forward according to the survey. In the perspective of this article, the product would refer to the accommodation, food and beverage and events and catering facilities, along with the associated services that come with these facilities.

In the luxury segment, it is normally believed that these customers have more access to disposable income which results in a lower sensitivity. This was also found by Dominique-Ferreira & Antunes (2019) who mentioned in their study of estimating price ranges and the effect of price bundling that five-star hotel customers have a larger range of acceptable prices, so managers can increase prices with less risk of losing market share. Levels of sensitivity should, however, not be taken for granted as new entrants such as millennials are coming into this segment and may have a different perspective of a fair price for luxury.

Pricing has a critical role in the hospitality industry as it has a direct impact on profitability and demand. Hotel managers must understand consumers' price sensitivity to achieve their profitability goals (Dominique-Ferreira & Antunes, 2019).

#### *Cost of hygiene practices*

While hotels, especially luxury hotels, have always had a responsibility and usually a brand promise to provide their services in the most hygienic fashion possible, this has become an absolutely critical issue in a time of a declared pandemic. Jiang and Wen (2020) state that "hygiene and cleanliness issues have been considered in pandemic outbreaks as a culprit of disease". P&G Professional™ (the away-from-home division of Procter & Gamble) discovered through research that 78% of hotel guests believe cleanliness is the most important factor affecting their choice of where they stay (Cresswell, 2019). This indicates the importance that hygiene played already in 2019 before the start of the global pandemic. The significance of this during and after the pandemic is even more relevant in 2020 and beyond.

Ralph Hollister, a travel and tourism analyst at GlobalData, comments that "[p]ost-Covid-19, consumers will be likely to place as much importance on hotel hygiene standards as they will on price and location. Fears over contracting the virus will live on far after the pandemic is over" (Hospitality Net, 2020).

As these hygiene practices become critical, the costs associated with them will need to be known and discussed and taken into account in the pricing structures as they would have an impact on the hotel's profitability. Either the extra costs need to be absorbed into the current pricing structures by reducing other operating expenses, or the costs need to be worked into a new pricing structure where it is passed on to the guest directly. This is a difficult task in itself as demand may very well be affected by current travel restrictions or fear of travel by guests, although the segment of guests willing to pay for

luxury accommodation might very well be willing to pay extra for peace of mind received from these extra measures.

#### *Technology, social media and an establishment's online presence strength*

As indicated in the literature review above, the importance of online reputation and presence is becoming more important for all hotels, irrespective of the guest segment served. The reason for this is the increased use of social media and technology by consumers. The luxury traveller segment, which is very specific about their expectations from a hotel, could place even more importance on this as they would research the service levels and experience promised to make sure it meets their unique needs. Another reason for better online presence would be the need for customers to do research regarding safety and hygiene promised by hotel brands during the current pandemic and this would be best communicated digitally via brand websites and social media platforms. The level of technology offered with a unique focus on contactless offerings to further ensure guest safety could be a very important consideration for pricing as safety is seen as the new top amenity and hotel guests may be willing to pay more for a hotel that has technology that ensures their safety.

### **Conclusion**

The results of the research into luxury class accommodation price points in South Africa has shown continuous growth in the last ten years, with a divided opinion on future changes. While accommodation and event and catering revenues are expected to fall sharply, food and beverage and auxiliary revenues are expected to remain in line with recent years, irrespective of the current pandemic.

Based on the opinion survey, the strongest influencers on pricing decisions in the luxury hospitality sector remain forecast demand and the competitive environment which will always remain important for any business to set up appropriate pricing structures. Further influences are service and product offerings as these are synonymous with luxury brands. Customer segmentation continues to be a central influencer as well due to the price points in the luxury class and the type of customer who can afford this. The segmentation mix may, however, shift in the coming years due to the rise of more affluent millennials and demand pressures experienced by the hospitality industry as a whole due to the current pandemic which the luxury class may not be spared. Influences that have increased in importance in the last few years and expected to continue in the coming years include customer price sensitivity, the strength of the online presence of the establishment, cost considerations for better hygiene practices, and technology advancements and social media.

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