

Summary of Factors Affecting Hostel pricing in Bangkok Area(Pimchanok)

In this research paper, the author found that the hostel industry is growing at an extraordinary rate over the past decade with its target directed at the rising new segment of travelers who are younger than the original segment and the preference of something they want is quite unique compared to other segments. Combining that the players in the market have developed its products to be of a higher quality similar to that of a more price-conscious hotel instead of hostels in its original definition. The author raised the question of why the hostels that are a couple of blocks apart can be so different in prices. So the author would like to observe and explore more on what are the real factors affecting the differences in prices of the subjects in this fast growing market of hostels in Thailand. Eventually, the author came to the research question of What are the factors affecting the prices of hostels in Bangkok.

In terms of methodology, the author collected the samples of 200 hostels out of 451 in Bangkok from the source called booking.com as a primary source then use the hedonic pricing model to break down a product with variety of quality and aspects as the research question called “factors” and then use the multiple regression analysis to see the impact different factors can have on the dependent variable which is the price. The regression equation of the author goes as follows.

$$\begin{aligned} \widehat{PRICE} = & \beta_0 + \gamma_1(TYPE) + \gamma_2(NEIGHBORHOOD) + \gamma_3(FACILITIES) \\ & + \beta_1(NBED) + \beta_2(NHOSTEL) + \beta_3(DISTANCE) + \beta_4(RATING) \\ & + \beta_5(SCORE) + \varepsilon \end{aligned}$$

With price as a dependent variable, The Y will be dummy variables with different categories in neighborhoods that can be different neighborhoods in Thailand such as Khaosan, Sukhumvit, etc. While the facilities mean amenities the hostels provide to the customers such as wifi, restaurant, breakfast, etc. The first beta shows the number of bed in the hostel rooms, the second shows the numbers of hostels around the area indicates competition, the third is the distance to the nearest BTS station, the fourth means the stars earned in the website and the last beta shows the average score from various aspects by the customers.

Eventually after the regressions, the author found that locations, average scores, facilities such as restaurants and private bathroom drive the prices up while the number of hostels nearby will drive the price down.