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ESSENTIAL CHARACTERISTICS OF PRICING PROCESS IN TOURISM

СУТНІСНА ХАРАКТЕРИСТИКА ПРОЦЕСУ ЦІНОУТВОРЕННЯ В ТУРИЗМІ

ANNOTATION

In article the economic essence of the pricing process in tourism is opened. The main characteristics of pricing as process and criteria of the choice of methods of pricing are defined. Features of the pricing process in tourism are investigated. The principles and stages of the pricing process in tourism are offered.

Keywords: price, pricing, process, tourism, tourism enterprise.

АНОТАЦІЯ

У статті розкрито економічну сутність процесу ціноутворення в туризмі. Визначено основні характеристики ціноутворення як процесу та критерії вибору методів ціноутворення. Досліджено особливості процесу ціноутворення в туризмі. Запропоновано принципи та етапи процесу ціноутворення в туризмі.

Ключові слова: ціна, ціноутворення, процес, туризм, туристичне підприємство.

АННОТАЦИЯ

В статье раскрыта экономическая сущность процесса ценообразования в туризме. Определены основные характеристики ценообразования как процесса и критерии выбора методов ценообразования. Исследованы особенности процесса ценообразования в туризме. Предложены принципы и этапы процесса ценообразования в туризме.

Ключевые слова: цена, ценообразование, процесс, туризм, туристическое предприятие.

Problem setting. The tourism enterprises cannot realize the strategic decisions without formation of an effective pricing policy. Efficiency of activity of the tourism enterprise depends on the choice of price policy, an order of pricing for a tourism product, their size and an opportunity quickly and in due time to react to changes of market conditions. A large number of factors, which influence the price of a tourism product, causes complexity of the pricing process at the tourism enterprise. At the same time ability practically to use the corresponding methods of pricing, to form price policy and to choose price strategies will allow the tourism enterprise to function successfully in the competitive environment, to increase productivity of economic activity. All this, certainly, causes increase of the importance of the pricing process and development of strategic price decisions at the tourism enterprises.

Latest research and publications analysis. Questions of management of pricing are considered in works of foreign and domestic scientists. The following works are devoted to this problem: M. Abriutina, L. Balabanova, F. Binshtok, I. Blank, V. Blahoiev, L. Chorna, H. Chubakov, A. Chudokov, S. Dainovska, N. Goloshchapov, I. Grekova, E. Yarkin, I. Yerukhymovych, V. Yesipov, V. Koriniev, I. Lipsits, Y. Lytvynenko, L. Shkvarchuk, T. Slepneva, A. Sokolov,

G. Tatarinov, Y. Tormosa, I. Tratsevskiy, E. Utkin and others. Separate aspects of development of the tourism enterprises were considered in works L. Ahafonova, M. Boiko, M. Bosovska, L. Diadechko, Y. Zabaldina, A. Mazaraki, S. Melnychenko, H. Mykhailichenko, T. Tkachenko and others. However, questions of management of pricing in tourism are studied insufficiently. There is no integrated approach to management of pricing at the tourism enterprises.

The goal of the article is to open the economic essence of the pricing process in tourism; to define the main characteristics of pricing as process and criteria of the choice of methods of pricing; to investigate features of the pricing process in tourism; to offer the principles and stages of the pricing process in tourism.

Key research findings. In system of theoretical questions, which are associated with pricing for a tourism product, the important place is the definition of concept (term) "pricing". This concept is widely used in works of the Ukrainian and foreign authors for the characteristic of all activity, which is related to the formation, and price control at all levels.

Scientists consider pricing as an economic concept, but in many ways it is characterized. So, one group of authors defines it as "activity of managing subjects" [1; 2], second – as "process of the price setting" [3-6], third – just as "determination of price level" [7].

In our opinion, to consider pricing as activity not absolutely correctly. Pricing can't be considered as an independent type of economic activity of subjects of tourism activity because it isn't a part of types of economic activities of the national and international classifier. Pricing is also not the separate area of economic activity of the tourism enterprises because the Ukrainian legislation has defined the main activities are: operating, investment and financial activities. Therefore we join those economists who define pricing as process. In addition we also have to tell that pricing is one of types of economic process that runs tourism stakeholders.

The authors, who characterize concept of pricing as a process, pay not enough attention to concrete characteristics which define his features. For an example we present the most typical definition of the concept "pricing" as process which some modern scientists give.

So, N. Goloshchapov and A. Sokolov define this concept as follows: “Pricing is a process of the price formation for goods and services” [3, p. 6].

A. Chudokov gives the following definition: “Pricing – determination of price level and possible options of their change in the short term plan and in the long term, taking into account factors of supply and demand” [7, p. 368].

Y. Litvinenko says that “pricing is a process of the price formation for goods, works and services in general in the state or at the concrete enterprise under the influence of all-economic laws of society” [4, p. 218].

L. Shkvarchuk defines pricing as process of the prices setting of goods and service [8, p. 11].

Considering the given definitions of the concept “pricing”, we can conclude that in each of them the main feature of this process is formulated: N. A. Goloshchapov and A. Sokolov [3], Y. Litvinenko [4] define by the main content of this process pricing for goods and services, A. Chudokov [7] – determination of price level and possible options of their change, L. Shkvarchuk [8] – the price setting. Comparing the terms “formation” and “definition”, we consider that the first of them characterizes this process more accurately. Besides, contains in A. Chudokov’s [7] work, in our opinion, rather important specification of this definition – the pricing process characterizes formation not of the price (some elements of the price are formed out of this process), but price level. Proceeding from it, it is necessary to understand one of the main and major characteristics of the pricing process – his economic content is formation of the prices level for tourism product. Primary formation of the price level and also possible options of his change is a part of this characteristic.

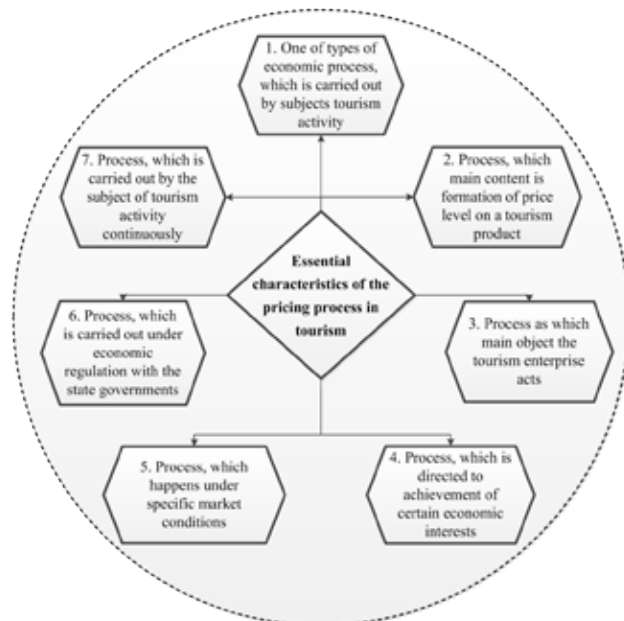


Fig. 1. Essential characteristics of the pricing process in tourism

Source: author's development

Basic value when defining the concept “pricing” as economic process has understanding of level of his use. As we can see from the given Y. Litvinenko [4] definition, this concept can be used not only at the level of certain subjects of managing (the concrete enterprises), but also at the national level (at the level of state bodies, local executive bodies). L. Shkvarchuk [8] considers that at market pricing real process of price formation happens not on production, not at the enterprise, but in the sphere of realization of a product, that is in the market under the influence of supply and demand, the commodity-money relations.

In our opinion, pricing as process characterizes only the level of certain subjects of managing who are owners of that product which forms an adequate level of the prices. Government bodies only regulate this process, develop the corresponding state price policy, apply different forms and methods of price regulation. In some cases there is setting of the state fixed price level. It is one of forms of price control to a product which doesn't belong to the state. Thus, we consider that the concept “pricing” characterizes in the full sense only the process inherent in specific subjects of managing; at the level of government bodies of management it is more correct to define such process as “price regulation” or “price control” (if subject of managing isn't the enterprise of the state and municipal form of ownership). Respectively, it is necessary to define the important characteristic of the pricing process – this process is carried out under economic regulation by government bodies of management (within their competence).

A little narrow we consider the characteristic of the pricing process which is carried out taking into account factors of supply and demand [7; 8]. Certainly, factors of supply and demand play a significant role in the formation of the price level of goods and service, but as such factors competition level in the relevant market, and the level of costs of their production, both level of the taxation and many others acts as well.

At the same time, is too generalized, in our opinion, the characteristic of the pricing process itself which is carried out under the influence of all-economic laws of society [4]. First of all, not all general economic laws are the basis for the formation of the prices level for tourism product, many such laws have no relation to this process. Besides, in this case more correct is application instead of the term “economic laws” of the terms “economic conditions” or “economic factors”, because not all from these conditions or factors which influence formation of the prices level for goods or services are based on the relevant economic laws. Finally, in the pricing process not only economic conditions and factors, as well as social are taken into account.

It is necessary to consider that concrete price level is determined directly in the market. There-

fore, pricings should be characterized as process in specific market conditions, under the influence of all factors influencing price level.

Unlike the price on which sellers and buyers of production exert impact the pricing process in full sense is carried out only by one of these subjects – the seller.

Buyers in the course of the direct trading with the seller, of course, can influence the final level of the price on which the corresponding product will be sold, but it is incorrect to identify “process of the trading” and “pricing process”, in our opinion. In full sense the pricing process in tourism taking into account all his economic mechanisms and a complex of conditions, is carried out by tourism enterprises. Buyers take part in

this process at his last stage when in the bidding process the concrete final level of the price of a tourism product is defined. Forms of influence of buyers for the pricing process in tourism are carried out only indirectly through their demand in the tourism market. Analyzing aspect of the pricing process in tourism, we can conclude that the tourism enterprise acts as the main subject of this process.

As well as each of economic processes that is carried out by subjects of tourism activity the pricing process has a certain target orientation. The system of specific goals of pricing is a subject of his consideration not as process but as corresponding control system of this process. Pricing as process is defined by his such characteristic –

Table 1

Structuring of the pricing process in the context of separate stages

Source	The recommended sequence of stages of the pricing process
L. Shkvarchuk [8, p. 79-80]	<ol style="list-style-type: none"> 1. Formulated of pricing problems. 2. Determination of the demand. 3. Evaluation of expenses. 4. Analysis of the prices and expenses of competitors. 5. Choice of a method of pricing. 6. Determination of the final price.
L. Balabanova, O. Sardak [9, p. 42]	<ol style="list-style-type: none"> 1. Information support of the pricing process. 2. Evaluation of the pricing factors. 3. Determination of the pricing policy goals. 4. Evaluation of demand of buyers. 5. Analysis of expenses. 6. Analysis of the competition. 7. Choice of a method of pricing. 8. Measures for adjustment of the prices. 9. Evaluation of price risks.
H. Assel [10, p. 624-625]	<ol style="list-style-type: none"> 1. Determination of pricing purposes. 2. Identification of the factors influencing them. 3. Development of the pricing strategy. 4. Determination of the concrete price. 5. Adjustment of level of the price. 6. Evaluation and control of the prices.
T. Slepneva, E. Yarkin [11, p. 60]	<ol style="list-style-type: none"> 1. Formation of the purposes and problems of pricing. 2. Determination of demand. 3. Evaluation of expenses. 4. Analysis of the prices and products of competitors. 5. Choice of a method of pricing. 6. Determination of the final price.
I. Tratshevskiy, I. Grekova [12, p. 41-42]	<ol style="list-style-type: none"> 1. Research of the market. 2. Determination of price policy. 3. Determination of demand. 4. Evaluation of expenses. 5. Analysis of the offer and prices of competitors. 6. Choice of methods of pricing. 7. Determination of the final price.
V. Yesipov [13, p. 514-515]	<ol style="list-style-type: none"> 1. Formation of the purposes and tasks. 2. Determination of demand. 3. Evaluation of expenses. 4. Analysis of the prices and quality of competitors. 5. Choice of a method of pricing. 6. Calculation of the initial price. 7. Accounting of additional factors. 8. Determination of the final price.
G. Tatarinov [14, p. 34]	<ol style="list-style-type: none"> 1. Formation of the purposes of pricing. 2. Determination of demand and market capacity. 3. Evaluation of expenses. 4. Analysis of the prices and products of competitors. 5. Choice of methods of pricing. 6. Calculation of the initial price. 7. Accounting of additional problems of sale. 8. Determination of the final price.

an orientation on achievement of certain economic interests of the seller as subject of managing. Such characteristic of the pricing process doesn't mean that it doesn't consider economic interests of the buyer; it only emphasizes that effective implementation of economic interests of the seller is possible only provided that these interests are balanced with economic interests of the buyer.

Finally, one more essential characteristic of the pricing process deserves attention. It consists that subjects of managing continuously carry out of the pricing. In modern literature many authors consider this characteristic of the pricing process as one of its important principles [3; 4; 7].

The main characteristics of the concept "pricing" as process are shown in fig. 1.

Based on the characteristics, which are specified in figure 1 we can give the following definition to the concept "pricings" as process, which is adapted for the sphere of tourism.

Pricing is continuous economic process of formation of the prices level for a tourism product which is carried out by the tourism enterprise for

the purpose of realization of its economic interests under specific market conditions.

If considering modern literature concerning pricing, then can be stated that his structuring on separate stages of implementation was widely used enough in works of scientists (tab. 1).

Practically all authors who investigate structure of separate stages of pricing don't differentiate these stages on those, which characterize pricing as process, and those which manage the process. In particular, such stages as formation of information base of pricing, development of pricing strategy, the choice of pricing methods, control of the prices and some other, characterize management of pricing at the tourism enterprise.

The vast majority of authors as the first stage of pricing define the formulation of its purposes and problems.

This stage also characterizes management of pricing because definition of the purposes and problems is one of methodological bases of any control system. At the same time, commitment of the pricing process has to rely on definition of system of economic interests of the enterprise, which are connected with it and create base for further formation of system of its purposes and problems. Such stage, in our opinion, has to begin structuring the pricing process at the tourism enterprise.

Any of definitions of authors, which are considered above, is not present a stage of determination of features of a product, which has to form price level. At the same time from the theory of value it is known that price level first of all depends on the following fact: the product is simple or differentiated (and how differentiated) on the consumer qualities. If not to define such features of a tourism product, then such stage of pricing as "the analysis of the prices and quality of products of competitors" which is offered by certain authors loses meaning.

Some authors define as independent stages of pricing such, which are, connected with identification (the analysis, an assessment) such factors as demand of buyers, expenses, a condition of the competition. It does not define all system of factors of influence on price level, which is formed at the enterprise. Therefore, we consider necessary to generalize formulations of this stage of the pricing process at the tourism enterprise and having defined it as identification of the market factors influencing the price level of a tourism product. The evaluation and the accounting of such factors have to be carried to the corresponding stages of management of pricing.

Any of authors does not allocate such important, in our opinion, stage of the pricing process at the tourism enterprise as definition of forms and conditions of state regulation of the prices. Such definition is one of pricing components as process and has to receive the important place in system of its main stages.

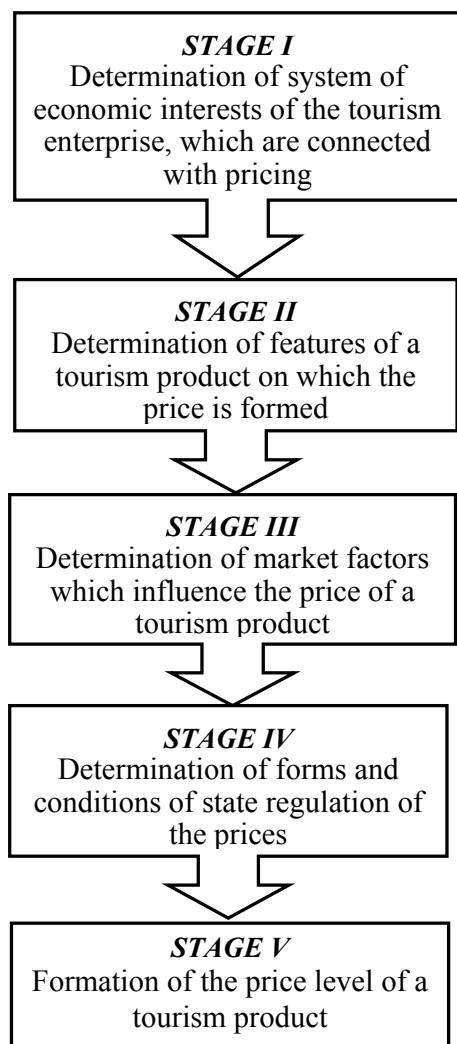


Fig. 2. The main stages of the pricing process at the tourism enterprises

Source: author's development

Finally, one of stages of the pricing process has to be associated with its result – with formation of the price level of a tourism product. This formation of the price level has to generalize such differentiated stages as calculation of the initial price, adjustment of price level and setting of the concrete price.

Thus, the pricing process at the tourism enterprises we suggest to consider on the following main 5 stages, which are shown in fig. 2.

Consecutive observance of these stages of pricing of a tourism product will allow to consider interests of subject of tourism activity – producers of tourism services, tour operators, travel agents; features of a tourism product which is offered for realization, its functional properties, quality characteristics; action of certain factors of the market environment; conditions of state regulation. It will allow to construct pricing process in such a way that pricing of a tourism product will meet expectations of the market of tourism services and interests of producers and sellers of a tourism product.

Conclusions. By means of results of research, it is established that in scientific literature concepts the pricing process and a control system of pricing often are not differentiated. However, these concepts comprise various economic characteristics. The first concept characterizes features of the pricing process, its difference from other economic processes and the mechanism, which provides his implementation under different socio-economic conditions. The second concept is based on the methodological principles of the theory of management and defines system of the purposes, functions and methods of implementation of management of this process at the concrete level. The pricing process in tourism is realized by means of

the mechanism which major elements are supply and demand in the consumer market. The theoretical basis of demand as element of a market mechanism of pricing are function of demand for the price and elasticity of demand for the price of a tourism product.

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