

Valuation of environmental amenities in the Hikkaduwa beach using the Hedonic pricing method

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The hotel room pricing in tourism sector has become a major application of the hedonic pricing method. In this approach, it is assumed that the presence or absence of certain hotel attributes affects the room rates faced by consumers when they make their decisions regarding the hotel accommodation. Therefore, the determinants of the room rate a consumer must pay for a hotel stay is a function of various hotel attributes. This research is focused on investigating whether the value of the environmental amenities in the Hikkaduwa beach is reflected by the room rates of the hotels and guest houses in Hikkaduwa. The stratified random sampling method used to select the sample which consisted of 102 hotels and guest houses and the Hedonic pricing model was constructed using only 72 hotels and guest houses. Semi-log model was used in the linear multiple regression analysis, which was carried out using the SPSS (Statistical Package for the Social Sciences) Statistics: Version 20 software package. Accordingly, it was investigated whether the room rates have been influenced by the environmental characteristics of the hotels and guest houses, including the characteristics related to the environmental amenities in the Hikkaduwa beach. The marginal willingness to pay for the environmental amenities in the Hikkaduwa beach was also ascertained. In addition, the impact from the non-environmental characteristics was considered. The average room rates of the hotels and guest houses ranged from Rs.725.00 to Rs. 42387.50, with a mean of Rs.5462.10. According to the results of the regression analysis, the significant environmental characteristic variables related to environmental amenities in the Hikkaduwa beach were the hotel or the guest house being closer to the beach and having sea view for the rooms. The values for marginal willingness to pay were Rs. 2465.75 and Rs. 2495.46 for being closer to the beach and having sea view for the rooms respectively. Some of the non-environmental characteristics also had a significant influence on the room rates. The results have revealed that the environmental amenities in the Hikkaduwa beach have been valued to a considerable extent and they have been considered by tourists when making decisions regarding the hotel accommodation, which may have then influenced the room rates of the hotels and guest houses in Hikkaduwa. It has emphasized the value of the environmental amenities in the Hikkaduwa beach for the survival of tourism in Hikkaduwa.

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