

# Dual Pricing Strategy in Increasing the Income of Souvenir Traders in Tomok Village Samosir Regency

Nicholas Marpaung and Onan Marakali Siregar

Department of Business Administration, Faculty of Social Science and Political Science,  
Universitas Sumatera Utara, Jl. Prof. Dr. A. Sofyan No. 1 Kampus USU, Medan, Indonesia

Keywords: dual pricing, revenue increase, souvenirs, merchants.

Abstract: This study focuses on pricing strategies in the Samosir Regency area which is famous for its huge tourism potential. Several types of industries in the Lake Toba area are trying to take advantage of opportunities, especially after the stipulation of Lake Toba as a priority tourist destination for Indonesia. Business actors at the lower middle level such as souvenir traders also have the opportunity to fill a niche market in the development of Lake Toba. The application of price discrimination by souvenir traders in Samosir Regency, especially Tomok Tourism Village is one strategy to increase the income of traders, which is adjusted to the ability or purchasing power of visiting tourists. This study aims to analyze how the price discrimination strategy is carried out by souvenir traders in the Samosir Regency area, especially the Tomok tourist village towards tourists who visit and buy souvenirs at the souvenir market. The approach used in this study is a Mix Method approach where a qualitative approach is used to analyze in depth the background of the implementation of price discrimination strategies by traders, and a quantitative approach is intended to determine the impact of price discrimination for visiting tourists. The results of this study indicate that the practice of dual pricing is a strategy implemented by souvenir traders in Tomok Tourism Village to increase their income. The practice of dual pricing is also well realized by tourists and thinks it is still at a reasonable level. Although not regulated by the government, the self-pricing by traders is still a question of how the price is set by traders and why tourists do not object to such unilateral determination. However, in the context of economic development, profit is the main goal of traders to be able to preserve local products which are the mainstay of regional income and the traders themselves.

## 1 INTRODUCTION

The role of the tourism sector in the Indonesian economy is very important because of its large contribution. As shown in Figure 1.1, the tourism sector contributes a total of 15% to GDP income. In addition to foreign exchange earnings, the tourism sector also plays a role in regional income, regional development, as well as in the absorption of investment and labor as well as business development spread across various regions in Indonesia. According to the Pocket Book of the Ministry of Tourism (2019), the contribution of the tourism sector to the national Gross Domestic Product (GDP) in 2014 has reached 9% or Rp. 946.09 trillion. Meanwhile, foreign exchange from the tourism sector in 2019 has reached Rp 280 trillion and contributed to job opportunities of 13 million people and tourist visits of 16.3 times. Therefore, the role of tourism in the economy is very

important and efforts need to be made to understand all the factors that might influence tourist interest in the Indonesian tourism industry, one of which is the price factor.

Figure 1: Contribution of Tourism Industry in Indonesia.

Samosir Regency has a tourist village, namely the

	2016	2017	2018	2019
Kontribusi terhadap PDB (%)	11	13	14	15
Penerimaan Devisa (Rp triliun)	172.8	182.0	223.0	275.0
Penyerapan Tenaga Kerja (juta orang)	11.7	12.4	12.7	13.0
Indeks Daya Saing (WEF)	n.a.	40	n.a.	30

Tomok Tourism Village or known as the Sigale-gale tourist attraction and various Batak cultural sites in the form of tombs and relics of megalithic and ancient times. In addition, due to its strategic location, which is right at the port entrance to enter Samosir Island,

Tomok Village is a Tourism Village that is very synonymous with its tourism business practices. One of the striking characteristics is the number of local residents who sell souvenirs or souvenirs. Souvenir shops in the tourist village of Tomok can be found at almost all crossroads and in the tourism object/site sector. Therefore, apart from the wealth of tourist objects and historical sites, the tourist village of Tomok is known for its Batak souvenir shopping center. The tourism industry in this village has had an overall positive economic impact on the surrounding community.

In the business practice of a souvenir shop in the tourist village of Tomok, a business practice is found which is operationally not written or has regulations but actually occurs in the field. The business practice is the application of price discrimination given by producers to tourist consumers based on the origin of the tourists. This business practice is known as Dual Pricing Discrimination. Tourist price discrimination or Dual Pricing Discrimination refers to the practice of charging foreign tourists or foreign tourists more prices than local tourists. This practice is quite common throughout the world, especially in tourist areas. However, this practice is usually conspicuous in developing countries where price differences are very high.

The practice of double price discrimination has indirectly caused tourists to have a negative perspective on local products sold by local residents, where tourists find it difficult to predict the amount of budget or expenses they will spend in buying souvenir products in the Tomok tourist village. In addition, the practice of dual pricing or price discrimination against tourists has created a fear in tourists that the value of the goods they buy will not match the price offered.

However, Dual Pricing or price discrimination is not prohibited and is not considered a crime. Price discrimination is a strategy in pricing where the seller determines the selling price for the buyer with several considerations such as purchasing power, buyer background, which is not done solely to increase income but maintains the sustainability of local buyers. Lancaster and Withey (2006:153) on the marketing dimension state that segmented/differential pricing (price discrimination) is a form where companies will often adjust their base prices to allow for differences in customers, products, locations, times/seasons and so on. Basically, the company sells its product in two or more processes, although the price difference is not always based on the cost difference. Often known as price discrimination, this price adjustment approach can be

very effective in maximizing a firm's demand and revenue.

Price discrimination that occurs in Tomok Tourism Village, Samosir Regency is by differentiating the price of souvenir products sold to local tourists and foreign or foreign tourists. In this study, researchers will focus on price discrimination strategies carried out by business actors in Tomok Tourism Village, Samosir Regency. There is a provisional assumption that traders in the Tomok Tourism Village only apply a price discrimination strategy without knowing the correct price discrimination strategy, such as the fairness of price discrimination, pricing techniques and their impact on tourists' buying interest. Therefore, this research is expected to make a major contribution to the understanding of price discrimination by traders in the Tomok Tourism Village, Samosir Regency to increase their income with a reasonable price tolerance.

## 2 LITERATURE REVIEW

### 2.1 Price Fixing

Pricing is a "marketing strategy that determines the occurrence of transactions between sellers and buyers (Triton, 2008: 181). Transactions will only occur if the price set for a product or service is agreed upon by the seller and the buyer. Therefore, if a business is able to set the price correctly, it will earn a large profit.

#### 2.1.1 Pricing Goals

The purpose of pricing is as follows (Machfoedz, 2010: 67):

- a. Achieving Maximum Profit
- b. Promoting
- c. Increasing Sells
- d. Reaching the return-on-investment target
- e. Increase competitiveness
- f. Stability Price
- g. Maintaining market share
- h. Prestige

#### 2.1.2 Pricing Strategy

Price strategies are classified into three orientations (Ma'ruf, 2006:570).

- a. Demand Oriented
- b. Cost Oriented
- c. Competitiveness Oriented

## 2.2 Discrimination

The word discrimination comes from the Latin word *discriminatus*, which means to divide or to differentiate. Differentiating treatment against other people based on certain groups is discrimination described by Banton (In Sunarto, 2004:161). According to Dayakismi & Hudaniah (2003:228) discrimination is behavior directed at someone based solely on group membership they have. Furthermore, according to Theodorson and Theodorson, (in Fulthoni, 2009: 3) discrimination is an unequal treatment of individuals, or groups, based on something, usually categorical, or distinctive attributes, such as based on race, ethnicity, religion, or membership social classes.

## 2.3 Dual Pricing

Bishop and Colwell (1989) state that price discrimination is a form of behavior consistent with profit maximization called price discrimination. Price discrimination is the practice of charging buyers different prices, according to how responsive various consumers are to certain goods or services to price changes. Lancaster and Withey (2006; 153) on the marketing dimension state that segmented/differential pricing (price discrimination) is a form where companies will often adjust their base prices to allow for differences in customers, products, locations, times/seasons and so on. Basically, the company sells its product in two or more processes, although the price difference is not always based on the cost difference. Often known as price discrimination, this price adjustment approach can be very effective in maximizing a firm's demand and revenue.

### 2.3.1 Economic Value Dual pricing/Price Discrimination

Price discrimination theory is used by economists specifically to identify only the circumstances in which different consumers show different responses to prices: that is, where there are different price elasticities. Price discrimination is the practice of charging different prices for different units of a single product when the price differences are not justified by differences in production/supply costs. For price discrimination to work, companies must be able to control their own prices. There should be different price elasticity of demand in different markets - they may reflect different preferences, information and perceptions about the product, as well as incomes and

tastes. No dot should be included after the section title number.

### 2.3.2 Types of Dual Pricing/ Price Discrimination

#### 1. First-Degree Price Discrimination

In the Managerial Economics Module of the UNINUS Faculty of Economics-2019 written by Wahdi Suardi, it is stated that in the first-degree price discrimination (FPD), the price is set differently for each number of product units or for each consumer and the price set is exactly the same as the maximum price that consumers are willing to pay. to pay it (willing to pay = WTP). So prices are set differently for the purchase of 1 unit, 2 units, 3 units and so on, or graphically the prices are set differently along the demand curve facing the firm.

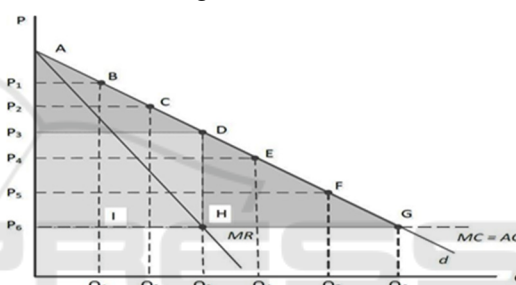


Figure 2: First-Degree Price Discrimination.

#### 2. Second-Degree Price Discrimination

Monopoly firm/producer sells output to different people at different prices. In this case each individual who buys the same amount of goods pays the same price. Thus, prices differ between units of goods, but not across people (Varian, 1996). Second degree price discrimination, also known as multiple-part pricing, involves setting different prices for different quantities or charging individuals different prices according to the quantity purchased.

#### 3. Third-Degree Price Discrimination

This type of price discrimination occurs when a monopolist sells output for different prices to different people, but each unit of output sold to a particular person is sold at the same price. This is the most common form of price discrimination. Examples include: student discounts, senior citizens discounts and so on (Varian, 1996).

## 2.4 Fixing Dual Pricing

Pricing discrimination is a tactic of selling a product or service at two or more prices, while the amount of the price difference is not always proportional to the amount of the cost difference.

## 2.5 Dual Pricing Impact

According to Maria Fouche & B. Com Honors (2005; 40) the specific effect of price discrimination depends on the type of price discrimination practiced by the organization/producer. This depends on what the organization/producer can learn or know about the price elasticity of buyers. It is possible for an organization to engage in this practice, regardless of the type of price discrimination. Price discrimination has several effects, namely:

1. Effect on distribution and efficiency
2. Social effects
3. Effect on economic well-being
4. Effect on the efficiency of the economic system
5. Effects on sellers (producers) and buyers

## 3 RESEARCH METHODS

The research was conducted for 1 year, by choosing the research location in Tomok Tourism Village, Samosir Regency. Tomok Tourism Village is the center of the souvenir trade area in Samosir Regency and has become one of the icons of Samosir Regency. In addition to these factors, the practice of price discrimination that occurs in this area is the main factor why choose this location as the object of research. This research is a mix method using primary data and secondary data. Primary data were obtained by means of interviews, observations and questionnaires. While secondary data obtained from related agencies. The copyright form is located on the authors' reserved area.

## 4 RESULTS AND DISCUSSION

Tomok is a small village located on the east coast of Samosir Island, Lake Toba, North Sumatra. From Medan this place takes approximately 4-5 hours to reach Parapat by chartered car or inter-city bus. Another hour extra to cross from Ajibata to Tomok. This village is very dependent on the lives of its people in the fields of agriculture, trade and tourism. The village, which is not too large in size, seems to

have had enough of the influence of modernity among its people. This is evidenced by the comparison between tombs, old churches, motorized rickshaws and the lives of the people who quite master the use of English when meeting foreign tourists.

### 4.1 Tomok Attractions

Tomok tourist village is divided into two rural areas, namely Tomok Induk and Tomok Parsaoran. Tomok Tourism Village is known for its megalithic heritage. Based on the report from the Central Bureau of Statistics of Toba Samosir – Simanindo District in figures (2018), some of the popular tourist attractions in Tomok are:

1. Grave On the rock
2. Sigale-gale statue
3. Grave of King Sidabutar
4. Museum Batak
5. Big tombs like the Tomb of King Sidabutar and his family
6. Tomok Rock Chair
7. Elephant Statue
8. HKBP Church Resort Tomok
9. Lake Toba Tourism
10. Traditional Restaurant Tour

### 4.2 Dual Pricing Tourist Prices on Souvenir Products at Tomok Tourism Village

Although case studies both qualitative and quantitative analysis of the practice of price discrimination in the Tourism Industry are still very limited, it can be said that the tourism industry is closely related to price discrimination. In essence, price discrimination is where the producer or business actor charges different prices to various groups of consumers for more or less the same goods or services.

#### 4.2.1 Souvenir Product Price Discrimination in Tomok Tourism Village as First-Degree Price Discrimination

By considering the characteristics or indicators of First-Degree Price Discrimination, the author concludes that the practice of price discrimination carried out by souvenir traders in Tomok Tourism Village is included in this group. When examined more deeply, at first glance there is no significant difference between whether the practice of price discrimination in the Tomok Tourism Village is price discrimination at the first level or price discrimination

at the third level. Where, price discrimination of degree 1 is carried out by applying different prices for each consumer based on the reservation price (Willingness To Pay / WTP). Each consumer is distinguished by the purchasing power of each consumer. While price discrimination of the 3rd degree Price discrimination of the 3rd degree is carried out by applying different prices for each group of consumers based on the reservation price of each group of consumers.

Table 1: Estimation of the difference in the price of souvenir products offered to different groups of buyers in the Tomok Tourism Village.

Grade 3 price discrimination is carried out because the company/producer does not know the reservation price of each consumer but knows the reservation price for the consumer group. Consumer

Product	Suggested Price (Rp.)	Domestic tourist	Foreign Tourist
T-Shirt Lake Toba	40.000 – 50.000	70.000 – 80.000	90.000 – 150.000
Shirt Batik Toba	45.000 – 55.000	85.000 – 95.000	100.000 – 170.000
Wood Bracelet	5.000	10.000 – 20.000	25.000 – 50.000
Bracelet Plastic	4.000	8.000 – 15.000	20.000 – 30.000
Tiny Statue	60.000 – 80.000	90.000 – 140.000	150.000 – 240.000
Wood Bag Lake Toba	50.000 – 70.000	75.000 – 110.000	110.000 – 210.000
Miniature House Little Batak	60.000 – 80.000	90.000 – 140.000	150.000 – 240.000
Gorga Batak Rope	10.000 – 15.000	10.000 – 25.000	25.000 – 55.000

groups can be distinguished by location, geography, and consumer characteristics such as age, gender, occupation, and others. In another sense, in the third level of nutrient discrimination, consumers are grouped based on certain attributes, such as social and economic background.

#### 4.2.2 Determination of Price Discrimination for Souvenir Products in Tomok Tourism Village

Pricing discrimination is a tactic of selling a product or service at two or more prices, while the amount of the price difference is not always proportional to the amount of the cost difference. In determining the price discrimination carried out by souvenir traders in the Tomok Tourism Village, namely:

1. Determine the target market
2. Divide the target market into smaller consumer segments,
3. Estimated demand from each consumer, whether a consumer segment is willing to pay at a certain price level or not
4. Identify the level consumers are willing to pay
5. Determine the price for each segment

#### 4.3 Dual Pricing Tourist Prices on Souvenir Products at Tomok Tourism Village

The tendency of respondents' answers can be seen from the form of descriptive statistics of each variable. With descriptive analysis, it can be seen that the respondents' views are low or high on each of the variables being studied.

Table 2: Descriptive Analysis Scale

From the results of the calculation of descriptive analysis found the average value of the variable X as much as 3.75. From these results, it can be concluded that respondents' perceptions of the practice of Dual

Scale Data	Class	Category
1	1,00 – 1,80	Very Low
2	1,81 – 2,60	Low
3	2,61 – 3,40	Medium
4	3,41 – 4,20	High
5	4,21 – 5,00	Very High

pricing in Tomok Tourism Village are quite high (3.41 – 4.20 = high) or in other words the majority agree on the practice of price discrimination applied to tourists in Tomok Tourism Village.

Based on the results of the research and data processing studies that have been described previously, it can be concluded that the practice of Dual pricing is a strategy implemented by souvenir traders in Tomok Tourism Village to increase their income. The practice of dual pricing is also well realized by tourists and thinks it is still at a reasonable level. Although not regulated by the government, the self-pricing by traders is still a question of how the price is set by traders and why tourists do not object to such unilateral determination. However, in the context of economic development, profit is the main goal of traders to be able to preserve local products which are the mainstay of regional income and the traders themselves.

## ACKNOWLEDGEMENTS

This research was funded and supported by the Research Institute of the University of North Sumatra through the Young Lecturer Scheme Research Funding in 2021.

## REFERENCES

- Arikunto, Suharsimi. 2012. *Prosedur Penelitian Suatu Pendekatan Praktek*, Rineka Cipta. Jakarta.
- Bishop, M. G. 2001. South Sumatra Basin Province, Indonesia: The Lahat/Talang Akar Cenozoic Total Petroleum System. *Open File Report 99-50-S USGS*. Colorado. <https://doi.org/10.3133/ofr9950S>.
- Dayakisni, T., & Hudaniah. 2003. *Psikologi Sosial*, UMM Press. Malang.
- Fulthoni dkk, 2009. *Buku Saku Kebebasan Bergama dan Berkeyakinan (Memahami Kebijakan Administrasi Kependudukan)*, ILRC. Jakarta.
- Kotler, Philip dan Keller. 2007. *Manajemen Pemasaran*, Jilid I, PT. Indeks. Jakarta, 12<sup>th</sup> edition.
- Lancaster, G., Withey, F. 2006, *Marketing Fundamentals: The Official CIM Course 2006-2007*, Butterworth-Heinemann. Oxford.
- Machfoedz, Mahmud. 2010. *Komunikasi Pemasaran Modern*, Cakra Ilmu. Yogyakarta.
- Maria Fouche & B. Com Honours. 2005. *The Impact of Price Discrimination on Tourism Demand*, North-West University, Potchefstroom Campus.
- Miller, R. L Dan R. E. Meiners, 1997. *Teori Ekonomi Mikro*, Raja Grafindo Persada. Jakarta, 3<sup>rd</sup> edition.
- P.B. Triton. 2008. *Marketing Strategic: Meningkatkan Pangsa Pasar & Daya Saing*, Tugu Publisher. Yogyakarta.
- Stanhope, M. dan Lancaster, J. 2014. *Foundations of Nursing in the Community*, Elsevier. America, 4th edition.
- Theodorson, G. A. dan Theodorson, A. G. 1979. *A Modern Dictionary of Sociology*, Barnes & Noble Books. New York.
- Varian, Hal. 1996. Price discrimination. In *Handbook of Industrial Organization*. Vol. 1, Chapter 10. Eds. Richard Schmalensee and Robert Willig. North-Holland, Amsterdam.
- Wahid Sulaiman. 2010. *Analisis Regresi Menggunakan SPSS: Contoh Kasus dan Pemecahannya*, Andi. Yogyakarta, 1<sup>st</sup> edition.