

RESPECT FOR ENVIRONMENT AND WILLINGNESS-TO-PAY OF THE CUSTOMER IN THE SPANISH HOSPITALITY INDUSTRY

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1. PURPOSE

Respect for the environment could be a differentiating attribute over competitors and will lead to competitive advantages. Some authors highlight the fact that, providing the environmental setting is valued by clients, it becomes a differentiating output. Other authors consider environmental compliance as an element for improving the quality of the product and an attribute of the service provided by firms that has economic value for the consumer.

Currently, environmental responsibility is having an effect on the behaviour of consumers when making purchasing decisions, influencing their reasons for travelling and the final choice of destination and service provider.

In this paper we analyze whether environmental variables have an influence in the willingness-to-pay (WTP) of the tourist.

2. DATA & METHODOLOGY

✓ Hedonic pricing methodology have been using in many fields of economics for analysing heterogeneous goods and services and, in particular, in the tourism sector and its subsectors, which has attracted the interest of many researchers due to its diverse character.

✓ In this paper the model proposed follows the methodology developed in the work of Rosen (1974) and is based on the semilog relationship between the price of a hotel room and a variable representing the implementation of measures favouring environmental sustainability. The inclusion of this variable is a distinguishing feature of our study. We have also included two control variables (the number of quality certificates or mentions, and the number of environmental quality certifications or mentions awarded to the hotel) to adjust for the effect of the environmental variable on room pricing. Finally, we have included a set of variables that represent structural and location attributes traditionally used in hedonic models of the hotel industry.

✓ The database was created as part of the project Quality, Productivity and Competitiveness in the Hospitality Industry for Andalusia (PO7/SEJ-02889). It includes representative parameters from 216 Andalusian hotels (88 rated as 3 star, 118 as 4 star, and 10 as 5 star) offering a total of 62,847 beds representing 34.34% of the total beds offered by these types of establishments in Andalusia at the end of 2009.

✓ The hedonic function was modelled using the 13 independent variables finally included in the empirical models. These variables were selected from all the potential variables collected in the questionnaire and formed the basis for building the database

3. RESULTS & FINDINGS

Table 1.
Estimated results of hedonic pricing model and estimated implicit prices for the attributes in the sample

	Model	Implicit prices (€)	Standardized β Coefficients
Environmental involvement	0.0451* (0.0126)	4.4699	0.1889
Number of Q Certif	0.0573* (0.0190)	5.6786	0.1694
Number of Environment Certif	0.0533* (0.0161)	5.2812	0.0631
Chain	0.0395* (0.0133)	3.9922	0.0518
Star-rating	0.1587* (0.0410)	15.7396	0.2532
Coast	0.1043* (0.0328)	10.9046	0.1349
Inland	- 0.0831* (0.0246)	-7.9074	-0.0861
Wifi	0.0196*** (0.0111)	1.9614	0.0234
Spa	0.0525** (0.0211)	5.3419	0.0637
Entertainment	0.0001 (0.0447)	-	-
Golf	0.0353*** (0.0201)	3.5619	0.0332
Transfer	0.0256*** (0.0136)	2.5754	0.0331
Pool	0.0886* (0.0311)	9.1852	0.0920
Const	3.2579* (0.1289)	-	-
Observations	216		
R ² adjusted	0.4319		
F test	31,61* (13, 202)		
RSS	16.2643		
Mean price of the room in the sample (€)	99.17		

Notes: * significant at 1%, ** at 5%, and *** at 10%. White-corrected standard errors are in parentheses.

Implicit prices of the dummy variables according to Halvorsen and Palmquist (1980).

Source: Quality, Productivity and Competitiveness in the Hospitality Industry Project

4. CONCLUSIONS

- I. Our results show that when the hotels implement environmental sustainability measures, their customers increase their WTP. This means that consumers positively value the implementation of environmentally sustainable measures because, by increasing the perceived quality of hotel's services, they are willing-to-pay a premium price for the service provided. As results of this behaviour of the customers, room prices increase when the quality of hotel services is improved by implementing environmental sustainability measures.
- II. In this case, investing in environmental sustainability by local governments could be a way to increase the number of tourist for this region and the number of clients for the establishment which decide implements those measures.
- III. This would particularly apply to inland hotel services, where nature-based activities are already their main attraction and whose potential clients positively regard environmental sustainability.