

UNIVERSITY OF STRATHCLYDE

DEPARTMENT OF MARKETING

MARKETING HOTEL OPERATIONS: AN INVESTIGATION INTO THE MARKETING  
BEHAVIOUR OF NATIONAL AND INTERNATIONAL CHAIN AFFILIATED HOTELS  
OPERATING IN EGYPT

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Submitted according to the regulations for the degree of Ph.D.

Glasgow

August 1986.

ACKNOWLEDGEMENT

In the course of preparing this research, I have received substantial help from others to whom I hereby extend my appreciation and gratitude.

To Professor Michael J. Baker, Deputy Principal and Head of the Department of Marketing at Strathclyde University, who supervised the development of this research from inception to fruition. His guidance and constructive criticism illuminated the beaten path.

To Mr. Maged Abaza, Secretary General of the Egyptian Hotel Association, who introduced me to members of the Hotel SALES Managers Club in Cairo, where I got acquainted with most of the hotels' study respondents (international operations). My thanks are extended to all other respondents of the hotel study and to the anonymous guests who participated in the guest survey.

To Mrs. June Peffer who undertook the typing work so expertly. Thanks are also due to all the staff members and secretaries at the Department of Marketing.

To my mother, father and elder brother for their constant support and encouragement. To them go more than I can ever acknowledge.

To my wife, Heba, who, so far, has tolerated the pressures of leading a student's life. To her goes more than words could say.

To my children, Karim and Sarah, whose smiles eased my mind off the conflict evoked by Kotler and Levy, and carried it into a world of make believe ... nursery rhymes ... and lullabies.

ABSTRACT

The inception of the marketing concept has been closely associated with tangible consumer products. However, the successful application of the concept in consumer, and later in industrial product industries has prompted marketers to examine its transferability and application to other areas of significance.

The purpose of this study is to examine the broadening of the marketing concept beyond its traditional boundaries of commercially orientated manufacturing concerns by discussing its relevance, transferability and contribution to industries of a service nature in general and to the hotel industry in particular. The study also aims at examining the extent to which the marketing concept and its associated practices have been accepted and implemented by both local and foreign chain affiliated hotel operations in Egypt.

A thorough examination of the literature regarding the applicability of marketing concepts and techniques to hotel operations was carried out. Towards this end, the literature examines the nature of services marketing and discusses the similarities it shares with product marketing, as well as the unique implications associated with marketing intangibles. It thus capitalizes on theories drawn from both resources and examines their applicability to the industry in question.

The empirical study was carried out in the period between April and the end of June, 1985. Two studies were conducted in order to assess the marketing behaviour of international hotel firms operating in Egypt and those which are state owned and managed.

The gathering of data was based on the tentative supposition that the relative success achieved by the international firms over their local counterparts is attributed, partially, to their application of marketing or marketing-like activities.

The first study involved a self-administered questionnaire directed at the executives carrying out marketing responsibilities at the hotels concerned. It aimed at examining the extent of their integration of marketing into their overall business strategies. The second study examined the hotels' marketing behaviour from a different perspective by eliciting the opinions of guests regarding their experiences at the properties in which they stayed.

The findings of the field work reveal that the Egyptian hotel authorities are far from being marketing orientated as they have not adopted the marketing concept either conceptually or in practical terms. They have some distance to travel before they achieve an organizational structure that integrates marketing and operations in ways calculated to achieve customer satisfaction and a higher profitable position. As for the operations which are under management contracts with international hotel firms, marketing has been introduced at an uneven rate with some operations taking major steps while others lag behind. In many of these operations, there is still room for improvement by means of which they could implement a fully comprehensive and integrated philosophy of marketing.

## Section Two

### The Transferability of the Marketing Concept to Service Industries

#### Introduction

In the preceding section it was outlined that the marketing concept is a universal phenomenon that could be applied, with varying degrees of technical sophistication to all types of organizations, whether business or non-business, profit or non-profit motivated, and whether providing goods, services or anything perceived to be of value.

If one accepts the broadened concept of marketing, the area of services seems to appear among the top fields on the agenda for the study of the transferability of marketing theory to other pertinent domains.

This section is designed to discuss the transferability of the marketing concept to service industries. Towards achieving this end, it is divided into four sub-sections that discuss a number of interrelated themes of services marketing.

However, before embarking on that area which has become of great concern to marketers, a brief review outlines the principle issues of the concept of marketing.

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## **CHAPTER ONE**

### **GENERAL INTRODUCTION: THE PURPOSE AND SIGNIFICANCE OF THE STUDY**

## CHAPTER ONE

### GENERAL INTRODUCTION: THE PURPOSE AND SIGNIFICANCE OF THE STUDY

#### Introduction

The phenomenal growth of service industries in both advanced and developing societies is a sign characteristic of modern economies. Services growth is witnessed in the increasing demand for utilities, education, medical care, financial, legal, insurance, travel and recreation services to name but a few. In turn, these trends have had an impact on employment patterns where services claim more than half of the labour force in the United States, the United Kingdom and Western European countries.<sup>[1]</sup> Similar growth trends are witnessed in services' growing share of the GNP of these countries, and the emergence of 'service economies' has been a direct result of the changing patterns in the production and consumption of need-satisfying offerings.<sup>[2]</sup>

However, in spite of these changes, the attention given to services marketing is negligible and services marketing has been identified as an 'uncharted frontier'. The overwhelming product orientation of marketing is the primary reason nominated for the latent recognition of its contribution to industries of a service nature.<sup>[3]</sup> "It is ironic that service businesses which are necessarily in the most direct contact with consumers, seem to be the last kind of firms to adopt a consumer oriented marketing concept."<sup>[4]</sup>

Nevertheless, towards the latter end of the seventies, an upsurge of interest in marketing activity in service industries has been apparent. The result of such efforts which were intrigued by a debate on whether the principles of 'good' marketing in traditional product areas are transferable to the marketing of services and other intangibles,<sup>[5]</sup> was the conception of three different views which oscillated between the need for the development of a new and separate services marketing theory,<sup>[6]</sup> and a status quo perception calling for a direct transferability of the marketing concept and its associated techniques to services.<sup>[7]</sup> A balanced perspective, however, applies the logic of strategic marketing coupled with certain tactical manipulations in order to accommodate for the implications of salient features that are characteristic of service offerings.<sup>[8]</sup>

Much of the work, however, is of recent origin reflecting the growing interest in applying marketing to a wide range of service settings and activities. Nevertheless, different services did not have an equal share of marketing expertise as efforts were mostly undertaken on an industry by industry basis; i.e. industry specific, thus it is argued that while an abundant literature exists on bank marketing, on the marketing of insurance and on mass distribution; fast foods, professional services, transportation and the hotel trade have been the object of fewer marketing studies.<sup>[9]</sup>

The airlines are said to be among the first service industries to study formally their customers and competition and to take positive steps accordingly, with banks following in the same direction towards a marketing orientation. However, as far as other service industries such as the hotel industry, the marketing concept has made uneven progress with some leaders taking major marketing steps and most other firms lagging behind.<sup>[10]</sup>

The hotel industry has enjoyed rapid development and growth in recent years, especially since the second world war. Since then the industry's configuration has experienced a period of accelerating changes, some of which reflect trends in the economic and business environments, with others being a consequence of technological, political, social and cultural changes. Large conglomerates are attracted to the business with some corporations holding interest in as many as 2185 properties around the world.<sup>[11]</sup> On the other hand, changing customers' attitudes towards travel and recreation, coupled with the increasing trends in the growth of international business trade accelerate the need for overnight accommodation and other peripheral services offered at hotel establishments.

As a result, pressures are mounting on hotel companies to establish their businesses on firm marketing grounds in order to respond to the winds of constant change. Nevertheless, the 1970s was described as a decade of 'hit and miss' marketing practice for hotel operations, and one in which hotel marketers were personified as being 'marketing apprentices'; for the most part, the industry's approach to developing and executing marketing programs is so basic that it elicits amusement on the part of marketing professionals in the consumer goods field."<sup>[12]</sup>

The present study aims at examining the broadening of the marketing concept beyond its traditional product boundaries and discusses its transferability to industries of a service nature in general, and, in particular, explores the extent to which the marketing concept and modern marketing practices have been accepted and implemented by an industry characterized by a hybrid nature of product/service offerings, yet where the service notion is dominant; i.e. the hotel industry.

### Significance and Importance of the Study

The significance of this study stems from a number of factors: Firstly, The increased importance of the economic contribution of the service sector. This study is concerned with a sector of society which is showing a remarkable impact on a nations economy in terms of turnover, profit, employment of skilled and unskilled labour, utilization and consumption of national and international resources such as building and construction material and labour, furniture and fixtures, food supply, in addition to its contribution to the balance of payments through remittance of foreign currency.

Secondly, Despite the importance of the hotel industry and its increased influence on a nations economy, the literature on marketing in developed and developing countries has partly neglected the role which marketing can play in these organizations. This is due mainly to the fact that marketing is a comparatively recent component of the hotel industry's overall operational strategies, and that emphasis on its vital role is a relatively new consideration not fully exploited by the field of hotel management.

Thirdly, This study was undertaken in the hope that it would help managers in the field of hospitality to understand and appreciate the relevance and contribution of marketing to their businesses. In fact, the hospitality industry needs more than most firms to rely on sound marketing judgements as no other field is so intertwined with its customers 24 hours a day, 7 days a week, 52 weeks a year. <sup>[13]</sup> Furthermore, the importance of the orientation of hotel establishments to their guests' needs stems from the fact that hotel-keeping is about satisfying the needs of its guests; needs which are remarkably close to the general hierarchy of needs identified by Maslow, i.e. (sustenance, shelter and belonging).

Although it may be argued that in the case of travellers, these are only situational needs, it does not alter the fact that a hotel guest is seeking a home away from home experience.

Fourthly, in addition to what useful practical information this study may provide to hospitality field managers, academically it attempts to integrate different aspects of the marketing discipline into the mainstream of hotels' operational strategies in an effort to reach a unified approach to hotel marketing.

Fifthly, in Egypt, the researcher's home country where the field study was undertaken, the literature on hospitality marketing is almost absent. Hence, in addition to the body of literature, it is hoped that the study would benefit all those concerned with the hospitality field in the country, be these the local authorities or international hotel firms operating hotel establishments under management contracts.

Towards this, the study provides valuable data regarding the state of marketing practice in state owned and managed hotels, and in those operations managed by international hotel firms. The study links customer factors with organizational dynamics. It looks at customer expectations and behaviour, and at the managers' perception of their own customers' needs and choice criteria. In addition, the research investigates how companies organize their marketing activities and integrate them with those of other functional areas at the field level where customers interact with service facilities and personnel to create and deliver the service. It discusses hotels' marketing strategies and policies, their pitfalls and deficiencies. It also solicited guests' opinion with regard to different aspects of their experience, their needs and desires, their image and expectations, their level of satisfaction and the total effect such factors have on their future purchase behaviour.

Fianlly, as this kind of exploratory research in the field of hospitality marketing has hardly been examined in the English literature of the developing nations, the findings could serve as raw material for further research in the future.

It is hoped that the study may provide and suggest ways and means by which 'hotel operations can benefit from applying the marketing concept to their business in order to satisfy their guests' needs and retain a profitable stance.

#### Organization of the Study

The study is organized into eight chapters, the first of which is the introduction.

Chapter two provides a conceptual framework of marketing as applied to industries of a service nature. Towards this end, it follows the changing role of marketing thought and marketing boundaries through examining the different attempts at broadening its interpretations and definitions and presents a critique of the broadening phenomenon. This is followed by a discussion of the marketing concept as the literature proceeds to examine the evolution of services marketing and the problems faced in the application of marketing to service industries. Finally, it presents a conceptual framework for services marketing by discussing the different approaches to marketing services and examines whether differences between products and services warrant the development of a separate services marketing theory.

Chapter three attempts to illustrate the importance of integrating marketing into the hotel industry's operational strategies. It begins by defining the concept of hospitality and examines the growth of the hotel industry. It then highlights the growing importance of certain external environmental factors



which exert an influence on the development of hotel marketing systems and the needs these forces generate for precipitating a hotel marketing orientation. The evolution of hotel marketing is then discussed followed by an examination of the determinant characteristics which necessitate marketing adoption by hotel establishments. Finally, it investigates the application of the marketing concept regarding the use and implementation of market research and analysis by hotel organisations.

Chapter four examines the extent to which the application of the marketing mix decisions could be implemented in industries of a service nature in general, and in particular, the relevance of implementing such decisions, with any manipulations there may be, to suit the hybrid nature of hotel operations. In the course of discussion, the similarities and/or differences between product and services marketing are emphasized together with the implications which services characteristics impose and dictate on the implementation of the multitude of decision variables comprising the marketing mix.

Chapter five presents the design of the field study. It includes the identification of the problem areas and objectives, formulation of the hypothesis, identification of the population/sample, and the development of the questionnaires.

Chapter six presents an analysis of the findings of the hotel study together with the statistical methods used in the interpretation of the data. Its aim is to reach an understanding about the stage of the development of marketing thought on the part of the management of the hotel operations under study.

Chapter seven presents the findings of the guest survey undertaken during the same period in which the hotel study was conducted. Its aim is to complement the findings of the hotel

study by examining the attitudes and opinions of guests.

Chapter eight presents the contribution of the study, discusses its limitations and, where possible, makes recommendations and suggestions for further research to be undertaken in the fields of services and hospitality marketing.

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**CHAPTER TWO**

**THE TRANSFERABILITY OF THE MARKETING CONCEPT  
TO SERVICE INDUSTRIES**

## CHAPTER TWO

### THE TRANSFERABILITY OF THE MARKETING CONCEPT TO SERVICE INDUSTRIES

#### Introduction

The inception of the marketing concept has been closely associated with tangible consumer products. However, the successful application of the concept in consumer and later in industrial product industries has prompted marketers to examine its transferability to other areas of significance.

As the marketing concept attracted more followers and adherents, a growing belief in the universality of marketing almost dominated the literature, and its expansion and movement to accommodate other realms of endeavour and chart new frontiers were accepted by almost all concerned.

This chapter aims at examining the broadening of the marketing concept beyond its traditional product boundaries, and discusses its transferability to industries of a service nature. Towards achieving this end, it is developed as follows:

#### Section One: Towards a Proper Conceptual Domain of Marketing

The aim of this section is to follow the broadening developments in marketing thought and marketing boundaries through examining the different attempts of broadening its interpretations and definitions. Within this context, a treatment of marketing as distribution, as an interdisciplinary concept of management, and as an exchange activity is presented, followed by a review of the critique of the broadening phenomenon.

Section Two: The Transferability of the Marketing Concept  
To Service Industries

This section is designed to discuss the transferability of the marketing concept to the area of services. Towards achieving this end it is divided into four sub-sections or parts which discuss separate yet interrelated themes of services marketing.

Part One: The Marketing Concept, is introductory in nature where an outline of the principal issues of the marketing concept is presented.

Part Two: The Evolution of Services Marketing, discusses the growth and importance of service industries and traces the development of services marketing.

Part Three: Services Definitions and Characteristics, looks at the problems faced in the application of marketing to service industries by examining their definitions and highlighting the marketing implications of certain criteria which apparently differentiate services' outcome from manufactured products.

Part Four: Conceptual Framework for Services Marketing, discusses the different approaches to services marketing and examines if differences between products and services warrant the development of a separate services marketing theory.



## Section One

### Towards a Proper Conceptual Domain of Marketing

#### Introduction

The content and form of various realms of knowledge has been ever changing as human experience continuously thrived on developed mental and physical domains. The discipline of marketing has been one of those developed realms of knowledge whose concepts, interpretations, approaches and practices have all been changing; for ever since its inception, there has been no lack of divergent viewpoints concerning the nature of marketing.

One of the most persistent conceptual problems in marketing is its definition. In fact, the approach to define this field of endeavour has been so wide that it is often stated that "no one has yet been able to formulate a clear, concise definition that finds universal acceptance", [1] and despite the evolution of marketing thought, there is still no clear concensus as to marketing's definition nor to marketing's boundaries. [2]

The aim of this section is to follow the development in marketing thought and marketing boundaries through a demonstration of its different definitions, from their narrowest conception of marketing as a distribution function to their broadest interpretation of marketing as a universal activity that is applicable to a wide amalgam of exchange situations.

#### The scope of marketing definitions

Perhaps one of the reasons accounting for the development of a wide variety of marketing interpretations is the changing role which marketing has undergone over the years and how this change affected its perception in the minds of those who defined it along its different phases of development.

A brief review of the literature illustrates that marketing has been defined as a distribution activity, "as a business activity; as a group of related business activities; as a trade phenomenon; as a frame of mind; as a coordinative, integrative function in policy making; as a sense of business purpose; as an economic process; as a structure of institutions; as the process of exchanging or transferring ownership of products; as a process of concentration, equalization and dispersion; as the creation of time, place and possession utilities; as a process of demand and supply adjustment",<sup>[3]</sup> as an exchange activity and as a social process inherent in any society.

However, with respect to the aforementioned statement, marketing has been generally defined from three main perspectives. These are:

- (1) definitions which treated marketing as a distribution process;
- (2) definitions which perceived marketing as a business activity incorporated in the process of managerial decision-making; and
- (3) definitions which conceived of marketing as a generic function applicable to all situations with the idea of 'exchange' being at their core.

To illustrate this assemblage, a brief review of some of the definitions which perceive marketing within different contexts is presented.

#### Marketing as Distribution

At its inception, marketing was an outgrowth of the economics discipline which conceived the economic process as being divided between production and distribution with the marketing task beginning upon the completion of the production process.

Within this framework, the American Marketing Association<sup>[4]</sup> defines marketing as "The performance of business activities that direct the flow of goods and services from producer to consumer or user."

Shwartz<sup>[5]</sup> provides a similar definition by viewing marketing as a distribution process, and Boone and Kurtz<sup>[6]</sup> concur and state that "Marketing is defined as the provision and efficient distribution of goods and services for chosen consumer segments."

Converse et al.<sup>[7]</sup> also equate marketing with the distribution function and define it as a technical process dealing with physical distribution and the economic and legal aspects of transaction: "Marketing is the business activities concerned with moving goods, storing them, and selling them, thus effecting changes of ownership."

#### Marketing as an Interdisciplinary Concept of Management

The second set of definitions views marketing as a broadened interdisciplinary concept of management which incorporates various methods and techniques of decision-making.

Contrary to the first view, within this context marketing is seen to be at the beginning of the production process rather than at its end, and where information about customers' needs and wants are ascertained in order to develop a product that would ultimately result in customer satisfaction while retaining a profitable position of the business firm.

Drucker,<sup>[8]</sup> for example, defines marketing as "a state of mind that recognizes the importance of: defining the customers a company wants to serve, and the needs they want to satisfy; knowing all that can be reasonably learned about the customer, and using this knowledge in the conduct of business."

The development of McCarthy's<sup>[9]</sup> conceptual model of the scope of marketing, otherwise known as the 4 P's (Produce, Place, Price and Promotion), was incorporated in some of the marketing definitions which viewed marketing within the context of business activity. Stanton,<sup>[10]</sup> for example, defines marketing as "a total system of business activities designed to plan, price, promote and distribute want satisfying products and services to present and potential customers."

While Stanton incorporated McCarthy's model and emphasized market expansion, Kotler<sup>[11]</sup> integrated other marketing activities in his definition, such as marketing analysis and market segmentation and emphasized profit generation: "The analysis, organising, planning and controlling of the firm's customer impinging resources, policies and activities, with the view to satisfying the needs and wants of chosen customer groups at a profit."

In a much broader sense than the American Marketing Association, The British Institute of Marketing<sup>[12]</sup> defines marketing as "The management function which organizes and directs all those business activities involved in assessing and converting customer purchasing power into effective demand for a specific product or service to the final customer or user to achieve the profit target or other objective set by a company." It should be noted though, that the Institute does not define the role of marketing participants under complete economic contexts; where its definition explicitly points out that there could be another primary objective other than profit which a firm might seek to achieve.

At this point it is apparent that the role of marketing has changed from being regarded as a business activity concerned with the distribution of a firm's output to an interdisciplinary concept of management which accommodates the expressed or implied

desires of a discriminating consumer and which regards these needs as the basis for product development.

However, the shortcomings of the presented sets of definitions need to be outlined since they seem to limit the boundaries of the marketing concept to some extent.

The drawbacks of the first set of definitions are threefold: Firstly, they provide an inadequate explanation by confining the marketing function to distribution activities. In this manner, they do not explain what activities are to be taken by an organization in order to produce a product or a service that is compatible with customers' needs and expectations; an issue which lies at the heart of the marketing concept. Furthermore, they ignore the business' profitability; a compatible issue to that of customer satisfaction. Secondly, they imply that services can flow from a producer of services to a consumer, while, as is discussed later in this chapter, services are not capable of flowing because they are intangible activities to which the concept of physical distribution is virtually eliminated.<sup>[13]</sup> Thirdly, when services are sold, there is no change of ownership or title. The customer is given only temporary possession to use the service, hence in such cases marketing does not 'effect changes of ownership'.

The criticism that is directed to the second set of definitions which views marketing as a set of business activities is provided by Nickels and Hills<sup>[14]</sup> who argue that most marketing definitions state or imply that marketing is a business activity, thus eliminating from inclusion non-profit or non-business organizations, and confining marketing's domain to economic outputs.

### Marketing as Exchange

A broader view of marketing is the approach which views the process of exchange as the central issue and the foundation of a marketing transaction.

Bagozzi<sup>[15]</sup>, for example, states that "Although marketing seems to defy simple definition and circumscription, it is essential that marketers locate the distinctive focus or foci of the discipline... Exchange is a central concept in marketing and it may well serve as the foundation for that elusive 'general theory of marketing'".

In fact, in contemporary marketing literature there appears to be a growing consensus that exchange forms the core phenomenon for study in marketing. Kotler<sup>[16]</sup>, for instance, defines marketing as "a human activity directed at satisfying needs and wants through exchange processes."

Enis<sup>[17]</sup> concurs with this approach and explains that marketing has traditionally connoted an exchange relationship. He defines marketing as encompassing "exchange activities conducted by individuals and organizations for the purpose of satisfying human wants."

In the same vein, Marcus et al.,<sup>[18]</sup> Pride and Ferrell<sup>[19]</sup> and Hartley<sup>[20]</sup> provide similar definitions connoting marketing as exchange. Hartley, for example, describes marketing management as "the performance of activities involved in planning and facilitating the exchange of goods and services as well as other things of value."

Perhaps Baker's<sup>[21]</sup> definition explicitly covers this dimension and outlines the consequences upon which the exchange process is built in the first place; "Marketing is a process of exchange

between individuals and/or organizations which is concluded to the mutual benefit and satisfaction of the parties."

Toward this end, and in analyzing and interpreting the different marketing definitions from those that narrowly identified it as a distribution activity, to those that viewed it as an interdisciplinary concept of management, and to those that incorporated further conceptual extensions and richer articulations, it is worth mentioning that the broader definitions of marketing developed at a point where the development in marketing thought suggested that the general trend was towards a general expansion of the scope of marketing, i.e. a broadening of the marketing concept.

#### The Broadening Controversy

The idea of broadening the marketing concept was initiated by Kotler and Levy<sup>[22]</sup> in a seminal article which evoked new developments in the study of marketing. Based on the authors' proposition that marketing is a pervasive societal activity that goes considerably beyond the selling of economic goods, the authors considered the question "whether the principles of 'good' marketing in traditional product areas are transferable to the marketing of services, persons and ideas?"

Under their broadened concept of marketing Kotler and Levy explain that the first crucial point in their phenomenon is that the product is no longer viewed in a strictly commercial sense, but that its nature can be of at least one of the following types:

1. Physical products: This includes tangible items that have a market value and that are available for purchase.

2. Services : Services are intangible goods that are subject to market transaction such as tours, insurance, consultation and banking.
3. Persons : Described as an endemic human activity, Kotler and Levy state that personal marketing exists in many forms ranging from the employee trying to impress his boss to the statesman trying to win the support of the public.
4. Organizations : These are organizations other than business firms and which have grown in power, increased in their range of influence, affect as many livelihoods and occupy as much media prominence as major business firms. These are also organizations which perform the classic business functions, i.e. financial (raising money, budgeting); production (balance of inputs and outputs); personnel (hiring, training, job assignment and promotion); and purchasing (acquiring materials in an efficient way through comparing and selecting sources of supply).
5. Ideas : Ideas such as those concerned with birth control and public health.

Although Kotler and Levy did not specifically propose a new definition of marketing, they observed that churches, police departments, political candidates, universities and fund-raising drives have products and customers and that these organizations are involved in the performance of marketing or at least in marketing-like activities, hence, they must develop appropriate products to serve their sundry consuming groups and must use modern



tools of communication to reach their consuming public.

"The business heritage of marketing provides a useful set of concepts for guiding all organizations. The choice facing those who manage non-business organizations is not whether to market or not to market, for no organization can avoid marketing. The choice is whether to do it well or poorly."<sup>[23]</sup>

Along the same broadening venue, Lazer<sup>[24]</sup> discussed the changing boundaries of marketing and pleaded that "what is required is a broader perception and definition of marketing than has hitherto been the case - one that recognizes marketing's societal dimensions and perceives of marketing as more than just a technology of the firm."

However, six months following the broadening article, Luck<sup>[25]</sup> rebutted Kotler and Levy's advocacy and demanded that marketing be limited to those business processes and activities that ultimately result in a market transaction. He claimed that the broadening issue is based on premises which may lead to confusion regarding the essential nature of marketing; "Attenuate marketing's definition to make it almost universal and it will wholly lose its identity." Luck further considered that the motive underlying the broadening article's declaration of applying marketers' skills to social activities is to alleviate marketers' guilt feelings because profit-making business activities may not be socially beneficial. He criticized the societal issues of marketing as becoming a 'fashionable syndrome' that would divert marketers from the stern and difficult dedications to identifying marketing problems and their solutions and from energetically promoting the recognition and practices of efficient responsive marketing. Luck finally suggested that the time to complain about the narrow definition of marketing will arise when its myriad problems are near to solution and when marketers become bored with any monotony they find in attacking such problems.<sup>[26]</sup>

Nevertheless, Luck's view that a definition of marketing should be restricted to the criterion of an 'ultimate purchase and sale' was designated by Kotler and Levy<sup>[27]</sup> as 'myopic' in their rejoinder to his criticizing article. They stated that "the crux of marketing lies in a general idea of exchange rather than the narrower idea of market transaction." Furthermore, they maintained that the fact that some services are usually paid for in other ways than outright purchase does not imply that there is not a 'quid pro quo' notion involved; an issue which was at the heart of Luck's criticism of the broadening phenomenon.

In reviewing the related literature, one recognises that the broadening debate gathered a momentum of proponents and opponents. Carman,<sup>[28]</sup> for example, shares Luck's point in viewing that restricted marketing exchanges must involve a clear quid pro quo notion and argues that many processes like political affairs do not involve an exchange of values and hence, marketing should not take such processes under its 'disciplinary wing'.

Bartel's<sup>[29]</sup> support of the broadening's counter-argument is evident in his explanation that the broadened concept has turned marketers' attention away from problems such as those of physical distribution, to other interests, and that the marketing literature has become increasingly esoteric, abstract and unintelligible; "If marketing is to be regarded as so broad as to include both economic and non-economic fields of application, perhaps marketing as originally conceived will ultimately reappear under another name."

The concurrence of Arndt<sup>[30]</sup> with the above views appeared when he metaphorically said "if marketing is to imperialistically annex a large slice of other fields, the proponents of the broadening phenomenon would risk being dismissed as victims of a megalomaniac marketing supremacy syndrome."

Contrary to the above views, Enis<sup>[31]</sup> states that the counter-arguments to 'Broadening the concept of marketing'<sup>[32]</sup> are not difficult to refute, and describes the contention that marketing has a traditional boundary which should not be violated for fear of possible counter-incursions by economists, sociologists or management scientists as a 'tenuous' one; "Traditionally, discipline labels are arbitrary and subject to change. In addition, any activity can be studied from a number of perspectives ... an attempt to place a particular activity entirely within the confines of one discipline because that activity primarily relates to the subject matter of the discipline is unduly restrictive." Enis further maintains that if concepts and techniques usually associated with the marketing discipline can contribute to knowledge and understanding of a particular phenomenon or situation, then they should be applied to that situation. He finally describes the broadening advocacy as a significant contribution to the development of the marketing discipline and outlines its application as follows:

1. It applies when the product in question is an economic good or service or when other things of value are exchanged; and,
2. when the target audience consists of customers or of other publics; and,
3. when the organizational objective is profits as well as when it is other pay-offs.<sup>[33]</sup>

Baker<sup>[34]</sup> elaborated especially on the issue of profit by explaining that the major difficulty which faces any attempt to broaden the concept of marketing from the business to the non-business sector is inherent in the initial resistance to the materialistic connotations of marketing rather than in demonstrating the utility of marketing's tools and techniques.

He suggests that "if we are to extend successfully the marketing concept to these areas (i.e. organizations, persons and ideas), it seems desirable that we should give some attention to defining profit, for it appears that a source of considerable resistance in many non-business organizations to the transfer of ideas and techniques from the business sector are the undesirable connotations associated with money profit."<sup>[35]</sup>

Hitherto, the trend was much to the favour and acceptance of a broadened concept of marketing and the movement to expand the marketing concept was described as being 'irreversible',<sup>[36]</sup> and under the broadening phenomenon a new aspect of marketing developed to encompass the role marketing plays in the process of social and environmental change.

Ferber,<sup>[37]</sup> for example, prophesized that in the 1970's marketing would diversify into the social and public policy fields; "it is virtually a truism that the marketing techniques that have proven so successful in the business sector are equally applicable to solving many of the problems of society." Lavidge<sup>[38]</sup> concurred and explained that the 70's will witness an expansion of the role of marketing in connection with social and cultural concerns, and that marketers will thus have the opportunity to assist in the adoption and use of new techniques for preserving and improving the environment.

### Social Marketing

Consequent to the broadening phenomenon, a series of articles were published by various authors, with the main thrust of re-defining marketing functionally and generically to apply to all situations involving exchange of values between two or more parties.

The term social marketing, first introduced in 1971,<sup>[39]</sup> served to describe the use of marketing principles and techniques

in effecting social change. It is defined as "the design, implementation, and control of programs seeking to increase the acceptability of a social idea or cause in a target group(s). It utilizes concepts of market segmentation, consumer research, concept development, communication, facilitation, incentives, and exchange theory to maximise target group response."<sup>[40]</sup>

Within this context, Feldman<sup>[41]</sup> expresses the view that business and social responsibility, formerly thought by many to be anathema, are increasingly being linked together, and that the social institution of marketing must change to meet the new conditions. Toward this end, he claims that marketing has a role to play in order to ameliorate the conflict between the limitless individual needs and the finite material and environmental resources.

Within the same theme, Kotler and Zaltman<sup>[42]</sup> discuss the manner in which the marketing concept and techniques can be utilized to influence public acceptance of social ideas. They analyzed marketing's past contribution to social causes and found that marketing has been utilized in many instances by organizations such as art museums, educational institutions, as well as for causes such as drug abuse and public medicine administration. However, they argue that the lack of the managerial concept of integrated marketing has reduced its effect, and believe that the proper application of social marketing can enhance the prospects of attention, acceptance and support for such entities or causes.

Mindack and Bybee<sup>[43]</sup> went further and practically incorporated the concepts of applying marketing tools and marketing planning to a fund-raising social cause. Applying Kotler and Levy's classification:<sup>[44]</sup> market segmentation; target group definition; the search for a differential advantage; multiple marketing tools; marketing audit and feedback, they found that

the benefits achieved from such applications outweighed their additional costs to their selected campaign under study which experienced its first increase in contribution in twelve years.

Along the same path, Zaltman and Vertinsky<sup>[45]</sup> provide an illustration of the manner in which concepts from the behavioural and social sciences can be combined with the competent application of the marketing concept to achieve socially desirable results. Concerned with the significant contribution marketing can present to human health welfare, they drew examples of unsuccessful health promotional programmes in South America and indicated that by integrating marketing with behavioural theories of human conduct, a more effective execution of such programmes can be administered.

Similarly, Farley and Leavitt<sup>[46]</sup> discuss the failure of massive programmes designed to abate the population explosion and explain that part of this failure can be attributed to the neglect of the different marketing issues on the part of the technical personnel responsible for administering these programmes. For example, they state that retail structure could be developed and utilized to provide distribution outlets for contraceptive materials, thus helping to resolve the logistical problems facing the clinic system administering contraceptive activities. They also note that advertising and promotion are imperative for such programmes which face informational problems. In addition, evaluation techniques could be used, as in product advertising, in order to measure the impact of the entire programme.

Kelly<sup>[47]</sup> argues that although profits will continue to be essential and basic to corporate survival, the major challenge to business might be to meet the societal needs of a changing environment. He notes that environmental deterioration is one such need which will probably receive the greatest amount of business involvement; "Business responsibilities toward improving

the environment will become more important because a variety of ecological and social forces are stimulating a long term national commitment to environmental protection." He thus claims that firms could be subject to appraisals of their environmental performance and their contribution to social change, and that marketing does have a role to play in effecting such ends.

This area of marketing opportunity and social concerns was depicted by Zikmund and Stanton<sup>[48]</sup> who expressed the view that marketing technology can be effectively applied to provide profit opportunities to firms and to facilitate the accomplishment of social goals by 'recycling solid wastes' in order to serve two main causes: the reduction of pollution in the environment and a reduction in the waste of resources.

Finally, Kotler<sup>[49]</sup> re-evaluated his early position concerning the broadening of the concept of marketing and argued that his early proposal's main weakness was not that it went 'too far' as Luck criticized it, but that it did not go far enough. He maintained that the disciplinary focus of marketing is a transaction which involves exchange of values between two parties, be these goods, services, money, or any other resources such as time, energy and feelings. He labelled the broadest conception of marketing as 'generic marketing', a phenomenon which would apply to any social unit seeking to exchange values with other social units.

Nichols<sup>[50]</sup> drew a line to the broadening debate and provided empirical evidence indicating that, at least among marketing educators, the broadened concept of marketing represents a 'fait accompli'. Nichols' study showed that 95% of marketing educators believed that the scope of marketing should be broadened; that 93% agreed that marketing goes beyond just economic goods and services; and that 83% favoured including many activities

whose ultimate result is not a market transaction into the conceptual domain of marketing.

In summary, following the development in marketing definitions one recognizes that the scope of these interpretations has broadened from those that initially defined it narrowly as a distribution activity, to those that identified it as an interdisciplinary concept of management, and further to those who accepted the universality of marketing in respect of its application to all exchange situations involving a quid pro quo notion that is not necessarily tied with the purchase and sale of material goods.

The broadened concept of marketing developed in an attempt to enrich the content of marketing by redirecting it, beyond its traditional abode, to areas of apparently higher social significance than the selling of economic products. Following the broadening issue from its original statement through its arguments, rejoinders and counter-arguments, it is evident that it developed to further conceptual extensions and richer articulations that have been supported in both theory and practice and which have contributed to the marketing concept becoming broader in function and in scope.



Part OneThe Marketing Concept

The marketing concept is simply defined to reflect that "an organization should seek to make a profit by serving the needs of customer groups."<sup>[51]</sup> In this sense, the philosophy behind the concept visualizes a firm's product and marketing policies rotating around the consumer and where its primary function is to fulfil wants and needs and desires of the different amalgam of buyers that constitute its market, provided it is profitable to do so.

The marketing concept is the result of an attempt to operationalize a basic philosophy of marketing held by early economists and marketing theorists. This basic philosophy explicitly outlines the responsibility of business enterprises to provide need satisfying utilities for consumers. Adam Smith<sup>[52]</sup> for example, explained that "the interest of the producer ought to be attended to, only so far as it may be necessary for promoting that of the consumer."

Similarly, Mitchell<sup>[53]</sup> and Schumpeter<sup>[54]</sup> regarded the consumer as the 'leader' in deciding what products are to be sold in accordance with his needs and his desires.

Early marketers, such as Converse and Huegy,<sup>[55]</sup> gave more emphasis on customer satisfaction than to the profitability of the business firm. "Business functions to satisfy the needs of the consumers. The first measure of the success of any business is how well it serves the consumers. If an operation is not in the interest of the consumers, it is not justified, no matter how profitable it may be to its owners."

Perhaps the first attempt to operationalize this basic philosophy started with the pioneering reorganization of the General Electric Company in 1950 which elevated marketing to the top echelons of management by stating that "The marketing department will establish for the engineer, the designer, and the manufacturing man what the consumer wants in a given product, what price he is willing to pay, and where and when it will be wanted. Marketing will have the authority in product planning, product scheduling and inventory controls as well as in sales distribution and servicing the products."<sup>[56]</sup>

Allied to early economists and marketing theorists, contemporary marketers also regard the issue of consumer orientation at the hub of the marketing concept. Rodger,<sup>[57]</sup> for example, maintains that business firms in competitive markets must abandon the historical approach of manufacturing what they want to sell, and instead manufacture what their customers want to buy.

The basing of product and service development upon customer needs is also emphasized by Gronroos<sup>[58]</sup> who states that the objectives of the firm should be to satisfy customers needs rather than merely to use existing production facilities and raw materials. Stevens<sup>[59]</sup> concurs, and elaborates on the importance of the issue of consumer orientation by defining it as 'the cornerstone of marketing analysis.' He bases his assumption on the fact that without understanding and recognizing the needs a consumer is attempting to satisfy, the organization has no basis for deciding what actions could be undertaken regarding its product and service development.

However, the articulation of the marketing concept in operational business terms differs in some respects from traditional philosophic statements of marketing's responsibility

to consumers. Generally, the application of the marketing concept implies the following:

1. **Customer orientation:** This argues that knowledge of the customers' needs, wants and behaviour is the focal point of all marketing action. It also implies the development of products and services to meet these needs, and does not exclude the possibility that these needs may be stimulated by business, or that aggressive selling may be needed to persuade consumers to buy goods and services which have been created for them.
2. **Integrated effort:** This entails emphasis on the integration of the marketing function with research, product development, sales and advertising to enhance the firm's total effectiveness.
3. **Profit direction:** This entails focusing attention on profit rather than upon sales volume as a criterion in evaluating the firm's marketing effectiveness.<sup>[60]</sup>

However, although the marketing concept has become the guiding philosophy for modern marketing practice, the failure of some companies, especially in marketing newly developed products, coupled with the inadequacy to encompass non-profit organizations and wider social responsibilities has led some marketers to question whether the concept works as well in actual practice as its advocates premise. Some even have further questioned whether it is time to discard the marketing concept.<sup>[61]</sup>

Bell and Emory<sup>[62]</sup> argue that it is the concept which has failed and not its implementation, and point out that the concept provided that customer satisfaction is a means of achieving the profit objective of a company and it does not imply any protection of the consumers' welfare; "still, the responsibility for customer welfare has existed within the marketing concept, but not beyond the point of sale." They thus explain that this resulted in decisions that were based on what could be sold at a profit instead of on what could be manufactured to satisfy the needs and wants of society; "The marketing concept was thus an operational concept, not a philosophical one." Finally, they 'revisit' the marketing concept and advocate a change in its elements in order to reflect the emergence of consumer welfare as a business goal. Their revised concept is set up as follows:

1. Consumer concern: This entails a positive effort by the marketer to make the consumer the focus of all marketing decisions through service that delivers a high level of satisfaction per consumer dollar spent.
2. Integrated operations: This element views the entire business as a total operational system with consumer and social problems taking precedence over operational considerations in all functional areas.
3. Profit reward: Profit must be viewed as the residual that results from efficiently supplying consumer satisfaction in the market place.<sup>[63]</sup>

On the other hand, however, in an empirical study conducted by Barksdale and Darden,<sup>[64]</sup> respondents generally cited problems of implementing the marketing concept rather than inherent weaknesses of the concept as the cause of any failure in application.

Furthermore, other marketers do not see an inherent conflict between a profit orientation in business and consumer or social welfare. Nickles,<sup>[65]</sup> for example, explains that any capital made available through ploughed-in profits is directed to fund pension plans, train disadvantaged employees, support social causes and accomplish other socially responsible goals. Stanton<sup>[66]</sup> shares the same view and maintains that the marketing concept and a company's social responsibility can be quite compatible and need not conflict, however, management must strive over the long run to balance between the satisfaction of customers, societal wants affected by the firms activities and meeting the company's profit goals.

Allied to the differences encountered in the articulation of the marketing concept into operational business terms, there are no arguments against the identification of customers' needs as being the pivot of all marketing activities and the delivery of customer satisfaction as a primary concern for business enterprises.

Finally, in translating the marketing concept into a practical managerial activity, Baker<sup>[67]</sup> identifies the following steps:

1. Identification of a need which can be satisfied profitably within the constraints and opportunities represented by the potential supplier's portfolios of resources, and which is consistent with the organization's declared objectives.

2. Definition of a particular segment or segments of the total demand which offer the best match with the producer's supply capabilities.
3. Development of a specific product or service tailored to the particular requirements of the target audience.
4. Preparation of a marketing plan specifying the strategy to be followed in bringing the new offering to the attention of the target audience in a way which will differentiate it from competitive alternatives.
5. Execution of the plan.
6. Monitoring of the results and adjustment as necessary to achieve the predetermined objectives.

It is worth mentioning though, that Baker developed the aforementioned steps for the implementation of the marketing concept to industries of a service nature; an area which has been described as an 'uncharted frontier'<sup>[68]</sup> for the discipline of marketing, and which has only recently received much attention from marketing concerns who debated whether the traditional marketing concepts, theories, and techniques, primarily introduced for the purpose of marketing physical products, can be borrowed, implemented and applied, with or without adaptation, to the marketing of services.

Part TwoThe Evolution of Services Marketing

As depicted in an earlier discussion, marketing is perceived to be a universal phenomenon that is applicable to a variety of subjects consisting of, but not limited to, business or non-business enterprises, persons, ideas and causes. However, in the marketing literature there was no attempt to subdivide or to distinguish between firms' outputs according to the nature of the offering, i.e. products or services, and it could be noted that both terms were used interchangeably, yet with more emphasis on 'products'.

Although the literature predominantly emphasized product marketing, it often referred to the inclusion of services, as a matter of course, with no clear distinction between both areas, as if there was none. Such observation is depicted by Baker<sup>[69]</sup> who notes that "it is usual to find that the author very quickly asserts that when he uses the term 'product', then, hereafter this should be regarded as a collective noun which also includes services."

Eiglier and Langeard<sup>[70]</sup> direct a similar criticism to the marketing literature in not differentiating between products and services and in implicitly assuming that everything that applies to tangible goods applies just as well to services.

Moreover, insubstantial treatment of service marketing is criticized by Cowell<sup>[71]</sup> who maintains that marketing management text books devote little attention to services; "at best they include a separate chapter on the subject, at worst they ignore services completely."

Gronroos<sup>[72]</sup> concurs, and argues that marketing literature and research almost completely take their examples from goods

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industries which has been an area thoroughly investigated, while marketing problems related to service industries are very seldom discussed.

To this end marketing has been criticized as being overwhelmingly product oriented. Shostack,<sup>[73]</sup> for example, argues that service industries have been slow to integrate marketing into the mainstream of decision-making and control because marketing offers no guidance, terminology or practical rules that are clearly relevant to services. While Rathmell<sup>[74]</sup> holds a similar view, Kotler and Levy<sup>[75]</sup> claim that although traditional marketing has always included services in its scope, no attempt was made to examine whether the principles of marketing in traditional product areas are transferrable to the marketing of services.

The paucity of literature on services marketing possibly under-emphasized the role marketing could play in the management of service businesses. Nevertheless, although service managers have often performed marketing tasks including developing and introducing new services, making decisions on retail site locations, designing pricing strategies and conducting communication campaigns, Langeard<sup>[76]</sup> argues that such activities have rarely been planned, coordinated, and implemented by professional marketing managers with a broad understanding of all the elements of the marketing mix and a strong orientation towards customer needs, market trends and competitive analysis. He maintains that these tasks have been performed by managers with responsibilities and training in operational, financial and functional areas other than by those with marketing expertise; "In the majority of service firms, the inefficiencies resulting from a lack of overall marketing integration have been seen, if perceived at all, as outweighed by the importance of running the organization in an operationally efficient way. Most firms have probably never even recognized



the inefficiencies resulting from a lack of focus on market targeting and competitive positioning."

Baker<sup>[77]</sup> blames the administrators of service industries for not recollecting marketing's relevancy and contribution to their businesses. He asserts that many senior and middle managers in service industries suffered from a mental block similar to that experienced by earlier industrial managers and which prevented them from recognizing the potential relevance of marketing techniques and practices in their own businesses; "It would be naive to ignore that much of the resistance towards marketing is the direct result of the negative connotation associated with the word."

Stanton<sup>[78]</sup> affirms the aforementioned views and explains that management of most service industries does not understand what marketing is and its importance to a company's success, and that it seems to equate marketing with selling and thus fails to consider other parts of the marketing system or to coordinate their marketing activities.

In support of this argument that there exists a paucity of literature on service marketing and which holds that marketing's role in service management is neglected and that service organizations seem to be less market-orientated as opposed to product manufacturers, several reasons are usually offered. Cowell, among others,<sup>[79]</sup> outlines them as follows:

1. The dominantly intangible nature of service products may cause more difficult marketing problems compared with physical items.

2. Some services, especially those offered by traditional organizations, are opposed to the idea of marketing, where they consider it to be unprofessional or unethical to use marketing practices associated with goods marketing.
3. Many service organizations are small and their independent managers may consider marketing techniques as not being relevant to their situations.
4. Quality of management tends to be not as good in service organizations as in production companies.
5. The characteristic of a fragmented nature of much of service industries, where, in some cases, the lack of similarities between heterogeneous areas might not support any generalizations of a separate entity of service marketing theory.
6. Some service organizations have enjoyed monopoly powers in their fields and have failed to recognize that competition exists (e.g. between public utilities like gas and electricity).

The lag of service organizations adopting a marketing orientation is witnessed in an empirical study conducted by George and Barksdale<sup>[80]</sup> who surveyed four hundred service and manufacturing firms and concluded that:

1. The marketing function appears to be less structured in service companies than in manufacturing firms;
2. Service firms are less likely to assign marketing activities to the marketing department, even though they were just as likely as product companies to have such departments;

3. Fragmentation of marketing activities in service firms held to be true for all components of the marketing mix, i.e. marketing mix activities are not carried out in the marketing department;
4. Service firms appear to have lower marketing expenditures, expressed as a percentage of gross sales; and
5. Service firms are less marketing oriented than product companies.

Finally, Besson<sup>[81]</sup> summarises such conclusions and states that "it is ironic that service businesses, which are necessarily in the most direct contact with consumers, seem to be the last kind of firms to adopt a consumer-oriented marketing concept."

However, towards the latter end of the seventies an upsurge of interest in marketing activity in the service industry has been apparent. Perhaps one of the main reasons behind this phenomenon is the enormous growth service industries have experienced, which has, in turn, lead to the emergence of what some have designated as 'service economies'.

#### The Growth and Importance of Service Industries

Taking a closer look at the economy of developed countries, especially after the second world war, one witnesses a period of general prosperity characterized by higher incomes, increased leisure time and a general rise in the standards of living. This increase in mass prosperity motivated people to acquire more and higher needs in the Maslow<sup>[82]</sup> sense. Needs whose satisfaction might be achieved through the purchase of several services, more than by the outright possession of durable goods, e.g. education, travel, memberships of associations and civil clubs.

Stanton<sup>[83]</sup>, for example, explains that "as the average consumer becomes sated with goods, he turns to services that heretofore he could not afford or did not desire such as travel, education, personal and medical care."

The move toward higher order needs by people of developed nations is also clear in the statement which says, "as people get richer they do not need proportionately more food, fridges, etc. Instead, they turn increasingly to entertainment, education and holiday."<sup>[84]</sup> Regan<sup>[85]</sup> depicts the effect of such changes in the economic dimensions of society members and explains that these reflect the essence of Ernst Engel's 'law' set forth in 1857, one part of which stated that as "income increases, the percentage spent for sundries increases rapidly."

Schoell and Ivy<sup>[86]</sup> outline the increase in consumer demand for service as follows:

1. Increasing affluence: Greater demand for services that consumers used to provide for themselves, e.g. lawn care, carpet cleaning.
2. More leisure time : Greater demand for services such as travel and education, hence for such organizations as travel agencies hotels, and adult education courses.
3. Higher percentage of women in the labour force : Greater demand for day care nurseries, maid service, and away from home meals.
4. Greater life expectancy : Greater demand for nursing homes and other health care services.

5. Greater complexity of products : Greater demand for skilled specialists to provide maintenance for such complex products as cars and home computers.
6. Increasing complexity of life : Greater demand for income tax advisers, marriage counsellors, legal advisers and employment services.
7. Greater concern about ecology and source scarcity : Greater demand for purchased or leased services such as door-to-door bus service and car hire instead of car ownership.
8. Increasing number of new products : The computer-sparked development of such service industries as programming, repair, and time sharing.

On the other hand, Lovelock<sup>[87]</sup> and Rathmell<sup>[88]</sup> among others<sup>[89]</sup> explain that in the industrial and business markets services have grown for the following reasons:

(i) The benefits from specialization; (ii) computerization and technological innovations; (iii) changes in professional association standards particularly those relating to advertising and promotion; (iv) the growth of franchising; (v) reduced government regulations; and (vi) the absorption or replacement by chains of small independent service units.

Allied to the growth in demand for services, the growth in service industries in advanced economies is witnessed by its effect on the GDP and employment patterns in advanced industrialized countries.

In terms of employment, Smith<sup>[90]</sup> observes that in the United Kingdom, services claim almost half of the labour force. However, a more recent statistic<sup>[91]</sup> totals the number of employees in service industries in the U.K. to 58% of the total employed labour force.

Similarly, it is reported that in the United States, more than half of the employed population is not involved in the production of food, clothing, houses, automobiles, or tangible goods.<sup>[92]</sup> Similar statistics on civilian employment show that these percentages are 65% in Canada, while in Sweden, Netherlands, Denmark and Belgium, the figures are 62, 61, 61 and 60% respectively.<sup>[93]</sup>

While Fuchs<sup>[94]</sup> proposes that the lower output per employee in services is a reason for the shift in employment into the service sector, McMahon and Worswick<sup>[95]</sup> state that a higher proportion of service workers render an economy 'depression proof'. Their reasoning is that in recession periods, employment in services is likely to fall less than its counterpart in manufacturing industries, because even when demand fluctuates, service employees still have to be employed, e.g. doctors, nurses, lawyers. The second reason for stability of employment stems from services being of a contractual nature, and is drawn up by illustrating the example of a housewife saving on supermarket purchases but who still could not save the bus fare.<sup>[96]</sup>

Service output seems to be another significant indicator of the growth in services. While Levitt<sup>[97]</sup> states that it is redundant to cite the growing share of services to the GNP, Kotler<sup>[98]</sup> explains that following the second world war, this figure rapidly increased from 35% to almost over 50%. Exhibit 2.1 shows the trends and composition of output in the U.K. and reveals that by 1978 the service sector share of total output had risen over the thirty year period since 1948, to reach 55%.<sup>[99]</sup>

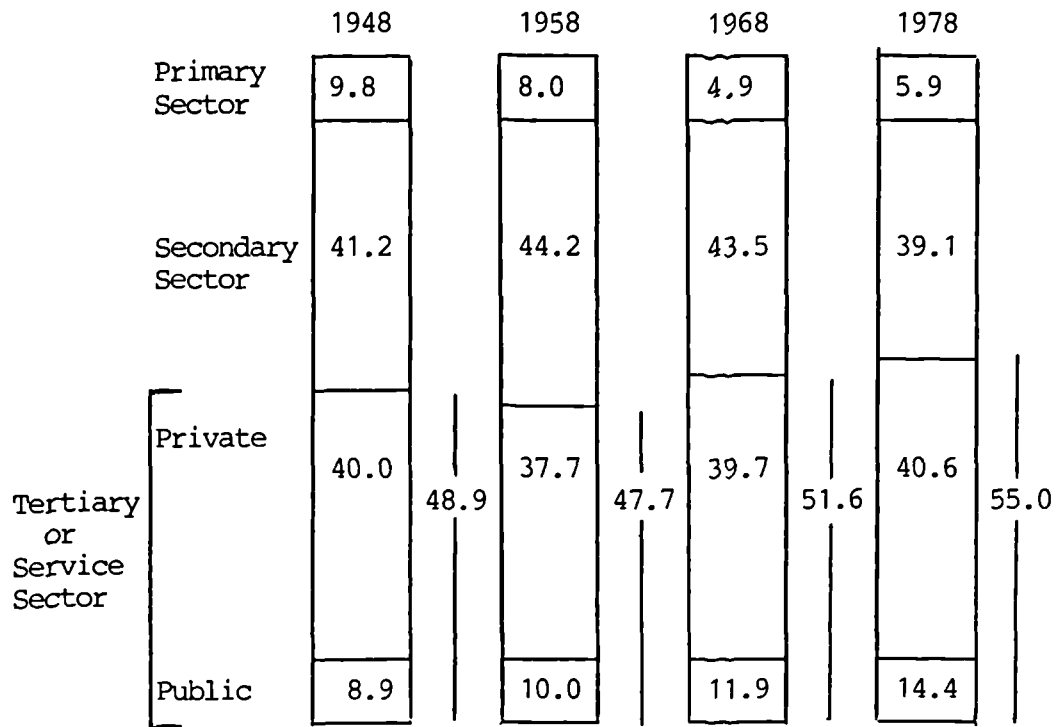


Exhibit 2.1 Composition of output in U.K., percentage shares.

Source: Whiteman, J., The Service Sector - a Poor Relation?, Discussion Paper No. 8, N.E.D.O., H.M.S.O. 1981.

From the foregoing discussion, one can see that the growth of services is a logical result of several converging forces, and as the attraction of services increases faster than that for goods, entrepreneurial capital is attracted more to the development of service markets. However, because the creation and founding of such markets require professional business organization, management looked for transferrable techniques that proved successful in the production of goods. And as competition in the service sector became more intense, reflecting such factors as reduced government regulation, the advent of new technologies, the breakdown of traditional product market boundaries and the absorption or replacement by chains of small independent units, an increasing number of service organizations were taking an interest in marketing.

However, at the outset, there seemed to be problems regarding the transferability of the marketing concept to industries of a service nature. One such difficulty was evident in the lack of agreement on what precisely constitutes a 'service'. The other was inherent in the criteria which apparently differentiated service outcomes from manufactured products, and upon which differentiation in marketing techniques seemed viable in order to account for the integrated effect of these salient characteristics.



### Part Three

#### Services Definitions and Characteristics

Despite the phenomenal growth in the service sector and the increased influence of services on both the gross domestic product and employment trends in the economy, an acceptable definition of 'service' has so far proved 'elusive',<sup>[100]</sup> simply because there hasn't been an agreement on what precisely constitutes a service and where no attempt has yet been made to define, inclusively and precisely, the service sector and establish its boundaries.

In addition to the paucity of material published on services marketing, which might be ascribed to the disagreement on service definition, most of the studies that have addressed the service domain have done so on an industry by industry basis, giving no guidelines for generalization<sup>[101]</sup> among different service industries and implicitly amplifying heterogeneity among the different sub-sectors, thus hindering the development of a comprehensive service marketing theory.

However, of more interest to us in discussing service definitions are the trends one can discern within the literature and which particularly concern the differentiation between product and service marketing.

The first of these trends is illustrative in nature, where a list of examples accompanies the definition. Taylor's<sup>[102]</sup> Regan's<sup>[103]</sup> and Blois'<sup>[104]</sup> attempts typify such an approach. The latter, for example, defines services as "an activity offered for sale which yields benefits and satisfactions without leading to a physical change in the form of a good."<sup>[105]</sup> The American Marketing Association<sup>[106]</sup> provides a similar definition in which services are described as "services- activities, benefits or

satisfactions which are offered for sale, or are provided in connection with the sale of goods." Cowell<sup>[107]</sup> explains that the difficulty with such definitions lies in their broad explanation of defining the nature of services. Stanton<sup>[108]</sup> addresses similar critique by arguing that products could also be constructed to offer benefits and satisfaction as well as service activities. He then provides a definition commensurate with another trend or approach, i.e. definitions by listing, where lists of different types of services are provided in order to accomplish a quoted definition; "Services are those separately identifiable, essentially intangible activities that provide want satisfaction, and that are not necessarily tied to the sale of a product or another service. To produce a service may or may not require the use of tangible goods. However, where such use is required, there is no transfer of the title (permanent ownership) to these tangible goods." Stanton then provides a list of different types of services such as housing, recreation, personal care, medical care and private education.

However, Cowell<sup>[109]</sup> holds that such lists become outdated as new and original types of services appear, and that they do not adequately describe the essential nature of what constitutes a service by being more descriptive than analytical. Judd<sup>[110]</sup> concurs, and notices that the emphasis on listing may explain the imprecision noted at the outset. Furthermore, he explains that when a listing is incomplete, which has always been the case, imprecision again is the outcome. He thus proposes a definition by exclusion in which he emphasises what services are not, more than what services are: "Marketed services - a market transaction by an enterprise or entrepreneur where the object of the market transaction is other than the transfer of ownership (and title, if any) of a tangible commodity." Judd, however, explains that there are three implications for marketing in his proposed definition: (i) It emphasizes the object of the market transaction

which involves no transfer of ownership; (ii) A clear cut demarcation between products and services will permit describing the similarities and differences that exist in the marketing of both areas; and (iii) It might serve for future provision of commonality among different services, if and when marketers of different service organizations perceive any commonality of problems that exist in their industries and which they earlier thought to be unique for them. Judd further maintains that this definition has the advantage of not becoming outdated by service innovations through dependence on a list of services. Nevertheless, he acknowledges that in its formation, nothing can be learned about the essential characteristics of a service.

Perhaps the most widely accepted approach to developing a framework within which services may be categorized is a taxonomic approach where services are classified according to unique characteristics they are thought to possess, and although there is a lack of agreement as to precisely what constitutes a service, there seems to be a general concurrence on a number of service characteristics which distinguish them from their product counterparts. Stanton,<sup>[111]</sup> Kotler,<sup>[112]</sup> Rathmell,<sup>[113]</sup> Nickels,<sup>[114]</sup> Uhi and Upah<sup>[115]</sup> define services on the basis of one or more characteristic that they acquire. Within this framework, a number of characteristics have been suggested to help distinguish between goods and services, and it is the combined effect of these salient features which appear to create a specific context in which a service organization develops its marketing policies.

#### Services Characteristics

Although there seems to be a lack of agreement as to precisely what constitutes a service, there appears to be a general concurrence on the identification of certain criteria that are regarded as salient characteristics distinguishing the outcome of service industries. It is also generally believed that the

effect of these differentiating features result in a fundamental difference which underlines the development of marketing programmes which are specifically formulated to suit the nature of the service offering. Following is a presentation of these salient features, and their implications on the marketing of services.

Generally, there are four main characteristics of services, identified as intangibility, inseparability, heterogeneity, perishability and fluctuating demand.

### Intangibility

Intangibility is looked upon, by almost all service marketing writers, as the most fundamental characteristic of services.<sup>[116]</sup> Bateson,<sup>[117]</sup> for example, explains that what makes intangibility a critical characteristic is its dual meaning of 'palpable' intangibility where the service can not be touched, and its mental intangibility where the service is difficult for the consumer to grasp mentally. More critically, he states that "it is possible by logical argument to develop all of the differences from that fundamental and structural difference."

Services are essentially intangible. In his evaluation of a service, a consumer can not sample, taste, feel, see, hear or smell a service before he buys it. Thus, while one can use objective criteria to describe the nature and performance of physical products, the same might be true only to a very limited extent for services, where subjective criteria are predominant for the evaluation process. Rathmell<sup>[118]</sup> explains that "one implicit distinction is to consider a good to be a noun and a service a verb - a good is a thing, and a service is an act. The former is an object, an article, a device, or a material ... whereas the latter is a deed, a performance or an effort."

The difficulty encountered by a service buyer with regard to his evaluation of the service quality makes more difficult his choice in selecting among competitive offerings since he can only subjectively evaluate one service or another. Nelson<sup>[119]</sup> isolates differences in evaluation processes between goods and services in a classification of qualities which encompass: (i) Search qualities (attributes which a consumer can determine prior to purchasing a product, e.g. colour, style, fit, feel, smell); and (ii) experience qualities (attributes which can only be discerned after purchase or during consumption). He notes that most goods are high in search qualities for their attributes can be almost completely determined and evaluated prior to purchase, while most services are high in experience qualities for their attributes can not be assessed until they have been purchased and are being consumed.

Darbi and Carni<sup>[120]</sup> add to Nelson's two-way classification system a third category of quality which is specifically applicable to services; credence qualities, which are characteristics that the consumer may find impossible to evaluate even after purchase and consumption. Examples of offerings high in credence qualities include appendix operations and brake relinings on automobiles, where few consumers possess medical or mechanical skills sufficient to evaluate whether these services are necessary or are performed properly even after they have been prescribed or produced by the seller.

Under such circumstances, purchase of a service requires having faith in the service provider, which makes the problem of building an image more difficult in the case of services than it is for physical goods.

Figlier and Langeard<sup>[121]</sup> state that clients' confidence in a service organization is particularly necessary in two cases: (i) when specific skills are required on the part of the service organization, e.g. doctor, consultant; and (ii) when the service rendered involves personal risks to the client or his possessions, e.g. bank, insurance.

In the same vein, Green and Farel<sup>[122]</sup> identify that because of services' intangibility, the phenomenon of word-of-mouth as well as the influence of opinion leaders probably assumes a considerable importance for services. They explain that these two elements reduce the difficulties that the consumer encounters regarding the building of confidence, the problems of first test and the problem of image presentation.

Suggestions in the literature also emphasize the improvement of service clients' confidence through the reliance placed on peripheral clues by the provision of ample material evidence and tangible production capabilities whereby service firms rely extensively on the characteristic of the services' physical settings and contact personnel in order to disseminate a positive image of the services' intangible outputs.

Towards achieving this end, Shostack<sup>[123]</sup> advocates that the management of tangible evidence should be articulated as a primary priority of service marketers who should focus on enhancing and differentiating their product 'realities' through the manipulation of tangible clues; "the management of evidence comes first for service marketers because service reality is arrived at by the consumer mostly through a process of deductions, based on the total impression that the evidence creates."

Along the same lines, Levitt<sup>[124]</sup> points out that when customers can not properly try the promised product in advance, metaphorical reassurance becomes the amplified necessity of the marketing effort whereby "metaphors and similies become surrogate for the tangibility that can not be provided or experienced in advance."

Gronroos<sup>[125]</sup> is of similar opinion and explains that when the customer is not able to evaluate the abstract service, he will look for tangible clues in the service context which he can use for evaluation. Elsewhere,<sup>[126]</sup> he maintains that if the firm does not manage this process, the customer will, in an unguided manner, pick out tangible attributes which are the service in his perception.

Finally, Eiglier and Langeard<sup>[127]</sup> outline four types of problems which intangibility produces for a service organization. These are:

1. Inventory : being intangible, services can not be stocked for future use and/or according to demand variations.
2. Communication : since by definition, services have no physical appearance, intangibility makes the communication of the business with its clients, and especially with its potential clients, particularly difficult.
3. Pricing : where accounting for direct costs is much more difficult in services because of the absence of raw materials and where there is difficulty in measuring the exact time spent in the production of the service and in allocating overhead expenses.

4. Patents : The intangibility of services makes particularly difficult, if not impossible, the protection of new services since no patents are allowed and where the protection of trade names does not necessarily bar the copying of services. As for products, Eiglier and Langeard explain that the only remaining protection is the competitive advantage of the innovating enterprise and especially its lead in 'savoir faire'. However, the strategy of the fast second identified by Baker<sup>[128]</sup> could prove differently whereby firms depend more on their ability to copy or improve upon a new product and cash in on the market as it moves into the growth phase than on being the first to market with a new product.

#### Inseparability

Allied to intangibility, the second characteristic which distinguishes services from physical goods is that a service is inseparable from the source that renders it. Most services are created and dispensed simultaneously, and this feature essentially requires the source, whether a person or an equipment device, to be present during the process.

Unlike goods that are produced, sold and consumed, services are said to be sold, produced and consumed, hence, the narrower interpretation of marketing which places marketing at the end of the production process and towards consumption, held the belief that services are not marketed.<sup>[129]</sup> Furthermore, from a marketing standpoint, the feature of inseparability lead to the notion that direct sale is the only possible channel of distribution available to service industries, and that since a seller's service can not be sold in very many markets the scale of service operations



is generally limited since services are not mobile and must be rendered where offered.<sup>[130]</sup> This, however, did not paramountly hinder service operations from employing agents to help improve their marketing coverage, and from constituting networks by multiplying their points of production and progressing to vaster scales.<sup>[131]</sup>

Another implication of services' inseparability is that it involves the collaboration of the customer in a more or less active fashion in the process of production and delivery, where such simultaneous processes integrate a combination of customer behaviour and staff attitude which collectively influence the service level, the behaviour of service personnel and customers, and potential customers' image and perceptions.

Gronroos,<sup>[132]</sup> for example, terms a specific marketing implication of service inseparability as the 'buyer/seller interaction' where the producing firm and its representatives get in contact with the customer. Accordingly, he designates all customer contact personnel as being involved in marketing processes and activities, and renders the management of such interactions as a marketing task and not solely an operational problem.

Lovelock and others<sup>[133]</sup> argue against the use of the words production or delivery systems in the service context on the premise that they fail to convey the simultaneity of both processes. They opted to use a new word; 'servuction', and justified its use by saying "while recognizing that we run the risk of simply creating new jargon, we believe that it is worth taking this risk in order to shake off the concepts developed from production and marketing experience in the manufacturing sector." The term servuction, however, did not gain any further recognition in the literature, nevertheless, it meant to illustrate

the components of the service production/consumption system as follows:

1. That part of the service organization that is visible to the customer, i.e. the physical environment and the contact personnel.
2. The customer in person.
3. The other customers.

The amalgamated behaviour of these three elements give rise to a third characteristic of service output; heterogeneity.

#### Heterogeneity

Heterogeneity is a natural outcome of human involvement in the provision of services. In service industries, standardization of output is very difficult to achieve as long as there are human interactions in the process of service delivery. Unlike mass production and quality control activities that are exercised in product manufacturing, the quality of the service output depends on its provider rather than on the service itself, and is governed by factors such as who, when, where and to whom it is provided.

Baker<sup>[134]</sup> points out that "it is rather ironic that while many manufacturers seek to differentiate their output to escape charges of homogeneity, it is the very lack of homogeneity which concerns many service organizations." Elsewhere,<sup>[135]</sup> he compares between personal services and mass consumption goods and indicates that they are at polar extremes of a spectrum of differentiation, with personal services being completely differentiated from one another and mass consumption goods wholly undifferentiated.

Opinions of service industry practitioners are commensurate with those of academia. Schorr<sup>[136]</sup> explains that the human element can not be controlled to anywhere near the same degrees that a product manager controls the formulation of his line products. Catlin<sup>[137]</sup> concurs and maintains that people's performance fluctuates and changes according to many factors and hence the level of consistency in providing services is not a certain activity.

Another facet of heterogeneity in services is the multiplicity of individuals in the same organization with whom the client may interact. The multiplicity of these different interfaces poses another problem of consistency which is difficult to create and even more difficult to maintain. Such a problem would present itself in service organizations which offer more than the core service, where the performance of each of the peripheral services influences the performance of the other and contributes to the overall quality a customer receives.<sup>[138]</sup>

. [ 139 ]

The hotel industry provides a good example of this phenomenon. The core service consists of lodging guests for one or several nights. To this basic service, which would imply the provision of a bedroom, are added the peripherals: a reception desk, reservation, use of a television and/or radio, wake-up service, telephone service, room service, housekeeping, bar, restaurant, lounge, etc. While some of these services are indispensable for the execution of the core service, e.g. the reception desk, and others are provided only to improve the quality of the core service; the attitude, efficiency, and courtesy of the room clerk, food service waiter, chambermaid and telephone operator will all affect the guest's image and perception of the service quality level although each interaction might take place at a different time and within different physical environments.

Furthermore, the quality of the service may be affected by the buyer or customer through his behaviour and attitude. Gronroos,<sup>[140]</sup> for example, states that where several consumers and/or potential consumers simultaneously are in the same place either consuming, purchasing or planning to purchase the service, the consumer actively takes part in shaping the service and affecting its quality whereby his expectations and acting influence the behaviour of the human representative of the firm as well as of other consumers. Furthermore, people are different in both character and perception, and while one might consider a service to be courteous and satisfying, another might perceive it as barely tolerable.

Within such concerns, Levitt<sup>[141]</sup> suggests that service firms could benefit from adopting manufacturing attitudes and discusses ways of industrializing services through mechanization, specialization and the use of assembly line technologies. Fast food restaurants, self-service cafeterias and automated bank tellers provide examples of the application of such techniques. However, this application seems more difficult in cases where personal contact is involved between the buyer and the seller, hence Kotler<sup>[142]</sup> prescribes the following for more personal based services: (i) the development of a good personnel selection and training programmes to provide uniform services; and (ii) the development of adequate customer satisfaction monitoring systems through suggestion and complaint systems, customer surveys and comparison shopping.

#### Perishability and Fluctuating Demand

The fourth major factor which enables the discrimination between products and services rests on the fact that being intangible, services cannot be stored for future use in the same manner physical products are. This creates a critical dimension in the marketing of services. Since they are highly perishable,

any excess in production capacity which is not directly consumed represents potential revenues that are lost forever. Examples of highly perishable services are represented in hotel accommodation, airline seats, idle mechanics and other professionals whose wasted time could not be retrieved or reimbursed for in any manner.

Furthermore, the market for services fluctuates considerably either by season, month of year, days of week or further by hours of day; examples are resorts, christmas mail, airline seats and bus transport respectively. It is this feature which presents one of the greatest challenges to management of service organizations to creatively match between supply and demand variations.

Towards this end, Sasser<sup>[143]</sup> attempts to describe several strategies to overcome the problems posed by perishability and fluctuating demand and offers two recommendations. On the demand side he proposes differential pricing, development of non-peak demand, complementary services and reservation systems; on the supply side he prescribes part-time employees, peak time efficiency routine, increased consumer participation, shared services and facilities with built-in expansion possibilities. However, according to Baker,<sup>[144]</sup> Sasser's contribution is unoriginal as his alternatives are familiar to all production managers. "Allied to both alternatives is the possibility of demand management, and here one can immediately see one possibility for using marketing techniques to try and even out demand fluctuations." Elsewhere, Baker points out that it would be much more constructive to think of perishability and fluctuating demand in terms of service availability and demand management and where service marketers should imaginatively capitalize on the marketing tools of pricing and promotion.<sup>[145]</sup>

From the foregoing discussion, it seems apparent that services possess certain distinguishing characteristics which differentiate

them from their product counterparts. Service marketers, however, have further attempted to distinguish between different types of services and developed a variety of schemes which attempt to classify services in order to gain an understanding of the ways in which service markets operate. Cowell<sup>[146]</sup> draws on the works of Kotler,<sup>[147]</sup> Thomas,<sup>[148]</sup> Chase,<sup>[149]</sup> Swan and Pruden<sup>[150]</sup> and provides an illustration of some current ways of classifying services as shown in Exhibit 2.2.

These differences that exist between products and services, and among services themselves tend to make services, as the objects of marketing, differ from physical goods, and pose the problem that services require different marketing programmes than those traditionally developed for tangible products, thus leading some marketers to question the transferability of traditional marketing to industries of a service nature. Hence, the study turns to discuss different approaches to services marketing and investigates if differences between products and services warrant the development of a separate services marketing theory.

SELLER RELATED BASISNature of EnterpriseFunctions PerformedIncome Source

Private, for profit Private, non-profit Public, for profit Public, non-profit	Communication Consulting Education Financial Health Insurance	Derived from market Market plus donations Donations only Taxation
--	--	--

BUYER RELATED BASISMarket TypeWay in which Service boughtMotives

Consumer market Industrial market Government market Agricultural market	Convenience service Shopping service Speciality service Unsought service	Instrumental, i.e: means to an end. Expressive, i.e: an end in itself
--	---	--

SERVICE RELATED BASISService FormHuman or machine basedHigh or low contact

Uniform service Bespoke service	Human centred service Machine centred service	High contact service Low contact service
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Exhibit 2.2 An illustration of some current ways of classifying services.

Source: Cowell, D., The Marketing of Services, Heinemann, London, 1984, p.29.

## Part Four

### Conceptual Frameworks for Services Marketing

A search of the related literature which aims at defining the areas of services marketing demonstrates an oscillation of the phenomenon between two radically opposed tendencies. On one hand there is an approach which forcefully underlines the notion that the selling of services poses different problems from that of mass consumption products and hence calls for the development of an appropriate service marketing theory that accommodates such differences. At the other extreme, a tendency asserts the universality of the fundamental concepts and application of marketing, and does not differentiate between products and services on marketing terms.

The approach which does not differentiate product marketing from the marketing of services bases its assumptions upon the general or universal application of marketing to all exchange transactions. It calls for a direct transferability of marketing concepts and techniques and equates the marketing function of physical goods to that of intangible services. To its representatives, a product is assumed to be almost always a combination of tangible and intangible elements, and where its real value is determined by the needs it satisfies and the bundle of benefits it carries to the consumer.

Levitt,<sup>[151]</sup> for example, explains that a customer attaches value to a product in proportion to its perceived ability to help solve his problems or meet his needs, and hence, what consumers are really buying are not products or services as much as the value satisfaction of the offering. Elsewhere, he points out that there is no such thing as service industries, "there are only industries whose service components are greater or less than those of other industries."<sup>[152]</sup> He further postulates that



service industries could benefit by gaining insights into manufacturing companies' production strategies and by capitalizing on concepts earlier recognized by industrializing firms.<sup>[153]</sup>

In the same vein, Smith<sup>[154]</sup> observes that no criteria are likely to provide a clear cut distinction between the two sectors (goods and services). Wychkam et al.<sup>[155]</sup> concur and argue that a simple taxonomy of goods versus services is likely to be dysfunctional. Similarly, Enis and Roering<sup>[156]</sup> judge that the distinction between goods and services is sufficiently inadequate to be confusing to those contemplating marketing strategy formulation. They propose that the noun 'product' is an all inclusive term for that which is offered to the buyer, be it a tangible or an intangible.

Finally, Kotler<sup>[157]</sup> takes the matter further and assumes a marketing mix for service industries to parallel that of manufacturing firms. He develops a marketing mix for an educational institution basing its elements on McCarthy's product, place, price and promotion, and concludes by saying "almost everything we said earlier in this book about marketing mix decisions applies to service firms as well as product firms."

Proponents of a different approach to services marketing believe that it is almost impractical to directly transfer the different concepts, strategies and techniques of product marketing to suit the nature of service offerings. They advance the development of a separate body of service marketing which accommodates for the explicit criteria of services and which permits the development of uniquely formulated marketing strategies different from those traditionally identified with the marketing of tangibles.

Gummesson<sup>[158]</sup> argues against the position of the first trend, and states that "although the burden of proof traditionally falls upon those who claim that their models and theories have applicability to other areas than those for which they are primarily meant, in marketing so far, it seems to be the other way round: the burden of proof is thrown on those who doubt." He explains that there are differences that necessitate the development of different approaches. He outlines that in professional services, for example, the person who is a marketer of the service usually must also be prepared to take part in the operation of assignments, and that this unique feature has its implications on the organizational structure of the firm as well as its promotional activities and marketing costs.

Shostack<sup>[159]</sup> calls for the divergence from product marketing by 'breaking free' from its traditional theories. She suggests that traditional marketing theories lack suitable concepts and techniques for services and that new concepts are needed if service marketing is to succeed. She poses the question whether marketing is myopic in having failed to create relevant paradigms for the service sector, and indicates that service industries have been slow to integrate marketing into the mainstream of decision-making and control because marketing offers no guidance, terminology or practical rules that are clearly relevant to the area of services.

Shostack's main concern was that traditional marketing does not account for the intangibility of services which poses unique problems to service clients such as those associated with building an image, building confidence, and perception of service's reality.

In the same vein, Gronroos<sup>[160]</sup> maintains that the planning instruments developed to assist in solving the problems of goods industries may well not be applicable when planning service

marketing. He notes that, for example, every single person in a service firm is acting as a salesman and is engaged in the personal market communication efforts of the company. This, in turn, gives rise to unique aspects of service marketing such as the buyer/seller interaction and the internal marketing function which are not paralleled in product marketing.

Berry<sup>[161]</sup> maintains as well that service marketing is different whereby differences between products and services present challenges to the services marketer, especially in heightening the importance of certain marketing approaches that are usually not considered priorities or even applicable in goods marketing such as internal marketing, service customization, managing the evidence, making the service tangible and synchronizing supply and demand.

With regard to the price variable of the marketing mix, Lovelock,<sup>[162]</sup> Thomas<sup>[163]</sup> and Dearden<sup>[164]</sup> share the view that relative to manufacturing firms, it is much more difficult for service businesses to determine which fixed and operating costs are associated with which services, especially when several services are being produced concurrently or where a number of peripheral services are added to the core offering. This difficulty, in turn, leads to a difficulty of price determination relative to costs, and given wide fluctuation in demand levels, service marketers have much greater flexibility than product manufacturers in offering similar products at different prices, at different times, to different market segments.

In the area of distribution channels, Donnelly<sup>[165]</sup> argues that using the traditional concept of distribution developed for goods limits the understanding of the marketing of services. He substitutes it by that of 'marketing intermediary', and indicates that services have a unique problem whereby making a

service available is often a product development as well as a distribution problem, and draws the example of a bank credit card to illustrate his point.

While the above works deal separately with single elements of the marketing mix, Booms and Bitner<sup>[166]</sup> modify the traditional mix to suit a service firm by adding three new dimensions:

- (i) Participants, namely the firms personnel and its customers;
- (ii) Physical evidence, to include the environment where the service is rendered and where the participants interact; and
- (iii) Process of service assembly, which includes the actual procedures, mechanisms and flow of activities by which the service is delivered.

In essence, the common denominator behind this approach is that service organizations manifest some specific characteristics, the consequences of which constitute problems unique to service organizations and their clients, and although the degree of intensity of these problems may vary from one service activity to another, there is still justification for generalization that should lead to the development of a unified approach towards a separate service marketing theory.

Nevertheless, between these two opposed tendencies of services marketing, there exists an integrative point of view which capitalizes on both approaches by incorporating the traditional marketing function and adapting marketing techniques to accommodate for the salient characteristics of services while retaining the validity of the basic marketing concept. At this point, it is worth mentioning that some of the views which support either of the aforementioned approaches, tend to view the integrative point as the most practical.

Levitt,<sup>[167]</sup> for example, accounts for the characteristic of intangibility on more than one occasion, and provides insights for services marketers that are not directly relevant or applicable in product marketing.

On the other hand, Turner<sup>[168]</sup> discusses the unique aspects of marketing professional services and how these are different from product marketing, yet he maintains that "this should not be interpreted to mean that basic marketing methods cannot be effective in the service area."

Similarly, in discussing distribution channels for services, Donnelly<sup>[169]</sup> asserts that the assumption that services are marketed using the same guidelines as products has proved essentially true 'except' in the area of channel decisions.

In the same vein, while Lovelock<sup>[170]</sup> discusses the distinguishing characteristics of services and their implications on marketing he maintains that "I make no claim that the marketing of services is uniquely different from that of physical goods. If the two were uniquely different this would raise serious doubts as to the coherence of marketing as a functional area of management." Lovelock's contention is that these differences need to be accounted for in the development of marketing programmes and the management of the marketing activities.

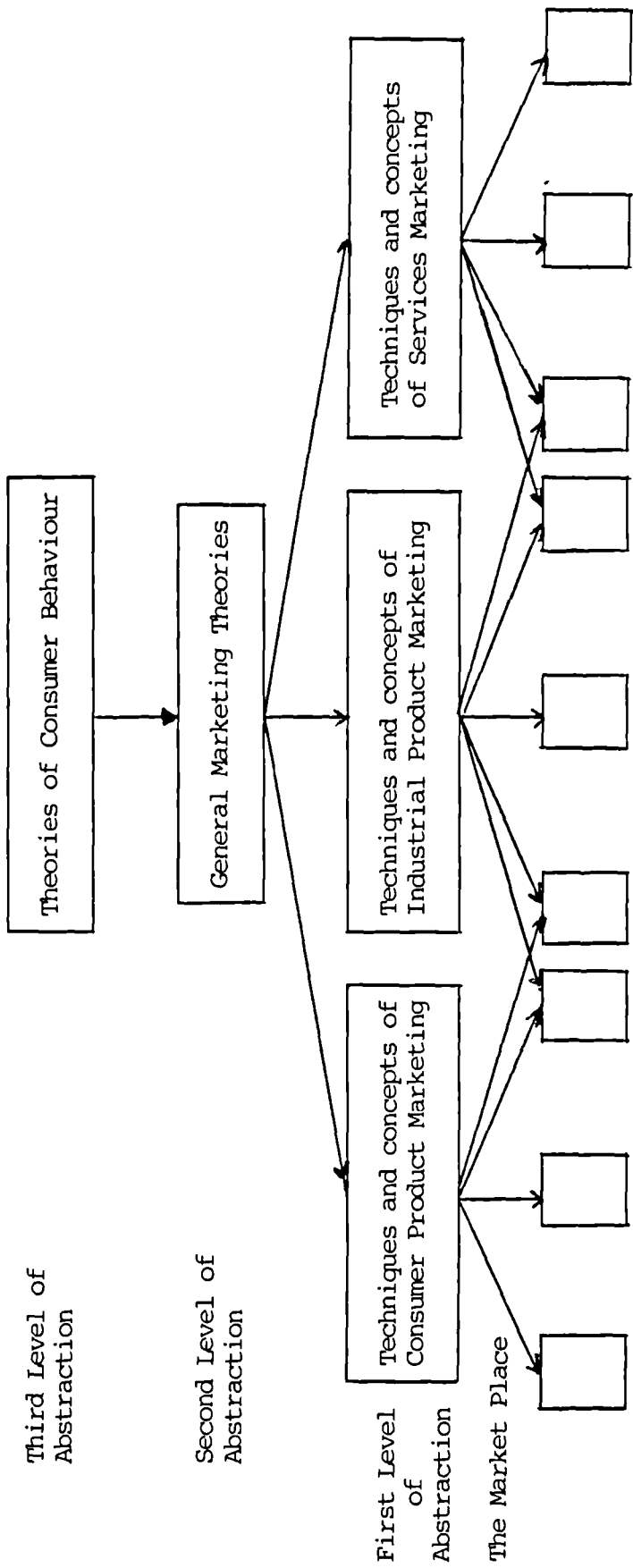
The integrative approach is represented in Cowell's<sup>[171]</sup> preface for his book on the marketing of services where he explains that the text can form the basis for an introductory or elective course on the marketing of services which builds on marketing principles established in a basic marketing management course. "Hopefully it will add to what is available by focussing on the adaptations and adjustments that may be required when the product being marketed is intangible rather than tangible."

Bateson<sup>[172]</sup> suggests that since there exists: (i) a perceived body of common problems at the management level of service organizations; and (ii) a real structural difference between products and services, service marketers should move directly into those problem areas thought to be unique to services. "This is the approach used in industrial marketing which through consideration of the organizational buying process was able to develop a body of useful concepts." Thus he suggests the development of a separate body of services marketing that would exist at the first level of abstraction alongside consumer product and industrial marketing.

Bateson's first level of abstraction shown in Exhibit 2.3 coincides with Baker's<sup>[173]</sup> tactical level of competition between producers of similar outputs, where his contention is that the most effective approach to the marketing of services is not to try to reinvent the concept and function of marketing, but to transfer it (as is the case in industrial marketing), while accounting for similarities in the development of marketing strategies and the differences in the tactical level of implementation.

From the aforementioned discussion of the different approaches to services marketing it could be deduced that the difference between products and services is not fundamental as it is classificatory. What is needed in the case for services marketing is a deeper appreciation of the special problems there may be and the distinctive characteristics associated with marketing an intangible.

Having discussed the marketing of services from a wide and general perspective, the study turns to explore the extent to which marketing is applied to a specific service industry which has assumed a considerable growth potential over the last few years; the hotel industry.



Third Level of Abstraction

Second Level of Abstraction

First Level of Abstraction

The Market Place

Exhibit 2.3 A Context for Services Marketing.

Source: Bateson, J., "Do we need service marketing", same reference as 172. Adapted from an earlier illustration by Blois, K.J., "The Marketing of Services, an approach", European Journal of Marketing, vol, 8, No. 2, 1974, pp. 137-149.

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**CHAPTER THREE**

**MARKETING HOTEL OPERATIONS**

## CHAPTER THREE

### MARKETING HOTEL OPERATIONS

#### Introduction

In the preceding review, it was indicated that although the broadened concept of marketing has gained wide acceptance among different types of organizations, service firms seemed less orientated towards the adoption of a marketing perspective. However, as more marketers and perceptive service operators researched the issue of the transferability of the marketing concept to industries of a service nature, many such operations capitalized on developed and new theories and applied them to problems of their industries.

The purpose of this chapter is to present a conceptual framework of the discipline of marketing as applied to one such service industry; the hotel industry. In doing so, the chapter is developed as follows:

#### Section One: The Hotel Industry: An Overview

This section defines the concept of hospitality, examines the growth of the hotel industry and identifies the different broad approaches which relate it to broader contexts. It then draws on the industry's product oriented stage which dominated its sectors by emphasizing production and service.

#### Section Two: External Factors Influencing Hotel Marketing Systems

This section highlights the growing importance of certain external environmental factors which exert an influence on the development of hotel markets. The section aims to explain the fact that a hotel establishment operates as a system which is interrelated with all kinds of development in the macro environ-

ment in which it operates, and the needs these developments generate for adopting a marketing orientation. Four external factors are discussed, these are: economic, political, cultural and technological variables.

### Section Three: The Evolution of Hotel Marketing

As a response to the influences discussed in section two, this section examines the further development in hotel marketing thought. At the outset, the section illustrates the sales oriented stage and discusses hotel marketers' preliminary efforts in clarifying, what seems to be an inevitable mistake which almost all industries have experienced; the perplexing distinction between sales and marketing. The section then examines hotel marketers' efforts in defining marketing and in conceptualizing an era of hotel marketing.

### Section Four: Determinant Characteristics of Hotel Marketing Orientation

This section examines the marketing implications of certain 'internal factors' which are inherent in a number of salient characteristics that pertain to service industries in general and hotel establishments in particular. It discusses hotel's instability of demand, their features of inseparability and heterogeneity and the implications these features have especially on the operations' internal marketing behaviour.

### Section Five: Marketing Research and Analysis in Hotel Operations

This section seeks to examine how can the objectives of a marketing programme, the appropriate creative strategy and the mix of marketing tools be based on the soliciting and management of information through the execution of marketing research activities. Three fundamental research elements are discussed. These are: product analysis, competition analysis and market analysis and segmentation.

## Section One

### The Hotel Industry: An Overview

#### Introduction

As the economy of most advanced countries grows more affluent, and shifts from a need to a need - want society, there arises a greater need and demand for services in general and for hotel services in particular, especially as these economies are characterized by upward social mobility, increase in social buying power and levels of disposable income; and with the enormous growth of organizations conducting business on a national or international level, the growth potential for hotel services is multiplied.

The hotel industry has enjoyed rapid development and growth in recent years, especially after the second world war. However, at the outset hotel establishments had a product orientation which emphasized production and service in their limited markets. Nevertheless, this situation gradually changed while the industry's markets grew and became more complex and varied, and where competition began to evolve in response to the anticipated changes in economic conditions, life styles, income levels, and values.

The aim of this introductory section is to examine the growth of the hotel industry and to identify the different broad approaches which relate it to broader contexts, while drawing on its product-orientation/marketing neglect phase.

#### The Concept of Hospitality

Primarily, the business of hotels is to provide hospitable services to people who are away from home. These services include, but are not limited to, accommodation, food and beverages. .



However, there has been different viewpoints regarding the identification of the hotel industry within a larger framework or a broader perspective.

Gray and Liguori,<sup>[1]</sup> for example, identify hotel establishments as elements of a broader leisure industry. In discussing the relationship between both phenomenon they explain that the economic changes witnessed in recent years and which were characterized mainly by the achievement of higher incomes, have produced the growth of the leisure industry which is designed to take advantage of people's additional free time and increased disposable income. Among the significant elements of that industry they list: the motion pictures, professional sports, the restaurant industry, the travel industry, the airline industry, railroads, cruise ships, travel agents and hotel establishments.

On the other hand, a different perspective is presented by Medlik and Middleton<sup>[2]</sup> who consider hotels as 'tourist facilities' and thus designate them as a component of the compound product of the tourism industry; "Airline seats or hotel beds may be products in the eyes of their producers, but they are merely elements or components of a total tourist product."

While Medlik and Middleton confine the use of airline seats and hotel beds to tourists alone, Hall<sup>[3]</sup> and Bloom<sup>[4]</sup> adopt a broader approach in order to encompass other segments that use such services and facilities. Their work places the hotel industry within a broader 'travel industry'. They explain that there are many hotel operations which depend mainly on business generated from sources of demand other than tourists, especially where the provision and operation of convention centres and meeting facilities represent a critical dimension for hotels catering for corporate accounts. Towards this end, Bush<sup>[5]</sup>

concur and identifies another hotel market segment, 'the business traveller', as the 'mainstay' of many hotel establishments which depend largely upon business travel and consider it the primary target market to which they direct their marketing activities.

Although the 'travel industry' approach is broad enough to accommodate both pleasure and business travel, Jafari<sup>[6]</sup> questions its validity. However, he does not propose the placement of the hotel industry within another perspective. Firstly, he argues that the field of tourism does not delineate how far people have to go away from home to have a touristic leisure, and that there are no concise criteria to determine where does tourism and non-tourism status start or end. Secondly, he maintains that if hotel establishments are patronized by members of their direct community, i.e. city or area, this does not indicate a 'travel' status.

Despite the obvious overlap between the leisure, tourism and travel industries in their encompassing hotel establishments, in one way or another, under their disciplinary wing, Vallen and Silby<sup>[7]</sup> note that most hoteliers consider the hotel industry a part of a vast 'hospitality' industry, which is loosely defined to include all types of lodging, food and beverage, and entertainment facilities. Within this fragmented assemblage, Vallen and Silby explain that hoteliers see their industry as a 'service' industry, their product as 'hospitality' and their customers as 'guests'.\*

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\* The terms: Hotel, Lodging and Hospitality are used interchangeably in the reviewed literature. Another group of facilities that are closely related to these industries are excluded from our discussions. These are the sporting and recreation camps, trailer parks, mobile home parks and guest houses. The decision to exclude such establishments is made on the basis of dissimilar cost structures and ownership patterns.<sup>[8]</sup>

The concept of hospitality is extremely old. It is mentioned in writings dating back to ancient Greece, ancient Rome and biblical times; Homer's *Odyssey* and *Illiad*<sup>[9]</sup> and the famous biblical inn are but examples. Today's modern hotel, however, has evolved a long way from the old time inn which provided meagre shelter and the barest of sustenance, and be it a single independent unit or a member of a group or chain of hotels, is a far cry from the inns immortalized by Chaucer, or those which were around Pompei and are still preserved under the eruptions of Mt. Vesuvius.<sup>[10]</sup>

However, although the concept of hospitality dates so early in time, the concept and formation of a hospitality theory is still missing, and a thorough understanding of hospitality as a phenomenon is lacking.

Reuland and Cassee,<sup>[11]</sup> for example, explain that this may be attributed mainly to the paucity of research undertaken in that area; a matter which in turn has acknowledged the fact that the hospitality industry is predominantly based on accumulated experience and tradition and not on scientific research. Nevertheless, many writers like Pfeifer<sup>[12]</sup> believe that hospitality now serves to satisfy more and higher needs in the Maslow sense, and that whether it is defined as "providing security, physical comfort and psychological comfort",<sup>[13]</sup> or as "a harmonious mixture of product, environment and behaviour to satisfy the needs of guests,"<sup>[14]</sup> the concept comprises much more than the simple idea of providing food and overnight accommodation.

With the development and growth of an amalgam of markets seeking hotel services, e.g. tourists, business travellers, conventioners, etc., the make-up of modern hotel operations

developed accordingly until it reached its present configuration of formal organizations, operating for profit.

#### The Adoption of Business Management Techniques

In an earlier discussion, the lag of service industries behind product manufacturers in adopting a marketing oriented approach was outlined. The following discussion, however, presents how similar circumstances have dominated the area of hotel management and hindered the recognition of applying marketing to the mainstream of hotel operational strategies.

Since the advent of the industrial revolution, business management has been an area subjected to a considerable amount of change in its theories, principles and doctrines. The organizational changes which have affected business enterprises in general have also influenced the management of hotel operations. However, such concepts were not adopted by the hotel industry as early as they have been applied in other industries and business endeavours.

Lattin<sup>[15]</sup> explains that during the greater part of hotel-keeping history, emphasis has been on the hosting and showmanship qualities of managerial talent where hoteliers did not feel the urge for the application of new techniques that were developing rapidly in other businesses. The first hotel pioneers felt that the hotel business is a unique profession where modern management methods are not applicable. Nevertheless, by the 1950's, and confronted with a myriad of operating problems such as low occupancy levels, employee turnover, continuous rise in operating costs and drop in appeal to capital investors, hotel management realized that playing 'mine host' is not the only approach to attract business, increase sales volume and exercise control over the operations. However, management's adoption of modern business

concepts and techniques was not accompanied by a positive orientation towards the marketing discipline.:

Blomstrom<sup>[16]</sup> explains the reasons for hospitality firms lagging behind manufacturing and other service businesses in the use of strategic marketing planning as follows:

1. The hospitality industry, until relatively recently, has been composed of small firms, many of whom considered marketing to be either expensive or irrelevant.
2. For a substantial period of time, the demand for hotel services was so high that managers saw little need for marketing activities.
3. Many managers mistook promotion for marketing.

However, market situations for hotel establishments had changed completely, and many of the problems faced by hotel management were marketing in nature. Troy,<sup>[17]</sup> Newman<sup>[18]</sup> and Crystler<sup>[19]</sup> explain that the main reasons which resulted in the change of hotel marketing situations were due to:

1. The economic changes in standards of living and life styles, and the changing social patterns.
2. Developments in mass transportation and the influence of the highway development on automobile travel.
3. Guests' expectancy of more services, amenities and values; and their buying preferences were changing as a number of new and more complex market segments emerged.

4. Chains continued to grow and dominate the industry, and competition became more intense seeking the development of consumer brand preference.
5. Costs continued to escalate while productivity, which has never been high, seemed to be stagnating and even declining.
6. The wave of motel and motor hotel constructions, which was described as the 'Coup de Grace'<sup>[20]</sup> affecting hotel patronage.
7. Development of organized tourism and the role played by intermediaries such as travel agents and tour operators in influencing customers' choice.

Nevertheless, despite the growing influence of the aforementioned factors on the reshaping of hotel markets, hotel firms were less responsive in their reaction to overcome the problems posed by the changes in their market structure. Blomstrom,<sup>[21]</sup> for example, notes that hotel operations often failed to appreciate the competitive changes going on around them, and while some might have observed these changes, they devalued their significance or underestimated their ability to 'nibble' away at their companies' markets.

A review of the related literature reveals one of the reasons for hoteliers' passive reaction towards adopting a marketing oriented approach as the traditional negative management attitude towards marketing as a philosophy of management which was experienced by product and service industries alike.

Hertzon,<sup>[22]</sup> for example, explains such behaviour by stating that "the average hotel manager did not feel it necessary to

actively seek business as many considered such activity beneath their dignity."

Morton<sup>[23]</sup> concurs, and provides an example reflecting such negative attitude by recalling an incident when a hotel manager attempted to 'hold a sale' by reducing room rates to promote weekend and group businesses, yet his attempt was quickly condemned by high placed industry executives and had to be quickly aborted. Furthermore, managers of hotel operations, as many others in different industries, miscomprehended the meaning of marketing, and confused it with selling, while others only perceived marketing in an advertising or a public relations dimension. A few statements quoted from the literature explain this point: "A really fine hotel should eventually require no marketing activity whatsoever, save perhaps for an ongoing public relations effort."<sup>[24]</sup> Another misconception is revealed in viewing marketing as "meaning nice things like going on trips, going to lunch, socializing at travel agents' cocktail parties",<sup>[25]</sup> while a third example views time spent on marketing as being time not spent in attending to the operation of the business.<sup>[26]</sup> The interpretation of these statements demonstrate a critical miscomprehension of the discipline of marketing and a de-emphasisation of the importance of some essential marketing activities such as continuous market research, and the product life cycle concept.<sup>[27]</sup>

However, as time passed, management attitudes began to change. This attitudinal change was largely due to increased knowledge and professional skills on part of some hoteliers, like Coffman<sup>[28]</sup> who pleaded that "it is long past due that we extract the benefits of the research and experience of others and apply them to problems of our industry." The works of Coffman are generally acclaimed by modern hotel marketers to be

the first attempts to integrate marketing as a discipline into the mainstream of hotels' operational strategies, where he brought together: market research and analysis, marketing strategies, sales, advertising, promotion and public relations into a unified approach of hotel marketing.<sup>[29]</sup> These works, however, date only as early as the 1970's; until that time, the hotel industry was characterized by being 'marketing failures.'<sup>[30]</sup>

However, many hoteliers started to turn to marketing, looking for panaceas for their myriad problems, and the literature encompasses numerous attempts where hoteliers sought to relate marketing to their business needs. Many such attempts are discussed following a presentation of certain external environmental factors which influence the marketing environment within which hotel establishments operate, and which precipitated the change in hotel marketing thought.



## Section Two

### External Factors Influencing Hotel Marketing Systems

#### Introduction

In the preceding section, it was noted that although hotel operations adopted managerial innovations by implementing modern business techniques in administering different aspects of their operations, marketing, however, was not among those newly adopted concepts of management. This section aims to discuss the impact of certain external environmental forces which exert an influence on the development of hotel markets and the structure and strategies of hotel organizations, through focussing on the needs these factors generate for hotel operations to adopt a marketing oriented approach and to establish its principles in the formation of hotel operational strategies.

#### The General Marketing Environment

Looking at different types of organizations, one is bound to view them as independent yet totally inter-related systems that exist and operate within a highly complex macro environment whose elements exert a considerable amount of influence on their structure, composition and operation.

In reviewing the literature pertaining to this issue, it seemed evident that hotel operations, as most organizations, are subject to the different changes which occur in the outside world and are greatly influenced by certain market forces beyond the control of hotel management. Exhibit 3.1 identifies four major environmental factors which influence hotel marketing systems as illustrated in the following presentation.

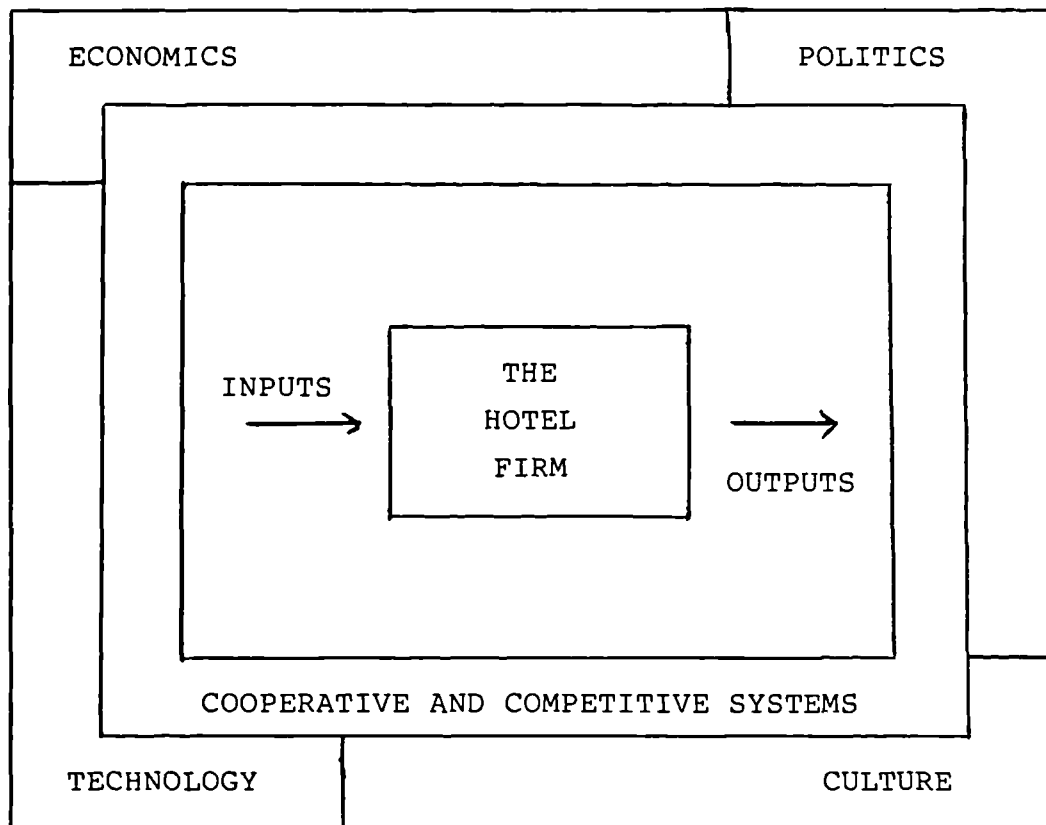


Exhibit 3.1 The General Marketing Environment of a Hotel Operation.

Source: Roger Doswell and Paul Gamble, Marketing and Planning Hotel and Tourism Projects, Hutchinson, 1979, p.9.

## 1. The Economic Variable

The economic environment of any society is a significant factor which influences the development of markets for products and/or services. The influence the economic environment exerts is generally two-fold; where it would be accompanied by either negative or positive signs regarding the buying power and purchase behaviour of its members.

On the positive side, economic affluence influences the growth of leisure and travel activities thus increasing the demand for hotel accommodation. Lattin,<sup>[31]</sup> among others, discusses the fact that although prior to the second world war, going on holiday or travelling for pleasure was an activity not afforded by a large percentage of the population of many economies, today many people see a holiday as a right and take it for granted.

In many such economies, the last two decades have been characterized by people's achievement of higher standards of living, upward social mobility, higher incomes accompanied by a reduction in working hours and longer paid vacations that are attainable more than once a year where the number of public holidays often following or preceding a weekend in most countries range from 8 to 12 annually.<sup>[32]</sup> These trends, in turn, created the opportunity of increasing participation in leisure activities, one of which is recreation travel.

A comparable holiday survey undertaken by Tourist Konsult, Stockholm, as shown in Exhibit 3.2, demonstrates the figures of net holiday intensity, holiday frequency and gross holiday intensity in ten European countries and reveals the impact of recreation travel, which is a product of economic growth, on the production and demand levels of hotel accommodation.

**Exhibit 3.2** : The net and gross holiday intensity, the number of holidays abroad as a percentage of the gross holiday intensity as well as in absolute figures.

1 Country	2 Population x 1 million	3 Period of survey	4 Net holiday intensity (h) in %	5 Gross holiday intensity (h) in %	6 Holidays abroad as a % of 5 (h)	7 Number of holidays abroad in figures x 1,000,000
Austria (1)	7.1	1.11.71 - 31.10.72	30	37	44	1.15
Belgium (2) (a)	9.7	1.10.75 - 30.9.76	47	63	62	3.73
Denmark (3)	5.1	1.1.72 - 31.12.72	51	69	40	1.02
France (4)	53.4	1.10.77 - 30.9.78	54	90	17	8.2
Germany (5) (a)	61.8	1.1.78 - 31.12.78	56	67	61	25.13 (d) (e)
Italy (6)	55.4	1.1.75 - 31.12.75	35 (c)	35	5	0.93 (f)
Netherlands (7)	13.8	1.10.77 - 30.9.78	68	100	50 (c)	7.0
Norway (8)	3.9	1.9.73 - 31.8.74	74	125 (c)	15	0.75
Switzerland (9)	5.5	1.1.78 - 31.12.78	74	149	40	3.3
United Kingdom (10)	56.1	1.1.78 - 31.12.78	61	86	19	8.2
Total	272		58	70	32	ca. 60

(a) only adults analysed; (b) only adults under the age of 74 analysed; (c) estimation from Consultancy Tidman on Tourism, Voorrechten NL; (d) includes German Democratic Republic; (e) additional holidays estimated at one-third abroad in neighbouring countries; (f) estimated from number of days on holiday abroad; (g) summer holidays only; (h) in relation to total population per country.

(1) IUCO, Technical Bulletin, May 1975; (2) Struktuur en ontwikkeling van het vakantietoerisme van de Belgische bevolking 1967 - 1976, Westvlaams Economisch Studie bureau, Brugge 1978; (3) Statistical News, Special publication, Denmark Statistik, October 1974; (4) Le Tourisme en France en 1978, Service d'Information et de Diffusion, Paris 1979; (5) Reise-analyse 1978, Studienkreis für Tourismus, Storrberg 1979; (6) Indagine Speciali Sulle Vacanze degli Italiani-dati Istituto Centrale di Statistica, Serie 3 - Popolazione, Foglio 37, Anno III n.2, Luglio 1976; (7) Vakantieonderzoek 1978, Centraal Bureau voor de Statistiek, Voorburg, NL.; (8) Perio-Underzoekelen 1974 - Statistisk Sentralbyrå - Oslo, 1975; (9) Fremdeverkehrsforundersøgelser Institut Handelshochschule Sankt Gallen, only assimilated foreigners (350.000) included; (10) The British National Travel Survey, 1979, British Tourist Authority-London.

Source: Mauritz Tidman, "External Influences on the Hospitality Industry", in Cassse, E. (ed.), The Management of Hospitality, Pergamon Press, 1984, pp. 25-50.

Tideman,<sup>[33]</sup> however, explains that although in the third quarter of this century, income per capita tripled in most European countries, this data could prove to be misleading if one disregards the ever rising rate of inflation which these countries have experienced, and which has caused higher prices and a reduction in purchasing power.

In order to account for the effect of inflation so as to achieve more reliable conclusions from reported per capita earnings, it is generally more appropriate to relate them to net present value figures of today's earnings and to compare them against indexes of previous periods.

An example of one such comparison is presented by Yesawich<sup>[34]</sup> who states that in 1981 the average American earned more than twice as many dollars as he did in 1970; however, his real income after taxes and inflation is 5% less.

The pervasive influence of inflation is also referred to by Lewis and Beggs<sup>[35]</sup> who claim that on the demand side, the hotel industry, as many others, is generally considered to be greatly affected by the level of disposable income and consumers' resistance to higher prices which makes them more aware of seeking value in return for what they buy.

Another negative aspect of the economic system which directly affects hotel operations is discussed by Jafari<sup>[36]</sup> who explains that energy price increases have reduced the distance between home and the desired destinations of travellers and where nearby destinations are gradually being accepted instead of 'those far away places' which were in many cases more appealing.

The stagnation in economic growth, the pervasive influence of inflation, coupled with the influence of competitive marketing discussed by Middleton,<sup>[37]</sup> and Doswell and Gamble<sup>[38]</sup> have made today's customer not only more price conscious regarding his getting value for money in return for what he buys, but more in terms of what he chooses to buy, where disposable income is not solely directed towards recreation travel and the use of hotel accommodation, but may be also used for alternative purchases of other highly sought products or services. Furthermore, Blomstrom<sup>[39]</sup> recognizes that hotel operations do not only compete with properties across the street or down the block, but may well do so with others in different cities and sometimes in other countries.

Among the economic influences having an effect on hotel marketing is the level of trade and production as outlined by Davies<sup>[40]</sup> who explains that an economy which enjoys a high level of trade, both national and international, has an increased need for communication, one part of which is business travel which directly affects the hotel industry through increased demand for hotel accommodation. The structure of trade also dictates the amount of business travel, whereas if there are many wholesalers or retail outlets to be visited by salesmen, more business trips have to be taken than in areas where there is a concentration of trade outlets.

In essence, the increasing affluence and levels of discretionary income, even if set off more or less by inflation, have led to a broader and more complex market place of travellers, each segment of which needs to be studied and catered for. Towards this, hotel operations had to develop and respond and in many cases became more specialized and sophisticated in order to satisfy guests' expectancy of different and more services, amenities and values, and the increasing trends in recreation,

business and corporate travel and the need of people to get together and communicate on social or business terms makes the world get closer and closer to becoming the 'global village' McLuhan envisioned.<sup>[41]</sup>

## 2. The Political Variable

The effect of governmental policies influences the market for hotel operations in two directions. While the first of these is closely related to economic terms, the second is purely political.

The financial policies of a government is considered by Tideman<sup>[42]</sup> as a main external factor which influences most types of organizations. He explains that, for example, governments can be willing to give grants for capital investment, offer tax reliefs and encourage competitive ventures in its pursuit of improving levels of production standards among its different industries; "Governments could only want to meet half-way the hospitality entrepreneur in subvention of some percentage of the interest on the basic capital funds, yet in several countries the government gives a guarantee to banks for hospitality entrepreneurs paying off loans."

Under the same economic context of governmental influence, Rodgers<sup>[43]</sup> underlines that an important condition to the marketing concept is a free and competitive economy. That is to say that the impetus for marketing arises as a response by organizations to competition in an open market with a relative freedom of consumer choice. Nevertheless, an important aspect of governmental influence which might detract from competitive entrepreneurial capital and thus hinders the adoption of a marketing oriented approach is government tendencies toward nationalization and confiscation of resources. On the other hand, if governments

would acquire or enjoy the confidence of economic organizations there would be a greater chance for competitive activities that would dictate or necessitate a marketing orientation.

Governmental deregulation is another factor which underlies the growing level of competition experienced by service businesses which, in turn, and over time, reflect the importance of a marketing orientation. Langeard et al.<sup>[44]</sup> explain that deregulation of the airline industry in the United States has provided individual airlines with important new opportunities for innovation in such areas as pricing policy and the addition or deletion of routes.

Another development that has made service industries more competitive, is the growth of franchising which 'clones' a service concept across broad geographic areas and transforms a considerable number of fragmented independent units such as hotel operations, and fast food restaurants into groupings of regional, nation-wide and international chains that compete head on for customers' business.<sup>[45]</sup>

Governmental political influence on the market for hotel operations is also realized in the state of foreign affairs a government maintains with other nations. Primary hotel market segments, i.e. recreation and business travel, would naturally favour a politically stable destination over one which is characterized by political upheavals or turmoil. Furthermore, these individuals or groups are more likely to choose a destination in a country which maintains friendly terms with their own government rather than in another which holds strong political differences. Cuba, Iran and Egypt are examples of three different cases. Firstly, Cuba was viewed as a highly demanded tourist destination especially in the United States market. However, its



joining the communist sphere and the social instability the country still experiences have largely detracted from its appeal as a destination. Secondly, with the civil war in Iran and the upheaval of the pro-western government and the confiscation and nationalization of western oil industries, a prime opportunity for accommodating corporate travellers, company executives, consultants and operational crews was lost by local hotel establishments. Thirdly, with the resolution of the Egyptian - Israeli conflict by signing the peace treaty at Camp David, USA, Egypt enjoyed a higher number of foreign travellers from western countries whose populations felt that the area is safer either to tour or to conduct business in, yet the country dropped in appeal to both Arab tourists and businessmen. [46]

In addition to the aforementioned political factors, the fact that the mere existence of an organization is dependent upon formal approval granted by the government in the form of a charter or a licence, explicitly demonstrate the importance of political influences on hotel marketing systems.

### 3. The Cultural/Societal Variable

The cultural system simply demonstrates the way in which a society lives and interacts; its relationships, values, roles and standards of behaviour which are generally passed through accumulated learning along the different generations. However, cultural systems change over time thus affecting changes in the behaviour of their members.

Stanton, [47] identifies some of the social and cultural changes which have been occurring at an accelerated rate as the changing attitudes towards work and pleasure, increased leisure time, the changing role of women, changes in life styles, education levels, social structure and home and family life. Following is an illustration of how changes in such variables affect the hotel industry.

Tideman<sup>[48]</sup> explains that a higher level of education attained by members of a society changes the attitudes of the consumers forming the market mix of hotel establishments, where consumers with high levels of education are presumed to be more positive in identifying their needs and more rational in evaluating and choosing among alternative offerings they contemplate to buy, and finally, more objective in selecting the most appropriate need satisfier. Higher levels of education might also influence people to acquire more first hand knowledge of different cultures and societies, thus provoking the need for travel and sightseeing, thus increasing demand for hotel accommodation.

The culture of a population also exerts an influence on the appeal of the area where a hotel operates. In his 'community profile', Peters<sup>[49]</sup> argues that very few travellers visit a community for the ultimate purpose of staying at a hotel, and that the mere existence of a hotel property does not justify its generation of demand potential. He notes that, in many cases, special characteristics of a community help create the need for overnight accommodation, and that cultural aspects are considered an important factor in their composition.

The changing role of women in society is another cultural variable which attracted much attention on part of hotel marketers. Bartos,<sup>[50]</sup> for example, explains that women have become more viable customers for both pleasure and business travel, where, in the United States for instance, over 31% of the business guests are women.<sup>[51]</sup> Similarly, the works of Lloyd,<sup>[52]</sup> Hill<sup>[53]</sup> and Quain<sup>[54]</sup> emphasize the growing importance of women travellers and propose that hotel marketers need to provide more facilities that would appeal to this growing market segment and to project these in the image the hotel firm tries to create.

Religion is also regarded as a cultural factor which influences demand for hotel accommodation, e.g. pilgrimage to Mecca and Jerusalem. Other cultural factors which mainly stem from religious beliefs could also affect hotel demand; an example is given in some mid-eastern countries where hotel operations are banned from selling alcoholic beverages either to natives or to foreigners, and where some operations would refuse to accommodate husband and wife unless official evidence of matrimony is provided.

Keegan<sup>[55]</sup> identifies one of the changes in social and cultural values which has been witnessed over the years as the change in the attitude towards work and pleasure, and which implies a change from work ethics to self-indulgence. It is our perception, however, that such a change could directly affect the management of the internal marketing function of hotel operations. The hotel industry is a service industry which demands from all employees to serve courteously and politely and attend upon the needs of guests. A hotel employee who regards service as servitude and connotes it with historical images of obedience and subordination, discards his working ethics and adopts the concept of hedonism (a doctrine of self-centredness implying seeking pleasure and avoiding distress) would definitely affect the level of service provided, through his development of a negative attitude towards hotel guests.

This anti-service attitude is often noticed in Northern European countries where the customers are confronted with a far lower service attitude by the employees than in the mediterranean area or in the Americas. Levitt<sup>[56]</sup> comments on such attitude by saying that "In the United States, the service sector has demonstrated a remarkable capacity to improve productivity, while in Britain it has exhibited the polar opposite - an almost obsessive persistence of ancient service practices that in Britain, the word

'service' remains to this day encrusted with immemorial attachments to master-servant pretensions that dull the imagination and block the path to service efficiency." This, however, may explain why many hotel operations in northern Europe employ chambermaids, room clerks and food service personnel from such areas where the negative attitude towards service is far less apparent. [57]

#### 4. The Technological Variable

The fourth element constituting the external factors is technological developments and their implication on hotel marketing systems. Technological innovation is found in the growing use by service industries of sophisticated, customer-oriented machines to provide certain repetitive services. Such self-service equipment, which often offers significant productivity savings over the human labour it replaces, include multiple-value travel ticket dispensers, machines for selling travel insurance, self-service gasoline pumps and automatic bank tellers.

Yesawich<sup>[58]</sup> advises hoteliers to be sensitive to the imminent changes in the technological environment and explains that these changes are likely to affect the manner in which they manage their promotional activities. He argues that with the continuous escalation of personal selling, the electronic 'tentacles' of advertising and direct mail will play an increasingly important role in prequalifying the purchase interest of customers. He further advocates that with the increasing number of broadcasting stations, the proliferation of stations, satellites and cable networks, broadcasting will become 'narrowcasting' and hence, what were once national strategies for advertising will have to be written on a regional or even local basis. This change in the complexion of the media would also amplify the existing problem known as 'advertising clutter', where a potential customer is exposed to hundreds of commercials every day, and where positioning

a firm's services against those of competition would be crucial to success.

Another effect of technological developments which directly affect levels of demand for hotel operations, and hence necessitate the adoption of a marketing approach, is the rapid advancement in telecommunication methods where it would be easier to contact business counterparts via satellite transmissions thus deeming travel less necessary. Perhaps one of the greatest impacts of technological innovations is the feasible development in teleconferencing methods which, if implemented by business conglomerates, could drastically reduce a large amount of hotel business generated by convention and meeting planners.<sup>[59]</sup>

Pfeifer<sup>[60]</sup> examines the effect of technological developments on methods of transportation and discusses the birth of the mobile society as a result of the ever-increasing use of automobiles and air travel and the effect such advanced methods had on diminishing the appeal of the once prime hotel locations directly situated across railway stations.

In addition to its influencing hotel locations, the development in modern transport facilities influences the demand for hotel accommodation in two opposite manners. The first is increase in demand for such services as a result of the increasing number of travellers attracted by the appeal of fast, wide bodied jet planes, comfortable trains and private automobiles. Adversely, however, such developments have contributed to the reduction in journey hours where a round trip day visit is now possible, when previously the same journey would have necessitated, at least, an overnight stay.

#### Summary and Conclusion

In discussing and analyzing the implications of the external environmental factors on hotel marketing systems, it need be

enumerated that both a hotel operation and the different markets it pursues are subject to the influence of the overall systems that shape the entire environment in which they exist and operate.

Much of these influences of such complex environments are beyond the control of hotel management, hence, in order to survive and grow, a hotel operation needs to devise an internal structure capable of identifying these influences and monitoring the changes in their trends in order to act positively in selecting the most appropriate courses of action. Over time, perceptive hoteliers have identified that the development of such a structure whose primary responsibilities are research, planning and development, necessitates the adoption of the marketing concept.

### Section Three

#### The Evolution of Hotel Marketing

##### Introduction

In the preceding review it was discussed how hotel management discarded its long held ideas about hospitality and shifted its emphasis from the hosting and showmanship qualities of managerial talent to the adoption of modern business and administrative techniques.

However, at the outset, the hotel industry was characterized by an orientation towards production where it emphasized service and operations over marketing and this was evident in the attitude hoteliers held towards the discipline of marketing. Nevertheless, the increasing influence of certain external environmental factors on the operations of hotel establishments has precipitated a change of attitude where hoteliers turned to marketing looking for solutions to their myriad problems.

This section seeks to examine the further development in hotel marketing thought which followed the production orientation stage, and which seems to have paralleled the same path other industries have beaten, i.e. the sales orientation and eventually the marketing orientation phase.

##### The Sales Department

As almost all industries and organizations have experienced a miscomprehension of marketing by confusing it with sales, the hotel industry is no exception. Furthermore, contemporary text books written by hospitality educators on hotel management and administration label the relative section on business promotion

as 'The Sales Department'. The designation of such a title was directly based on the fact that that title appeared on almost all hotel operations' organizational charts.

Hoteliers justified the foundation and development of the sales department as being a means of promoting sales in off-peak periods and for the generation of business derived from tour groups, convention and conference bookings;<sup>[61]</sup> an attitude which illustrates a sales oriented rather than a marketing oriented approach.

Coffman<sup>[62]</sup> describes most articles published to inform hoteliers about marketing as "entirely missing the point. They are still talking product sales. They are not talking people. They call it marketing but are still in the sales rut."

In order to explain Coffman's articulation, a number of proposed hotel marketing definitions are presented in order to reflect hoteliers' confusion between marketing and selling.

Hertzson,<sup>[63]</sup> proposes a definition in which he identifies marketing as "an umbrella designation covering all aspects of business promotion such as advertising, sales promotion, public relations and publicity." While Hertzson combines hard sell and soft sell elements of promotion into his definition, he does not integrate any of the elements of the marketing concept, i.e. neither satisfaction of customers' needs nor profit maximization.

Dorf,<sup>[64]</sup> however, emphasizes profit direction, yet the idea of customer satisfaction has escaped his attention. He defines hotel marketing as "the establishment of long range programs for attracting, developing, maintaining and extending profitable businesses."



Venison,<sup>[65]</sup> narrowly defines marketing by confining it to promotional activities: "getting more clients; advertising, P.R., sales, etc." He then continues to say that "if all these activities are properly carried out and pieced together, the enterprize will maximize its profits or minimize its losses, if it was financially ill-conceived in the first place." While Venison also refers to profits and ignores customers' satisfaction, the conditional clause in his definition implies that a hotel should only carry out the promotional activities he refers to - which are only a part of what marketing encompasses - if it is on the verge of bankruptcy or experiencing financial jeopardy.

Although the Hotel Catering Industry Training Board<sup>[66]</sup> integrates into its definition of hotel marketing the four elements of the traditional marketing mix developed by McCarthy, a sales oriented approach was inherent in its formation. The definition implied the persuasion of buyers to purchase the offering. Persuasion, however, is a term which connotes exerting an influence<sup>[67]</sup> on someone into buying something, which often might not be on his own accord. Moreover, whether the purchase response would satisfy needs could be a matter of debate. In the context of defining marketing, motivation of buyers might be a more appropriate term than persuasion, since it implies an approach more oriented towards marketing.

The sales orientation stage of hotel operations lasted well into the 1970's. Troy and Moynihan<sup>[68]</sup> explain that until that time, most general managers had treated their sales and marketing departments with 'benign neglect' at best, and where it was not uncommon to see marketing plans written completely from the standpoint of what was best for the hotel with very little attention paid to the public it was trying to attract. In the same vein, McCarthy<sup>[69]</sup> explains that there are many examples of the overwhelming evidence where the 'supposed' hotel marketing plans were

centred around the business needs while not giving any recognition or relating in any manner to those of the customer.

Finally, Yesawich<sup>[70]</sup> explains that the 1970's was a decade of 'hit and miss' marketing practice for hotel operations, and describes hotel marketers in that decade as being 'marketing apprentices', "for the most part, the industry's approach to developing and executing marketing programs is so basic that it elicits amusement on the part of marketing professionals in the consumer goods field."

#### The Conception of an Era of Hotel Marketing

In reviewing the literature, it was discerned that the introduction of a comprehensive marketing theory into the hotel industry was characterized by three major attempts undertaken by hotel marketers in their efforts to bring about the elements of marketing into a collective body of thought and to relate it to their industry's configuration. These efforts primarily centred around the following:

1. an attempt to distinguish between marketing and selling;
2. an attempt to define marketing as it could be applied to hotel establishments;
3. an attempt to recognize marketing as an integral operational activity and its compatibility with other operational activities, especially in terms of allocating budgetary resources.

A review of these attempts is presented in some detail.

### Distinguishing between Marketing and Selling

In their endeavour to explain the dimensions of the marketing concept, many hotel marketers attempted to distinguish between the two supposed synonyms: marketing and selling.

Sumner,<sup>[71]</sup> for example, refers to such a confusion by noting that the word 'marketing' to many hoteliers is just another 'euphemism' for selling. Greene<sup>[72]</sup> approaches the same matter and indicates that there are too few people who understand and practice marketing in its fullest sense; "talk to some people about their total marketing and sales action plan and they will tell you about their paid advertising plan or show you superb brochures."

Lopes,<sup>[73]</sup> interpretation is that "in basic terms, marketing plants the seeds, sales harvest the crops." Such explanations are commensurate with Coffman's<sup>[74]</sup> who describes hoteliers' miscomprehension of marketing as a discipline and policy shaper by saying that "the general concept among hotelmen is that marketing is just another post-graduate term for selling ... in our business sales now override marketing ... the cart is before the horse."

As skimpy as some of these examples may be, they tend to explain that sales is only a part of marketing, an integral one indeed, but is not marketing per se. This emphasis on marketing, however, does not intend in any manner to minimize the importance of sales or selling activities, it rather serves to explain the relationship which exists between them.

Doswell and Gamble<sup>[75]</sup> explain the nature of this relationship by stating that when the marketing concept is observed and carried through the entire process of business management, the sales effort required in the long run would be minimal. On the other hand,

where great emphasis on sales is required, it usually means that the marketing concept has been disregarded.

Blomstrom<sup>[76]</sup> identifies the distinction between marketing and selling by explaining that selling focuses on the present or immediate future, while marketing focuses on the more distant future. He maintains that, in reality, if the owner or manager of a lodging establishment is to survive, he must be both sales oriented and marketing oriented. His reasoning is that most capital intensive businesses are understandably preoccupied with magnitudes, especially where the capital, once invested, cannot be easily removed, manipulated or modified for the production of a variety of other products or services. Furthermore, because hotel services are fixed within the time span of the immediate future, the owner/operator senses the urgent needs of generating a reasonable return on investment, and converting the facilities and services into cash and thus concentrates on convincing customers that what he has to offer will satisfy their needs or desires. Blomstrom thus indicates that selling is an immediate necessity, but is also one that has to be done in marketing terms.

However, being sales oriented - in marketing terms - as Blomstrom indicates, is part of being marketing oriented. This can be explained by referring to Exhibit 3.3 provided by Yesawich,<sup>[77]</sup> in which he explains that the hotel marketing process encompasses four activities: research, planning, development and execution. Obviously, selling is a major element of the execution activity placed towards the end of a marketing programme with the objective of introducing the service to potential customers, explaining its benefits and motivating them to buy it. Hence it is a link in the chain of marketing that helps tie the whole process together.

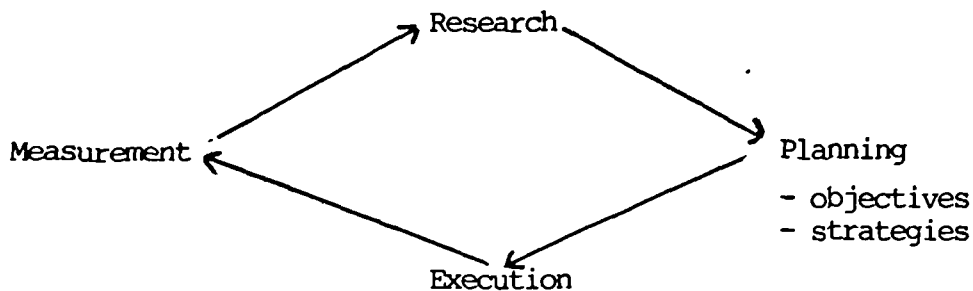


Exhibit 3.3: Basic Components of the Marketing Process.

To sum up the discussion of hoteliers' perplexity over the distinction between sales and marketing, one can only but enhance it by examining what perhaps is the best quotation that could be provided regarding this issue, and that is the explanation proposed by Levitt<sup>[78]</sup> in which he states that, "Marketing focuses on the need of the buyer, selling on the need of the seller. Selling is preoccupied with the seller's need to convert his product into cash, marketing with the idea of satisfying the needs of the customer by means of the product and whole cluster of things associated with creating, delivering, and finally consuming it." In this classical interpretation, Levitt explains the difference between marketing and selling by pointing out the centre of interest of each activity, i.e. the buyer and the seller respectively. The sales mission is to generate cash for the seller, whereas the marketing mission is of an abstract nature; an idea of satisfying needs.

Based on Levitt's presumption it can be deduced that the seller's approach is one of a 'push nature', a persuasive act whereby he tries to 'hard sell' his products and/or services, without much consideration or appreciation of the market's needs and desires. On the other hand, the marketer bases his product planning and his operational strategies on knowledge of the market, conducts thorough research and analysis and maintains a

high degree of appreciation with regard to market demands, all of which provide him with the advantage of making his product or service enjoy a 'pull' demand potential from all prospective sources of business.

#### Proposed Definitions of Hotel Marketing

Along with their attempts to clear hoteliers' confusion between marketing and selling, hotel marketers attempted to define marketing as it could be applied to their industry. Many of these efforts were fruitful in changing the attitudes, beliefs and confusions long held by hoteliers towards the marketing concept, and many of them emphasized the importance of integrating marketing to the extent of its being the basis for corporate strategy, policy formulation and decision-making.

However, it need be noted that it is not our aim to criticize the originality of the proposed definitions, yet we heed that there is not much deviation, if any, in them from the general theme and understanding of traditional marketing thought. In their formation, marketing's originality did not change, hence we can consider these definitions an attempt to sustain the idea of broadening the marketing concept,<sup>[79]</sup> and to further maintain that marketing can change robes, but will never lose its identity.<sup>[80]</sup>

In Shepherd's<sup>[81]</sup> attempt to define marketing for the hotel industry, he uses the same three verbs used by Karl Elling<sup>[82]</sup> in his definition of traditional marketing: ascertaining, creating and satisfying. Shepherd also integrates the notion of 'mutual benefit' proposed by Baker<sup>[83]</sup> also in defining traditional marketing. The resulting definition states that "Marketing is the management process which establishes an operating policy for a company or individual unit, which organizes all those business

activities involved in ascertaining, creating and satisfying customers' needs and wants to the mutual benefit of producer and consumer."

The proposed definition which Kaven<sup>[84]</sup> provides states that "marketing is the business process by which the existing and potential demand for goods and services is determined, cultivated and then supplied by the seller." He then proceeds to note that the marketing process must include the efforts of all functional areas of the seller, working in concert, to produce at the right price, time and place the service or product that meets the market's demand and the marketer's profit goal. It can be noted that Kaven's definition closely relates to traditional marketing thought; following through research into customers' needs, to planning and development of a marketing mix that meets such needs, and the execution of a marketing programme that aims to achieve mutual benefits to both parties, i.e. the guest and the hotel organization.

However, the attempts to define marketing and relating its application to the hotel industry were not solely undertaken by hospitality educators. Many hotel industry executives have also approached the subject in an effort to integrate theory with practice.

Berkman,<sup>[85]</sup> for example, views hotel marketing as a management philosophy which is based on consumer orientation; "Marketing is total planning of how to run a business - where are the customers, what do they want, how do we provide it for them and how do we get them to buy it?"

A simple, practical and inclusive definition of hotel marketing is proposed by Coffman<sup>[86]</sup> who defines marketing as "all the planning and action that goes into: searching out all

potential sources of business, finding out just what it is that these potential customers want and need in the way of facilities and services, selling these potential customers, servicing them so that they spend the maximum amount of money, and convincing them to return again." Coffman's definition demonstrates an example of a high degree of consumer orientation where he starts it by referring to the customer and maintains that attitude throughout his interpretation in which he integrates both elements of the marketing concept, and where he implies that the marketing activities do not end by accomplishing a sale, and by satisfying customers' needs, but that they further aim at satisfying those needs in a manner that would develop a 'clientele', thus achieving what is known in traditional marketing as 'brand loyalty'.

From the foregoing discussion, it could be stated that hotel marketing has developed to become a systematic philosophy of endeavour which encompasses all the decisions that pertain to the researching into, planning for, development and provisioning of need satisfying offerings, in a manner that achieves mutual benefit on the part of all parties involved.

#### Resource Allocation for Marketing Activities

Allied to the differentiating efforts between marketing and selling, and those of defining marketing within 'a hotel industry perspective', the period which witnessed the evolution of a theory of hotel marketing was also witnessed by hotel marketers' efforts and emphasis to recognize marketing as being compatible with other operational activities with regard to budgetary resource allocation. Within this context, hotel marketers called for a change in the methods of allocating budgetary resources provided for the execution of the different marketing activities. Towards this end, they compared between two methods of resource allocation and emphasized the application of that which corresponds with the adoption of the marketing concept.



With regard to the proportion of the total budget hotels generally allocated for marketing activities, Phillips<sup>[87]</sup> notes that "There is an inadequate piece of the budget pie allocated for marketing." However, there are no rules of thumb which determine what proportion or ratio of the entire budget be allocated to marketing. Nevertheless, the method which prevailed was that known as the ratio to sales method, where the level of expenditure is established as a function of a projected level of sales. However, the trend to budgeting by percentage has unintentionally developed into a generally accepted practice in the hotel industry, where the big accounting firms in the hotel field have for many years provided annual surveys that illustrate what the industry was doing as a whole; looking for a median as a beginning marker, businesses adopted it as a policy instead of 'what's left over' method of previous periods of marketing lag.<sup>[88]</sup>

The ratio method, however, has been subject to criticism on the part of some hotel marketers. Middleton,<sup>[89]</sup> for example, explains that whatever ratio is predetermined provides no guidance whatsoever as to the optimum amount to spend, or how to spend it in a cost effective way.

In criticizing the ratio to sales method, Yesawich<sup>[90]</sup> argues that if a company which follows such an approach faces a projection of decreased earnings, it will intuitively reduce its marketing expenditures in proportion to the anticipated decrease in total revenue in order to keep the percentage 'in line'. He describes such an activity as a 'perilous course', and presents in support of his view the findings of a survey conducted upon a representative sample of Fortune 500 firms who weathered the economic downturn of 1974. The firms were broken down by those who decreased their marketing expenditures during the period and those who maintained them, thus not adhering to income ratios. The sales growth

experienced by each of the two groups through 1977 compared to sales during their fiscal year in 1972 is established in Exhibit 3.4.

	<u>Decreased Marketing Expenditure</u>	<u>Maintained Marketing Expenditure</u>
1973	19%	31%
1974	31%	68%
1975	28%	92%
1976	47%	120%
1977	67%	150%

Exhibit 3.4: Sales Growth experienced by two groups of companies following different policies of marketing expenditures.

Sources: same reference as No.90.

The findings of the survey indicated that the firms that decreased their marketing budgets experienced a 67% rate of real sales growth, while those that maintained it showed growth of 150%, or twice the rate of other companies that followed the ratio to sales method.

In the same vein, Canas<sup>[91]</sup> and Reid<sup>[92]</sup> argue against the ratio method by discussing that it does not base a marketing programme on realistic needs in order to reach any predetermined objectives. They maintain that marketing budgets should be established as a function of programme needs and not in terms of what has been experienced in the past.

'Zero base budgeting' is a method introduced to hotel marketers by Downey and O'Keefe<sup>[93]</sup>, who explain that the adoption and execution of such a method, otherwise known as the task method, requires justification of the entire marketing budget in detail and places this responsibility on the managers who are

required to identify and analyze, in advance, the goals and objectives that are to be achieved and the necessary decisions that are based on them.

In essence, the inflexibility of the ratio to sales method of allocating budgetary resources places a restraint on planning marketing activities, and is best used as a major guideline and for comparative year-to-year studies. On the other hand, marketing expenditures should be carefully planned, accounted for, justified and constantly evaluated using the zero base method which coincides more with the adoption of a marketing oriented approach.

In summary; despite the fact that hoteliers held a negative attitude towards marketing and poorly understood its conceptual meaning and framework by underestimating what it seeks to achieve and confusing it with selling, few hoteliers attempted to clear such miscomprehensions and attempted to define marketing in relation to the hotel business. These implications have led to the belief that marketing is a comparatively recent component of the hotel industry's overall operational strategies and that emphasis on its vital role is a relatively new consideration not fully exploited by the field of hotel management.

## Section Four

### Determinant Characteristics of Hotel Marketing Orientation

#### Introduction

While the introduction of marketing is a comparatively new phenomenon to the area of hotel management, the hotel industry is a relatively new frontier to the discipline of marketing, as it represents in its nature a hybrid mix of product and service offerings. This, however, places the industry at an advantage of capitalizing on previous research and development undertaken at both areas of product and service marketing where it can draw from both resources, amalgamate, select and develop marketing programmes that would suit its nature and contribute to its overall success.

In a preceding section, the growing importance of the external environmental factors and their influence on hotel marketing systems were discussed. This section, however, examines certain 'internal factors' which are inherent in a number of salient characteristics that pertain to service industries in general, and hotel establishments in particular, and the marketing implications these features have on the hotel industry.

#### The Implications of Hotel Characteristics on their Marketing Behaviour

It has been indicated earlier that hoteliers consider their industry as a service industry, their product as hospitality, and their customers as guests. This, however, implies that the distinguishing characteristics of services are applicable, in every dimension, to hotel operations. The following discussion, however, deals only with perishability and fluctuating demand, inseparability and heterogeneity, as the implication of intang-

ibility is discussed under product decisions in the next chapter. This decision is based on our premise that, from the point of view of the customer, he assigns more value to intangibility as it is the main factor which influences his evaluation and consequently his decision to buy the service more than any of the other characteristics which relate more to problems of the organization.

### Instability of Demand

There has been a wide concurrence that a hotel room is a highly perishable product,<sup>[94]</sup> and it has become a common statement among hoteliers to express that 'failure in selling it today represents an irretrievable loss, and selling it tomorrow - as a totally new commodity - will not make up for yesterday's loss.'

Middleton,<sup>[95]</sup> for example, describes a hotel room as being "more perishable than yesterday's paper", and also maintains the irretrievable loss indication. This feature of perishability, however, does not represent a problem if an operation enjoys high steady levels of demand. It is when demand fluctuates that management is faced with one of two problems. The first is a waste in productive capacity when demand is low. On the other hand, if demand exceeds supply there results a loss of serving potential business. In the hotel industry, for example, guests are said to be 'turned away'; a hotel terminology which indicates that prospective patrons are denied room accommodation on the basis of a full house.

Literature on services marketing suggests, as Lovelock and Young<sup>[96]</sup> explain, the addition of capacity by employing additional staff and expanding facilities. However, they note that it is not always feasible to add capacity for peak periods alone, where an even higher risk would exist outside the peak periods and consequently result in reduced productivity and greater expense to the organization.

Sasser<sup>[97]</sup> attempts to describe several strategies for matching supply and demand variations in service industries. On the demand side he proposes differential pricing, development of non-peak demand, complementary services and reservation systems. On the supply side he recommends part-time employees, peak-time efficiency routine, increased consumer participation, shared services and facilities with built in expansion possibilities. However, Baker<sup>[98]</sup> explains that allied to Sasser's alternatives, which are familiar to all production managers, is the possibility of demand management which is a more constructive course where the use of marketing techniques, especially those of pricing and promotion, could be effectively applied to even out demand fluctuations.

Kotler<sup>[99]</sup> is of a similar opinion with regard to marketing's role in managing demand fluctuations. He explains that marketing management may be viewed generically as "the task of regulating the level, timing and character of demand in one or more markets of the organization."

The demand management alternative is discussed by Lovelock and Young<sup>[100]</sup> who examine the possibility of changing the timing of demand. However, in such cases, it is assumed that consumers have a degree of flexibility in timing their demand for the service, (e.g. mailing post, use of public transportation for shopping, haircuts). This, however, is not always feasible in the case for demand for hotel accommodation where pleasure travel is usually associated with time off work, or pre-planned annual vacations. Similarly, business travel is usually determined according to a pre-planned schedule which might be difficult to alter. Accordingly, Lovelock and Young explain that "changing the timing of demand seems more feasible when the demand for travel is a derived demand, i.e. where changing customer behaviour

requires marketing activities directed at third parties or intermediaries influencing clients' travel behaviour, such as travel agents and meeting and convention planners.

The manipulation of the character of demand is another alternative discussed by Lovelock<sup>[101]</sup> on the part of services marketing and Yesawich<sup>[102]</sup> and Canas<sup>[103]</sup> on the part of hotel marketing. Such manipulation implies that making optimal use of capacity requires looking at the mix of business obtained as well as the total volume. Some market segments, for example, may be more desirable because the customers in question fit particularly well with the ambience that the service organization is trying to create, or willing to pay higher rates and thus are more profitable than others. This development of an ideal business mix implies the need for marketing managers to look at the components of overall demand and to stimulate or discourage demand from particular segments on a selective basis.

In the hotel industry, the location and type of hotel property, play a substantial role in affecting demand patterns for the operation. Coffman<sup>[104]</sup> provides Exhibits 3.5a and 3.5b and explains that resorts, for example, enjoy high levels of demand during their appropriate season, e.g. beach summer resorts or winter ski resorts. Similarly, commercial hotels in city centres have high occupancy levels during week days, while highway motels either enjoy high volumes of business derived from travelling businessmen during weekdays if they are closely situated to industrial estates or trade outlets, or would enjoy high weekend business if en-route to a holiday destination. Conversely, these same properties face low occupancy levels in their off-peak season (resorts), on weekends (highway motels mainly serving business travellers), or on week days (highway motels en route to holiday destinations).

Exhibit 3.5a Daily Occupancies of Resort and Commercial Hotels

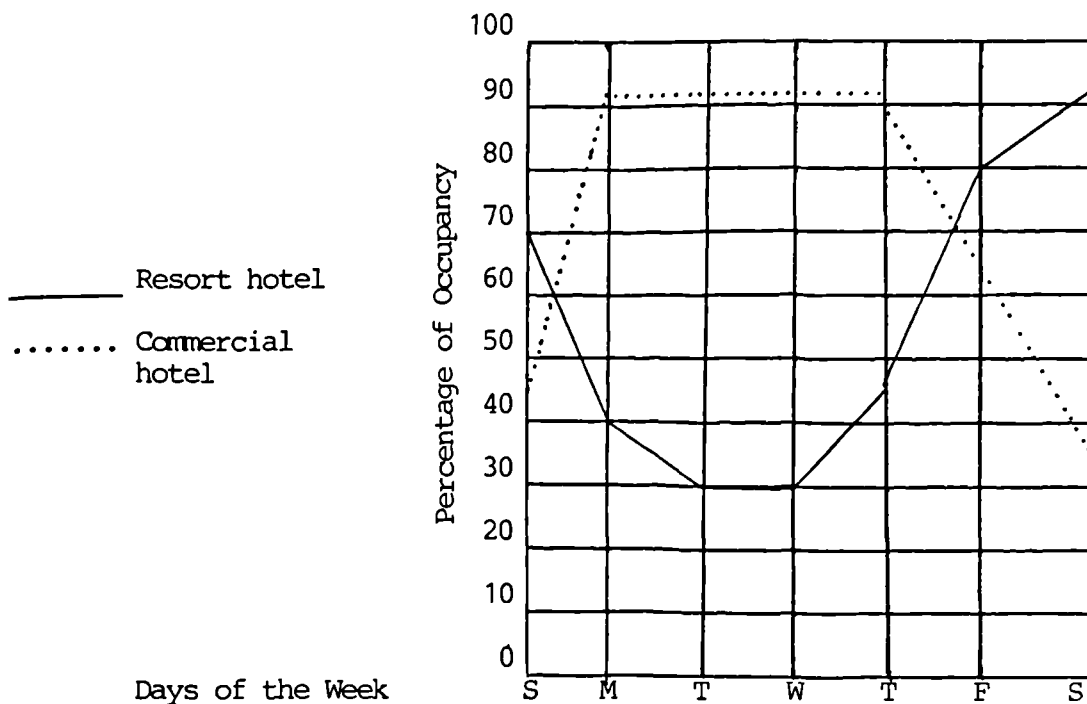
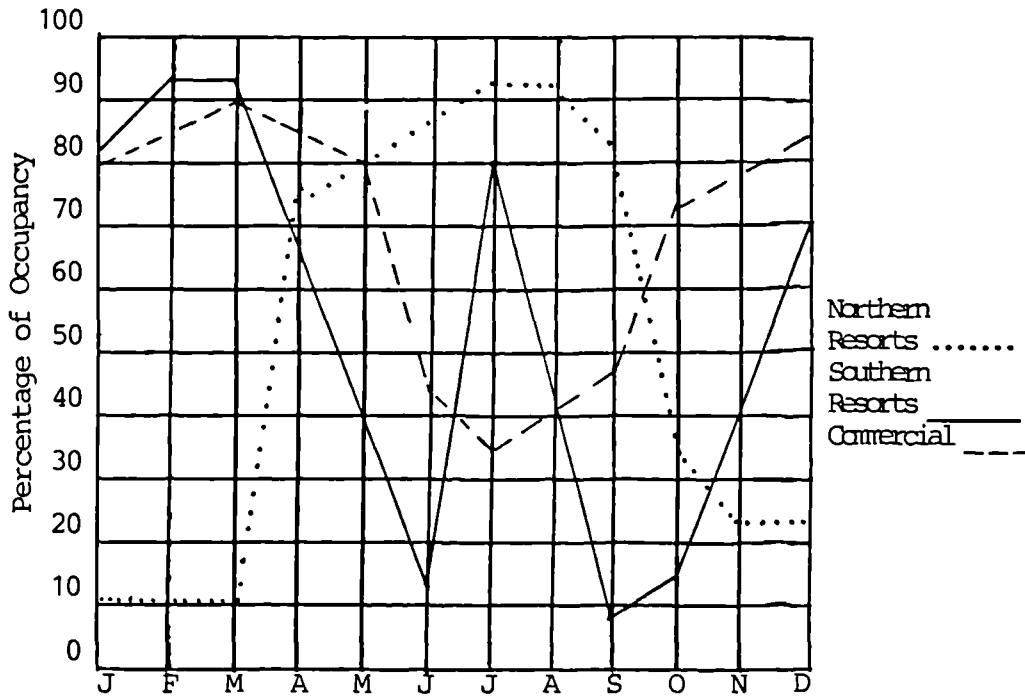


Exhibit 3.5b Monthly occupancies of Northern and Southern Resorts and Commercial Hotels.



Source: Charles D Coffman, Hospitality for Sale, The American Hotel and Motel educational Institute, Michigan, 1980, p 57.

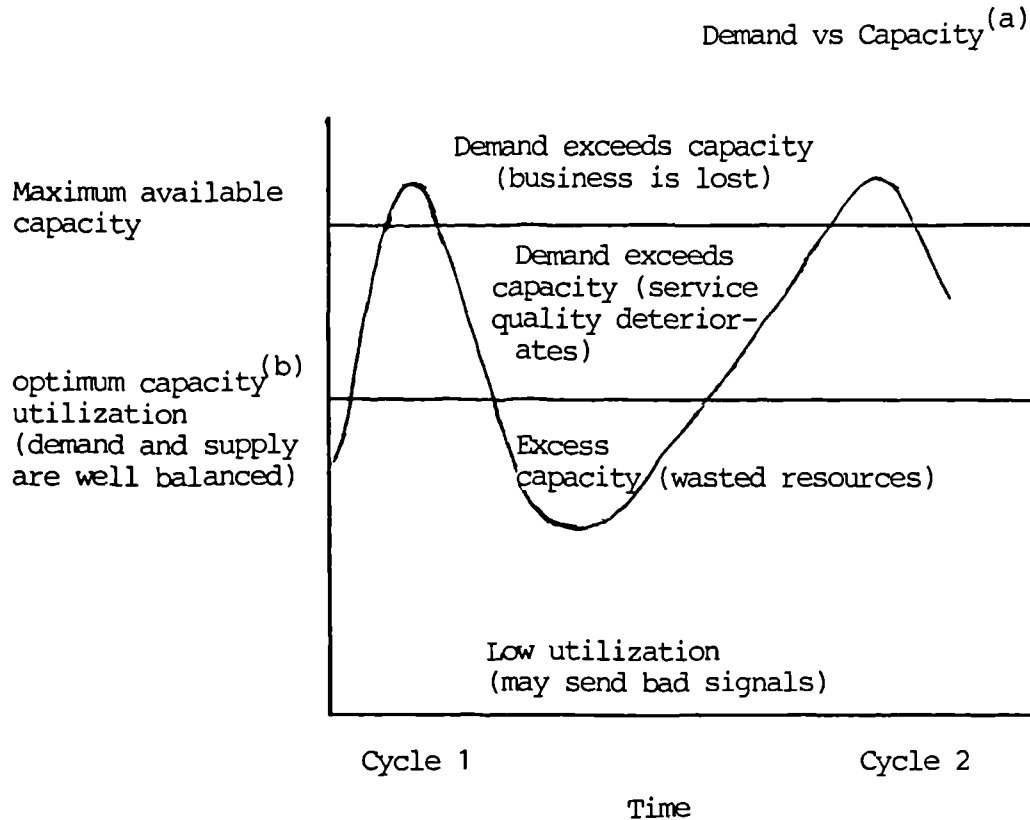


Hotel operations are also characterized as being a 'fixed capacity' type of service organization as each is governed by the number of rooms in the property. Within this context, Lovelock<sup>[105]</sup> identifies four implications of cyclical variations in demand relative to capacity. These are, as shown in Exhibit 3.6:

1. Demand exceeds maximum available capacity and potential business may be lost.
2. Demand exceeds the optimum capacity level. No one is turned away but all customers are likely to perceive a deterioration in the quality of service delivered.
3. Demand and supply are well balanced at the level of optimum capacity.
4. Demand is below optimum capacity; productive resources are underutilized and in some instances customers may find the experience disappointing or have doubts about the viability of the service.

As Lovelock indicates in footnote (b) of Exhibit 3.6, that the optimum and maximum capacity may be, in some services, one and the same. This notion directly applies to hotel properties where achieving 100% room occupancy is the optimum and maximum capacity. However, in some cases, a feature which can only be seen in hotel operations is that of selling more capacity than their actual number of rooms where a common practice is to sell a room only for a day's use for business travellers who need a few hours' rest in between motor trips or flight transients. Such guests are only charged a 'day rate', and check out time is normally set at 6 p.m., in order to service the room and resell it for overnight accommodation.

Exhibit 3.6     Implications of Cyclical Variations in Demand Relative to Capacity.



(a) For simplicity, this diagram assumes no variations over time in the amount of capacity available. In practice, however, some service organizations do seek to manage the level of capacity over the duration of the product - demand cycle.

(b) The optimum capacity is that level of utilization above which the perceived quality of service begins to deteriorate due to the crowding. In some services, such as theatres and sports arenas, optimum and maximum capacity may be one and the same.

Source: Christopher Lovelock, Services Marketing,  
Prentice Hall, Inc., 1984, p.281.

Finally, Lovelock identifies five common approaches to managing demand levels of service organizations. The first which usually reflects absence of any strategy involves taking no action and leaving demand to find its own levels. The second and third strategies involve taking active steps to reduce demand in peak periods, or 'demarketing' as identified by Kotler and Levy,<sup>[106]</sup> and to increase it when demand is low, respectively. The fourth and fifth approaches are concerned with inventorying demand which is accomplished by the introduction of reservation systems and adopting a formalized queuing system. Exhibit 3.7 links these five approaches to three alternative demand/capacity situations and offers a strategic commentary on each of the 15 resulting cells.

Many of these strategies are applicable to hotel operations; however, some are not fully practiced for different reasons. Differential pricing, for example, is exercised especially in resorts; however, in certain countries where governmental policies regulate pricing decisions, higher pricing (as in cell 4) is not permitted. Furthermore, a general practice in hotel operations is to 'overbook', or accept more reservations (even in periods of excess demand) than their number of available rooms in order to calculate for the factors of cancellation and/or no show.<sup>[107]</sup>

Having discussed the marketing implications of the characteristic of perishability and fluctuating demand on the marketing of services in general and particularly to hotel operations, the discussion turns to examine the implication of inseparability on the administration of human resources in service contexts.

#### Inseparability and Human Resources

Service industries in general, and hotel operations in particular, are characterized by a high degree of consumer/producer or buyer/seller interactions where the administration of human

Exhibit 3.7 Capacity Situation Relative to Demand.

STRATEGY	INSUFFICIENT CAPACITY (Excess Demand)	SUFFICIENT CAPACITY* (Satisfactory Demand)	EXCESS CAPACITY (Insufficient Demand)
Take no action	Unorganized queuing results. (1) May irritate customers and discourage future use.	Capacity is fully utilized. (2) (But is this the most profitable mix of business?)	Capacity is wasted (customers may have a disappointing experience for services such as theatre. (3)
Reduce demand	Pricing higher will increase profits. (4) Communication can be employed to encourage usage in other time slots. (Can this effort be focused on less profitable/desirable business segments (7)	Take no action. (5) (but see (3) above).	Take no action. (6) (but see (4) above).
Increase Demand	Take no action (unless opportunities exist to stimulate and give priority to more profitable segments).	Take no action (unless opportunities exist to stimulate and give priority to more profitable segments). (8)	Price lower selectively. Try to avoid cannibalizing existing business; ensure all relevant costs are covered. Use communication and variation in products/distribution (but recognise extra costs, if any, and make sure appropriate trade offs are made between profitability and usage levels). (9)
Inventory demand. 1. Reservation system	Consider priority system for most desirable segments. Make other customers shift (a) outside peak periods or (b) to future peak. (10)	Try to ensure most profitable mix of business. (11)	Clarify that space is available and that no reservations are needed. (12)
2. Formalised queuing	Consider override for most desirable segments. Seek to keep waiting customers occupied and comfortable. Try to predict wait period accurately. (13)	Try to avoid bottlenecked delays. (14)	Not applicable. (15)

\* Note: Sufficient capacity may be defined as "maximum available capacity" or "optimum capacity" depending on the situation.

Source: Christopher Lovelock, "Services Marketing", Prentice Hall Inc., 1984, p.283.

resources is considered to be an important means of competition. Coffman, [108] however, differentiates the hotel industry from other service industries by the fact that it is in direct contact with the guest 24 hours a day, 7 days a week and 52 weeks in the year; "no other field of endeavour is so completely intertwined with the personal, intimate, secret happenings between humans than ours."

Gronroos [109] relates the emergence of the close buyer/seller interaction in service industries as a direct result of services characteristic of inseparability. He explains that throughout the buying and consumption process of a service, the customer is confronted with the employees who sell him the service and the human or non-human means of production. He illustrates the implications of such processes using a three-stage model of creating demand, purchase and repeat purchase and provides the diagram in Exhibit 3.8 which illustrates the purchasing process where the scope of the needs is narrowed and the customer decides to buy a certain service. During the consumption process, the customer evaluates the service in terms of corresponding to his perceived needs, and as a result will either be satisfied enough to come back for a re-purchase or will be disappointed and become an ex-customer.

The close interaction between buyer and seller in service industries has led to the emphasis on the effective management of the purchasing and consumption processes which Gronroos terms 'the interactive marketing function' and which he designates as a marketing task and not solely an operational, technological or personnel problem.

This, in turn, has led to an increased emphasis on the improvement of the quality of the labour force in service industries and given rise to the importance of the service firm's customer

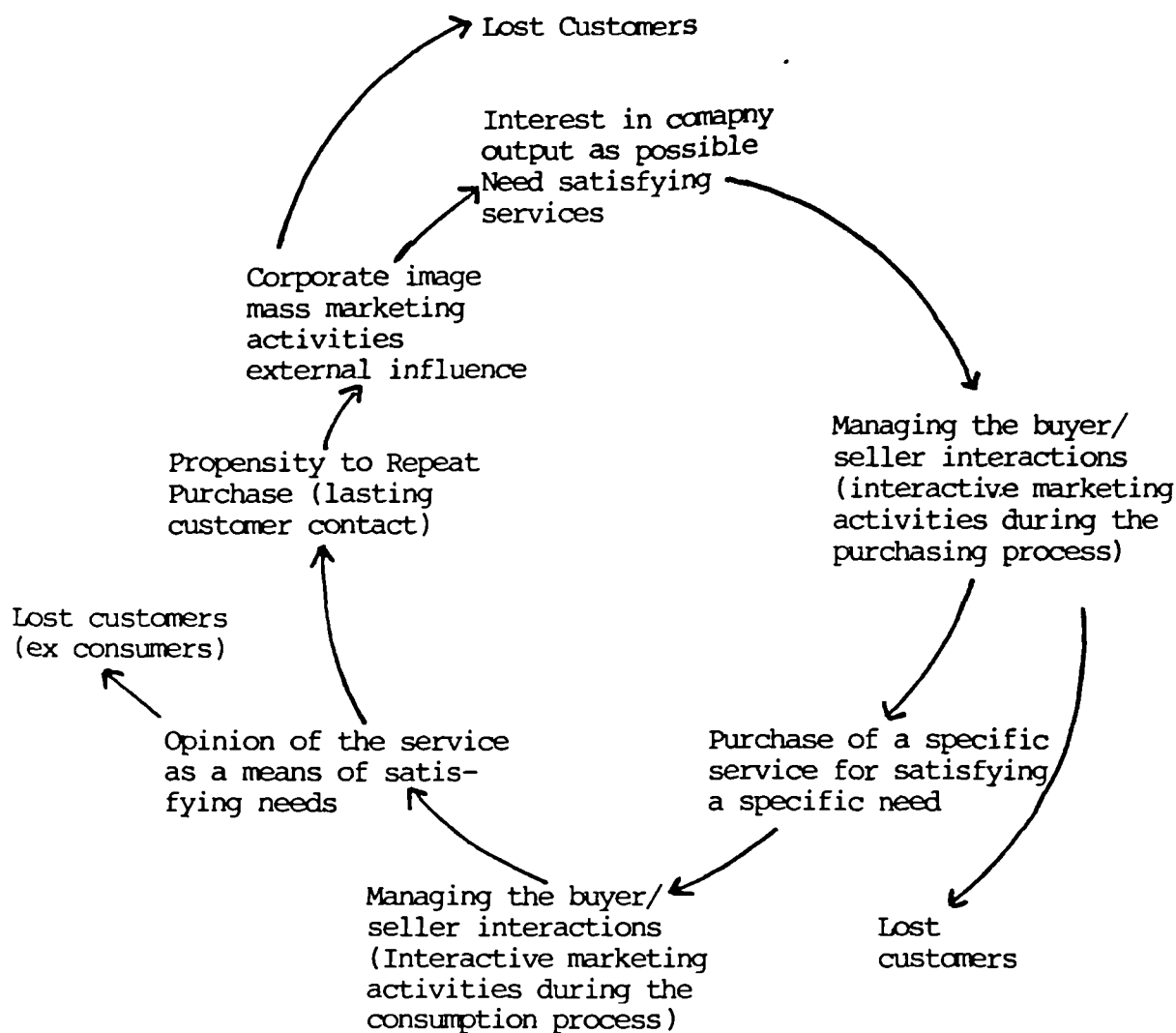


Exhibit 3.8    The Marketing and Need Adaptation Circle.

Source:        Christian Gronroos, "Designing a long range marketing strategy for services", Long Range Planning, vol. 13, April 1980, p.39.

contact employees as an input resource which should be successfully developed and carefully directed in order to achieve the ultimate objectives of the firm's marketing activities.

Cooke,<sup>[110]</sup> for example, explains that marketing success or failure in a service industry is ordinarily determined by the quality of that interaction. Similarly, Brundage and Marshall,<sup>[111]</sup> Chase<sup>[112]</sup> and Davidson<sup>[113]</sup> explain that customer contact personnel in service industries has a crucial role in determining the success of the business.

Correll and Graham,<sup>[114]</sup> Lovelock and Quelch,<sup>[115]</sup> Reuland and Cassee<sup>[116]</sup> have all emphasized the importance of 'people employees' to the extent of considering them an integral part of the product experience by the customers of the hospitality industry, while Booms and Bitner<sup>[117]</sup> identify them as a separate element of the marketing mix. The reasoning behind either proposition is that through their words, actions, appearance and attitude, hotel employees affect the quality of the products and services offered, the communication and interaction between the customer and the enterprise, the perceived image of the operation and the customer's overall satisfaction and perception of the value he receives for his money, and finally, the cost of the operation's marketing effort.

Towards developing a high calibre of customer contact service personnel literature on service and hotel marketing places emphasis on the role marketing management should play in the area of employee training. With the exclusion of professional and technical skills which are operational in nature, and for the purpose of this discussion, emphasis is placed on a special type of training which helps contribute to the efficient delivery of 'hospitality' as a service.

### Behavioural Training

The nature of the hospitality industry might be different from other service industries in that the customer is there to be served, attended to and waited upon. However, some emerging values in society seem to conflict with the nature of working in hospitality operations.

Keegan<sup>[118]</sup> makes an important contribution by showing the discrepancy between the values in society and the possibilities of realizing them in the hotel industry. He explains that whereas in society more and more emphasis is being laid on self fulfilment, the hospitality industry rarely offers work that enables the employees to meet these self fulfilling needs. Similarly, Nykiel<sup>[119]</sup> states that jobs in hospitality establishments are not very rewarding and that building pride in them is a difficult task not appealing to all characters or personalities. In the same vein, Tideman<sup>[120]</sup> maintains that the service attitude necessary in the hospitality industry is not in harmony with the value patterns of modern societies.

The feebleness of the application of the area of behavioural training in the hotel industry has led to the belief that it is a 'terra incognita' on the part of many hotel operators.<sup>[121]</sup> Lanahan<sup>[122]</sup> for example, describes the hotel industry as having "too much brick and mortar, too much chrome and glass, yet not enough humanism, warmth and attentiveness." Pfeifer<sup>[123]</sup> follows the same line of criticism by describing hotel employees as adopting the approach of robots where they greet the guest with a false, business-like smile and a stereotype vocabulary out of the company's manual.

Tideman<sup>[124]</sup> emphasizes that hotel guest contact employees need to develop a positive attitude towards the guest by explaining that the hospitality industry demands from its workers 'service



with a smile, their motto being polite, friendly, positive and tactful.' Other hotel marketers went further, with Heinsius<sup>[125]</sup> indicating that guests have to be 'spoilt' with service and courteousness, and Coffman<sup>[126]</sup> asking hospitality employees to view the guest as the real 'boss' of their business.

The importance of positive attitude formation by hotel guest contact employees is also emphasized by Dykstra<sup>[127]</sup> who views behavioural training as a means of achieving guest satisfaction and expectation and as a venue for increasing productivity.

Finally, while Rathmell<sup>[128]</sup> identifies a characteristic of service industries in which the word 'buyer' is replaced by a different term, e.g. student, patient, passenger, etc., Lanahan<sup>[129]</sup> states that "In no other industry, to my knowledge, is the customer a 'guest'. The very word 'guest' gives the key to what our approach should be."

#### Employee Salesmanship

The implication of 'inseparability' extends to another dimension of employee marketing training where literature on service and hotel marketing emphasizes the exposure of guest contact personnel to another facet of training aimed at developing their ability to sell.

In discussing the high contact encounter of the buyer/seller interaction, Gronroos<sup>[130]</sup> identifies every single person in a service firm as a salesman who is engaged in the personal market communication efforts of the company.

However, although the same notion was mentioned in 1917 by E. Statler,<sup>[131]</sup> one of the early hotel industry pioneers, Coffman<sup>[132]</sup> re-emphasized it in 1966 by citing that "one important

factor which almost all of us overlook is that every member of the organization who is in personal contact with the public is at least a potential salesman."

Similarly, Petrie,<sup>[133]</sup> Jenkins<sup>[134]</sup> and Hazard<sup>[135]</sup> emphasize that 'sales minded servicing' should be considered as one of the chief components of the marketing discipline by elaborating on the net gains it can derive and the direct effect it has on the operations' productivity.

The development of behavioural and salesmanship traits of guest contact personnel are found to be most effective in achieving customer satisfaction and in creating a favourable image regarding his perception of the service. This, in turn, affects his future behaviour with regard to repeat business or what Gronroos<sup>[136]</sup> refers to as 'possible resales' which he places toward the end of the marketing and need adaptation circle illustrated in Exhibit 3.8. Gronroos explains that possible resales are achieved by marketing activities that are frequently not thought of as marketing activities. He attributed them to the consequences of the buyer/seller interaction and word of mouth.

In the same vein, Coffman<sup>[137]</sup> notes that repeat business builds higher sales volumes and serves as a most effective tool of promotion. He considers a satisfied customer as a future customer and describes him as the best outside salesman. To this he poses a question and provides its answer, "But what does it cost to get the first timer back again?... Service and hospitality. It will cost nothing in money, but something in effort."

Empirical studies from the hotel industry support Gronroos' and Coffman's advocations. In a survey conducted by Gildea and Labson,<sup>[138]</sup> it was found that personal recommendation of previous

patrons, or word of mouth, was a key factor in determining customers' selection of hotel facilities and where respondents stated that they were less influenced by formal advertising. Similar findings were reported by Olschan<sup>[139]</sup> who conducted an analysis of a word of mouth communication and its implications for advertising in the hospitality industry and indicated that guests reported that the opinions of their friends had the most influence on their choice of hospitality services, while newspapers and television commercials were second and third in importance and ranking.

As an implication of the close buyer/seller interaction in service industries the development of a high calibre of service employees is further justified by examining other productivity improvement methods in service marketing.

#### Service Industrialization and Productivity

It is argued that the shift to a service society has made productivity increases more difficult. The reasons often given are that services are more labour intensive and are time constrained by the person to person communication necessary to conclude their buying transactions. It has also been argued that because many of the leading industrial nations are becoming increasingly service dependant, the poor productivity of services will inevitably lead to a reduction in the productivity of the whole economy.<sup>[140]</sup> However, the poor productivity record of the service sector has been a cause of much concern and debate, and coupled with the implications of services' heterogeneity, has led marketers to think of ways of standardizing services and increasing their productivity gains.

In most industries, the most widely used productivity ratios are based on labour inputs, which reflect a concern with the utilization of expensive and often scarce labour. Innovations in

the form of automation and computerization have been generally directed towards reducing labour input. The hotel industry, however, is a case example of an 'intensive labour' industry. Urisko<sup>[141]</sup> and Sandler,<sup>[142]</sup> for example, explain that the industry requires the use of intensive labour merely to operate rather than increase inventories, and hence labour becomes a fixed input, especially as staffing in many jobs is not sensitive to demand changes. Furthermore, the hotel industry cannot totally depend on such methods especially as the human element is a major factor in offering 'hospitality'.

What has mainly been proposed in the literature on improving productivity in service and hospitality establishments centres around: (i) the quality of labour; (ii) making consumers more productive; and (iii) the automation of tasks previously undertaken by labour.

Having discussed the quality of the labour force, the following discussion focuses on the other two alternatives.

#### Consumer Participation

Consumer participation entails changing the ways consumers interact with service producers in a manner to make consumers a more productive input. Within this context, Lovelock and Young<sup>[143]</sup> suggest identifying opportunities for improving productivity in the area of systems and procedural change. However, they note that such an approach of replacing all or part of the work previously done by service employees requires a deep analysis of the type and needs of the customer since their resistance to a change in a familiar environment and long established behaviour patterns may 'thwart' attempts to improve productivity in service industries. Although they suggest that hotels could increase productivity through their use of self-service buffets, salad bars in restaurants and in-room coffee machines, elsewhere<sup>[144]</sup> they

indicate that in some services, like the food service industry, dehumanizing the service has entirely different ramifications if a personally supplied service is a 'part and parcel' of the overall product being purchased.

Similarly, Eiglier and Langeard<sup>[145]</sup> explain that while industrial firms do not have to worry about the reactions of their clients when they change their process of production in order to improve productivity, the difficulty in improving the process of service production results completely from the reaction of the user to the role he is supposed to play, and his propensity to cooperate.

Furthermore, Eiglier<sup>[146]</sup> and Lovelock<sup>[147]</sup> note another dimension of consumer participation in service production and delivery by explaining that this involvement has the disadvantage of creating more perceived risk on the part of the consumer who would play a considerable role in the process. Sasser, Olsen and Wyckoff<sup>[148]</sup> concur and further criticize the approach of consumer participation by explaining that even if the customer controls the process, any mistakes will still be blamed on the process and not on his personal participation.

#### Industrialization and Productivity

The inseparability of people from the process of production and delivery changes profoundly the concept of quality control in service industries. Besson,<sup>[149]</sup> for example, explains that there are many employees in contact with the client and there is therefore a very real problem of consistency of behaviour and service delivery. Furthermore, the employee in contact with the customer is torn between the organization's objectives, those actions that make the job easier, and those that would best suit the customer.

Levitt,<sup>[150]</sup> however, argues that the potential for industrialization of services is as great as for manufacturing. He advances the idea of employing the kind of 'technocratic' thinking which in other industries "has replaced the high cost and erratic elegance of the artisan with the low cost predictable munificence of the manufacturer." Levitt attributes manufacturers' success to their search for solutions 'inside the very task to be done', and bases services' failure upon 'a paralyzing legacy of inherited attitudes' in terms of their humanistic thinking in looking for solutions in the performer of the task. To illustrate his point, Levitt analyzes Macdonald's fast food chain and explains the industrial, technocratic approach the company has adopted and the resulting success it has achieved.

However, within this context, it is not our purpose to argue against Macdonald's success or against its system's design. The issue is that its philosophy might not correspond with the nature of many hotel establishments. This assumption, however, could be sustained by referring to Levitt's own statement in which he describes the company's employees as 'totally unskilled machine tenders' who have no choice but to operate their machines exactly as the designer intended. With the discussion of the importance of creating a high calibre of guest contact personnel at hotel operations, this approach might prove impractical in situations where hotels strive to offer human hospitality, and a feeling of warmth which could only be provided by intelligent, trained personnel with flexible behaviour and great understanding of human nature.

In discussing Levitt's approach, Bateson<sup>[151]</sup> expresses the view that there is no potential problem as long as that part of Macdonald's premanufacture of its product is not regarded as key by the consumer. Nevertheless he poses certain questions: "But

how important is it for the consumer to see food cooking? How much does this carry implications of its quality? and How much does instant service of food with no waiting destroy any consumer benefit concept based on fresh food?"

Lovelock and Young<sup>[152]</sup> argue that the speed with which different service sectors would take up the challenge and opportunities offered by industrialization will vary according to the nature of the service, and perhaps more importantly to the acceptability of such change to the consumer.

Similarly, Eiglier and Langeard<sup>[153]</sup> explain that "except for specific activities that lend themselves more naturally to it, it is difficult to apply a production-line approach to services."

Sasser and Arbeit<sup>[154]</sup> put the case further and point out that industrialization will alienate the work force in services in much the same way that it did in the industrial sector, while Regan<sup>[155]</sup> argues that such an approach will impersonalize services and destroy their appeal.

Glew<sup>[156]</sup> and Davies<sup>[157]</sup> explain that the application of technology to service industries in general and to hotel operations in particular for the necessity of achieving greater productivity will result in a depersonalization and dehumanization of the industry and will directly affect the feeling of 'hospitality'. They recommend that the application of technological development should concentrate on methods for easing the work load of service staff thus allowing them more time to attend to customers needs.

Finally, Front<sup>[158]</sup> argues that "there might come a time where people might be completely bored with computers, electronic gear, robots and other devices, and that a human being at the front door, the reception desk, behind the bar or serving people at a restaurant

may be a welcomed relief. If there will be hotels where robots check people in rooms, serve food or even mix martinis, there will still be hotels with a refreshing contrast. It will still be a world of people, and the 'hospitality' industry could well be an oasis in a desert of electronic impartiality."

In summary, although a great deal of time, thought and effort is being devoted to the improvement of productivity in service and hotel operations, the greatest potential seems to lie within the employees themselves. This can largely be attained through the creation of an internal environment which supports customer consciousness and sales mindedness among service operations' personnel who may prove to be the most valuable asset a service organization could ever acquire.



## Section Five

### Marketing Research and Analysis in Hotel Operations

#### Introduction

The word 'marketing' has over the years become fashionable and gives the semblance of being progressive and up to date.<sup>[159]</sup> However, with the enormous, detailed literature found today relating to this discipline of endeavour, there are no magic formulas that could be directly applied to fit each and every situation. Furthermore, to apply marketing principles and techniques within the boundaries of an individual industry, that is to say, to units of similar function, requires a tremendous amount of creativity and differentiation.

"Because it is a compilation of so many variables, and furthermore, because each property, even within a chain configuration is a unique separate entity, no marketing programme could fulfil the needs of all hotel properties, for all times, and under all circumstances."<sup>[160]</sup> It is thus necessary that a marketing programme needs to be specifically developed for each separate operation.

However, a fundamental rationale in accepting the marketing concept and in adopting a marketing orientation, and a first step taken towards the development of a marketing programme, is the soliciting and management of information through the execution of marketing research activities.

#### The Use of Marketing Research in Service Organizations

Building on foundations in the behavioural sciences and advances in the application of quantitative techniques and computer technology, marketing research has evolved rapidly

during the past two decades as an academic discipline and as a field of application.

Murphy<sup>[161]</sup> defines marketing research as "the systematic process of gathering, analyzing and interpreting relevant information for decision making." The American Marketing Association<sup>[162]</sup> provides a similar, yet more precise, definition by relating the processing of such data to the marketing of goods and services.

Cowell<sup>[163]</sup> identifies two main purposes for research application and outlines them as:

1. to reduce uncertainties involved in the decision making process about marketing activities in general and about specific aspects of marketing; and
2. to monitor and help control the performance of marketing activities.

In the area of services, there is a wide concurrence among marketers regarding the similarity of the process of marketing research for products and for services.<sup>[164]</sup> This similarity arises from the fact that the same elements and activities that are undertaken by the process in the case of services are susceptible to substantially the same marketing research treatment used for products. Cowell, for example, explains that such activities revolve around and are concerned with human needs and wants, yet "the fact that a product or a service may be the means of meeting such wants is irrelevant to the analytical process involved."<sup>[165]</sup> However, he indicates that there are some problems particularly imposed by the characteristics of services on the research process, especially in the area of measuring customer projections of a reaction to a hypothetical or new

service; "The general problems of researching services with their often elusive, ephemeral and intangible qualities are aggravated when new services are being researched."

### Hotel Marketing Research

Although legions of businesses are capitalizing on the use of marketing research to gain insights into product attributes, product positioning, market segmentation, consumer perceptions and other marketing elements that help predict and explain consumer behaviour and form a basis for marketing strategy, the hotel industry has been criticized by marketers such as Degen<sup>[166]</sup> and Lewis et al.,<sup>[167]</sup> for depending on non-systematic methods of planning, decision making and strategy formulation that were utilized in the less competitive environments of the past, and which have become increasingly less appropriate to employ in today's competitive, volatile, and dynamic environments where constant change is becoming a characteristic of modern, developed, free economies, and where decisions are becoming more frequent, and consumer trends more dynamic.

In the same vein, Baker<sup>[168]</sup> explains that service organizations in general must not confine their use of market research to obtain information about their previous, current and prospective customers, but also to, in a broader sense, gather information about their competition, image, external influences and other relevant issues.

Realizing the growing importance and necessity of employing marketing research, hotel marketers capitalized on relevant methodologies undertaken in other industries, and in plotting their proper marketing course, they devised a three step formula for research application in hotel marketing and grouped them under a general heading of marketing or situation analysis.

Coffman,<sup>[169]</sup> for example, explains that before any hotel operation launches a marketing programme, careful, comprehensive and detailed analysis of three main variables should be undertaken. He identifies them as: product, competition and market analysis; "almost all of the executive and policy decisions that are made about an operation to be built or about an operation already in business are based on knowledge of product, market and competition."

A similar view is expressed by Peters,<sup>[170]</sup> Yesawich<sup>[171]</sup> and Varga<sup>[172]</sup> who maintain that although there is no universally accepted approach to marketing in the hotel industry, most hoteliers agree that judgement regarding the objectives of a marketing programme, the appropriate creative strategy and the mix of marketing tools that will reach the target audience most effectively should be based on:

1. A profile of the attributes, services and amenities the establishment has to offer.
2. A similar profile of the competition.
3. A profile of the origins and characteristics of existing and potential markets.

The following presentation interprets these variables in some detail.

### Product Analysis

Product analysis is defined as "the systematic and detailed cataloguing of all the facilities, services, sales appeal, staff and location of the hotel under study."<sup>[173]</sup> It is regarded as a complete appraisal and inventory of the tangible and intangible features an establishment intends to market. Exhibit 3.9 provides

Exhibit 3.9 Product Analysis Guide

<p>I) LOCATION</p> <ul style="list-style-type: none"> <li>- downtown</li> <li>- suburban</li> <li>- rural</li> <li>- beachfront</li> <li>- airport</li> <li>- other()</li> </ul>	<p>VII) FACILITIES</p> <p>A) GUEST ROOMS</p> <ol style="list-style-type: none"> <li>1. Number of single rooms -</li> <li>2. Number of double rooms -</li> <li>3. Number of suites -</li> <li>4. Total rentable units -</li> <li>5. Comments -</li> </ol>	<p>VIII) RATES</p> <p>A) HIGH SEASON (DATES )</p> <p>EP CP FAP</p> <p>single -</p> <p>double -</p> <p>extra -</p> <p>suite -</p>
<p>II) CLASSIFICATION</p> <ul style="list-style-type: none"> <li>- commercial</li> <li>- conference/convention</li> <li>- resort</li> <li>- other()</li> </ul>	<p>B) MEETING ROOMS</p> <ol style="list-style-type: none"> <li>1. Total number -</li> <li>2. Maximum single room accommodation, theatre configuration -</li> <li>4. Audio visual facilities--</li> <li>5. Comments -</li> </ol>	<p>B) LOW SEASON (DATES )</p> <p>EP CP FAP</p> <p>single -</p> <p>double -</p> <p>extra -</p> <p>suite -</p>
<p>III) OPERATING STATUS</p> <ul style="list-style-type: none"> <li>- independent</li> <li>- chain affiliated/operated</li> <li>- chain affiliated/franchised</li> <li>- other()</li> </ul>	<p>C) FOOD AND BEVERAGE</p> <ol style="list-style-type: none"> <li>1. Number of food outlets -</li> <li>2. Number of Beverage outlets -</li> <li>3. Maximum single room banquet accommodation -</li> <li>4. Maximum banquet accommodation -</li> <li>5. Speciality restaurants -</li> <li>6. Comments -</li> </ol>	<p>IX) SPECIAL PACKAGES</p> <p>_____</p> <p>_____</p> <p>_____</p>
<p>IV) GUEST COMPOSITION (ROOM NIGHTS-12 MTHS.)</p> <p>___% - commercial</p> <p>___% - commercial group affiliated</p> <p>___% - social</p> <p>___% - social group affiliated</p>	<p>D) RECREATION</p> <ol style="list-style-type: none"> <li>1. Golf -</li> <li>2. Tennis -</li> <li>3. Swimming -</li> <li>4. Sailing -</li> <li>5. Riding -</li> <li>6. Fishing -</li> <li>7. Diving -</li> <li>8. Health Club -</li> <li>9. Other -</li> </ol>	<p>X) MARKETABLE GUEST SERVICES</p> <p>_____</p> <p>_____</p> <p>_____</p>
<p>V) PROPERTY ON MAJOR TRAFFIC ARTERY</p> <ul style="list-style-type: none"> <li>- YES</li> <li>- NO</li> </ul>		<p>XI) RESERVATIONS SYSTEMS AND/OR REPRESENTATION</p> <p>_____</p> <p>_____</p>
<p>VI) DISTANCES FROM</p> <p>a) major commercial centres -</p> <p>b) major recreational centres -</p> <p>c) airport -</p>		<p>XII) SPECIAL COMMENTS</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p>

Source: Peter Yesawich "Post-Opening Marketing Analysis for Hotels", The Cornell Hotel and Restaurant Administration Quarterly, November 1977 p 75.

a sample checklist which demands a clear understanding of the hotel in terms of physical condition, location, service level, price, etc. Hotel product analysis also serves as an evaluation of the hotel's image in order to determine the public it wishes to serve and position it accordingly. Furthermore, it requires the analysis of present marketing activities which entails an objective assessment of all collaterals provided to the public, (e.g. signage, posters, tent cards, brochures) in order to determine whether these convey the message with a consistent graphic image that is also adhered to in promotional activities.

The HCITB<sup>[174]</sup> indicates that although conducting such a study does not seem a complex task, the difficulty lies within the perception of the management of the operation and the prejudices it might hold and thus interfere with an objective appraisal. Troy<sup>[175]</sup> concurs, and explains that management is likely to overstate its position, especially vis a vis the competition. Towards achieving a more objective evaluation, some hotels employ the services of 'company shoppers' (whether outside or affiliated organizations) who visit outlets and perform quality checks. This technique has been widely employed by hotel chains and in some cases, has become the basis of well known hotel guides such as Mobil and Michelin's.<sup>[176]</sup>

#### Departmental Analysis

A corollary activity to hotel product analysis is departmental analysis which follows the same procedures but is applied to revenue producing departments. Hertzson<sup>[177]</sup> explains that departmental analysis mainly aims at reaching conclusions regarding which services produce the greatest volume and which return the highest profit and where additional revenue potential might indicate profitable expansion of facilities or installation of new services and features. Conversely, in the case of low

performance, departmental analysis would pinpoint weak areas and corrective decisions are taken accordingly as whether to improve or eliminate a service for being unproductive or undesirable.

In the same vein, Averill,<sup>[178]</sup> Sirkis and Race<sup>[179]</sup> explain that a self-scrutinizing departmental analysis leads to the development of the SWOT method or approach where the initials stand for strengths, weaknesses, opportunities and threats, and whereby knowledge of the state of business is determined. For example, by knowing the strengths of the business, and if they prove to be unique, the property can capitalize on a unique selling proposition along which it could be strategically positioned and which can form the basis of powerful advertising. Conversely, by knowing the weaknesses and threats the property would be able to take corrective courses of action, while researching opportunities for developing higher sales volumes.

#### Competition Analysis

It has been argued that competition enforces a discipline on a hotel, or any other operation, by preventing it from 'falling behind the times'. "If the competition is efficient, diligent and attentive, the property would have to engage in continual research for ways to improve its services. If it is a threat, the property would strive to hold to what it has, and try to attract more business to feel secure."<sup>[180]</sup>

Competition analysis requires the same detailed and systematic cataloguing applied to product analysis. However, such an analysis might not be carried out to the same extent of detail as product analysis, since specific data about competition are generally proprietary and where, in many cases, soliciting information about competition is banned by trade laws.<sup>[181]</sup>

Wood [182] explains that for the gathering of data pertaining to competitive establishments, it is necessary to consult secondary sources of information such as travel bureaus, convention centres, disclosed statistics and the use of observation and personal inspection.

Marris [183] discusses that 'keeping an eye' on where and when competitive operators advertise can provide information about their unique characteristics and target markets. Pollock [184] concurs, and emphasizes the study of the competitors marketing know-how as this provides opportunities to borrow ideas or 'piggy back' on competitors ad campaigns or other relevant strategies where the capitalization on the strategy of the fast second lends itself more naturally to service contexts as there are no patents to be avoided.

Varga [185] and Front [186] draw from Kotler and Singh [187] and recommend the application of the SWOT method to competing establishments in order to identify the weak points of successful adversaries as this gives the operation a chance to attack its competitor's market position.

Yesawich [188] elaborates on the importance of studying competitors products and activities and maintains that knowing what the guests' needs are is of little value if other competitors are already serving these needs. He criticizes many hotel operations for considering their competition with 'equanimity' and emphasizes the importance of being 'competitor oriented' by calling for a trenchant analysis of competitors which encompasses a realistic evaluation of the strengths and weaknesses exhibited by each and the development of strategic steps to equal these strengths and capitalize on the weaknesses.



In essence, putting the competition into perspective is a major consideration which no hotel property should override, and a product study drawn up in the same manner as the firm's own product analysis, with few limitations, can prove to be both revealing and enlightening.

However, it is worth noting that it is not discouraging if the competition proves to be successful. Conversely, competition's success may be a sign that a firm is operating in a healthy market which provides adequate demand, yet it is up to each individual enterprise to utilize its resources through professional management and appropriate marketing planning to capitalize on available opportunities in order to, at least, secure its fair share of what the market can offer. We sustain our point by citing Levitt<sup>[189]</sup> who explained that "the reason growth is threatened, slowed or stopped is not because the market is saturated; it is because there has been a failure in management."

### Market Analysis

The third major element in hotel marketing analysis is concerned with analyzing the market in order to identify the profile of the typical guest a property primarily serves, and more importantly, that of the potential customer who could be motivated to patronize the establishment being marketed. Hotel market analysis is defined as "the selection, from all of the potential sources of business, of those particular sources of patronage which are logical prospects for the operation."<sup>[190]</sup>

Peters<sup>[191]</sup> divides the hotel market analysis process into two main areas: community profile and guest profile. He designates the community profile as 'the first step in qualifying the market demand for overnight lodging', and explains that its purpose is to identify the essential reasons for existence of the community

Exhibit 3.10 Guidelines for Preparing a Community Profile.

DEMOGRAPHICS

1. Prepare a complete analysis of the trends in population in the area for the past five years.
2. For the past two years, show how the population breaks down in terms of age, sex, profession or occupation, education and income.

HOUSING

1. List the type, number of units, and capacity of single and multi-family dwelling.
2. Obtain representative price ranges and occupancy percentages for each type and note trends.
3. Pinpoint new housing developments and growth areas.

TRANSPORTATION

1. List types available to the area.
2. For each type determine capacity and volume of passengers and freight.
3. Obtain data on proposed expansion.

INDUSTRIAL AND COMMERCIAL ACTIVITY

1. Prepare a list of major employers by type of activity, employment and volume of activity.
2. Determine plans for expansion of existing facilities and potential for new developments.
3. List the source and volume of visitors.

HEALTH AND EDUCATION

1. List the major health and educational institutions by type, capacity and volume of activity.
2. Obtain information on expansion plans from authoritative sources.

RECREATIONAL

1. List the amusement, recreational and sports facilities that attract visitors from outside the community.
2. Obtain information on source, volume and seasonality of use.
3. Obtain information on expansion plans, if any.

UNUSUAL AREA ACTIVITIES

1. List all special events of a recurring nature that attract visitors.
2. Obtain data on volume.

Source: Clarence Peters, "Pre-Opening Market Analysis for Hotels", The Cornell Hotel & Restaurant Administration Quarterly, May 1978, p16.

that make up the area. He justifies his presumption by stating that very few travellers visit a community for the mere purpose of staying in a hotel, and that in many cases, the hotel is secondary to the purpose of the trip. Thus, "it is essential for the analyst to isolate and evaluate the characteristics of the community that help create the need for overnight accommodation." Exhibit 3.10 is a sample checklist used to identify the essential reasons for the existence of a population or community centre, whether industrial, educational, recreational or a combination of two or more of any of the listed attributes. The identification of the attributes of the community through the profile projected would give revealing insights of the type of potential guests and customers regarding the provision of answers to why, when and how do they travel to the community where the hotel operates.

#### Guest Profile and Market Segmentation

Among the varied marketing techniques borrowed by hotel operations, as a service industry, from product marketing is marketing segmentation, a process which "divides the total heterogeneous market for a product into several submarkets or segments; each of which tends to be homogeneous in all significant aspects."<sup>[192]</sup> The importance of segmenting hotel markets stems from the fact that it provides insights as to who the prime prospects of the business are, where they come from, in addition to revealing the reason why they patronize a specific operation. The process also helps in providing data relevant to new product or service development, establishing pricing tactics and directing special targeted promotional and selling techniques.

Eiglier and Langeard<sup>[193]</sup> explain that the concept of market segmentation is crucially important for service businesses because of the 'concomitant' relationships which exist between clients

seeking the same service and who actively participate in its production and delivery. Hence, they indicate that: (i) it is absolutely necessary that the client has motivations which are well defined and behaviour that is homogeneous, since his expectations, life style and personality traits will influence greatly the perceived quality of the service and the satisfaction he will get from it; and (ii) it is important to define the attitudes and behaviour of clients towards each other in order to minimize the occasions for aggressive or disagreeable behaviour and the possibilities for clients to lower each other's quality of service.

Towards this end, the literature turns to discuss the application of traditional and contemporary marketing segmentation techniques to the hotel industry.

#### Socio-economic Groupings

Socio-economic grouping is a traditional segmenting technique which covers variables such as occupation, income, education, age, sex and life style stages. A typical demographic classification is shown in Exhibits 3.11 and 3.12.

The Hotel and Catering EDC,<sup>[194]</sup> conducted an analysis to infer between social class and level of expenditure in hotel facilities. The study revealed that higher social groups spend a higher proportion of expenditure in hotel establishments than lower social groups. It also indicated that 88% of licenced hotel accommodation used on holiday was occupied by the A, B and C grades, while the remaining 12% consisted of the D and E groups. A similar study conducted by the American Hotel and Motel Association<sup>[195]</sup> revealed similar findings where the majority of users of hotel accommodation (75%) were in the higher income brackets.

Exhibits 3.11 and 3.12      Alternative Ways of Classifying Socio-Economic Groups.

3.11

BASED ON SOCIAL CLASS
A Administrative or Professional
B Middle Management
C1 Supervisory
C2 Skilled Manual
D Semi-Skilled
E Casual Workers

3.12

BASED ON LIFE CYCLE
1. The bachelor stage (young, single, much disposable income).
2. Newly married (young, no children, little disposable income).
3. Full Nest I (youngest child under 6, little disposable income).
4. Full Nest II (youngest child over 6, better off).
5. Full Nest III (older, married, children still dependent).
6. Older married (children left home, wealthy).
7. Solitary survivors (poor, older single people).

Source:    Doswell, R. and Gamble, P., Marketing and Planning Hotels and Tourism Projects, Hutchinson, 1979, p.23.

Exhibit 3.13      Comparison of Regional Preferences by Social Grades.

	<u>AB</u>	<u>C1</u>	<u>C2</u>	<u>DE</u>
North West	25	28	30	17
East Anglia	19	30	37	14
Thames and Chilterns	34	25	33	8
All England	26	28	31	15

Source:    English Tourist Board, British Home Tourism Survey, 1979.

Travel to regions according to social grade was a subject of study by the English Tourist Board,<sup>[196]</sup> where preferences of different social grades were measured in terms of geographic destinations. The results, shown in Exhibit 3.13, indicate, for example, that Thames and Chilterns are weighted heavily towards the A,B grades whereas East Anglia shows the opposite bias.

### Age

Age is another demographic variable against which hotel markets are segmented. For example, Blomstrom<sup>[197]</sup> and the English Tourist Board,<sup>[198]</sup> among others, report similar results by confirming that there appears to be a higher than average use of hotel accommodation by the 35-64 years age groups than by other age categories.

The study of age as a characteristic also reveals an influence upon the location and period of holiday. Sumner,<sup>[199]</sup> for example, explains that older people tend to spend less time at the seaside, yet spend more time on holidays, while younger people take more frequent but shorter trips. Sumner also draws the attention to the considerable influence exerted by youngsters on the choice of the family holiday, e.g. beach, and theme parks as a favourable destination.

### Sex

The importance of sex as a demographic variable in segmenting hotel markets is evident in the growing number of women travellers, especially those travelling for business. In the United States, for example, it is reported that 31% of the business guests in hotel operations are women.<sup>[200]</sup> In addition, the increasing number of women joining the labour force, especially in western countries, has led marketers such as Kelly,<sup>[201]</sup> Lloyd,<sup>[202]</sup>

Hill<sup>[203]</sup> and Quain<sup>[204]</sup> to emphasize the growing importance of women as recreation travellers travelling on their own and the effect such a trend should have on the promotional activities, e.g. amplifying security and special amenities ranging from shops, hairdressers and beauty parlours to skirt hangers in the closet.

Finally, Bartos<sup>[205]</sup> analyzed the travel market for women in the United States and concluded that "there is no question that there is a strong and growing market for travel among women. There is also no question that working women are far more valuable to the travel marketer than non-working women. It is clear that the patterns of discretionary travel among both working and non-working women are affected by their stage in the life cycle. It is also clear that women are viable customers for both pleasure and business travel, and that their participation in the business travel market is growing."

#### Geographic Segmentation

As a means of analyzing market segments geographic segmentation examines the geographical origin of the various guest categories. Various techniques have been developed within this area and are equally applicable to product and service industries. Examples of such techniques are the Standard Metropolitan Statistical Area, the A.C. Nielson Designated Market Area and the Areas of Dominant Influence, in addition to the use of commercial radio and television maps which reflect the geographical areas served by clusters of media intermediaries. Other techniques would broadly group a number of countries as to their generation of travel, e.g. Eastern or Western Europe, while others could narrowly define market origin as the postal zip codes which further refine the area into smaller peices (square blocks within a city) and are used as a finite geographic marketing tool especially in marketing by direct mail.

### Volume Segmentation

In his article "How Important to Marketing Strategy is the Heavy User?", Twedt<sup>[206]</sup> explains the importance of volume segmentation which profiles the recurrent consumer of a product or a service and who can be identified through demographic and other segmentation techniques. The importance of 'heavy user' segmentation stems from the account that in many industries, 50% of customers account for 80% or more of the consumption.

Nykiel<sup>[207]</sup> explains that in the airline and hotel industry, the heavy user is the frequent traveller and often the 'repeat customer'. He accounts that, in the United States, 5 to 7% of the 225 million Americans in the 1980 census are heavy users of hotel services, and identifies the typical heavy user as a professional, mainly in marketing, sales or technical services, travelling for business, residing mainly in suburban/urban areas, with an age ranging between 25 to 55 and earning a medium/upper income, and who usually makes a reservation through a travel agent or a corporate traffic department, and settles his account using a credit card.

### Segmenting by Purpose of Travel

Segmentation on basis of purpose of travel is a useful technique that is applied in most travel related businesses, e.g. airlines, hotels, car rental companies. The works of Robinson,<sup>[208]</sup> Dichter,<sup>[209]</sup> Doswell,<sup>[210]</sup> Burnet<sup>[211]</sup> and Doswell and Gamble,<sup>[212]</sup> typify such an approach. McIntosh and Gupta,<sup>[213]</sup> however, group the purposes of travel under four main categories: (i) Physical motivators; (ii) Cultural motivators; (iii) Interpersonal motivators; and (iv) Status and prestige motivators.



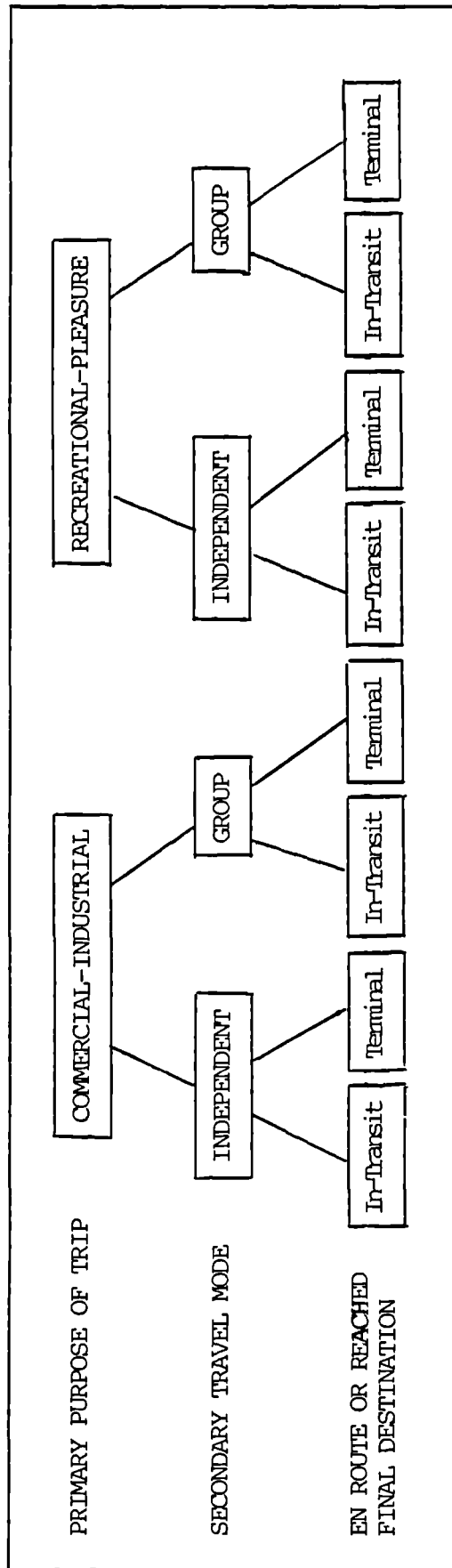


Exhibit 3.14 Lodging Market Segmentation.

Source: Yesawich, P., Post Opening Marketing Analysis for Hotels, The CHRA Quarterly, November 1978, p. 74.

For the hotel industry, Lesure and Yesawich<sup>[214]</sup> developed eight main lodging market segments as represented in Exhibit 3.14, where all market segments may be defined on the basis of three criteria: (i) the travellers' principal reason for journeying: commerce or recreation; (ii) whether the traveller is part of an identifiable group: individual or group travel; and (iii) whether the traveller is en-route or has reached his final destination. However, they exclude the local market on the basis that its contribution to gross revenue is generally limited to food and beverage sales.

#### Psychological Segmentation

In psychological, or psychographic segmentation, buyers are divided into groups according to differences in life styles or personality traits. Reisman,<sup>[215]</sup> for example, explains that a product may appeal to different personality types according to their social characters, even if they possess dissimilar demographics.

Kassarjian<sup>[216]</sup> shares the same view and proposes the use of different advertising messages for the different personality types aimed at. His reasoning is that people will most probably prefer and be influenced by the advertisements which are more appropriate to their group. He provides an example of promoting the same product to different personality types by the use of different promotional approaches, as illustrated in Exhibit 3.15.

#### Benefit Segmentation

While most of the aforementioned segmentation techniques are valuable to market researchers, they have been criticized for their reliance on descriptive rather than causal factors which determine the main attributes and the benefits a person hopes to receive from his purchase.

PRODUCT	INNER-DIRECTED		OTHER-DIRECTED	
	SLOGAN	ILLUSTRATION	SLOGAN	ILLUSTRATION
Fairchild's Restaurant	The height of sophistication	Waiter in dinner jacket	Good food, reasonable prices, cheerful atmosphere	People being served in a fancy restaurant
Oregon	Oregon. A must for those who appreciate natural beauty	Single man fishing	Make new friends, enjoy carefree, 'crowded with fun' weeks at Oregon.	Four people camping at a lake. Two power boats in foreground.

Exhibit 3.15 Advertising Messages aimed at two Different Personality Types.

Source: Kassarian, H., "Social character and differential preference for mass communication", Journal of Marketing Research, May 1965.

Based on Haley's<sup>[217]</sup> thesis, benefit segmentation explains that the benefits people want in a service are the most basic reason for the existence of market segments. Benefit segmentation assumes that the priority listing and relative importance of the principal benefits sought by consumers is the best predictor of consumer behaviour.

In the same vein, Lewis<sup>[218]</sup> and Swinyard<sup>[219]</sup> explain that benefit segmentation attempts to establish the strength and the appeal of various product or service attributes, and therefore requires the measurement and comparison of attitudinal qualities such as consumer preferences and perceptions. They also explain that a benefit must be correlated with other attributes to determine its weight against and among them; "it is the total configuration of benefits sought that define a benefit segment, and a group of prospective users who weight the importance of the attributes of a product or a service similarly constitute a benefit segment."

In a national survey conducted by Market Facts in the United States, questionnaires were mailed to travellers who collectively spent 30,000 room nights over a period of one year in hotels and motels representing virtually every major hotel chain as well as independent operations. The results shown in Exhibit 3.16 revealed the following:

1. The lodging industry's biggest slice of repeat business comes from frequent travellers, not from the general travelling public, and that these travellers are more willing to express what they seek in hotels and motels.
2. Service is mentioned far more frequently than either price or facilities as being influential on repeat business.

	TOTAL TRAVELLERS			Frequent Travellers		
	choosing & Returning	& Difference		Choosing & Returning	& Difference	
Good service	11	+ 39	50	10	+ 42	52
Cleanliness/appearance	48	+ 16	64	43	+ 18	61
Facilities	29	+ 16	45	30	+ 19	49
Quiet	07	+ 6	13	07	+ 7	14
Convenience	58	- 24	34	66	- 23	43
Recommendation/reputation	32	- 27	05	33	- 28	05
Price	37	- 4	33	31	- 3	28
Reasons mentioned most frequently for 'choosing' a hotel/motel for the first time are convenience, cleanliness, price, reputation, and recommendation,						
Reasons mentioned most frequently for returning to a hotel/motel are cleanliness, good service and facilities						

Exhibit 3.16 Reasons for Choosing a Hotel/Motel vs Reasons for Returning.

Source: "Why Travellers Choose Hotels and Motels", Lodging, September 1977, pp. 48-52.

Service is also mentioned more often in relation to return visits than location.

3. Poor service leads the list of 'pet peeves' that keep travellers from coming back.

Hence, it could be deduced that, in addition to identifying the benefits and needs sought by the travelling public, benefit segmentation could also point to the things that a hotel establishment could avoid or improve.

The combination and cross classification of benefit segmentation and other market segmentation techniques provides a sophisticated research tool that enables management to alter its strategies in affecting customers' perceptions and ultimately the level of their operations patronage.

Unfortunately, the hotel industry still lags behind other industries in applying market research and segmentation and particularly in experimenting with more sophisticated techniques of data analysis. Cadotte, among others,<sup>[220]</sup> notes that many hotel firms still use methods of guest surveys which are neither statistically valid nor readily interpreted. He states that most hospitality research data is derived from the 'ubiquitous' guest comment cards whose main shortcoming is that they provide extreme and not typical responses as those who respond are either the most 'flagrantly' abused or the most highly satisfied customers.

Similarly, Daltas<sup>[221]</sup> explains that, in the hotel industry, no attempts have been made to further solicit guests' opinions other than the use of guest comment cards. He recommends the application of periodic consumer feedback measures and notes that these would serve the following purposes:

1. Making guests believe that management cares for their opinion by supplying a tool other than or in addition to the stereotype guest comment card.
2. It conveys a positive message to employees that management is interested in consumer opinion, thus displaying a consumer oriented approach.
3. It serves as an internal checklist in measuring general opinions of guests, tracks the level of service delivery, and testing opinions with regard to new services.

Although many hotels might not have adequate resources to conduct in-depth market research as that which is administered by such organizations as The American Hotel and Motel Association, and The British Tourist Boards, Baker<sup>[222]</sup> stresses the advantage of service industries possession of personal detailed data about clients which can provide a strong basis for developing a differentiated offering.

Similarly, Walsh<sup>[223]</sup> and Troy<sup>[224]</sup> explain that hotels have at their disposal an in-house data base, yet that is seldom considered in analyzing their business market potentials.

In the same vein, Yesawich<sup>[225]</sup> and Varga<sup>[226]</sup> explain that short of administering expensive special research surveys, three source documents which are used in the normal check in-check out procedures of hotel operations could help a property in its attempt to profile its own prospects. These documents are the reservation card, the registration card and the guest folio. Together they can provide data as to the date, method and source of reservation, the guest's name, address, postal code, demographics, special packages required, length of stay, number in the party and its mix, room rate charged, total charges and method

of payment. Based on such information, guest history cards can be maintained and updated; however, with the advent of computer technology this job is made more simple and easy to administer.

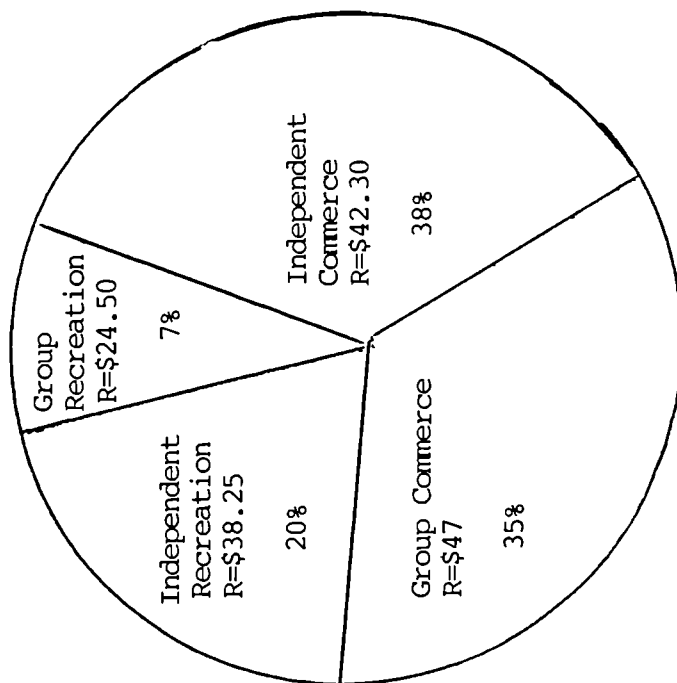
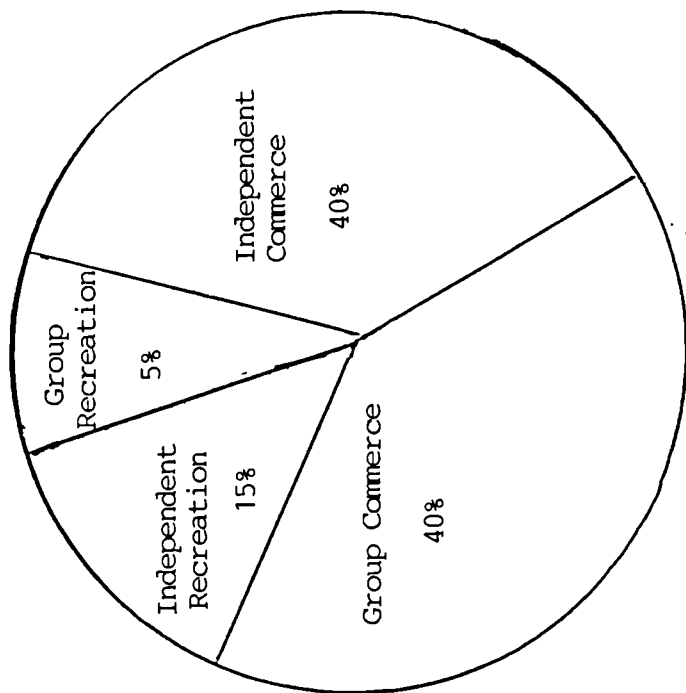
Another major application of hotel front office source document as a research base is the use of the information they provide in terms of which market segments are more lucrative and should be sought for future promotion. This results in another type of segmentation known as yield analysis.

Lovelock,<sup>[227]</sup> for example, explains that for services that are capacity constrained, the marketers task is not only to balance supply and demand but also to obtain the most desirable type of customer.

In the same vein, Canas<sup>[228]</sup> and Yesawich<sup>[229]</sup> explain that the analysis of customer spending power, by type of customer might yield a desire to effect some changes in the proportion of the market mix segments. An example is shown in Exhibit 3.17a, where group commercial guests account for the highest revenue per registrant per room night, followed by independent commercial guests, independent recreational guests and group recreational guests respectively. While it is evident that the two commercial segments of the market contribute substantially more revenue than the other segments, the market planner might need to establish the room night mix depicted in Exhibit 3.17b, as a measure of increasing revenues and maximizing profitability.

Finally, Jafari<sup>[230]</sup> draws the attention to a 'missed' market segment that is overlooked by almost all hotel marketers, and that is accommodating residents of the direct community in local hotels. An important factor upon which Jafari builds his proposition is that of the energy shortage experienced since the





Exhibits 3.17A and 3.17B.

Preferred Room Night Composition.

R = Estimated revenue per room night (all facility charges included).

Source: Yesawich, P. "Post Opening Marketing Analysis for Hotels",  
 The Cornell Hotel and Restaurant Administration Quarterly  
 Vol 19, No 3, November 1978 p80.

Exhibit 3.18 REASONS TO EAT AND LIVE AT ONE'S OWN HOMEEATING IN

Have their own kitchen.  
 Have selected their own favourite dining room furniture.  
 Have selected their favourite tablewares and table clothes.  
 Can make their favourite dishes, any time they want to.  
 And more.  
 All factors suggest that they should eat at home.  
But they do not really follow this logic and do wine and dine out.

Can we explain this phenomenon?

LIVING IN

Have their own bedroom.  
 Have selected their favourite beds.  
 Have selected their favourite bed sheets, mattress and pillows.  
 Can play their favourite serenade to put them to sleep.  
 And more.  
 All factors suggest that they should sleep and live at home, and they find this logic acceptable and sleep at home.

Can we explain this phenomenon?

REASONS TO EAT AND LIVE OUTEATING OUT

Need change of pace.  
 The kitchen dining becomes a bore.  
 Need variety.  
 Want to have fun.  
 No bother with food preparation, pots and pans, serving and then clean up all the mess.  
 Food will be served as soon as one arrives.  
 Restaurant can respond to (almost) every whim of simple or gastronomic expectations, gourmet foods, best service, delightful atmosphere, pleasant waiters/waitresses  
 It is chic to eat out.

Ad infinitum personal reasons to eat out.

All these factors suggest that people need a break and should eat out, at least now and then.  
And they comply with this urge occasionally for some and frequently for others.

Can we explain this phenomenon?

LIVING OUT

The same could be said here.  
 The bedroom can become a bore too.  
 Staying in hotels also creates variety.  
 Staying in hotels can be fun.  
 No beds to make and rooms to keep tidy, no bath tub to wash.

The room is ready as soon as one arrives.  
 Hotels can respond to (almost) every wish of the guest choice of room, X-rated movies, private bar, 24 hour room service, breakfast in bed, (with champagne).  
 It can be even more chic to 'sleep out'.  
 Ad infinitum reasons to sleep out.

All these factors suggest that people need a break and should 'live out' at least every now and then.  
But they do not sleep out neither occasionally nor frequently.

Can we explain this phenomenon?

Source: Jafari, J., Paratourism and its contribution to the Hospitality Industry, in Pizam, A., Lewis, R., and Manning, P., eds., The Practice of Hospitality Management, p.434.

early seventies and how in response to energy price increases people started accepting nearby destinations instead of those 'far away places' which were, generally, more appealing. In Exhibit 3.18 he provides a comparison between reasons to eat or dine in a restaurant and that to live or sleep away from home. He maintains that if one would follow the presented logic, it would appear that the same logic which causes people to treat themselves to dinner in a restaurant could also cause them to treat themselves to an overnight or weekend stay in a local hotel; yet they don't. He thus indicates that hotel market research and market segmentation have to penetrate the direct community where the hotel is located and develop marketing programmes in order to evolve to the dualistic functional capacity of serving tourists and local residents.

Summary: Exhibit 3.19 provides an epitomization of what has been reviewed in the section on marketing research and analysis in hotel operations.

Internal corporate analysis, i.e. product analysis, requires identifying the organization's resources, services, products, human and physical assets along with any limitations and/or constraints. Based on the insights gained from this analysis, the organization is able to select a number of target markets that it is able to serve with new or existing facilities.

The identification and analysis of competition is necessary for gaining a sense of its strengths and weaknesses which, in turn, suggest opportunities for product and service differentiation.

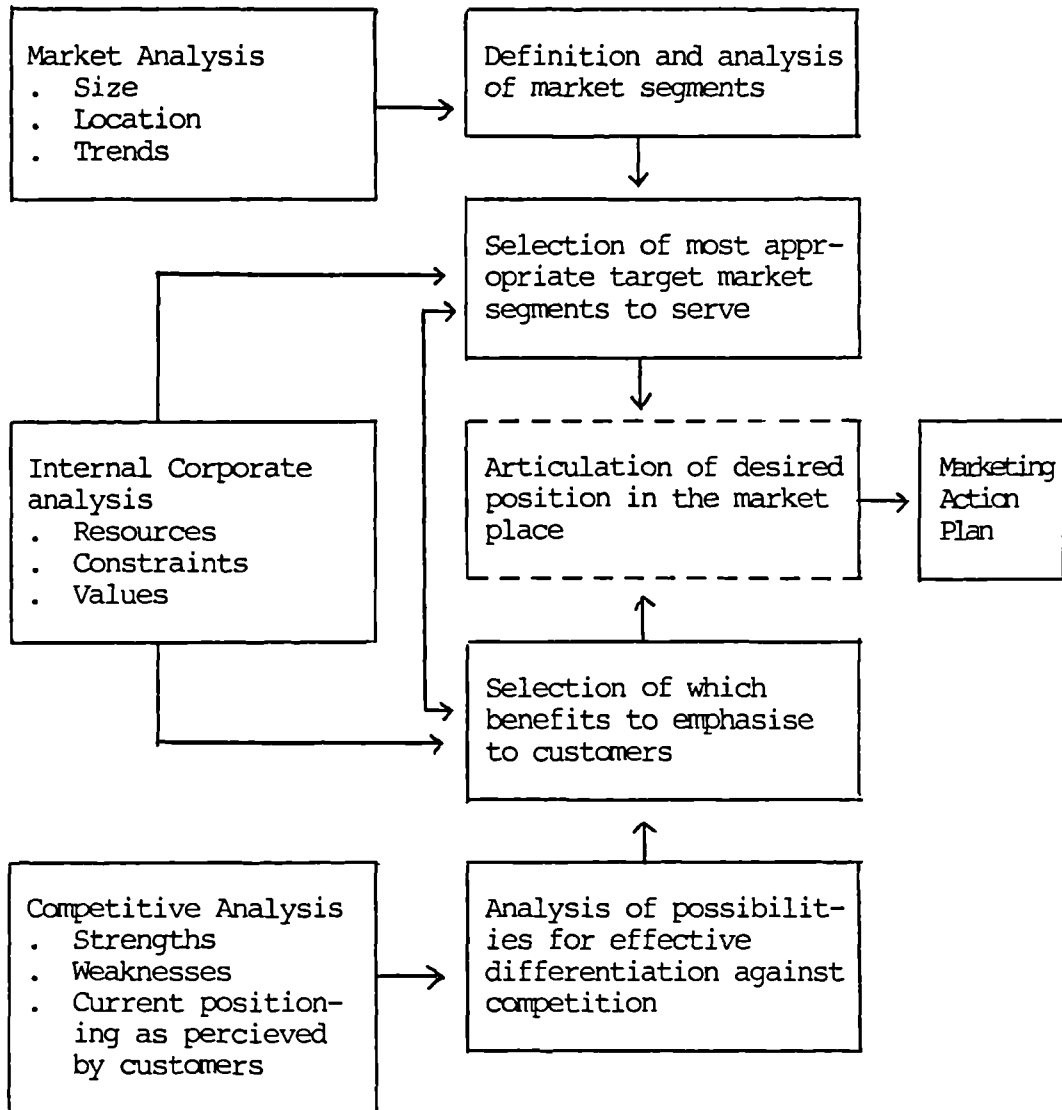
Market analysis is needed to determine the attributes of the community where the operation is located, along with such factors as the overall level, trend, demographic, psychological and other characteristics of sources of demand. Alternative ways

of segmenting the market should be considered with an appraisal made of the size and potential of the different segments and determination of which of these segments are most profitable for the business.

The outcome of integrating these three forms of analysis is a 'positioning statement' that articulates the desired position of the organization in the market place. Armed with this understanding, the marketer should be able to develop a specific action plan based on the operation's development of a marketing mix; a subject to which we designate our next chapter.

Exhibit 3.19

Marketing Research and Analysis in Hotel Operations



----- Being a product strategy, Positioning will be further discussed in the chapter on the Marketing Mix.

Source: Adopted from C. Lovelock (which he developed from an earlier schematic by Michael R Pearce), Services Marketing, Prentice Hall, 1984.

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## **CHAPTER FOUR**

### **THE APPLICATION OF THE MARKETING MIX CONCEPT AND DECISIONS IN THE HOTEL INDUSTRY**

## CHAPTER FOUR

### THE APPLICATION OF THE MARKETING MIX CONCEPT AND DECISIONS

#### IN THE HOTEL INDUSTRY

##### Introduction

The main purpose of this chapter is to examine the extent to which marketing mix decisions may be implemented in industries of a service nature. More specifically, the chapter discusses the relevance of implementing such decisions in an industry characterized by a hybrid nature of product/service offering, yet where the service notion is dominant; namely, the hotel industry.

In the course of discussion, the similarities and/or differences between product and services marketing are emphasized, together with the implications which services' characteristics impose and dictate on the implementation of the multitude of decision variables comprising the marketing mix.

Towards attaining these objectives, the chapter is developed as follows:

##### Section One: The Concept of the Marketing Mix

This section briefly discusses the evolution and the development of the marketing mix concept, and the checklist approach developed to identify its variables, together with considerations that have to be met in its creation.

The literature then proceeds to examine the different approaches developed by hotel marketers in creating a mix for their industry, and recommends the adoption of one which would provide the guidelines for the material developed in subsequent sections.

### Section Two: The Product/Service Mix in the Hotel Industry

This section discusses the equal relevancy of product decisions to service industries by defining 'product' in its service context. The 'Product/Service' concept is then discussed within the framework of the hotel industry. Some of the most common product decisions are reviewed and their implementation in service industries in general and the hotel industry in particular, are illustrated. The decisions discussed are: product design and development, the concept of packaging, choice of brand names and image creation, expansion and diversification, and finally, product differentiation and positioning.

### Section Three: Price's Marketing Dimension in the Hotel Industry

This section explains the implications of services' characteristics on price as a marketing variable. Examples of points discussed are: difficulty encountered in assigning monetary value to intangibles; difficulty of calculating costs in labour intensive services; and service quality as being a common function of price. Price is then discussed in its financial context and its marketing dimensions by examining critiques of the application of different pricing practices and presenting a comparison between cost oriented and market oriented approaches to the pricing of services.

### Section Four: Place: The Accessibility/Distribution Mix

In its outset, this section discusses the approach to services distribution and examines how the concept of distribution channels is applied to service organisations. The importance of applying the channel concept to hotel operations is discussed in terms of location (accessibility and vulnerability) and distribution intermediaries.

Section Five: Promotion

This section investigates the role of promotion in service marketing and examines how the broad objectives of promotion can be achieved in the marketing of intangibles. The presentation includes discussion of titles such as advertising, media selection, direct mail, personal selling, special promotion, publicity and public relations and the roles such tools play in promoting hotel services.

## Section One

### The Application of the Marketing Mix Concept in the Hotel Industry

#### Introduction

The marketing mix is a term which is generally used to denote a particular combination of marketing variables that are controllable by an enterprise and which, through their integration, constitute the core of a company's marketing system.

In its effort to achieve its ultimate marketing objectives, an organization plans, develops and executes its marketing activities around such integrated variables which collectively identify the firm as a single separate entity among its business counterparts in the market place.

This section is devoted to discussing the development of the concept of the marketing mix and evaluates its applicability to the hotel industry.

#### The Evolution and Development of the Marketing Mix Concept

Although the term 'marketing mix' was pioneered by Borden<sup>[1]</sup> in the early sixties, it is originally derived, as Borden recalls, from the phrase 'mixer of ingredients' coined by Culliton<sup>[2]</sup> in his attempt to describe a business executive who tries to discover the right combination of policies and procedures that would elicit consumer behaviour, in a way that produced a profit. Borden reasoned that if such an executive was a mixer of ingredients, then what he designs is a marketing mix; a term which he considered to be more appropriate than his previous references to the words 'pattern' and 'formula'. From this basis, Borden proceeded to the development of a concept that would comprehend not only this variety of mixes, but also the market forces that cause management

to produce a variety of mixes. "It is the problems raised by these forces that lead marketing managers to exercise their wits in devising mixes or programmes they hope will yield a profitable business operation."<sup>[3]</sup>

As a concept, the marketing mix is defined by Lipson and Reynolds<sup>[4]</sup> as being, "a means of organising in a meaningful manner all of those variables controllable by the enterprise system that directly influence transaction in the market place." As such, they state that the concept represents quite a contrast to the writing of classical economists who based explanations of transactions solely on price which resulted from the forces of supply and demand.

The marketing mix concept underwent constant refinement as its acceptance in the business and academic communities increased. Various researchers attempted to list and organise checklists with the different variables and their relationships which they considered as important in creating transactions, and different elements were added or deleted in accordance with the different perceptions and analysis of the market forces that they perceived to exist.

As with most checklists, there is no uniform agreement as to the composition of the marketing mix. Frey,<sup>[5]</sup> for example, uses two dimensions: the offering (product, package and so forth), and the tools (advertising, personal selling, etc). A three-fold classification is proposed by Kelly and Lazer:<sup>[6]</sup> the product/service mix, the communication mix and the distribution mix. Buzzell<sup>[7]</sup> maintains that there are six decision-making variables, while Borden,<sup>[8]</sup> the initiator of the concept, identifies twelve different variables. However, perhaps the most popular refinement currently in use is McCarthy's<sup>[9]</sup> four P's: Product, Place,

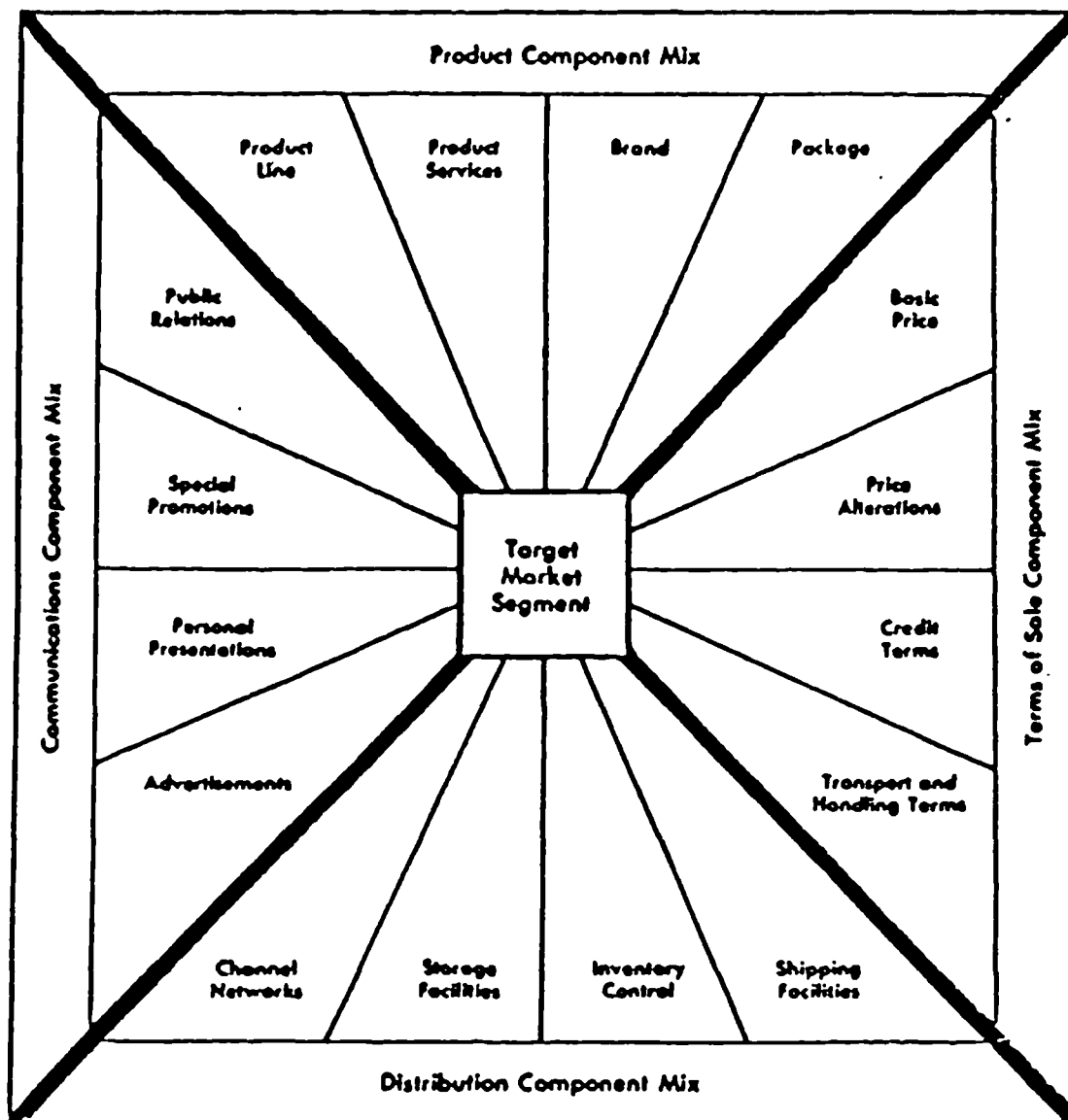
Price and Promotion, which was broadened by Lipson and Darling<sup>[10]</sup> into what they describe as a more explicit statement of the specific dimensions which make up the elements of McCarthy's marketing mix. The four components, each with four dimensions are shown in Exhibit 4.1 which represents the results obtained from the conduct of the marketing operations by an enterprise. Lipson and Darling's logical basis for developing a model of the marketing mix concept which shows the results of operations rather than the operations themselves, is presented as follows:

1. Since marketers take a number of variables and blend them into what is called the marketing mix, the mix is actually the result of the mixing process and not the process itself, or the variables.
2. Since the marketing mix is a result of the mixing process or the performance of marketing operations it represents the output of a productive operations element of a system. It, therefore, becomes the equivalent of a marketing offering; the total bundle of satisfactions or the utility for which buyers engage in transactions to obtain.
3. By balancing the marketing mix with the marketing offering, the customers who make up a target market segment become central to the viewpoint and hence customer orientation.<sup>[11]</sup>

Majaro<sup>[12]</sup> explains in attaining the ultimate assemblage of ingredients a company chooses to incorporate in creating its mix, that these ingredients must be adapted to the specific needs of the market place. To explain his point of view, Majaro draws the examples of cosmetic firms adding 'packaging' to their mix, and the addition of 'after-sales service' to the mix of firms in the domestic appliances business. In order to help the marketer

Exhibit 4.1 .

MODEL OF THE CUSTOMER MARKET OFFERING DIMENSIONS OF THE MARKETING MIX



Source: Harry A. Lipson and John R. Darling, Introduction to Marketing Administration, John Wiley and Sons, 1968.



make a decision as to whether a specific ingredient deserves a separate existence in the mix, Majaro further identifies three considerations. These are: the level of expenditure spent on an ingredient; the perceived level of elasticity; and consumer responsiveness and the allocation of responsibilities. Hence, where ingredients involve a significant expenditure, or where a change in the level of expenditure (up or down) would affect results, or where the firm requires the services of a specialist to help design or develop an ingredient, such ingredients warrant themselves a separate identity in the total mix.<sup>[13]</sup>

#### Achieving Synergism between the various elements

Allied to the formation of a marketing mix, the achievement of a synergistic effect in integrating its elements is viewed as a critical marketing activity. Cowell,<sup>[14]</sup> for example, explains that a major task of marketing management in an organization is to blend together the elements of the marketing mix in such a way that they fulfil the needs of the selected target market or markets. Cowell thus sustains Culliton<sup>[15]</sup> who maintains that the key to successful marketing lies in having the right product at the right price at the right place and time with the right promotion, and that the rightness of these elements is determined by the consumer, and furthermore, that the rightness of each element is determined not individually in relation to the customer, but by the inter-relationships which exist among them.

In the same vein, Stanton,<sup>[16]</sup> Lipson and Reynolds<sup>[17]</sup> note that these interrelationships which exist among the multitude of variables inherent in each component of the marketing mix must be a subject of screening, selection and combination and that management must seek the mix that will lead to the optimal synergistic results. This process, as Stanton suggests, might indicate that 'trade offs' be made in order to create the best overall impact

and effectiveness of the marketing offering. Hence, he recommends that a system's approach be followed in creating a mix in order to recognize the significance of the structure and the relationships of its elements when treated as a totality.

#### The Marketing Mix in the Hotel Industry

In an earlier chapter we discussed the universality of marketing and maintained that in establishing our view on the transferability of the marketing concept to industries of a service nature, we adopt the middle view of whom Baker<sup>[18]</sup> is representative and in which he maintains that "the most effective approach to the marketing of services is not to try to reinvent the concept and function, but to transfer it, and to do so we must look for similarities between products and services rather than differences." Differences would, as a matter of course, account for themselves; however, it is the similarities that would provide the threshold upon which to build an approach. Such view expresses that at the strategic level, the marketing concept is of equal application to marketing products and services, and it is at the tactical or implementation level that there are differences in application. However, to assert an opinion is not enough, hence, in the rest of this chapter we are concerned with establishing the grounds upon which our acceptance of this view is founded.

The hotel industry represents in its nature a hybrid composite of a product/service output featuring tangible and intangible offerings. However, as the tangible part of its theme is generally not for sale (physical premises) and is restricted only for the 'right of use', the hotel industry is considered a service industry, yet its nature places it at an advantage of benefitting from product marketing and capitalizing on marketing techniques which take into consideration the dis-

tinguishing characteristics of services and their impact on marketing such offerings.

In formulating a marketing mix for hotel operations, hotel marketers either adopted the conventional checklists developed for product marketing or attempted to formulate a separate mix and apply it to their businesses. Morton<sup>[19]</sup> for example, adopted the checklist developed by Borden and recommended the following variables:

1. Product Planning : Includes decisions as to whom, when, where and in what quantities the product will be sold. New product programmes, research, development and merger are also included.
2. Pricing : Determination of price levels; study of the psychological aspects of pricing; price policies and price margins.
3. Branding : Individual or chain affiliated.
4. Channels of Distribution : Determination of channels to use; direct-selling, travel agents, etc.
5. Personal Selling : Coordination of personal selling with advertising programme.
6. Advertising : The appropriation of advertising, the copy policy, portion to consumer and to trade.
7. Promotion : Special promotion and determining its profit potentiality and its complementation of the overall marketing programme.

8. Packaging : Type of property, and the hotel offering as perceived by guests.
9. Display : The merchandising tools used, e.g. brochures, tent cards, posters and signs.
10. Servicing : Level of service offered.
11. Handling : Warehousing the product until it is used; overbooking.
12. Market Research : Research of present and future trends in market place.

Hertzson<sup>[20]</sup> also provides a hotel marketing mix which includes twelve variables. These are: Price; package; label or name; quality of physical condition; shape of property as distinctive from surroundings; size and number of rooms; colour: in terms of interior and exterior decor; methods of distribution; personal selling and direct mail; advertising; sales promotion; and publicity. However, if one would apply Majaro's considerations discussed earlier, the breaking of some ingredients into separate elements is not justified; e.g. label or name; shape and colour.

In his article "A new marketing mix for the hospitality industry",<sup>[21]</sup> Renaghan explains that to develop a mix which reflects the differences between products and services, hospitality firms must develop a marketing mix that reflects all the characteristics of services and that also satisfies the needs of the target market. He argues against other developed frameworks which, as he maintains, do not account for the traits that distinguish services from products. What Renaghan proposes is a

three-fold classification, noticeably similar to that of Kelly and Lazer's, with the substitution of their second element of 'distribution' with that of 'presentation'. Nevertheless, albeit for 'location', his mix lacked one of the vital components of any marketing mix and that is channels of distribution. As Renaghan proposes it, the new mix is composed as follows:

1. The product/service mix: The combination of products and services, whether free or for sale, aimed at satisfying the needs of the target market.
2. The presentation mix : All elements used by the firm to increase the tangibility of the product/service mix in the perception of the target market at the right place and time. (Physical plant, location, atmosphere and price).
3. The communication mix : All communications between the firm and the target market that increase the tangibility of the product/service mix, that establish or monitor consumer expectation, or that persuade consumers to purchase. [22]

Although Booms and Bitner<sup>[23]</sup> have modified the marketing mix for services to include, in addition to McCarthy's model, people, process and physical evidence, it is argued that:

1. The modified marketing mix is intuitively based rather than empirically based, and that more research is needed before the elements of a revised mix can be defined more precisely.

Even then, as Borden suggests, it can only provide a guideline for action for the forces influencing an organization vary, and therefore the mix response to them.

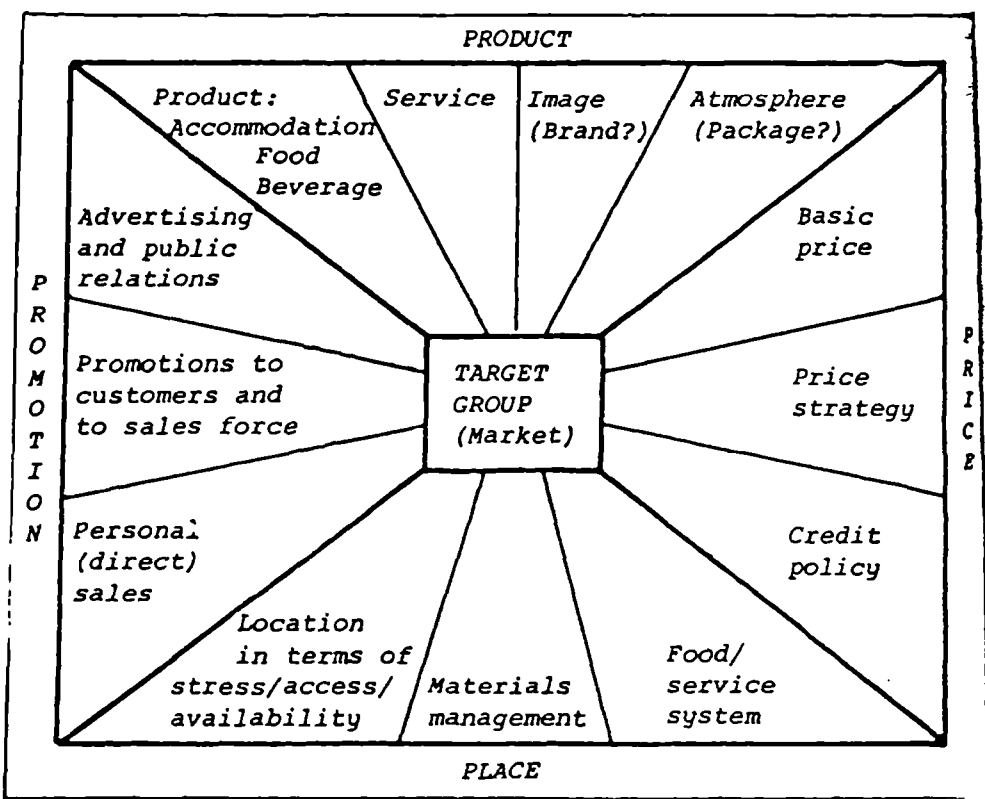
2. It may be argued that some aspects of these elements are already accommodated implicitly under the original marketing mix, particularly under the 'product' or 'offering' dimension in its augmented or peripheral sense.<sup>[24]</sup>

Allied to the above frameworks is the four-way classification popularised by McCarthy and favoured by hotel marketers such as Shepherd,<sup>[25]</sup> Doswell and Gamble<sup>[26]</sup> who base the hotel marketing mix model in Exhibit 42 on that provided earlier by Lipson and Darling using the main four elements of Product, Price, Place and Promotion. Although the model does not include channels of distribution in its composition, it is the only model developed in the literature on hospitality marketing.

Attempts to apply the conventional four P's to industries of a service nature have been successfully employed. Baker and El-Sahn<sup>[27]</sup> for example, have demonstrated how McCarthy's mix can be applied to banks, taking into consideration the characteristics of service industries as they affect the implementation of the marketing mix concept.

In the following sections, it is demonstrated how the well-established four-way classification could be applied to the hotel industry, and how its submixes could be manipulated and shaped to suit the hybrid nature of the industry in question.

Exhibit 4.2 A Model of Hotels' Marketing Mix



Source: R. Doswell and P. Gamble, Marketing & Planning Hotels and Tourism Projects, Hutchinson, 1979, p.20

## Section Two

### The Product/Service Mix\* in the Hotel Industry

#### Introduction

In business organizations, the offered product and/or service has a predominant role in the formulation of the operational and marketing strategies of the firm. This prevailing importance stems from its being the prime reason for such an enterprise to exist in the market place. It is the output upon which rests the ultimate success of the organization; however, conversely, it is also considered to be the medium through which all competition will seek to achieve an advantage over their rivals in order to maintain and hopefully improve their own position in the market or markets in which they operate.

Product decisions are regarded to be of equal relevance and importance to service organizations as much as they are to manufacturing firms, and the need for product policies and product strategies loses none of their significance in the case of services.<sup>[28]</sup> However, the notion of 'product' in the context of a service industry has been viewed as presenting a problem, mainly because of the intangible nature it assumes in such environments. It is the purpose of this section to examine the application of product/service decisions in an industry which is characterized by a hybrid nature of product/service offering, yet where the service element is precedent; namely, the hotel industry.

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\* The term Product/Service is chosen because it explicitly reflects the fact that hotel operations offer a simultaneous blend of tangible and intangible offerings.



### The Product/Service Concept

In their broadest context, most market offerings are defined to be a combination of tangible and intangible elements, and that it is whether the essence of what is being bought is tangible or intangible that determines its classification as a good or as a service.<sup>[29]</sup>

Traditionally, the term 'Product' is defined as "a set of tangible and intangible attributes which the buyer may accept as offering want-satisfaction."<sup>[30]</sup> Similar broad definitions as those proposed by Kotler,<sup>[31]</sup> Bateson<sup>[32]</sup> and Nickels<sup>[33]</sup> identify products as acquiring a set of tangible and intangible elements in their composition and denote a key idea in that consumers are buying more than a set of physical attributes. Furthermore, Levy<sup>[34]</sup> explains that people buy symbols of status as well as products, while Corey<sup>[35]</sup> and Levitt<sup>[36]</sup> succinctly state that customers buy benefits and value satisfaction that transcends, and of which, the generic product, is only a portion.

This latter view is considered of utmost importance to the marketers of services who are faced with certain problems either unique to services marketing or more pronounced than similar problems faced by goods marketers, for, as Mapel<sup>[37]</sup> and Johnson<sup>[38]</sup> discuss, this has led to the notion that in the sale of most services the strategy often develops out of motivational influences surrounding the service and is only indirectly related to the service itself.

Along a developed bipolar construct of tangible and intangible dominants, Shostack<sup>[39]</sup> explains that because of its dominant tangible entities, product marketers can take the product's reality for granted and move to considerations of price, distribution and promotion. However, she maintains that to gain

knowledge of a service element; a matter which she describes as dynamic, subjective and ephemeral, is of utmost difficulty.

Nevertheless, many of the elements which make up certain services are highly tangible. Looking upon hotel operations as an example, these would include - although not limited to - the physical plant, building interiors and decor, furniture, fixtures, equipment, meals, vehicles and service personnel.

In the same context of classifying services along their tangible and intangible elements, Thomas<sup>[40]</sup> suggests that useful management insights can be gained by dividing services into those that are primarily equipment-based and those that are primarily people based. However, considering this distinction as being too broad and simplistic for considering how consumers may perceive and evaluate services' attributes, Lovelock<sup>[41]</sup> proposes an alternative approach which recognizes that a service may vary in its emphasis on either people or equipment attributes, or both, and that the service may expand the people dimension to include other customers as well as service personnel, and on the other hand may also expand the equipment dimension to include the physical facilities where, or in which, the service is delivered.

Using Lovelock's scheme, illustrated in Exhibit 4.3, one identifies a hotel operation as being classified on a high/high categorization on both people and physical attributes. This feature provides hotel operations with an opportunity to seek and provide peripheral clues in order to demonstrate the reality of their offering and to build a case based on tangible evidence.

Exhibit 4.3 Understanding the Characteristics of the Service Product.

EXTENT TO WHICH EQUIPMENT-/FACILITY-BASED ATTRIBUTES FORM PART OF THE SERVICE PRODUCT. <sup>a</sup>	EXTENT TO WHICH PEOPLE-BASED ATTRIBUTES <sup>b</sup> FORM PART OF THE SERVICE PRODUCT		
	High	Medium	Low
HIGH	Five-star hotel Hospital	Passenger airline Car rental	Subway Retail banking (with ATMs)
MEDIUM	Dentist Live theater College education	Retail banking (with human tellers)	Freight transportation Movie theater
LOW	Corporate banking Management consulting Public accounting	Tax preparation	"Easy listening" radio <sup>c</sup>

<sup>a</sup> Could also include such other physical attributes as food and drink.

<sup>b</sup> These could be service personnel, other customers, or both.

<sup>c</sup> Equipment (a radio receiver) is needed to receive broadcasts but is not part of the service itself.

Source: Christopher Lovelock, Services Marketing, Prentice Hall, 1984, p.61.

### The Product/Service Mix in Hotel Operations

The above discussed views have based the approach which hotel marketers adopt in defining their product, and that is by dividing it into its tangible and intangible elements. For example, Doswell and Gamble<sup>[42]</sup> identify the hotel product as being an amalgam of the following:

1. Physical Products: These are normally tangible items that can be seen and touched. They have a value and are available for sale or use. Examples would include hotel guest rooms, public rooms, conference and meeting facilities, food and beverage.
2. Services: Services include intangible elements such as a cleaned, maid-serviced bedroom, serving meals, organizing for conventions and special functions, valet service, room service and baggage handling.
3. Emotional Satisfaction: This would include the image and atmosphere. "Neither image nor atmosphere can be separated from the physical aspect of the product or the service, and changes in the physical or service environment will directly lead to changes in the emotional environment."<sup>[43]</sup>

In addition to these elements, Vallen and Silby,<sup>[44]</sup> among others<sup>[45]</sup> integrate their 'sum of joint effects' and tie them with their impact on providing guests with the feeling of 'hospitality'.

Based on the assumption that product decisions are regarded as being of equal relevance and importance to service organizations as much as they are to manufacturing firms, some of the common product strategies are presented in the light of their applicability to the hotel industry.

### Product Decisions in the Hotel Industry

At the tactical or implementation level, the differences which arise between product and services marketing stem from the implications of four main characteristics which distinguish services and separate them from their product counterparts. Although it is argued that such characteristics may present different and more difficult problems in the marketing of services (e.g. pricing intangibles), on the other hand, they may also relieve the service marketer from problems associated with tangible offerings (e.g. design, packaging, physical distribution).<sup>[46]</sup> However, exceptions to the rule do often exist as in the case of hotel operations where, for example, product design is a product decision which is given a substantial amount of concern and importance. Moreover, an overlap of marketing mix decisions is, in some cases, an aspect of services marketing; for example, making the service available is often a product development as well as a distribution problem.<sup>[47]</sup> The relation between the location of profit centres within a hotel and its customer traffic provides an example of the overlap between product development and accessibility which is an aspect of service distribution.

Nevertheless, a search in the available literature reveals that hotel operations could, and do, implement many of the decisions related to the product variable of the marketing mix. Following is a discussion of the application of such decisions which relate to product design and development, the concept of packaging, choice of brand names, labels and logos, the creation of an image, product diversification and expansion, product differentiation and positioning.

### Product Design and Development

With regard to product design and development, Lewis<sup>[48]</sup> explains that although it is argued that tangible hotel products tend to have a short term cognitive and affective impact, whereas hotel services have a more long-term effect, the consumer will not buy a service no matter what its intangible attributes are unless the tangible ones have reached a minimum threshold. This, in turn, has given rise to the importance of product design decisions in hotel operations.

Traditionally, product design decisions are defined as "Encompassing all aspects of the extended product including the actual product features, packaging, brand name and associated services."<sup>[49]</sup> Wind<sup>[50]</sup> explains that these four sets of decisions are closely interrelated and should be integrated into a total system which is consistent with the product benefits desired by the target market and congruent with the firm's product positioning, by segment, and the other components of the marketing programme. Heretofore, product design is considered as one of the first product decisions which involve management prior to the conception of the product's reality, and is one which should be built upon the output and the criteria which emerges from the consideration of the market and the investment, generally known as the feasibility study.<sup>[51]</sup>

Peters<sup>[52]</sup> explains that the characteristics and requirements of the various market segments are the basis for judgement in developing design specifications and space allocations in hotel properties. He expresses the view that guests would normally fit into one of three standard categories according to their choice of hotel accommodation. He specifies these categories as follows:

1. Those who select the hotel after comparing the price and quality of competing establishments.
2. Those who use the facility largely because it is convenient, i.e. location.
3. Those who select the hotel because of particular aspects of structural design, interior decor and quality of products and services.

Accordingly, Peters provides a development and design criteria matrix, which is illustrated in Exhibit 4.4, in which he relates the requirements of potential customers by groups to the factors that will influence the final structural design, interior design and space allocations.

The literature provides examples of empirical studies involving marketing research in surveys aiming at determining the architectural aesthetic appeal of hotel properties. A section in one such study, initiated by the Inn and Restaurant Development Department of the Rouse Company in the USA,<sup>[53]</sup> involved the respondents' preference among a variety of architectural styles. Shown the pictures of seven hotels and motor inns to determine whether there exists a strong preference for low or high rise facilities, 77% of the respondents favoured one of the four low rise properties. Another question with a strong visual or aesthetic basis referred to interior perspective sketches of eight guest room layouts for which the respondents were asked to indicate a preference; a strong majority of 63% preferred a single queen-sized bed to the more common double-double of 12% or the twin arrangement with 21% preference.

Exhibit 4.4      Development and Design Criteria Matrix

GUEST REQUIREMENTS	MARKET SEGMENTS											
	COMMERCIAL-INDUSTRIAL						RECREATIONAL-PLEASURE					
	INDEPENDENT			GROUP			INDEPENDENT			GROUP		
	In-Transit	Terminal	Terminal	In-Transit	Terminal	Terminal	In-Transit	Terminal	Terminal	In-Transit	Terminal	Terminal
LOCATION												
Accessibility	X			X						X		
Parking	X	X		X				X		X		
Proximity	X	X		X				X		X		
Visibility	X			X						X		
APPEARANCE												
Decor		X						X				
Design		X						X				
Landscaping								X				
Structure		X						X				
LODGING												
Capacity				X						X		
Equipment		X		X				X		X		
Rates	X	X		X				X		X		
Room Size		X		X				X		X		
RESTAURANTS												
Capacity	X			X						X		
Diversity		X		X				X				
Function Space				X						X		
Hours of Operation	X	X		X				X		X		
OTHER GUEST SERVICES												
Laundry		X						X				
Shops		X						X				
Valet		X						X				
ENTERTAINMENT AND RECREATION FACILITIES												
Active		X						X				
Sedentary		X						X				

Source: Clarence Peters, "Pre-Opening Marketing Analysis for Hotels", The CHRAQ., May 1978, p.21.



Another major consideration governing product design in hotel operations is the physical environment in which the service is assembled and in which customer and seller interact, combined with tangible commodities that facilitate performance or communication of the service. As for goods manufacturers and distributors, the environment in which the product is produced has little impact, if any, on the customers who are often unaware of where the product comes from and how it is produced. Services, however, differ from products in that the customer is present when a service is produced and consumed, hence the potential impact of the total surroundings can sharply influence the customer's perception and behaviour.

In their article "Marketing Services by Managing the Environment", Booms and Bitner<sup>[54]</sup> draw on separate theories of services marketing and environmental psychology to suggest ways in which the physical environment may be used as a marketing tool. They state that by applying these concepts to hotel operations, the elements of a firm's environment can be used to (i) establish or reinforce an image, (ii) reposition the firm in customers' perceptions, and (iii) influence customer satisfaction or dissatisfaction with the service. To explain their view, Booms and Bitner provide an example of environmental modifications which were an important element of the overall repositioning plan where Skipper's Seafood House changed from a series of fast-food outlets to a group of casual, family-oriented seafood restaurants. Prior to the change, the environment at Skipper's (colour, signage, and decor) communicated fast food to the customer. When the shift to a dinner house image was made, interior partitions, softer seatings, natural wood textures, decorative photographs and plants were introduced and signage was changed from stark (red, white and blue) to subtle (yellow and brown). The authors also advocate the implementation of theories of environmental psychology such as

those that deal with approach and avoidance responses which Mehrabian<sup>[55]</sup> explains could influence customer attitude by denoting what type of behaviour is expected, and the theory of high-load or low-load environments which denotes key ideas about the type of establishment a customer elects to patronize. For example, Holiday Inn's newly designed guest rooms for business travellers are designed to satisfy their emotional needs for familiarity, security, relaxation, and offer facilities which do not require them to process excessive new stimuli; hence, a low-load environment is typified. On the other hand, vacation travellers would react more positively to a high-load environment, particularly if it symbolizes excitement, new experiences and change from home routine.<sup>[56]</sup>

In the same vein, Kotler<sup>[57]</sup> advocates the use of 'atmospherics' as a marketing tool, and argues that aesthetics exercise a considerable influence on the purchase decision. In the case of some retailers and service providers, Kotler explains that marketing planners should use spatial aesthetics as consciously and skilfully as they use price, advertising, personal selling and other tools of marketing. He notes that 'atmosphere' can have an effect on purchase behaviour in at least three ways: (i) it serves as an attention creating medium; (ii) a message creating medium; and (iii) an emotion creating medium.

Drawing from Kotler's view discussed above, and from Besson<sup>[58]</sup> who maintains that service marketers need to match their physical facilities to the desired impression of product and service quality, Renaghan<sup>[59]</sup> states that a hotel firm should adopt the concept of atmospherics to support its promises, "a firm promising elegance can support its promise through such atmospherics as furnishings, lighting, decor, music and space."

Other support for the application of the principles of environmental psychology appears in the works of: Campbell-Smith<sup>[60]</sup> who acknowledges that individuals react to their environment when he defined the meal experience through the five senses; Sill<sup>[61]</sup> who recommends that restaurateurs should develop a unique restaurant personality through decor to stimulate customer response; and Kroenfeld<sup>[62]</sup> who notes that restaurant planners often, through design considerations, provide cues to let diners know what behaviour is acceptable. However, these writers provide no specific suggestions that could be used to implement their ideas or to evaluate their impact.

Lambert<sup>[63]</sup> explains that such limitations are duly imposed because of the lack of integrative research that accommodates the effect of the different variables when treated as a totality. She states that while the separate effects of elements such as sound, temperature, light, colour and texture on an individual have been studied, research has not yet determined how such elements interact with one another. "If research were undertaken to determine the effect of diverse, interacting elements, the results might help to coordinate all aspects of a given environment to achieve the customer behaviour desired."<sup>[64]</sup> However, Lambert suggests that a preliminary research should be first directed at the identification of behavioural objectives of the customer before beginning the design process as these objectives influence design criteria. This last consideration was specifically elaborated upon in Heimsath's<sup>[65]</sup> article "Behavioural Architecture: Design as if People Mattered", where he explains that the marketing concept must be adhered to from the preliminary planning of hotel design. Heimsath advocates that behavioural architecture, which defines people's needs, roles and activities within a building, can provide the guidance necessary to make hospitality facilities better suited to the needs of their users, be these guests or

employees. He further explains that the best way to represent the interrelated functions of each role player is to diagram the different patterns of use exercised by the different individuals and plot their circuit in accordance with their time frame and design requirements.

Capitalizing on such a theory, Renaghan<sup>[66]</sup> argues that the location of profit centres within a hotel building is a product decision for hotel operations and is one that needs to be implemented under a marketing approach. 'Profit Centre Proximities' is a term which he uses to describe the relation between a property's profit centre and its customer traffic (e.g. restaurant, bar, coffee shop, etc). He relates the importance of such a product decision as being based on the intangibility of services, and the difficulty to communicate to customers what is being sold in a way that will entice them to buy. Renaghan builds his assumption on the following arguments:

1. Since a service must be produced close to the point of consumption, a service outlet's proximity to the customer is important. Profit centre locations should correspond with a customer's normal movements through the property.
2. Since purchase decision-making, especially in the case of services, involves the element of perceived risk, service customers seek information that allows them to reduce that level of risk. Therefore, if a customer is able to view the interior of a facility before selecting it, or given some clue as to its quality before electing to patronize it, he reduces his risk because his choice is an informed one.<sup>[67]</sup>

Heretofore, it is obvious that product design and development in service industries in general, and hotel operations in particular,

is a product decision which should be given the utmost consideration prior to the conception of the product's reality and the commitment to the investment decision. Furthermore, in order to achieve successful interface between customer and environment, much attention needs to be paid to behavioural objectives of the customer as these influence design criteria which, in turn, need also to be based on theories of environmental psychology.

Towards this end, the literature now turns to the discussion of another product decision which is generally attached to product marketing, but which has its parallel application in some service industries; the concept of packaging.

#### Packaging Hotel Services

Although the concept of packaging to service operations may appear elusive at first glance, Barker and Gimple<sup>[68]</sup> argue that on closer examination it becomes apparent that some service industries have undertaken efforts to adapt and apply it to suit their nature.

Practically, the literal meaning associated with the packaging process or activity is not applicable in the case of selling intangibles. However, in its service context, packaging is viewed as the innovations that go into the creation and grouping of several products and services and tailoring them according to the needs of different market segments.

Hertzson<sup>[69]</sup> argues that hotel operations are increasingly capitalizing on the concept of packaging as a marketing tool, the importance of which stems from the belief that packaging has proven, in some cases, to be as effective as advertising in building sales.<sup>[70]</sup>

Expressing the concept of packaging as it applies to hotel operations, Coffman<sup>[71]</sup> states that "In the world of hospitality there really isn't such a thing as a container in which we wrap up the merchandise we offer for sale, yet there is, very specifically, a job of packaging that we must do." He explains that packaging hotel services comprises the following:

1. The total concept or image the property plans to project.
2. The physical appearance of the property; interior and exterior.
3. The product mix of services within the structure designed to serve the target market or markets.
4. The tie-in with total travel, transportation, reservations, credit cards, and the promotional network through which a property merchandises its products and services.
5. The people within the hotel who provide the service are the ribbon of the package.<sup>[72]</sup>

The concept of packaging represents another overlap of marketing mix decisions in some service firms, thus, while making the service available is often a product development as well as a distribution problem, packaging hotel services overlaps between a product decision dimension and a promotional activity. For example, the concept of packaging is employed by hotel operators as a promotional tool with the objective of generating demand potential, especially in periods of low occupancy. For instance, package plans which combine room accommodation with other hotel services, e.g. meals, and which often incorporate transportation in them are becoming increasingly important in merchandising both individual and group room reservations. Whitehall<sup>[73]</sup> and Dorf<sup>[74]</sup> explain that such plans need not necessarily involve price reduction since, in many cases, from a customer's point of

view packages are more about convenience than they are about low prices. Dorf further explains that carefully designed package plans serve to make hotel operations cater for more than one market segment by fulfilling different needs and requirements accordingly. He compiles the following facts about different package plans:

1. Off-season and other low business periods (weekends, for example) can often be effectively stimulated through offering an economical package plan centred around specific area attractions and/or special programmes.
2. Holidays and special event promotions can likewise be developed through package plans, with events and activities centred around specific themes relating to the holiday.
3. Creation of new markets can be effectively started. An example is the evergrowing middle class groups who desire economically planned vacations that include hotel or resort activities and for which the costs can be budgeted in advance.

An example of a successful package plan is the winter weekend packages that were pioneered by Grand Metropolitan Hotels in co-operation with British Rail. 'Stardust Mini Holidays' aimed at developing trips from the provinces to London, with everything included under one fixed price. In its first year it was reported to have cost £1000 to promote, producing 300 bookings. However, in the 1974/75 season three-quarters of a million was spent on promotion, and the success was quoted as 'breaking all records' and bookings were expected to top the 100,000 mark.<sup>[75]</sup>

In addition to packaging their services to the individual and tour group markets, hotel operations offer similar and additional

services to the convention and meeting markets, which include the organization and provision of meeting space and facilities, audio-visual aids, secretarial services and the like.

Finally, another facet of packaging, which is only limited to large hotel chains, is the packaging of their services to franchised operations. However, one needs to note that this represents another overlap between a product decision (expansion) and a distribution decision. Packaging franchised services as a distribution dimension is further discussed in Section Three. However, as a product decision packaging hotel services include the following:

1. National identification and public image.
2. National advertising.
3. Internal promotion programmes and supplies.
4. Design of signboards and use of logo.
5. Reservation and referral system.
6. Training programmes for management and supervisory level.
7. National merchandising.<sup>[76]</sup>

#### Image Creation, Brand Names and Logos

The leading characteristic of services, intangibility, coupled with the higher level of perceived risk experienced by service buyers makes reliance on the seller's reputation, for assurance of quality, much more critical in the case of service than in the case of product marketing. This, in turn, has led Johnson<sup>[77]</sup> to emphasize the prominence of image creation in the public's perception of service organisations. Furthermore, Martineaux<sup>[78]</sup> suggests that "the primary differences between competing service companies are generally not matters of price or service as much as they are stereotyped attitudes in the public mind."



Doswell and Gamble<sup>[79]</sup> argue that as with most service organisations, building an image for a hotel property, although an abstract part of the product, is of utmost importance. They state that the image is influenced by a number of factors such as physical appearance, atmosphere, decor, level of service and clientele. However, two other factors are considered by hotel marketers as being determinant to image creation; these are: the property's name and its logo.

Nickels,<sup>[80]</sup> for example, claims that brand names in service industries are often more important than in manufacturing firms because the customer cannot physically compare between competing brands before buying. Hence, brand names like Holiday Inns, Hertz and TWA are very important for establishing a differential advantage for intangible products.

Although little research has been done on names of service firms and their effects on trade, Barker and Gimple<sup>[81]</sup> suggest that for the most part, the guidelines proposed by Collins and Shulte<sup>[82]</sup> in naming new products seem equally applicable to the naming of service firms. With regard to the ideal name these proposed guidelines are as follows:

1. It should be unique and original.
2. It should be distinctive, remindful of the service category.
3. It should be easy to remember and pronounce.
4. It should have staying power.

Greene<sup>[83]</sup> explains that with names, the concept of association and consistency with image has to be maintained as to the perception the firm tries to portray in the public's mind. For example, naming a hotel in Liverpool 'The Londoner' tends to

disassociate the hotel from the city in which it is located. Another example is naming a small seaside hotel 'The Ritz' disassociates the name from the image as the Ritz or the Plaza are names generally associated with a luxury facility. Another consideration is the pronunciation of the name and the need for it not to have any unfortunate meaning or association is especially important in the case of hotel operations whose market mix tend to be comprised of many foreign visitors speaking different languages. This, however, gives an advantage for large companies to use brand names and location together to identify their properties, e.g. London Hilton, Nile Hilton, etc., which immediately denotes a certain type and standard of the product.

Another important component of a hotel's brand image is its logo. As an element of branding, hotel operations design their logos to differentiate their properties or chains from other competing establishments. It is a symbol which attaches itself to the image and brings the product immediately to mind.

A survey conducted by the Cornell Hotel and Restaurant Administration Quarterly<sup>[84]</sup> revealed that hotel properties were found to have spent a considerable amount of investment, up to \$30,000 on designing their logos which they put to a myriad of uses ranging from stationery to signs on buildings in order to help forge a strong corporate identity. An example of hotel logos is Travel Lodge's night-shirted sleepy-eyed bear which, according to R. Beck,<sup>[85]</sup> Travel Lodge's representative, is a character symbolic of rest and sleep.

Yesawich<sup>[96]</sup> explains that the design principle of hotel logos is supported by a well-established principle of the psychology of learning; "It is easier to recognise a stimulus

than to recall it. Thus, a marketing approach characterized by consistency (in using logos) is more likely to evoke repeated recognition on the part of the consumer than one that does not."

Levitt<sup>[87]</sup> suggests that when prospective customers cannot properly try the promised product in advance, metaphorical reassurances become the amplified necessity of the marketing effort. "Metaphors and similies become surrogates for the tangibility that cannot be provided and experienced in advance." Capitalizing on such a theory, perceptive hoteliers accompany their logos by slogans to reinforce the image they seek to typify. 'From the Radisson Collection' for example, is a slogan which is thought to have an impact than the use of the word 'chain', and 'Sheraton tastes different' is a slogan which aims to convey a message of unique and differentiated properties.

#### Product Diversification and Expansion

The use of hotel logos and their accompanying slogans is also applied where hotel companies seek to change their image or seek product diversification. For example, Livingston<sup>[88]</sup> reports that the Dunfey logo has undergone many changes over the past decade where the words 'family' and 'motor inns' were eliminated to reflect the firm's expansion from a regional, family owned operations of motor inns to an international company operating convention, airport and classic hotels. Another example of such a policy is provided by Gay<sup>[89]</sup> who explains that in its effort to increase its market share of business travel, Hilton Hotels of America added the slogan "America's business address" which suffuses all of its advertising save that directed to the leisure market.

Allied to building new properties and selling franchises, hotel operations expand and diversify their markets either through

acquisition or through the introduction of new services and facilities which, in some cases, require a change in public image.

Although Thomas<sup>[90]</sup> argues that growing through acquisition in service businesses is a risky proposition, especially as one moves down the spectrum toward people-based businesses because people and their skills are the major purchase item, Dunfey hotels based its diversification strategy on the acquisition of ageing, sick hotels and returning them to profitability, and although the company runs a chain of unlikely properties regarding type and category, it has been reported that the Dunfey is a success story on top of another and that the chain has become one of the fastest growing chains in the United States.<sup>[91]</sup>

A review of the available literature provides examples of hotels' product expansion decisions based on the offering of new services and facilities to existing and new customers. As part of a plan to attract more of the upscale business traveller, Marriott hotels introduce business customers to two new services: The Marquis Club and the Concierge level where guests who have stayed five times at a Marriott property are eligible for membership. Amenities include larger comfortable guest rooms, pre-registration, express checkout service, access to private lounge area equipped with colour television, current periodicals and an honour bar.<sup>[92]</sup>

Business Week<sup>[93]</sup> reports that Holiday Inns went further in its product diversification and expansion to reach the growing market of high level executives by starting to build, in 1983, 8 Crown Plaza hotels in the United States which would feature more luxurious rooms, finer dining and extra services than the more modest ones at conventional Holiday Inn properties.

Although Pillsbury,<sup>[94]</sup> a Holiday Inn executive, argues that such a change in image is very difficult since Holiday Inns have been tied in the United States with a reputation as a provider of 'middle of the road' hotel properties; a reputation which he postulates could have a negative effect among frequent business travellers, professionals and senior executives, the company feels it had laid the ground work for that upward step and installed a programme to upgrade its existing properties which caused 49 poor quality franchised inns to lose their signs in 1982.

#### Product Differentiation and Positioning

As service marketers became more conversant with marketing strategies, they borrowed another concept from product marketers; positioning, which denotes the practice of differentiating the product or the service and promoting it in such a well-orchestrated, consistent way that it takes on a distinctive personality in the mind of the consumer.<sup>[95]</sup>

Lovelock<sup>[96]</sup> states that many of the attributes of a consumer good are readily apparent prior to purchase or use, which makes it easier to understand the nature of the product and compare it with competing products and predict its performance in advance; however, due to services intangibility, such assessments are harder to ascertain. Hence, because of the intangible experiential nature of services, "an explicit positioning strategy is valuable in helping prospective customers get a 'mental fix' on the service that would otherwise be rather amorphous."

Furthermore, Lovelock explains that the importance of positioning a service in the market place arises when competition intensifies in the subject service sector - reflecting factors

such as the reduction of governmental regulation, the advent of new technologies, the breakdown of traditional product-market boundaries and the absorption of independent units by large chains.

The effect of increased competition might be considered as the main factor which assigns positioning its pivotal role in marketing strategy, for when a potential buyer is presented with several alternative courses of buying action, his decision regarding the selection of the most suitable one becomes even more perplexing in the case of services than in that of physical products.

Levitt<sup>[97]</sup> discusses the importance of differentiation when selling seemingly identical products. He argues that when the generic product is undifferentiated, the offered product makes the difference in getting customers, and the delivered product in keeping and retaining them.

McSweany<sup>[98]</sup> and Yesawich<sup>[99]</sup> among others, argue that most services are undifferentiated and that there is little innovation and a great deal of imitation in service offerings due to their ease of duplication. Consequently, consumers cannot draw clear distinctions among competitive offerings. Hence, to retain a position in the current competitive environment a great deal of attention and effort needs to be designated to positioning the service offered in order to project it out of what might be termed as 'The Uniformity Syndrome'.

Maas<sup>[100]</sup> explains that with the expansion of mass tourism and travel in many countries, the demand for hotel accommodation and other touristic facilities has risen accordingly. This mass production concept has marked these facilities by a high

degree of 'sameness' in architecture, facilities, standards of service, quality of offering and promotional activities, and that only few properties reflect any attempt at unique differentiation or positioning. In the same vein, Yesawich<sup>[101]</sup> makes the claim that lodging establishments must become 'competition oriented' to be successful in the 80's by saying "Knowing what your guest wants is of little value if five of your competitors are already serving his needs."

In projecting hotel positioning Sill<sup>[102]</sup> suggests establishing an explicit statement of the type of operation management wishes to present to customers, while Tissian<sup>[103]</sup> states that the results of identifying the companies' strengths, weaknesses and opportunities, the SWOT approach discussed in the previous chapter, form the basis for articulating the form of a positioning statement which reflect and communicate to the market a precise definition of the property.

Lewis,<sup>[104]</sup> however, has a different view. To him, these two efforts may as easily lead to a positioning in accordance with the image that management wants or thinks it projects, rather than one that differentiates it from the competition along the needs and wants of the target market. "In order to reflect positively an attitudinal disposition, positioning a product or a service along benefit dimensions forms the basis of the development of a more effective strategy."

Along the same dimension, Lovelock<sup>[105]</sup> explains that positioning a service operation entails decisions on substantive attributes that are known to be important to customers and that relate to product performance, price and service availability.

Lewis<sup>[106]</sup> combines a conceptual structure of consumer utilities for services (developed by Lovelock and in which he represented a gross taxonomy of benefits from the consumer's viewpoint), and the elements of hospitality marketing mix (proposed by Renaghan), together in a benefit matrix which could be used in determining the characteristics of various benefit segments. He suggests that hotel marketers could complete the matrix presented in Exhibit 4.5 in terms of the properties' benefits and management's capabilities and the market's perception of the property. The exhibit abstracts some of the elements which such a matrix might contain and which, as Lewis maintains, could be utilized and adapted to identify the tangible clues that make credible the intangible benefits to the desired market segment.

Furthermore, in view of the heterogeneous nature of most markets, Wind<sup>[107]</sup> explains that the value of positioning is enhanced when the positioning is coupled with an appropriate market segmentation strategy. He bases his view on the assumption that differences exist among market segments and hence a comprehensive analysis and subsequent strategy would require positioning by segments and not just a single positioning for the total market. Applied to hotel positioning, such amalgam is emphasized by Lewis<sup>[108]</sup> and Varja<sup>[109]</sup> among others, especially where several properties are in direct competition for the same subsegments and where they offer essentially the same services and amenities to guests.

Although it is argued that it is becoming difficult to develop successful positioning simply because the strategies already developed by chain affiliated and strong independent properties have almost covered every option,<sup>[110]</sup> Barret<sup>[111]</sup> explains that one of the most successful strategies hoteliers



Exhibit 4.5      Hotel Benefit Matrix

<b>Utility</b>	<b>(1) Product-Service</b>	<b>(2) Presentation</b>	<b>(3) Communications</b>
<b>FORM</b>	Food, room, pool, beach, lounge, room service, bed; performance	Physical plant (interior and exterior), employees, tangible presentations	Product-service; tangible attachments, tangible aspects of use and performance
<b>PLACE</b>	Convenience, ease of use, ease of buying, facilities, reservations	Location; nearby attractions such as business, shopping, arts; availability	Where available, where can be used, use- and performance-related aspects
<b>TIME</b>	Convenient times; when needed, wanted or desired.	Pleasant use of time, time-saving, service level, seasonal aspects	When available, when can be used, use- and performance-related aspects.
<b>PSYCHIC</b>	Good feeling, social approval, prestige, reassurance, personal service, satisfaction, rest and relaxation.	"Atmospherics": light, sound, space, smell; accoutrements	Tangible attachments to intangibles, dissonance reduction, nature of guests, prestige address, satisfied guests.
<b>MONETARY</b>	Cost, fair value, save money, how much.	Price-value relation, easy payment, psychological effect, quality.	Value perception, quality connotation, risk reduction.

Source: Robert C. Lewis, "The Positioning Statement for Hotels", The CHRAQ, May 1981, p.56.

could employ is to return to the 'mine host' atmosphere, "back to the gracious, genteel tradition where the buyer is spoilt by service and courteousness", and by the provision of extra services which many customers anticipate. However, Yesawich<sup>[112]</sup> argues that product/service differentiation strategies which emphasize the differences between competitive establishments may be appropriate where prospective guests can perceive a discernible difference, whether real or manufactured, between one property and another. However, he points out that a differentiation strategy based on relatively elusive qualities (quality of service, or what Barret proposes) runs a higher risk of failure than one based on tangible differences like location.

The result of hoteliers burgeoning awareness of the mechanics of positioning has been the projection of a more streamlined image of lodging properties in their marketing efforts. For example, a resort is defined as a golf resort, a tennis resort, a health resort, a family type or singles' resort, and all elements of promotional efforts, including text and photographs, are carefully selected to achieve the desired positioning. "The positioning phenomenon has produced a diversity of accommodation facilities and services and has engendered a unique competitive environment."<sup>[113]</sup>

With the discussion of the multitude of product decisions presented in the review, the literature now turns to examine the application of pricing decisions in service industries with special elaboration on their implementation in the hotel industry.

### Section Three

#### Price's Marketing Dimension in the Hotel Industry

##### Introduction

Generally, the theory of price has received a great deal of attention from economists. The concentration of energy and effort in this field may be attributed to historical and technical factors, for when economics first developed as a systematic theory, the characteristics of the economy ensured that the major variable differentiating competitive offerings was price. Moreover, owing to the difficulty of measuring qualitative changes, price was viewed as having more tractable properties than other elements which are less capable of direct and objective assessment.<sup>[114]</sup>

Nevertheless, as the marketing concept developed and as methods of using non-price competition have evolved, price volatility was not affected and it was further regarded as an element which cannot be managed in isolation and which needs to be a part of an integrated mix of appeals put together by the marketer to win the patronage of his target markets.<sup>[115]</sup>

In essence, the evolution of modern marketing has capitalized on the use of price as a marketing tool which plays an important role in the achievement of a firm's objectives and its overall success.

Through discussing the extent of applying traditional pricing decisions and policies to service industries, this section seeks to examine how hotel operations are implementing the different pricing policies, not only as a financial decision, but by also viewing it as a marketing dimension.

### Implications of Services' Characteristics on Price as a Marketing Mix Variable

One simple proposed way of assigning a role to price in the marketing mix is to consider it essentially as a balancing device where a firm would weigh the perceived non-price benefits embodied in its offering and contrast them with those offered by individual competitors, and depending on the outcome, the firm would charge a lower price if the comparison is unfavourable or a higher price if it is favourable.<sup>[116]</sup> However, Oxenfeldt and Kelly<sup>[117]</sup> explain that the problem with this approach where price becomes a mean of compensating deficiencies or surpluses is that price will be asked to substitute deficiencies which it is not equipped to handle, such as deficiencies in service quality and availability. The writers suggest that it is better to study the interrelationships among price and the other elements of the marketing mix and emphasize the search for marketing programmes that would reinforce and achieve synergism in their effects.

However, the role of price is believed to have a varying impact on a firm's total marketing effort. Ranging from a neutral to an active role, with moderation in between, Harper<sup>[118]</sup> explains that the extent of the importance of price will in general depend on the industry in question, the characteristics of consumers regarding their attitude and awareness of price and the degree of feasibility of using other marketing devices. In the same context Rathmell<sup>[119]</sup> adds that price plays an important role in the marketing decisions of organisations which are only subject to regulations of the market place, and a lesser role in those which are subject to informal self regulation and public regulation respectively.

Probably less is known about the use of price as a strategic weapon in service businesses than about any of the other strategic

variables.<sup>[120]</sup> Nevertheless, evidence in support of the importance and applicability of pricing issues to service firms is to be found in the literature on services marketing. Moreover, because of the unique characteristics of services, their pricing is considered to be an interesting case in marketing.<sup>[121]</sup>

Intangibility, the overriding service characteristic and from which other characteristics are derived, has a strong impact on the pricing of services where assigning monetary values to abstract ideas and performances is an intriguing and most creative activity.

While virtually all manufacturing companies have ways of determining their product's cost per unit at various volumes, and where part of their competitive strategies is to become the low-cost producer, in service businesses it is often difficult to determine what a unit of a given service is, much less its costs. Furthermore, the deeper the involvement of the human factor, and in some cases, the labour intensiveness of service operations has led Thomas<sup>[122]</sup> to believe that, in general, it is easier to determine costs in equipment-based service businesses than in others which are people-based and thus more complex to analyze. He thus maintains that until the theorists and practitioners who work with human-resource accounting refine the art sufficiently, it will be difficult to determine the cost of people-based services on anything but an aggregate basis; "The pricing of services is thus based on value rather than on cost. Value is generally determined by the customer and to some extent by competition." Within this framework, Thomas claims that service customers tend to get a 'feel' for what they will have to pay for a particular service, but since the source of this feel is often unclear, and because comparison shopping is often difficult, these customers will pay whatever they think the service is worth.

Tied to this perception is a common feature which attaches itself to service pricing and that is the perceived image of service quality as being a function of price.

In their article 'Price as an Indicator of Quality', Gabor and Grainger<sup>[123]</sup> stress the fact that price serves as an indicator of quality with far greater frequency than is generally believed. Oxenfeldt<sup>[124]</sup> shares the same view by maintaining that customers forecast the benefit to be attained from a product as much by price as by any other cues available to them. There is no reason to believe that such a theory does not apply to services as much as it applies to products; furthermore, because of the intangibility of the service offerings, relating quality or level of performance to price might be a more common perception than in the case of physical goods.

Leavitt,<sup>[125]</sup> for example, advocates that consumers may rely on price where there is uncertainty in the purchase, as in the case of services where the buyer experiences a higher degree of perceived risk. Tull et al.<sup>[126]</sup> explain that the same concept applies in such cases where doubts are felt in low priced offerings.

Finally, the work of Shapiro<sup>[127]</sup> identifies four features which explain the relation between price and perceived quality:

1. Ease of measurement: Price is concrete and gives confidence that people trust.
2. Effort and satisfaction: Consumer satisfaction depends in part on the effort expended to get it. Money is the reward for effort and therefore price measures effort.

3. Snob Appeal: Some goods may be valued because they are expensive. A high price may indicate scarcity and therefore individuality.
  
4. Risk: The consumer compares between the alternatives of buying cheap to save money yet getting an adequate product, or paying a higher price and getting the right offering.

Generally, most services are described as being time-bound. The inability of storing services and their absence of inventory which account for their perishability, coupled with the fact that, in many cases, services are characterized by considerable fluctuation in demand levels affect the way in which many services set their price mechanisms.

Perhaps the greatest impact of such considerations is apparent in Nickel's<sup>[128]</sup> view which holds that, as a policy, flexible pricing lends itself more to the marketing of services than to the marketing of goods. Rathmell,<sup>[129]</sup> however, argues that it is particularly difficult to reconcile the characteristics of variable pricing with the service sector, yet he states that the variety of settings and considerations in the service sector argues strongly against any general treatment of service pricing and exceptions would far outnumber the rule, as in the case of financial institutions that lend funds at varying rates based in part on competitive conditions and in part on the degree of risk involved.

Along with variable pricing, Rathmell attempts to fit traditional pricing policies into the service sector. He explains that single price to all applies in services such as higher education where regardless of age, sex, income or other characteristics a semester at college costs the same to all

students. Other services such as hairdressing and drycleaning follow the same rule. One price to all under given conditions is to be found in the four service categories which are subject to public regulation of prices, i.e. communication, transportation, utilities and financial services. Telephone calls, bus fares, electricity and interest rates are respective examples.<sup>[130]</sup>

### Pricing Practices in Service Industries

In spite of all the differences which separate and distinguish services from their product counterparts, the basic methods of price determination used by service organisations are equivalent to those applied by manufacturing firms.

The area of conventional marketing identifies two broad classifications of pricing methods: cost-oriented and market-oriented techniques, where the latter contains both demand and competitive components while the former makes wide use of formulae and standards that account for variable and fixed costs. Following is a review of the criticism directed towards the application of such methods in service organisations, while special reference is made to determine their applicability to hotel operations.

### Cost-Plus Pricing

Cost-plus pricing, C.P.P., is one of the traditional pricing policies implemented by service industries where prices are normally set to cover total costs and provide a pre-determined mark up. Although Stanton<sup>[131]</sup> indicates the usefulness of this approach in setting prices for regulated services, it has been met with much criticism in its application to other realms in the service sector.



In addition to the difficulty encountered in determining the cost of a unit of service, Rogers<sup>[132]</sup> explains that one of the most significant disadvantages of the implementation of C.P.P. in service firms is that it fails to give sufficient attention to demand and the amount that consumers might be willing to pay for the service in question. However, if the percentage mark up is adjusted continually to allow for demand variations it could be argued that this objection to C.P.P. is not relevant. Nevertheless, she reports that it appears that the percentage mark up is rarely finely adjusted to correspond with estimated demand variations.

Kotler<sup>[133]</sup> expresses this disadvantage by stating that "Any model that ignores current demand elasticity in setting prices is not likely to lead, except by chance, to the achievement of maximum profits, either in the long or short run."

Another objection to C.P.P. is that it fails to take into account the nature and extent of competition. This view is reinforced by Cymax<sup>[134]</sup> who criticizes the method as a conventional policy which does not take demand variations and competitive strategies into its assessment. However, he adds that if costs and demand are uniform, this technique may lead to profit maximization as long as costs and the elasticity of demand remain constant. It could be argued though, that these conditions may not be met since it is unlikely for service industries that elasticity could remain constant over several points on the demand curve.

In many industries, rules of thumb methods based on a cost-plus approach tend to be developed. In the hotel industry, one such method is the £1 per £1000 approach to room pricing. The basis for this approach is that since the greatest cost in a

hotel property is the investment in the physical plant, which generally account for 76 - 86% of total investment, it was argued that there should be a fairly direct relationship between the cost of the building and the room rate to be charged. From this, Coltman<sup>[135]</sup> explains the development of the rule of thumb that for each £1000 in building cost, £1 of room rate should be charged.

However, this rule of thumb was developed under certain circumstances and assumptions where the hotel must be a relatively large operation with several hundred rooms; that there is sufficient rent from shops and other concessions in the building; that other departments are contributing a profit to the overall operation; that the house profit is 55% of sales; and that the average year round room occupancy is 70%. With these quite specific assumptions, Coltman argues that the £1 per £1000 rule does not prove flexible for all types of operations, under all circumstances. Another criticism for the proposed rule of thumb is that it ties room rates to historical construction costs thus ignoring current costs, which also includes current financing costs hence allowing for limited comparison and puts newly constructed hotels at a serious disadvantage. Furthermore, the absorption approach of tying room rates to construction costs inevitably involve room guests unwittingly subsidizing other guests who only patronize other sales outlets of the hotel property, e.g. restaurant and bar clients.<sup>[136]</sup>

In addition to the above views, the previous points in the critique of C.P.P. are obviously relevant to the application of the £1 per £1000 rule of thumb in pricing hotel accommodation, hence in order to achieve its ultimate marketing objectives, other methods of pricing should be investigated by the organization in order to employ the most promising among them.

### Rate of Return Pricing

The rate of return method of pricing decisions is another technique which is applicable to service industries. It is a method which specifically emphasizes that profitability in the form of a specified return on capital employed is a major objective and is the main starting point for price determination.

Kotas<sup>[137]</sup> explains that this method is neither cost-oriented nor market-oriented and that its main function is to ensure the right relationship between capital and net profit.

On the other hand, Coltman<sup>[138]</sup> explains that the rate of return method assumes that profit is a cost of doing business, and since profit calculation is its primary step, it places it on the cost-oriented side of the spectrum.

This form of pricing has developed under different names in the hotel industry. While Coltman defines it as 'The bottom-up approach to pricing', it is popularly known as the 'Hubbart Formula' developed for the American Hotel and Motel Association.

Rogers<sup>[139]</sup> holds that this form of pricing does not remove the arbitrary element in setting the profit mark up percentage, and that demand is largely ignored which makes most of the criticism previously levelled at cost-plus pricing equally relevant; "No sales forecast can estimate the level of demand without taking price into consideration, yet in the Hubbart formula a sales forecast is necessary in order to determine price. This obviously involves a circular interdependence between occupancy and price level ... It would only be a suitable technique if demand was entirely non-responsive to price - a highly non-realistic assumption for most hotels."

Objections to the rate of return pricing may be summarized as follows:

1. Mayo<sup>[140]</sup> explains that no attention is paid to demand. The price is assumed to generate the revenue. This is considered the basic fault of the Hubbart formula, where a projected future occupancy is combined with desired profits and incurred costs to produce a required room rate.
2. Sumner<sup>[141]</sup> adds that the method also ignores the extent of sales instability.
3. Kotas<sup>[142]</sup> states that the method ignores the effects of competition and the need to revise prices continuously.
4. Abraben<sup>[143]</sup> argues that the method of calculating the expected return on investment may be suspect, for it uses an estimate of sales volume to calculate the price whereas it is the price which determines sales volume.

#### Backward Pricing

Another pricing policy which is based on a cost-oriented approach and which is used by some hotel operations, on a very limited scale, is backward pricing. Sumner<sup>[144]</sup> explains that this method involves revising the normal procedure of moving from costs to price and commencing with a predetermined price, and by working backwards ensures that all costs are kept within percentage limits of selling price, thus adjusting the product/service quality and/or design. Perhaps the most famous example of backward pricing is apparent in Henry Ford's operating philosophy, "We first reduce the price where we believe more sales will result ... We do not bother about the costs ... the

new price forces the costs down."<sup>[145]</sup> If this philosophy has worked well for Ford, its application is only suitable for some service type industries where the elements of services can be fairly easily adjusted to accommodate design and/or development changes in the generic offering.

Nolin<sup>[146]</sup> advises against the implementation of such a policy in all sub-segments of the hospitality industry. He explains his view by stating that, "Desperate, inspired cut backs, whether constant or sporadic are short cuts to ruin ... by curtailing services and thinning down on operations ... This is what the guest remembers, not the low room rates ... but the poor service, the small portions and the lack of personal attention."

However, in a study on hotel pricing,<sup>[147]</sup> it was reported that recent inflation and labour problems have caused many hotel establishments to resort to backward pricing in order to maintain profit margins. However, the report indicated that hotel establishments did not use backward pricing as a strategy but as an exercise in cost control, presumably because of the lack of marketing awareness especially among smaller establishments.

#### Market-Oriented Pricing

The two main approaches discussed so far as to price fixing are homogeneous in the way their mechanisms fail to allow for fluctuations in demand levels which is a determinant characteristic of service industries and whose implication dictates the use of price as a marketing tool to manipulate demand potential and level out its variation in order to actualize a balance that will achieve the use of optimum capacity.

Lovelock,<sup>[148]</sup> however, argues that although price is the most common advocated method of balancing supply and demand, it is not quite universally feasible for services as for goods. In the same vein, Rathmell<sup>[149]</sup> states that demand characteristics play a lesser role than costs in the determination of services pricing and that demand components are relatively less significant in the pricing of services relative to the pricing of goods. Rathmell identifies a number of characteristics of services which justify the price-setter's tendency to de-emphasize the significance of demand in some services.

1. Prices which must be authorized by regulatory bodies cannot be influenced directly by the buyer. However, his pricing interests are taken into consideration by the regulator.
2. When negotiating with the provider of professional services, there is reluctance on the part of most consumers to display price sensitivity because of the perception of the professional/layman relationship.
3. Because most services are invisible and non-standardized, meaningful price comparisons are difficult to make. However, there are certain situations in which the recognition of price sensitivity occurs: examples are motels and car rental industries.
4. For many services, there is no substitute for the less expensive service if the customer finds the price is too high. Instead, the consumer can postpone the purchase or adopt a do-it-yourself approach.

5. Demand of a crisis nature, such as need for automobile repairs en route, problems requiring legal advice, are not subject to postponement and are price insensitive.
6. Services such as education, recreation, and autistic activities serve higher-level needs, and it could be argued that consumers are less likely to be price sensitive at this level.
7. There appears to be a lower propensity to shop or bargain for attractive prices in the service sector. Today, however, a major tenet of consumerism is to stress the importance of shopping for such services as insurance, housing repairs and education opportunities.<sup>[150]</sup>

On the other hand, a counter argument against Rathmell's view could be advocated as follows:

1. In pricing regulated services; communication, transportation, utilities and financial services, regulatory bodies do not de-emphasise the significance of demand. Day/evening telephone charges, peak hours vs non-peak hours train tickets and day/night electricity charges are examples.
2. Rathmell's second argument does not accommodate demand variations neither explicitly nor implicitly.
3. Rathmell's view provided for the counter argument.
4. If there is no substitute for the high priced service and the customer adopts a do-it-yourself approach, the service provider loses a potential customer.

5. Demand of a crisis nature is only temporary and the argument cannot be passed as a rule.
6. There is no evidence that those seeking education are price-insensitive. The development of private universities, state universities and community colleges in the United States provides an example which stands against such argument.
7. The counter argument is provided for in Rathmell's assumption.

Lovelock<sup>[151]</sup> explains that for price to be effective as a demand management tool, the marketing manager must anticipate the shape and slope of the demand curve for the product at a particular point in time. He provides a number of hypothetical examples to explain that:

1. The aggregate demand curve for a specific service is likely to vary sharply from one period to another. In such a case, significantly different prices would be needed to fill excess capacity in each time period.
2. There may be separate demand curves for different segments within each time period, reflecting variations between various customer groupings in the need for a service or in the ability to pay for it.

Lovelock further explains that many service businesses explicitly recognize the existence of different demand curves for different segments during the same period of time and that by managing the customer mix the objective of maximizing revenues received from each segment could be achieved. In doing so he



explains that various usage conditions may be set to discourage customers willing to pay 'top-of-the-line' prices from trading down to less expensive versions of the product. Airlines, for instance, may insist that excursion tickets be purchased 21 days in advance and that the passenger remains at the destination for at least one week before returning. Hence, an important task for service marketers is to develop a framework for establishing pricing policy and capacity allocation decisions by both value category or customer mix and time period. Exhibit 4.6 is provided to show a hypothetical example developed by Lovelock and further adapted to illustrate its applicability to hotel operations. Containing three types of business mix and three time periods, the matrix formulates nine cells, the size of each reflects the percentage of total capacity allocated to it over the duration of the product/service-demand cycle.

The hotel industry proves to be an area of application for various pricing mechanisms which accommodate demand variation. Such policies involve the application of differential and variable pricing policies which mainly govern the following:

- Peak-season vs low-season rates.
- Weekdays vs weekend rates.
- Commercial and quantity discounts to: Travel agents,  
Convention and meeting groups,  
Airline crews.
- Day rates: where the use of the room during the day only is allowed for a special rate.
- Double occupancy rate: where the price of a double room, or double-occupancy is substantially lower than the rate charged for two separate singles.

Exhibit 4.6

Developing a Pricing Matrix

Allocating Capacity over Time by

Product-Value Category

(Hypothetical Example)

		100%	Peak	Shoulder	Off peak	
Transit Guests	Percent of capacity allocated to different product value categories	Top of the line	30%	20%	20%	
Business & Pleasure travel, with res- ervation		Standard	60%	50%	30%	
					50%	
Airline crews/ Group tours		Budget		30%		
			10%			
				30%	20%	50%

Percent of capacity allocated to different time periods within the product demand cycle

Source: Christopher Lovelock, Services Marketing 1984, p 288

Differential pricing occurs where different prices are charged in different markets. Silbertson<sup>[152]</sup> points out that price discrimination is used to increase profits substantially by levying prices that reflect different consumer preferences and categories. For price discrimination to be effective, he identifies two conditions which have to be met. Firstly, buyers must be separated on a personal, group, geographical or time dimensional basis so that the exchange of information becomes difficult, and secondly, resale of the product or service must not be always feasible.

Towards this end, Coffman<sup>[153]</sup> explains that one should accept that every hotel operation has many markets, or at least several, and that pricing the product according to the individual market is a recommended tactic. Examples of the application of differential pricing to room accommodation are the rack rate charged to individual reservations and walk-ins, discounts which are given to airline crews who reserve a number of rooms on a yearly basis or what is called in hotel terminology, 'back to back', and discounts which are given to group reservations.

Variable pricing is also a policy exercised in pricing hotel accommodation according to demand levels. Hotel operations employ seasonal pricing which Rogers<sup>[154]</sup> classifies into 3 main areas: normal season where the ordinary rack rate is charged, high season where price is inelastic and where optimum capacity is achieved, and low season where price reduction is exercised as a promotional tool to attract demand potential. The same policy applies during the different days of the week where week-day rates and weekend rates are substituted interchangeably. However, such policies are most apparent in resort operations where management tries to generate demand during the off-season if the price of operating at a low occupancy is less than that of closing down and re-opening.<sup>[155]</sup>

Rate cutting, however, is a pricing strategy which has its controversial points of view on part of hotel marketers.

Fitzpatrick,<sup>[156]</sup> among others, explains that when a firm has considerable idle capacity it may quote a price that will cover all variable costs but only a portion of the fixed costs where the difference between sales revenue and variable costs contributes to the payment of fixed costs, even though it will not cover its proportional share. However, it is noted that this is strictly a short-run procedure which is undertaken only when the sale could not have been made at all. Thus, while no attempt is made to cover total costs as with cost-plus pricing, this method of 'contribution' pricing allows for more flexibility where the demand is too low to charge a full price.

Rogers<sup>[157]</sup> reports that this approach is followed by some hotels. However, due to the lack of managerial expertise in many small establishments regarding the inability to measure and separate total costs into their fixed and variable components, larger properties were at an advantage in employing the technique.

On the other hand, Hertzson<sup>[158]</sup> notes that one of the disadvantages associated with rate cutting is the effect it might have on the type of business mix management wishes to maintain and the impact such a change might have on the image of the establishment in the public's mind.

Nolin<sup>[159]</sup> argues that one of the dangers of rate cutting would appear if competition would act accordingly and lower its prices in order to win any lost business, and that when everybody's prices are levelled, the distribution will probably return to what it was before the price war; however, with lower profit margins.

In the same vein Sweger<sup>[160]</sup> maintains his criticism of such a policy by stating that "rate cutting is at best a suicidal effort to stay afloat." He explains that any such decision could be regarded as a proper promotional tool and a merchandising concept only when it conforms to the principles of sound economics.

Finally, rate cutting is believed to affect the total marketing policy of an operation in terms of increased promotional efforts that will aim at attracting the extra business. However, it is also argued that this extra business, at lower rates, might eventually yield the same level of sales and profits.<sup>[161]</sup>

This has led one of the major accounting firms in the hospitality field to propose a chart entitled "The Price of Rate Cutting",<sup>[162]</sup> which calculates the amount of additional occupancy that is required to make up the revenue that is lost by rate cuts of different sizes. Exhibit 4.7 which shows the chart indicates that, for example, if a hotel had an occupancy of 72% and it decided to reduce room rates by only 5%, it would have to achieve an occupancy of 77.1% to maintain its same level of performance before it executed the decision; however, with no extra revenues achieved at that point in time.

From the above review, it could be concluded that hotel operations, anticipating fluctuation in demand levels, capitalize on the marketing dimension of price and employ it as a marketing tool by implementing market-oriented pricing techniques such as differential and variable pricing which accommodate considerations for both the different market segments and demand variations. Furthermore, the mechanism of rate cutting is also exercised, however, as a strictly short-run procedure that is governed by certain limitations.

Exhibit 4.7:            The Price of Rate-Cutting

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<b>The Price of Rate-Cutting</b>					
Reduction in Present Rate					
Present	5%	10%	15%	20%	25%
<u>Occupancy</u>	<u>Occupancy required to make up for Reduction</u>				
76%	81.4%	87.7%	95.0%	103.6%	114.0%
74	79.3	85.4	92.5	100.9	111.0
72	77.1	83.1	90.0	98.2	108.0
70	75.0	80.8	87.5	95.5	105.0
68	72.9	78.5	85.0	92.7	102.0
66	70.7	76.2	82.5	90.0	99.0
64	68.6	73.8	80.0	87.3	96.0
62	66.4	71.5	77.5	84.5	93.0
60	64.3	69.2	75.0	81.8	90.0
58	62.1	66.9	72.5	79.1	87.0
56	60.0	64.6	70.0	76.4	84.0
54	57.9	62.3	67.5	73.6	81.0
52	55.7	60.0	65.0	70.9	89.0
50	53.6	57.7	62.5	68.2	75.0

(Based on cost of operating additional occupied rooms  
equal to 25% of present rate)

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Source:    Horwath and Horwath, "The Price of Rate Cutting",  
Hotel Sales Management Association Digest,  
1966, p.244.

### Towards a Rational Approach for Hotel Pricing

Through examining the multitude of pricing policies that are applied in the hotel industry it seems that not all techniques are applicable to all situations, and that price flexibility is necessary in order to balance between the complexities of covering costs, achieving a satisfactory return on investment while retaining customer satisfaction and escaping price resistance.

With purposeful pricing being described by Kotas<sup>[163]</sup> as a complex problem, he explains that pricing situations of hotel accommodation has a number of dimensions which must be taken into consideration in evolving a rational approach to pricing for a particular establishment and advocates that there must always be shifts of emphasis from one dimension to another depending on the totality of the pricing situation.

A review of the relevant literature identifies the following dimensions.

1. Objectives of the operation over the different phases of the product life cycle

A major factor governing a firm's price policies is its marketing goals and objectives to which pricing contributes its share in attainment. Although it is generally accepted that the maintenance of maximum long-run profitability is the main objective of a business enterprise or any trading organisation irrespective of the product or service in which it deals or of the market in which it operates, Baker<sup>[164]</sup> explains that with the advent of the professionally managed firm it is also widely accepted that there are other corporate missions besides the maximization of profit.

Similarly, Shepherd<sup>[165]</sup> notes that the objectives of the firm might fall into one or more of the following: (i) to maximise profits; (ii) to achieve a target ROI; (iii) to stabilize prices and build up goodwill; (iv) make it difficult for competition to enter the market; and (v) to increase or maintain market share.

Furthermore, whatever the marketing objectives of a firm are at a particular point in time, these are subject to change and continuous revision along the different phases of the product life cycle.

Kotas,<sup>[166]</sup> for example, explains that securing satisfactory levels of occupancy might take precedence over profitability in the early years of business infancy where prices are set at a low competitive level to attract the required volume of business and to build up a clientele. Subsequently, at the growth stage higher profits would entail higher prices when the operation is at its peak, then when the business reaches its level of maturity and experiences increasing competition, price decisions have to accommodate for the new changes in market constraints in order to maintain the volume of business at a certain level, thus retaining the firm's market share.

## 2. Operating costs

Costs are considered one of the most influential factors determining pricing decisions in business operations, and it is a factor which is to some extent more controllable by the operation than demand. However, as discussed, the case in many service industries, especially those that are human-based is that cost calculation is a difficult process; Moreover, the separation of total costs into their fixed, variable and other



elements is in some cases arbitrary which further complicates the issue especially when a firm is a multi-product/service provider.

Hotels are high fixed-cost operations which need a wider range of price discretion. However, it is argued that in the short run, there should be no immediate or direct relationship between the operating costs of the business and the 'selling price of its services.'<sup>[167]</sup> This, in turn, entails that high fixed cost operations need be more marketing oriented in their pricing decisions since their success depends largely on the generation of adequate levels of demand, and where their demand characteristics imply that cost based prices are both, in many situations, irrelevant and inappropriate.

### 3. Market structure and demand variation

The structure of hotel markets is generally divided into several segments which calls for price discrimination in order to cater to the different needs of each subsegment. Moreover, Baker<sup>[168]</sup> suggests that the marketer must take into account not only the prices of perfect substitutes, but also the prices of all goods and/or services which compete for the same market and can be used to satisfy the same needs.

An equally important consideration is the nature of demand and sales instability. The impact of these features on services in general and hotel operations in particular, implies the adoption of an imaginative and flexible approach to pricing hotel accommodation. "In general, the greater the degree of sales instability, the higher the degree of market orientation required in the approach to pricing."<sup>[169]</sup> Furthermore, the existence of spare capacity invites a wide range of price

variability which offers hoteliers the opportunity of increasing turnover and shifting demand from peak to off-peak periods in order to secure an adequate volume of business over the longest possible period.

Finally, it can be stated that the issue of elasticity of demand is of great value in determining a service firm's basic attitude to price. If demand is elastic, price tends to be a major policy area in influencing market appeal. On the other hand if demand is inelastic it will not be of primary importance. In the context of services, and because of their unique characteristics, it is advisable that marketers consider demand elasticity in order to effect maximum sales volume and ultimate profitability.

## Section Four

### Place: The Accessibility/Distribution Variable

#### Introduction

The fourth major element in an organisation's marketing mix is usually referred to as 'Place', or the distribution decisions which are mainly concerned with increasing the use of the product or service by increasing its availability and facilitating its convenience.

As for the utility of channel development decisions, their objective is expressed to be the same for the marketing of both goods and services, i.e. to create time and place utility to the tangible and intangible products and services by providing for their appropriate availability at the right time and place.<sup>[170]</sup>

Traditionally in product marketing the need for distribution channels does not only exist in periods of economic growth where business firms employ the concept as a mean of expanding their share of the total market, but also that such intermediaries are crucial as economies move into periods of stunted growth where new market opportunities decrease for many industries and marketing strategies are shifted away from expanding total market demand towards building market share within their existing markets.<sup>[171]</sup>

However, it is argued that although the assumption that services are marketed using the same general guidelines as products has, in most areas, proved essentially true; in the area of marketing channels it is not only incorrect, but its application has limited the understanding of the marketing of services.<sup>[172]</sup>

It is the purpose of this section to discuss the application of distribution decisions as applied to service industries by specifically examining their implementation and importance to the hotel industry.

#### The Approach to Service Distribution

Different perspectives exist in the literature concerned with channel selection for service operations. However, while it is true that the non-existence of physical distribution makes a one-to-one correspondence between the channels for services and those for tangible products is often lacking, the issue was regarded as worth studying by some marketers who either called upon taking a fresh look at the channel decisions for services as distinct from the channel concept followed for goods, or those who argued that the concept is exceedingly nebulous in the case of service marketing.

For example, in a study covering a wide variety of service industries, George and Barksdale<sup>[173]</sup> found it difficult to develop any meaningful conclusions concerning distribution activities in service industries. They state in their conclusion that "By their very nature, services do not involve tangible products that can be directed through specific channels and about which decisions can be made in the traditional sense."

Lovelock,<sup>[174]</sup> however, explains his point through a different approach. He advocates that in order to understand the concept of distributing services, services need be classified according to their 'variation in visibility' and related subsequently to their delivery. He distinguishes between three types of 'variation in visibility' and explains that, for example, intangible service transactions such as broadcasting, insurance, information, legal services and those services that are delivered either to customers' minds or to their intangible assets can

often be conducted at 'arms length' by mail, telephone or other electronic media. Secondly, services that result in tangible actions to customers' physical possessions such as repair and maintenance, may either require the customer to drop off the item at the service's premises for later pick up or, alternatively, the service organization provides pick up and delivery. Thirdly, there are services that are delivered to the physical person of the customer, e.g. hotels and airline travel, and these require the customers' physical presence.

Lovelock's and other opinions found in the literature are consistent in viewing that services are distributed either through direct channels and/or through short channel configurations. Using this concept as a frame of reference, most marketing writers generalize that because of the intangible and inseparable nature of services, direct sale is the only feasible channel for distributing most of them and that the only traditional indirect channel used involves one agent middleman, e.g. securities, housing and insurance.<sup>[175]</sup>

Furthermore, the limitations imposed on services distribution which is a result of the simultaneity of production and consumption, coupled with intangibility which inhibits physical distribution and maintenance of inventory at various points along the channels has lead to the belief that traditional wholesalers can rarely operate in such markets and that retailing cannot be an independent activity.<sup>[176]</sup>

However, the perceived implications of these features on the confinement of direct sale as being the prevailing channel of distribution for most services does not impose insurmountable limitations on services distribution systems, and despite

traditional thinking, channels of distribution have evolved in many service industries and many of them are recognized as being separate, independent organizational entities that act as an intermediary between the service providers and their target markets.

Donnelly<sup>[177]</sup> explains that these corporate entities which have found their place between producers and users of services and which are utilized to make the service available and/or more convenient are marketing intermediaries for that service. He cites examples of such intermediaries by referring to the retail merchant's acceptance of credit cards, employers utilizing direct pay deposits and insurance vending machines in airport terminals.

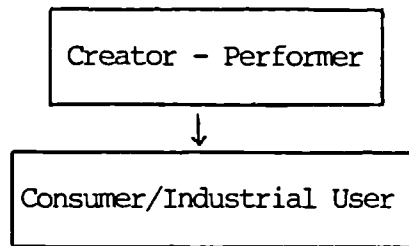
The dominant channel configurations in the service sector, as isolated by Rathmell,<sup>[178]</sup> are depicted in Exhibit 4.8. He states that direct marketing between service creator or performer and end users is much more common than it is in the marketing of goods, and that the longest channel exists when both the buyer and the seller are represented by different agents or brokers.

In a seminal article which followed his argument for broadening the marketing concept, Kotler<sup>[179]</sup> postulates that one of the major ways in which a marketer can seem to create value is by making the service he is offering for consumption easier for the target market to obtain. He explains that "the process involved in gaining this end is the establishment of marketing channels or the securing of adequate distribution."

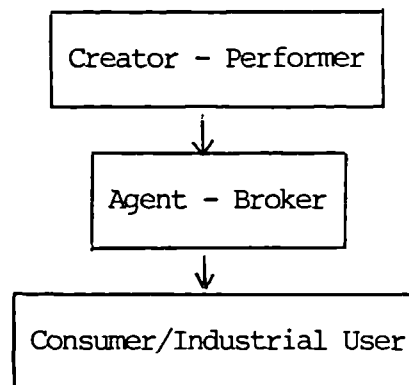
Securing adequate distribution for service firms is divided into two main considerations. Firstly, is location which refers

Exhibit 4.8Service Channel Patterns (Currently Prevailing)

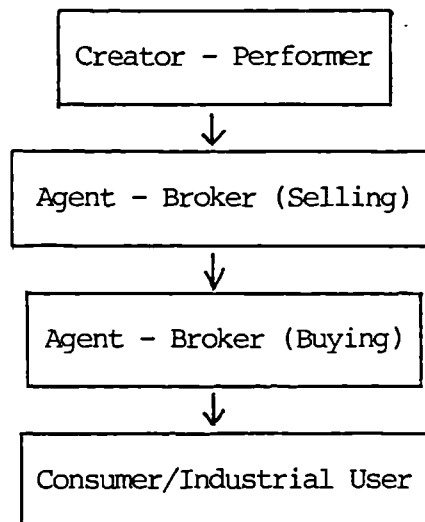
a)



b)



c)



Source: Rathmell, J., Marketing In the Service Sector,  
Winthrop, Mass., 1974, p 110

to the distribution of people and facilities prepared to perform the services, and secondly, channels which refers to a network designed to deliver the services to the ultimate consumer or industrial user.<sup>[180]</sup>

Following is a presentation of how service and hotel marketers view the implementation of such concepts in the hotel industry.

### Location

In the context of services, location decisions tend to be of great importance in the formulation of distribution strategies.

Stern and El-Ansary<sup>[181]</sup> argue that if one of the major goals in constructing a distribution channel for services is the facilitation of resource availability and accessibility, then a crucial factor determining whether that basic goal will be achieved is the location chosen or the modes selected by which the various relevant exchanges will take place.

Several factors underlie the importance of location in the marketing of services. Firstly, services that are not appropriately located may not be performed at all. Compared to tangible goods, Rathmell<sup>[182]</sup> observes that it is easier to postpone a purchase of a service, except in emergencies, or to even discard a planned purchase altogether. In addition, he explains that a poorly located service invites a do-it-yourself decision. Secondly, there are often a number of constraints on the marketing of services which make location a key element of the marketing mix; for example, competition through either price or promotion is considered unethical in a number of service areas, e.g. medical and legal services, and is not a policy



welcomed in many countries. Thirdly, for other services where regulated monopolies or oligopolies are the dominant institutional arrangements, e.g. utilities, the regulated service agency must concern itself with making its service available to the maximum number of potential customers.

As for the recreation, tourism, hotel-motel, transportation complex of services, time and place utilities is described to be the essence of the product itself.

Vallen and Silby<sup>[183]</sup> explain that first and foremost location helps fix the classification of a hotel, thus geographical location is to the resort hotel what commercial location is to the transient hotel and population location to the residential hotel. Hence, the type of the hotel facility is largely identified by the location in which it is situated.

Sasser and Wyckoff<sup>[184]</sup> explain that location is used to define the broad market segments that would potentially patronize a lodging property. Accordingly, they developed a matrix, as shown in Exhibit 4.9, which defines several market segments within the lodging industry and relates them to the types and locations of properties that they would normally patronize. The cells in the matrix that are insignificant market segments - to the property and as per location - are indicated by cross-hatching. For example, there are relatively few luxury hotels at highway locations. Also, even in categories in which a substantial number of facilities exist, such as budget motels at highway locations, some customer categories, such as groups, may not regularly use them.

Medlick,<sup>[185]</sup> Gray and Liguori<sup>[186]</sup> identify hotel location as being a key influence on the viability of the business.

Exhibit 4.9 Lodging Industry Segments

Type of Facility		Type of Location								Party Size	
		City Center		Airport	Suburban	Highway	Resort				
Hotel Type	Luxury										Ind
	Standard										Grp
Motel Type	Standard										Ind
	Budget										Grp
		Business	Pleasure	Business	Pleasure	Business	Pleasure	Business	Pleasure	Business	Pleasure
Purpose of Stay											

Source: Wyckoff, D., and Sasser, W.E., The U.S. Lodging Industry, D.C. Heath, Mass., 1981, p. xxvi.

They tie it directly with transport modes by referring to the shift of hotel locations in relation to the developments in methods of transportation. This can be noticed by observing the loss of appeal of the once prime locations near railway stations, to other sites close to airport terminals, and the fact that the highway development produced two new phenomena in the hospitality field, those of the motel and the motor hotel respectively.

As an element of his presentation mix, discussed earlier, and as a part of the overall service marketing strategy, Renaghan<sup>[187]</sup> states that a hotel's location is important for two main reasons. The first he relates to consumer purchase behaviour and the importance of the purchase decision to the individual. He maintains that in order to reduce the level of perceived risk, service consumers are willing to travel a distance to locate the right offering if the cost of making the wrong decision is high enough. On the other hand, if the decision is less important, the consumers will choose the most conveniently located offering.

To explain his point, Renaghan provides the example of fast food restaurants that are often clustered along one street, "Because consumers will not go far out of their way to find the right fast food restaurant - the risk of making the wrong decision being slight - convenience of location is therefore crucial to fast food." Renaghan supports his view by quoting a senior executive of a large fast food organization who states that "There is no such thing as a good secondary location in fast food."<sup>[188]</sup>

Renaghan then draws from Donnelly<sup>[189]</sup> in assigning the second reason determining the importance of hotel location by

indicating that it acts as a barrier to entry against competitors entering a particular market by serving as a means of building and protecting a strong competitive position.

Gronroos<sup>[190]</sup> extends the concept of services distribution by developing the 'accessibility concept' which he believes to be much more promising to service firms. In the same vein, Peters,<sup>[191]</sup> Gunn and McIntosh<sup>[192]</sup> explain that a hotel location is concerned with much more than its simply being in the right place. To this they add that considerations must be made regarding the amount of time and effort which is associated with actually getting to the premises, methods of commuting to and from the site and the times where the operation is open, for once being there, the guest must be able to buy. Examples of meeting such considerations are the provision of special vehicles to convey guests to and from airports and going through the effort of operating 24 hours a day.

The above views are supported by the result of a study conducted by Rogers<sup>[193]</sup> who reported that accessibility to communication routes; proximity to areas of scenic beauty or historical interests; proximity to areas of commercial/business activities, are general headings under which the main hotel locational advantages may be classified.

Perhaps the concept of accessibility is regarded as being most crucial in the case of resort hotels. Hart,<sup>[194]</sup> for example, explains that most of the components of resort desirability reflect three characteristics affecting the sales potential of such projects in a given way; these are (i) accessibility; (ii) quality of attractions; and (iii) seasonality. "Accessibility is a straightforward concept; the greater the difficulty tourists experience in getting to a resort, the smaller

the number that will go." Hart notes that there are numerous examples of resorts built in 'out-of-the-way' places that boast magnificent natural surroundings but that are short on sales prospects where they are ultimately forced to rely upon expensive customer-generation programmes that are difficult to implement. However, as seasonal demand can be manipulated to a lesser or greater degree (as discussed earlier under packaging, price and further, under promotion), resort sales are obviously largely affected by accessibility which is tied to the fact that resort or hotel locations are constant or permanent in nature. This point, however, leads us to discuss another dimension governing the importance of hotel location.

Unlike product manufacturers, or some service industries, hotel location or site selection decisions need to be considered more carefully when embarking on the establishment of a hotel project. In developing a marketing mix, it is understandable that a high degree of flexibility must be retained to accommodate the ever-changing needs of existing and potential customers. However, the factor of hotel location is one element which, once determined, offers no possibility for change.

Gunn and McIntosh<sup>[195]</sup> argue that a wrong decision about a hotel's location can never be rectified and may lead to a losing proposition for present and future owners. They advise that the selection of sound location for long term prosperity cannot be left to intuition and should be based on careful market research and analysis of present and future trends.

Similarly, Doswell<sup>[196]</sup> and Doswell and Gamble<sup>[197]</sup> state that the degree of locational stability must be objectively assessed by emphasizing the examination of the constancy of all market needs in specific relation to the location, i.e. change

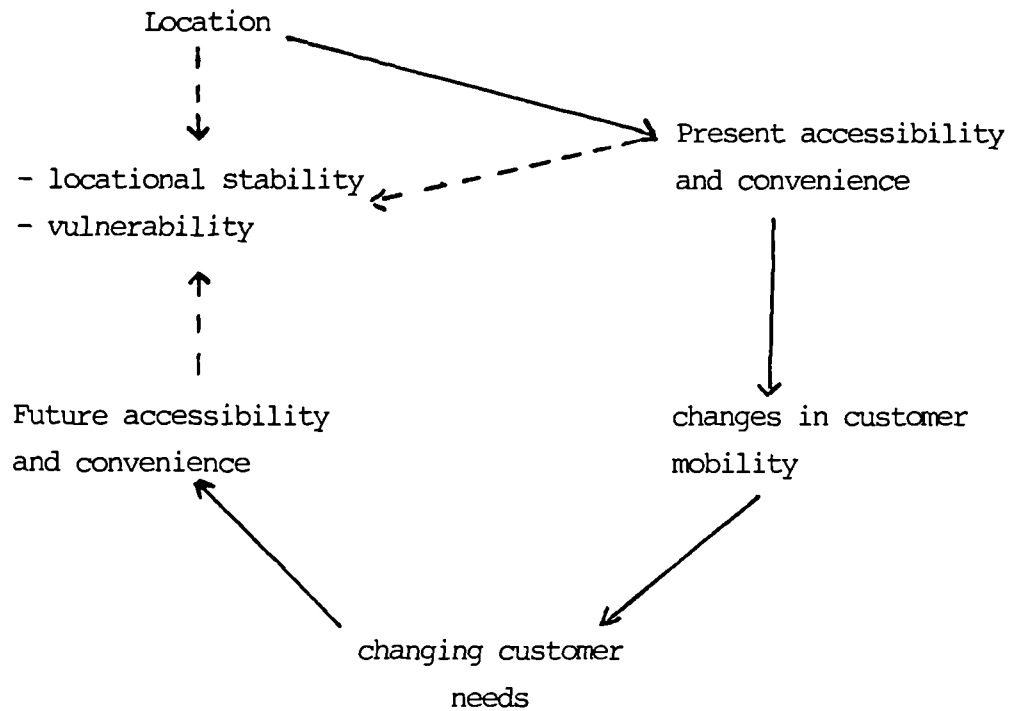
in demand and mobility, and they provide Exhibit 4.10 in which they illustrate the effect of these types of change on the location of a hotel establishment.

Sharing the above views is Peters<sup>[198]</sup> who maintains that it is imperative to be alert for evidence of plans that may alter the size and scope of the market by emphasizing that all avenues of growth, expansion and contraction of the commercial, industrial or recreational development of the community should be explored as fully as possible prior to site selection and development of the physical plant.

Several research studies which attempted to evaluate the factors behind guests' choice of a hotel operation have revealed that location or convenience is one of the most influential criteria in arriving at a decision for selecting a particular establishment.

One such study was conducted by Hotel Research and Development Centre at Cornell University<sup>[199]</sup> which revealed that the most desirable attributes associated with a lodging facility were reported by respondents as being: (i) convenient location; (ii) comfortable furnishing; (iii) price/value relationship; (iv) reputation; (v) good food and beverage. The study also revealed that the ranking of property attributes that were considered important by the sample respondents showed a great deal of consistency among the top five categories regardless of the type of trip involved, where location played a dominant role in business related trips, i.e. business trips; convention and meeting; personal business, while it was ranked only second by the fourth sample, which governed pleasure travel, following price/value relationship.

Exhibit 4.10    Effect of change on location



Source: R. Doswell and P. Gamble, Marketing and Planning Hotel and Tourism Projects, Hutchinson, 1979, p.47.

The validity of such findings are sustained by the results of another survey commissioned by Procter and Gamble and conducted by Market Facts<sup>[200]</sup> which revealed that almost two thirds of the respondents mentioned location as a prime reason for staying at a hotel/motel for the first time. However, in assessing the travellers' choice in relation to repeat business, location ranked fourth following cleanliness, good service and facilities respectively. The survey suggested that the market for hotel/motel room accommodation demands three intangibles: convenience, cleanliness and service, and that the order in which these demands are influential is determined by whether travellers are choosing a lodging facility for the first, second or subsequent times.

Similar studies also revealed similar findings all of which enhance the importance of location as a determinant factor in hotel choice.<sup>[201]</sup>

Moreover, in a survey conducted by Rogers,<sup>[202]</sup> it was reported that correlations are observable between room rates and location where city centre and uninterrupted sea views in coastal areas commanded premium rates, and that within larger cities, there were substantial variations for fairly similar hotels according to their location. Park Lane locations in London were given as an example of being at a premium for their location is a most lucrative area.

From the above review it can be concluded that location is one of the most influential dimensions in determining guests' purchase decision of hotel accommodation. The implications of this consistent view among hotel marketers, coupled with the findings of market research regarding the attributes of patronizing an individual hotel operation demonstrate that location



is an integral element of the hotel marketing mix and is one which should be given a great deal of consideration and study before any commitment is made to the investment decision.

#### The Application of the Channels Concept in Hotel Operations

Earlier, it was discussed that although a one-to-one correspondence between the channels of distribution for goods and those for services is often lacking, channels of distribution did find their way in many aspects of the service sector, however, on a much more limited scale. Moreover, it need be noted that because of their inseparability, some services require that the process of their delivery be reversed from that of physical products. While traditionally, distribution channels are defined as "an inter-organisational system comprised of a set of interdependent institutions and agencies involved with the task of moving anything of value from its point of conception, extraction or production to points of consumption",<sup>[203]</sup> in the case of many services, and particularly in our subject industry, it is the customer who is conveyed to the point of consumption, i.e. the hotel establishment.

Kotler and Zaltman<sup>[204]</sup> refer to the intangibility of services as requiring effective choice and management on part of the service organization regarding its selection and employment of distinctive independent organizations that will aid it in pursuing its end users. They define distribution planning as being the process of "arranging for accessible outlets which permit the translation of motivation into actions and entails selecting or developing appropriate outlets, deciding on their number, average size and location and giving them proper motivation to perform their part."

However, Rathmell<sup>[205]</sup> observes that the nature of service marketing has permitted relatively little creativity in the use of channels for developing an effective marketing programme, yet he argues that continuing growth and competition in many service industries are likely to encourage more innovations in the use of middlemen as a mechanism for closing the gap between the service performer and the consumer.

Along with Rathmell, Barker and Gimple<sup>[206]</sup> explain that because the buyer of services is, in many cases, inexperienced or incapable of judging alternative choices and because services invoke a particularly strong need for information; the existence of an opportunity for new intermediaries in different service sectors has been realized and capitalized on, thus leading to the evolution and development of independent intermediaries who are true representatives of different service organizations.

This opportunity for customers to seek information was recognized by perceptive hoteliers and other marketers in the different organizations which make up the complex of the travel industry.

Kaven<sup>[207]</sup> identifies two purposes for the development of channels of distribution in the travel industry as a whole and for hotel operations in particular. Firstly, he identifies the confusion which results from the endless combinations and permutations of alternative routes, transportation modes, times and lodging accommodation, as making many travel decisions difficult even for the initiated, especially when the seasonal changes in rates and schedules are added to the perplexion. Kaven thus states that "the need for good information and promption becomes necessary, if not paramount, so that the industry can function." Secondly, as for the hotel industry in

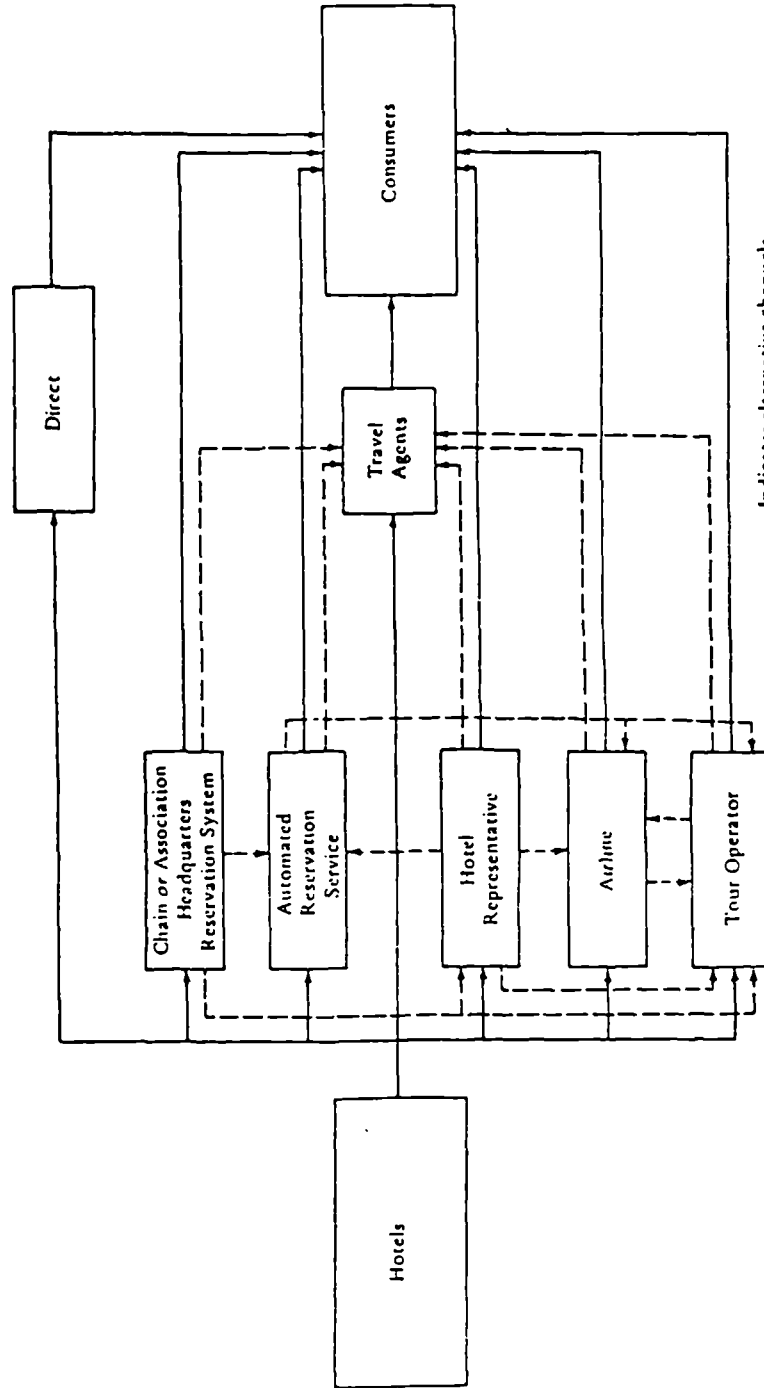
particular, Kaven indicates that all types of lodging establishments are seeking to gain identity with potential customers covering the whole spectrum of incomes, interests, knowledge, sophistication and needs, but that only few establishments can afford the marketing costs. He identifies the solution to this fundamental problem as being the development of the channels of distribution which hotel operations currently employ.

As much as with other service industries, hotel marketers identify two types of channel decisions for distributing hotel services. The first of these is the direct channels which involve personal selling and direct mail. Such methods are concerned chiefly with the sales function and are discussed in further detail under the section on promotion. However, their primary responsibility as a distribution system concentrates upon the following:

1. Maintaining sales contact with other channel intermediaries such as travel agents, tour operators, hotel representatives and airlines.
2. Maintaining sales contact with community firms and organizations in an attempt to obtain lodging and function business.
3. Following leads furnished by other sources; for example, the headquarters marketing department if the property is part of a chain configuration.<sup>[208]</sup>

The dominant channel configuration in the hotel industry is illustrated by Kaven in Exhibit 4.11.

Exhibit 4.11 Channels of Distribution in the Hotel Industry



Source: Kaven, W., "Channels of Distribution in the Hotel Industry", The Cornell Hotel and Restaurant Administration Quarterly, vol. 14, No.4, February 1974, p.21.

Following is a presentation of the relationships which exist between hotel operations and such intermediaries and a discussion of their importance and function in distributing hotel services. [209]

#### Franchise and Management Companies

For many service industries, franchising has appeared both as a market expansion decision as well as a channel configuration. As a mode of channel organization and design, franchising is considered as one of the significant competitive forces in the channels for a number of services such as automobile rentals, restaurants, hotels and motels, and even dance studios.

In the hotel industry, national and international hotel companies with a well recognised name for merchandise and services sell the use of their name along with other services and features like buying power, use of logos and signs, provision of equipment and combined advertising and promotion effort. However, one of the most important features of hotel franchising is the development of a nationwide reservation and referral system which facilitates the flow of information on room availability and other services in both directions of the channel between the different operations and their potential customers thus moving the point of sale closer to the customer's point of decision to travel.

Much like franchising in its channel dimension, hotel management companies, which are hired to operate non-owned hotels and resorts, assume the responsibilities of advertising and business promotion and the distribution of the different services of other hotel properties which they operate. Management companies main significance as a distribution channel also appears in the area of computerized reservation systems which have

replaced the old-fashioned telephone, telegram and letter methods and which give instantaneous confirmation on room reservations for properties which may be thousands of miles away from the point of purchase.

Several types of computerized reservation systems are in current use. However, while some are used exclusively within a chain or franchise system, others are available to the industry at large as is the case of independent hotel reservation referral systems.

#### Reservation Referral Systems and Hotel Representatives

Reservation Referral Systems are independent organizations that act, in essence, as out-of-town reservation offices for a number of 'client' hotels, which are not chain or franchise affiliated, thus allowing such properties the opportunity to be part of a national advance reservation system. Such offices distribute hotel services through encouraging and building up interchange and referral of reservations between and among their clients in return for an annual fee or by charging a commission on each reservation processed.

Allied to hotel reservation referral systems is the concept of hotel representatives developed in 1928 by Turner<sup>[210]</sup> who established the first hotel representation office. Such independent entities act as an intermediary agent serving hotels that are not part of a chain or franchise affiliated and serve as the out-of-town sales agents that are retained by a limited number of 'non-competitive' properties. Such offices are located in main cities and maintain contact with major trade and professional firms and other sources of business as well as promoting individual and group room sales through travel agents

and airline companies. Such intermediaries are also responsible for the development of individual marketing programmes, create direct mail and advertising campaigns, make personal sales calls and act as a reservation office for the individual, non-competing properties which they represent.

#### Freephone and 800 numbers

Another method of distributing hotel services appears in their capitalization on modern developments in electronic communications which facilitate the interchange of information between the operation and its potential customers.

Lovelock<sup>[211]</sup> explains that computerization and technological innovations are radically altering the ways in which many service organizations conduct business and that such developments have had an impact on the creation of a new concept of channels of distribution. He cites the example of the creation of centralized customer service departments backed up by computerized file systems and reached by toll-free telephone calls. Such systems are utilized by car rental businesses, airlines and hotels, through which specially developed charge programmes developed by telephone companies, potential customers are directly connected to the control reservation offices of their selected organizations. An example of such a system is the Wide Area Telephone Service initiated by AT & T in the United States, which enables multi-site hotel operations to maintain higher standards for providing information and processing reservations on a nationwide basis.

#### Travel Agents

In addition to the discussed channels of distribution in the hotel industry, perhaps the most influential intermediary for hotel services and one which has had an ever-increasing impact on hotel businesses is the travel agent.

Ramaglia,<sup>[212]</sup> for example, directs the attention towards the importance of travel agents as a channel decision for hotel operations by stating that "the best distribution system any lodging chain, franchise affiliated or independent hotel operation can employ is soliciting business through travel agents."

In this respect, Garber<sup>[213]</sup> explains that hotels should structure an informative programme directed towards travel agents so that a meaningful impression is made. He also suggests that hoteliers confer with travel agents when preparing special packages so that all elements can be included to make them more appealing. This suggestion, however, implies that travel agencies are, in many cases, closer to the customer than the subject hotel.

A survey conducted by the Quarterly<sup>[214]</sup> also recommended such activities where hotel marketing executives indicated that 'familiarization tours' are a standard means of advertising the hotel product to travel agents, not only to buy the agents' loyalty but to permit them to speak to customers with the authority of first hand experience.

The survey also revealed that sales by travel agents either directly to individual clients or through the promotion or charters of their own devising are becoming increasingly important as a source of hotel sales. In addition, such agents were reported to enjoy a greatly increased demand for soliciting room reservations from corporate accounts.

Similar findings were reported by Bush<sup>[215]</sup> in her article 'Capture the Business Traveller: The Travel Agency Connection', where she identifies four major factors which have contributed to corporations' increasing reliance on travel agents as follows:



1. The confusion of airline routes, schedules, and fares engendered by deregulation.
2. Corporate cut backs on eliminating travel departments substituting them by travel agents to handle their requirements.
3. The growing professionalism and sophistication of travel agents combined with new automation capabilities which have allowed agencies to deliver travel sale transactions more efficiently.
4. The airlines' use and recognition of travel agents' networks as a central retail distribution system.

In the same vein, and in view of this penetration, Prigge<sup>[216]</sup> maintains that "Travel agencies represent a highly developed marketing network that we could never replace or duplicate." He further explains that, as a distribution channel, the appeal of travel agents is two-fold. Firstly, the consumer of travel services views his agent as unbiased, and thus places more confidence in his suggestions and recommendations than he would in those of a representative of a hotel company who tries to sell the services directly to him. Secondly, although airlines are frequently prepared to make lodging reservations for their passengers at affiliated hotels, there are frequently many more services the traveller wishes to purchase, and since most consumers are not well versed in the organization of the travel delivery system, they especially appreciate the convenience of one-stop shopping.

This integration of hotel, airline, travel agent and other intermediaries has led to the evolution of vertical marketing systems which combine the co-operative efforts of these organ-

izations. However, two views in the literature pointed to the importance of recognizing the growing marketing strength of some intermediaries that are employed and which have grown to the point that many hotel operations are no longer 'captains of their channels'. For example, Kaven<sup>[217]</sup> notes that not only do the hotels face horizontal competition with each other for the customers' patronage, but they also face vertical competition with their channel intermediaries for a share of the customer buying power. He further explains that through developing their own customer loyalty, the effect of reserving hotel accommodation and services through such intermediaries affect the hotel's net rate after commissions. In addition, there exists a potential threat to the hotel where a strong channel intermediary may 'book' with another hotel thus representing a constant depressant to the hotel's net price of the rooms.

These same issues were also discussed by Leven<sup>[218]</sup> in his article "The Growing Distance Between the Buyer and the Seller" in which he maintains that since such channels can turn up opportunities as easily as they can turn away others, it is a mandate for hoteliers to find out how to minimize the risk of failure by maximizing their knowledge of the nature and needs of such intermediaries in order to act accordingly in a cooperative rather than a competitive approach.

By discussing the importance of the concept of channels of distribution in the hotel industry, and by weighing the advantages hotel operations could gain by employing the services of such intermediaries, it could be concluded that effective application of the channels concept to the distribution of hotel services is mandatory if the organizations responsible for those services are to remain viable competitors in their respective markets.

## Section Five

### Promotional Activities in the Marketing Mix of the Hotel Industry

#### Introduction: The Importance of Promoting Services

In contemporary marketing, interpersonal communication theory provides a scientific basis for the promotion process. Similarly, the behavioural sciences of psychology, social psychology and sociology provide a scientific frame of reference for the content of promotion. In terms of these two foundations, it is believed that no distinction need be made between the promotion of goods and the promotion of services as they are found to be equally relevant to both areas. [219]

Nevertheless, whether a firm is engaged in the marketing of tangibles or intangibles, several factors point to the need for promotion. In the first place, as the distance between producers of goods or providers of services and their respective consumers increases, and as the number of potential customers grow, the approach to market communication becomes more significant since the creation of awareness and knowledge - the prime objective of promotion - is imperative in order for a business to function. Furthermore, the intense competition between different industries, as well as between individual firms within an industry, places tremendous pressures on the promotional programmes of individual sellers in order to generate potential sales revenues by motivating and reminding people to buy their offering; hence, the second and third objectives of promotion, respectively.

As for service industries, it is generally argued that the broad objectives of promotion - to inform, persuade and remind - are more difficult to achieve than in the marketing of goods. This is mainly based on the fact that the promotional programmes

in such cases are built around the service's attributes and not on the service itself.

However, and in addition to the importance of promoting services through focusing on their relevant attributes, since most services are undifferentiated and are easier to duplicate than goods, promotion is extensively used to amplify an organization's positioning in the market place in order to augment the differentiation in its offering from that of the competition.

Finally, and in order to minimize the high level of perceived risk associated with the purchase of services, promotion also aims at building a distinctive, reputable image and personality on part of the prospects' perception.

It is the purpose of this section to identify the role of promotional activities as exercised within the framework of service industries by examining the extent of their application to hotel operations.

### Advertising

Despite the growth and importance of service industries, there is little work published specifically on the advertising of services. Given this lack of attention, George and Berry<sup>[220]</sup> argue that one might conclude incorrectly that the problems of services advertising are not different from those of goods advertising; however, they note that in some basic ways goods and services are different and that the advertising of each must reflect these differences.

Unlike consumer goods, the categorization of services on an objective basis is extremely difficult. Consumer goods can be objectively tested and compared according to qualitative

differences. Services, on the other hand, are extremely difficult to measure by either cardinal or ordinal means, and are thus assessed subjectively by each individual according to his psychological make up. Hence, providing tangible clues in service advertising is a matter of emphasis on the part of all service marketers. The main reason for such surrogates is to try and simulate the service's reality in the consumer's mind who tends to be attentive to tangibles associated with a service for clues about the service's quality. In essence, in service marketing "the existence of certain tangibles is assumed to signify certain abstract quality levels."<sup>[221]</sup>

Within this context, Lewis<sup>[222]</sup> explains that hotel products have a high degree of sameness and that hotel services are abstract and that "to compound the concrete is to fail to differentiate, and to compound the abstraction dilutes the reality that the marketer tries to enhance." However, he draws the answer to this problem by quoting from Shostack<sup>[223]</sup> who states that "The degree to which the marketer will focus on either tangible evidence or intangible abstractions will be found to be 'inversely related' to the entity dominance." However, as mentioned earlier, hotels are classified on a high/high categorization of tangible and intangible offerings, hence a study of typical magazine advertising for hotels conducted by Wyckoff and Sasser<sup>[224]</sup> showed several recurring themes such as destination and location, services, price, image, facilities, quality of experience, staff quality, reservation systems, geographical coverage and business orientation.

Another aspect of service advertising is identified by George and Berry<sup>[225]</sup> who explain that customer contact personnel are potentially a second audience for the messages it carries. They indicate that this is especially the case for people-based

service organizations where the performance of people are what customers actually buy, hence they maintain that the advertiser needs to be concerned not only with encouraging customers to buy but also with encouraging employees to perform. This issue of 'selling the service to employees' is also emphasized by Gronroos<sup>[226]</sup> on the part of service marketers, and by Coffman<sup>[227]</sup> on the part of hotel marketers.

Rathmell<sup>[228]</sup> indicates that because of the intermittent nature of demand for many services, media with staying power are particularly well suited to such cases.

This issue has also led to advertising continuity being regarded as an important strategy in service promotion because it involves the continuous use of certain distinctive symbols, logos, memorable tag lines, slogans and theme music which helps consumers form a mental fix on the service as a result of the projection of a unified image.

Towards this end, Krugman<sup>[229]</sup> explains that the long-term repeated exposure to advertising is capable of achieving two ends. Firstly, it can result in an 'overlearning' of the brand name and its associated characteristics, and secondly, it can alter the salience of attributes affecting the brand image. Similarly, other research studies<sup>[230]</sup> have indicated that intensive scheduling with relatively brief periods of time between successive exposures will build consumer awareness very rapidly, but that this awareness will decline equally rapidly once the advertising has been terminated. On the other hand, less intensive scheduling with longer time periods between exposures will build consumer awareness gradually and this awareness will remain somewhat longer after the exposures stop than awareness that has been developed through intensive scheduling.

Although such theories were advanced in the first place, for product advertising, there is no reason to doubt their applicability to service advertising. In fact, given the intermittent nature of demand for many services, one could argue that their applicability is more crucial in the case of service promotion.

With respect to hotel advertising, Coffman<sup>[231]</sup> underlines that advertising by itself may or may not stimulate a person to respond immediately by making a reservation. However, he maintains that it performs other intangible services in addition to what direct response it may evoke and that is by creating an image, making a memory impact and 'paving the way' for other sales tools that could be utilized.

Most lodging establishments rely primarily on advertising through one or more media to convey their marketing message. However, although it is reported that hotel operations make a significant investment in advertising, as is presented in Exhibit 4.12, it is argued that too many firms lack the basic understanding of advertising required to spend their advertising money wisely.

Tissian,<sup>[232]</sup> for example, explains that hotel advertising is still unsophisticated and maintains that hoteliers embarking on advertising campaigns make a crucial and common mistake by failing to realize that designing the 'ad' is the last thing to be done and not the first step taken. He enumerates that the requisite steps to be performed before hotel advertising is created are as follows:

1. Establishing management's perception of the subject property.
2. Ascertaining the market's perception of the property.

Exhibit 4.12      Expenditure for Advertising Compared  
with Revenues by Industry, 1974, USA

	<u>Percentage</u>
Hotels and other lodging	2.0
Retail stores	
Food stores	0.9
General merchandise stores	2.5
Apparel and accessory stores	2.1
Automobile dealers	0.8
Consumer services and other	
Tobacco manufacturing	3.7
Motion pictures	3.3
Amusement and recreation services	2.0

Source:    The statistical abstract of the US, 1978,  
              US Bureau of the Census, p.847.



3. Developing a positioning statement for the property.
4. Selecting advertising target audiences.

With reference to these requisites, Tissan explains that deriving and expressing management's view of the subject property is not difficult, but that verifying its accuracy is. Similarly, he points out that, in some cases, the market's perception of the property could prove contradictory to management's perception. He further points out that the results of these analyses are then articulated in the form of a positioning statement whose strategy should reflect a conscious decision on management's part to communicate to the market a definition of the property as a particular type of hotel and the certain benefits and criteria which distinguish it.

As to selecting target audiences for hotel advertising, three main categories are generally identified, with each having its special considerations:

1. Consumer Advertising: The cardinal rule governing this category is to create with the prospective in mind, i.e. to empathize, <sup>[233]</sup> with the different market prospects, i.e. pleasure, business, price conscious, etc. In addition, such advertisements have to be custom designed for the medium selected to carry it.
2. Advertising to travel agents: Communicating a distinctive image is secondary to the primary more utilitarian objective of imparting essential information regarding the hotel's facilities, positioning and rates.
3. Advertising for group business: Similar to that of travel agents, since, generally, personal selling consummates the selling transaction. <sup>[234]</sup>

Shepherd<sup>[235]</sup> explains that although it is generally accepted that personal selling is the most effective form of promoting sales, the importance of hotel advertising stems from the fact that hotel patrons make infrequent visits to the hotel and come from a wide geographical area, hence it is difficult and too costly to contact personally all potential buyers who constitute the different sources of business. Further, he bases the selection of advertising media on the following considerations: (i) objectives of the campaign; (ii) market segments aimed at; and (iii) the characteristics of the media regarding cost, limitation and reaching power.

#### Media Advertising

On the selection of media, McSweeney<sup>[236]</sup> argues that when television was introduced, there was a tendency to believe that newspapers and periodical advertising would lose its appeal to the new innovation. However, he maintains that this has not been proved and that press advertising remains a particularly valuable medium for advertising hotel services.

This view is shared by Frank<sup>[237]</sup> who identifies the advantages of newspaper advertising as follows:

1. It selects and pinpoints markets, i.e. choice of specific cities and/or neighbourhoods.
2. Schedule of ads to appear when needed to be read.
3. Control of expenditure through the size of the advertisements and frequency of insertions.
4. Screening of readers by choosing specific sections within the paper, e.g. men or women, business or pleasure travel.

In his article "Newspapers: The Bread and Butter Medium for Hotel and Restaurant Advertising"; Egbert<sup>[238]</sup> compares

between the interruption of broadcast advertisements to radio listeners or television viewers whose primary interest is being entertained, and the free choice of newspaper readers who often turn to newspapers in search of information and often specifically in search of advertisements. Thus, he states that "newspaper readers are in a frame of mind conducive to receiving advertising messages."

In the same vein, Yesawich<sup>[239]</sup> refers to the obtrusiveness of broadcast advertising and describes newspaper advertising as being unobtrusive in the sense that an individual may elect to spend as little or as much time examining the advertisements as he wishes and as determined by his interests. In support of his view he refers to a number of research studies<sup>[240]</sup> on the effect of advertising which indicated that consumers' involvement with advertising appears to vary with the medium in which it is carried and that their involvement is higher with print than with broadcast advertising. He further notes that if the message consists of more than one major point or points that require some form of explanatory support, as in the case of hotel services, it is advisable to deliver it through some form of print advertising.

Another form of print advertising appears in special interest magazines which Stein<sup>[241]</sup> favours among all other advertising media for hotel operations. He expresses his view by stressing the fact that they cater to a 'class' rather than a mass audience. By referring to such magazines as having a circulation reach that is clearly limited by a specialized editorial content and to its attendant readership, he indicates that "this preponderance of specialized trade and consumer magazines is opportune since they are targeted to specific groups whose characteristics have been well defined and who

are most likely to be interested in the product line or service advertised", hence a golf resort can advertise in golf magazines, convention hotels advertise in business journals, and so on.

Since the discussion of the views favouring print advertising for hotel services has only capitalized on the disadvantages associated with radio and television advertising, it is appropriate to discuss, independently, the extent of their application to service in the light of their application to our subject industry.

Rathmell<sup>[242]</sup> observes that broadcast media are less widely used in service industries because of the temporary nature of communication and the lesser significance of colour and motion in the promotion of intangibles which do not lend themselves to visual presentation. He expresses his view by stating that "either the visualization of the service being offered or its word description offers only limited opportunity to inform, persuade or remind the service customer or prospect."

In the same vein, Stein<sup>[243]</sup> argues that by employing the spoken words and sound effects, radio advertising has no visual appeal and relies solely on auditory impact to accomplish its purposes. He further adds that with television, messages are transitory and presented in a cluttered environment surrounded by other advertisements which may be perceived as 'annoying programme interruptions' and hence, the sensory appeal of this medium is comparatively limited.

Adversely, in his article "Radio Advertising for Hotels", Egbert<sup>[244]</sup> maintains that radio is an important medium whose modern nature renders itself a particularly appropriate tool for promoting hotel services both to attract room business from geographically dispersed target areas and to build the hotel's

image in its own community. He further notes that modern radio broadcasting is a highly specialized medium as each station in a market tailors its programming to attract members of very specific demographic and psychographic groups thus allowing hotels to advertise so cost efficiently on radio in comparison to other media by allowing hotel operators to appeal to the specified groups only thus avoiding the expense of advertising to the total population.

In this same vein, Yesawich<sup>[245]</sup> explains that modern developments in radio and television broadcasting are changing the nature of these media in their becoming very specific methods of communication and that with the proliferation of stations, in the eighties, the concept might change to 'narrow casting', and that although the implications would be that advertising would need to be written on a regional or even a local basis, it would thus be delivered directly to the correct prospective audience.

#### Outdoor Advertising

Perhaps one of the advertising mediums which hotel operations capitalize on more than many other service industries is outdoor-billboard advertising. However, the use of such a medium was subject to debates on the part of hotel marketers and environmentalists who tried, through research results, to disprove the effects of such a method in attracting the potential travelling public.

In his article "The Great Highway Robbery", Miller<sup>[246]</sup> states that "contrary to popular opinion, outdoor advertising costs America's inns and restaurants much more than it delivers in increased business ... and yet the lodging, and to a lesser extent the restaurant industries choose to ignore the facts

and continue a commitment to an expensive and unnecessary programme ultimately detrimental to their best interest." Miller sustains his view by referring to a number of studies conducted between 1970 and 1974 which all reached the same conclusion: Auto vacationers rank brochures, guide books, maps, directories and friends, all above billboards as a source of travel information.<sup>[247]</sup> Furthermore, in one such study, Mayo<sup>[248]</sup> reported that what counts most in highway travellers' impulse decisions regarding accommodation choice are the price, proximity to route, parking, convenient and quiet setting; factors that appear to be rather difficult to explain and promote on a billboard to motorists travelling at a speed of 55 miles per hour.

Miller further sustained his view by discrediting a counter-study conducted by Bell and Wendel<sup>[249]</sup> in which they predicted a loss of up to 100 million dollars in revenue in the state of Missouri, USA, if the state complied with the highway beautification act of 1965. Bell and Wendel's report specifically projected a 13% decline in revenue for the average Missouri motel, "The economic consequences of complying with the act will be dramatic, and in many instances will be crippling." However, as Miller argues against the report he notes that "the highways in Missouri were subject to the provision of the original act and the dire predictions of the study never came to pass."

On the other hand, and in spite of the above research results, most hoteliers object to and disagree with such arguments. Morton,<sup>[250]</sup> for example, explains that many hotel properties are identified by their corporate names and that billboards help put the names up front. Similarly, Dickens<sup>[251]</sup> adds that beside the boring experience one could have driving

along a signless motorway, independent operations that do not have a logo of their own would be severely undercut if the industry would only depend on government controlled directional signs which would only identify a property's logo as Miller suggests in his article.

Other views in the literature, such as those of Heinsuis,<sup>[252]</sup> Cochrane<sup>[253]</sup> and Stein,<sup>[254]</sup> have also opposed the arguments against outdoor billboard advertising by expressing that billboards are an excellent source of business and necessary for the hospitality industry because its business is more transient and, in many cases, more impulse motivated and that the message reaches the traveller while he is 'en route' and that whatever argument there is, billboards are too vital a factor of modern merchandising to be 'whittled' away by unfair and unreasonable legislations.

#### Direct Mail

Direct mail is considered as one of the most important and effective forms of advertising employed by manufacturing and service organizations. The method's outstanding strong point in relation to other forms of advertising is that it can be pinpointed to reach specific individuals and most importantly, with a personalized approach. Recknagel,<sup>[255]</sup> for example, attributes the effectiveness of direct mail to its being a method "so sharply aimed ... so personalized in character."

McSweeney<sup>[256]</sup> recognizes this same effectiveness of direct mail by maintaining that it is the only way in which an advertiser can be certain that his message reaches the audience at whom it is aimed. He further proceeds to note that the cost involved with such a medium is not high in relation to the selectivity which it can achieve.

In his article "Rediscovering Direct Mail: A Primer for Hospitality Firms", Reilly<sup>[257]</sup> explains that although direct mail fell into disuse as a marketing tool when the television lured away a large share of many firms' advertising budgets, it is becoming more prevalent and more reputable for hospitality firms. In addition to the advantages discussed above, Reilly adds that with direct mail advertising competition is limited regarding the number of competing direct mail messages the audience receive on a given day, hence it escapes the problem of advertising clutter experienced in radio and television commercials. Moreover, in addition to its ease of scheduling and ease of monitoring results by coding replies, hotel operations are at an advantage of compiling their own 'house lists' of regular customers and previous guests who are already familiar with the property having patronized it in the past, by compiling the multitude of guest information available on records such as the reservation and registration cards and guest folios.

This last advantage regarding the ease of compiling direct mail lists is described by Patafio<sup>[258]</sup> as a "built-in asset of incredible value" since it does not only provide basic and demographic characteristics of guests, but also other psychographic variables such as type of room preferred, facilities required, hobbies, methods of payment and other features.

Coffman<sup>[259]</sup> shares the view that in the hotel business one of the principal enclosures for direct mail is the brochure or hotel folder which, theoretically, is the basic advertising piece of the hotel that probably receives wider distribution than any other piece of advertising used.

Maas,<sup>[260]</sup> for example, indicates that those who work in tourism related fields rely heavily on merchandising collateral -



brochures, pamphlets and other printed material for communicating information about facilities and services either to partners in the industry or to consumers. However, she discusses the fact that both consumers and travel agencies lodge the same complaints against hotel brochures as being uninteresting and misleading, obscured with over-blown copy, unrepresentative illustrations and confusing design. She further notes that "expressing the property's positioning on the cover is very effective but rarely practiced, presumably because so few hotels have decided on how to position themselves."

Being primarily a service industry, Maas suggests that hotel brochures have to enumerate the unique advantages and benefits offered by the property. She explains her point by addressing hotel advertisers, "Don't tell consumers how good you are: tell them specifically how good you will be for them." In order to describe the service, she argues that photographs that depict activities, not just scenery, are preferred by including human participants who are actually consuming the service.

For the same reason of being a service industry, Robinson<sup>[261]</sup> stresses the point that in hotel-brochure design, sight is the only sense by which a prospective customer perceives the property, hence, the graphic display must stimulate other senses in a desirable manner and must also be consistent with the nature of the property and its customers' prospects.

Finally, in providing information primarily through the body copy of hotel direct mail promotion, it is advised not to try and summarise the text, for the method asks consumers to invest time and money, and being an intangible; giving all the relevant facts is appreciated. "Travel advertising research has indicated that the more you tell, the more you sell."<sup>[262]</sup>

### Personal Selling

Generally, it is observed that personal selling is described as being the most potent medium for selling in any field of merchandising.

In the case of service promotion, while other means can communicate the service to the customer, the need for personal selling may be more critical than in product marketing. Intangibility of services, their overriding feature, increases the need of consumers to learn more about the benefits of the service and its different aspects and personal selling offers the opportunity to explain in detail the service's features and its point or points of differentiation which singles it out among other substitutes. With such a direct contact between the prospective buyer and the seller, the latter is said to have: the opportunity of explaining benefits, answering objections, building confidence on the part of the buyer regarding the service provider, and with services being more flexible than goods - tailoring it according to the customers' needs, and most importantly, the opportunity of following through to the completion of a sale, all in one transaction.<sup>[263]</sup>

Wilson,<sup>[264]</sup> for example, indicates that a wide range of professional services such as insurance, management consultancy, advertising and public relation agencies tend to lean heavily on personal confrontation especially when their market is concentrated or limited in some way, and/or when their product must be fitted to individual needs, and where the personality of a salesman is needed to establish rapport and build confidence in the offering.

As for the use of personal selling in the promotion of hotel services, Leven<sup>[265]</sup> and Erikson,<sup>[266]</sup> recognise that it is a measurable, reliable and most efficient tool in comparison to

other types of promotion, "Display advertising, direct mail, publicity and all other sales tools are just lead-ups to personal selling; the clincher which closes the sale."

Taylor<sup>[267]</sup> analyzes the methods of personal selling for hotel operations as follows:

1. Sales calls to:
  - (a) local employers; with the objective of generating business for conventions, conferences, banquets, office parties, etc. These may be commercial, industrial and/or governmental concerns.
  - (b) local social organizations; for same objectives as above.
  - (c) Travel agencies; with the objective of soliciting individual and group businesses.
  - (d) airline companies; with the objective of reserving rooms for crews, ground delays and recommending hotel accommodation to airline passengers.
2. Entertaining; where the above prospects are invited to the establishment for a familiarization tour in order to get the opportunity of sampling the products and services, hence first hand inspection.
3. Telephone selling; telephone selling is a two-way promotion. Astleford,<sup>[268]</sup> for example, explains that it is productive in allowing for proper qualifications of a customer before actively pursuing him with the intention of meeting him personally. Then, following the personal sales call, it serves as a follow-up of closing the transaction. Secondly, it is the activity taken on incoming calls seeking room reservations or group travel accommodation where information

regarding rates and facilities are disclosed, and where effort is made to shift the demand for any closed dates to other points in time.

4. Internal selling; this involves all customer contact personnel to act as sales people in order to sell the items, in the product/service, mix, which promise higher profitability. This was especially elaborated on in chapter three when the buyer/seller interaction in service operations was discussed. Under this context, it is sufficient to state that all guest-contact personnel need to be market and guest orientated as their interactions with customers have the highest impact on the customers' perception of the property, thus leading to guest satisfaction or dissatisfaction, which in turn affects repeat sales and word of mouth advertising.

Internal selling in hotel operations also involves 'criss-cross' advertising where hotel lobbies, elevators, hallways, guest rooms, restaurant and cocktail lounge tables carry written display messages which promotes other services or facilities of the property, e.g. restaurant tables 'tent cards' and guest room directories.

#### Special Promotion

Special sales promotion programmes are a marketing tool whose objective is to promote special sales activities aiming at: (i) attracting more of the existing market; and (ii) creating new prospects for business which otherwise would not take place.

Such special type of promotional programmes are uncommon to service industries mainly because sales promotion, in the

traditional sense of sampling, demonstrations and point of purchase display is severely limited by the characteristics of the intangible dominant service product. However, Lovelock and Quelch<sup>[269]</sup> note that the use of temporary promotions is a growing trend in service marketing especially in times of economic recession, and demonstrate that recent competitive activities in industries such as the airlines, banking, lodging and car rental highlights the increasing use by service marketers of temporary promotions directed at consumers. Lovelock and Quelch also explain that service industries are at an advantage of using special promotions. They argue that since services can not be inventoried, special promotions can be implemented more rapidly than packaged goods where additional merchandise is shipped to the trade and where product labels are changed to announce the offer. On the other hand, services are not subject to similar lead time constraints. However, in some respects, service promotion may be harder to implement because it is more time consuming and expensive to communicate their existence to consumers.

As for the different sectors within the service industries, it is believed that the opportunity of special sales promotion is greater for services characterized with a high fixed cost and low variable costs where a large gap exists between normal selling price and variable cost, permitting substantial price promotions to be offered to fill otherwise unused capacity. A representative service industry of such characteristics is the hotel industry.

Coffman<sup>[270]</sup> explains that hotel sales promotions take imagination, courage and aggressiveness to try something beyond the routine promotional effort. However, he maintains that such activities need not be original and that they may be copied

or be a repeat of a promotion that was successfully employed in the past, all which aim at developing especially valuable patronage when otherwise occupancy would be considerably low.

Moreover, in developing hotel special sales promotion, hotel operations take full advantage of developing special programmes which revolve around special events such as national holidays, community festivals, and sports events, e.g. Christmas dinners, New Year's eve parties, Thanksgiving dinner.

Empirical examples of innovative ideas appear in the literature on special sales promotions in hotel operations. Following is a presentation of a few:

- Instead of building an indoor swimming pool, operators of the Holiday Inn at Lake George in New York reported an increase of 100% in room sales by erecting a translucent enclosure over their outdoor pool which helped them promote special 'tropical weekends' in the midst of the winter season.
- In order to attract more of the corporate travel market, W.F. Hughes, sales manager at one of Hyatt's operations set out a secretaries club membership - The Hyatt Executive Reservations Secretary, HERS, which helped him increase room reservations by 250,000 units a year in the two years following the organization of the club. Such clubs are actually a competition between all the secretaries to win prizes for sending the largest amount of business for the Hyatt operation.
- When the Stamford Marriott in Connecticut anticipated a particularly slow March weekend, its marketing team decided

to stage 'The First Annual American Crossword Puzzle Tournament' to persuade both income and publicity.

The publicity programme generated over 700 articles about the event in publications from New York to Tokyo as well as coverage in the broadcast media, and the success of the promotion inspired several other hotels to stage similar events.<sup>[271]</sup>

In her article 'Solving Marketing Problems Through Creative Promotion', Zive<sup>[272]</sup> notes that it is not necessary that special promotions need to be offered at discount rates to be effective. She explains that creating something new or unique could help improve sales and attract new prospects to the business.

For example, the 'Top of New York' promotion package developed by the Berkshire Hotel brought guests to the following 'extravagances' for a 1500 dollars weekend: two nights in a penthouse - private limousine service - a candlelight dinner served in the penthouse - dinner for two in the main restaurant - a 'flight-seeing' tour of New York city by helicopter. In addition to the revenue this package generated, this type of promotion helped perpetuate the hotel's image as a very exclusive property for those with discriminating taste.

Finally, although well planned and executed promotions represent an important tactical weapon to service marketers in their search for profitability and competitive advantage, Lovelock and Quelch<sup>[273]</sup> warn against the natural temptation to misuse a newly discovered weapon lest this devalue its effectiveness through overuse or distract management's attention from other marketing tools more appropriate to a specific situation. Their main caution is that although promotion can stimulate consumer excitement in some cases, they can also

increase consumer price sensitivity which might result in many consumers eventually becoming unwilling to buy the service unless it is available at a promotional price. Other cautions were directed at the detracting of creativity in non-price differentiation and the risk of a 'zero sum' game when promotions can be imitated easily by competitors which results in the inability to stimulate additional demand.

### Public Relations and Publicity

Public relations is generally defined as a deliberate and sustained effort to establish and maintain mutual understanding between an organization and its public.<sup>[274]</sup> The major objectives of such activities is to influence the formation and perception of individual and group attitudes and opinions towards the organization, be these customers, government, shareholders, other specified segments, labour and manpower and the community at large.

The fundamental role played by public relations activities within the marketing discipline has put an ever-increasing emphasis on its importance as a senior communication medium, a fact which led many marketing writers to consider public relations to be an active element of the marketing mix.<sup>[275]</sup>

In support and in addition to the above, Finn<sup>[276]</sup> and Cossé,<sup>[277]</sup> on part of marketing and hotel marketing respectively, indicate that PR plays a predominant role in indirect sales generation.

Kotler and Mindak<sup>[278]</sup> argue that contrary to manufacturing firms, service organizations are more familiar with PR functions than with other marketing activities and drew the examples of



hospitals and higher education institutions that engage themselves in PR activities and assign responsibilities for designing publications, attract favourable press coverage and build a reputable image.

Mindak and Fine<sup>[279]</sup> explain that in the case of service industries, PR is of an inestimable value in contributing to the overall success of a service for the providers of intangibles, and in clearing up any negative or hostile perceptions. The writers also explain that the characteristics of services also put a premium on the need to establish a spirit of confidence between the user and the provider of the service, and that through their wider role, can contact with many publics whose satisfaction must be obtained. "Service firms who work under different ground rules are more in need, than most firms, to obtain external public support."

Similarly, and with regard to hotel operations, McSweeney<sup>[280]</sup> argues that PR does not only embrace press and media relations in order to obtain free publicity in newspapers, magazines, on television and radio, but that it also embraces the entire field of relationships with the public and customers in all spheres. He thus maintains that the best PR for any hotel is a satisfied customer; and that since a major contribution to this satisfaction is good service, he postulates that the entire staff especially those who maintain direct contact with the guest are active members of the PR department. He bases his assumption on the fact that by the use of their skills and demonstration of their technical know-how, employees can show a desire to give satisfaction and develop the 'mutual understanding' which is implicit in all effective PR campaigns, and explicit in its definition.

Coffman<sup>[281]</sup> defines publicity as "the gratuitous mention in print, in public speech, on radio or television of any individual establishment, product or service"; he argues that it still incurs expenses to produce, however, that these are substantially lower than those paid for purchased advertising. He points to publicity's advantage over advertising by referring to its unique appeal in delivering a message that no other sales tool could, and that is based primarily on its peculiar acceptance in contrast to advertising. "The reading public automatically places far more credence in material read in editorial copy than they do in advertising."

In the same vein, Grice<sup>[282]</sup> indicates that one of the major goals of public relations and publicity in hotel operations is to develop and maintain an overall programme of goodwill for the property to increase the saleability of its products and services and in order for the hotel to become an active, integral part of the community.

An example of creative public and community relations in hotel operations is that when Marriott obtained, as acclaimed, 100,000 dollars worth of spot publicity and twice that amount in goodwill. Grice recalls that in the 1960's, the journey of the first man into space, John Glenn, was covered by television, radio and newspapers around the clock, and that for his return from space, all media set up headquarters around the Glenn's home to interview and film Mrs. Glenn and her children, while the police cordoned off the home area.

As a courtesy, Marriott sent buckets of fried chicken and accompaniments packed in large Marriott-labelled containers to the Glenn's home via a Marriott labelled station-wagon accompanied by two white-gloved attendants to serve the Glenn's,

the media and the police. As the wagon approached, escorted by a police motorcycle, all cameras turned on to the lunch brigade plastered with Marriott's name and logo. Mrs. Glenn voiced her appreciation to Marriott on all media, including messages relayed to her husband in space, and televised on network television.

However, in the field of hotel management, public relations and publicity are still being described as neglected sales tools not exploited by many hotel operators. Many hotel marketers<sup>[283]</sup> emphasize that hospitality operators need to recognize the fact that while public relations and publicity do not in themselves generate specific flows of business, they can, and do set the stage for all subsequent selling efforts by creating an image and by doing much to presell a product or a service. It further need be noted that such concepts are concerned more with resourcefulness rather than resources, where one cannot buy good relations that have to be earned.

### CONCLUSIONS AND IMPLICATIONS

The main objective of this chapter was to research into the application of the marketing mix concept to service industries, by choosing to examine the extent of implementing its decisions in service firms in general and hotel operations in particular.

The main conclusions and implications that are derived from the review may be presented as follows:

1. As in product marketing, designing a marketing mix for service firms does not entail the adoption of a specific checklist or model as long as all the controllable marketing variables are accommodated for within the mix's configuration, and allowed substantial flexibility in order to appeal to more than one market segment and not be constrained within the boundaries of the time dimension.

Where there is no rule that maintains that the mix elements popularized by McCarthy are the most promising for product marketing, there is no evidence that other checklists are better suited to services' nature. However, the literature provides guidance as to what could be included or excluded from a mix according to the nature of the industry and according to certain considerations regarding its offering.

2. As a result of services characteristics, some product associated problems may not be experienced in services marketing, e.g. material packaging, physical distribution and inventory. However, the implications of these characteristics appear in the actual design and management of the mix decisions. Furthermore, an overlap may present itself between services' product

and distribution decisions. For example, in hotel operations, the location of 'profit centres', i.e. food and beverage outlets, and their proximity in accordance to customer traffic within a hotel, are considered a product design as well as a distribution decision. Similarly, franchising is an expansion/diversification decision as well as a distribution dimension.

3. The predominant importance of the offering in business organizations places an emphasis on the importance of product decisions in service firms as it does in the case of manufacturing. The review indicates that, in many cases, the principles and policies related to product marketing are of equal relevance and application in services marketing.

Furthermore, because our subject industry is considered as being high on both tangible and intangible attributes, the hotel industry is at a dual advantage of benefitting from product marketing and capitalizing on marketing techniques developed with consideration to services' characteristics.

4. The most significant and frequently mentioned addition to a service firm's marketing mix especially those that are people based is the service employees. This is mainly attributable to the fact that services are performed, and that the degree of satisfaction associated with the level of performance is largely dependant on the human factor who provides and/or performs the service.

Furthermore, and as with many types of services, the physical environment and the atmosphere of the service's premises are an important element in the marketing mix, as these considerations largely affect customer perception, attitude and behaviour.

5. Viewing price in its marketing dimension and using it as a marketing tool might prove to be more rewarding for services than for their product counterparts. The characteristics of fluctuating demand coupled with services' perishability imply that services, especially those characterized by high fixed cost structures, need to adopt marketing oriented pricing methods while only using cost-oriented formulas as guidelines, beneath which the price level would not drop, except in cases where selling above variable and below total costs is the only available substitute.

6. The importance of accessibility in many service industries implies that a considerable amount of attention be paid to location decisions and location vulnerability, especially in the case of equipment based services, or those services which are characterized by a high amount of investment in plant and equipment. Furthermore, the concept of channels of distribution, or service intermediaries proves to be imperative for the overall success of service organizations especially when the buyer and the seller are geographically separated.

7. Promotion decisions for services parallel those for products; however, intangibles are most effectively promoted by capitalizing on their differentiating benefits, and by the manipulation of tangible clues that would materialize the services' reality.

8. Finally, overdependence on one element of the marketing mix is unaffordable since each element is designed to address certain problems and attain specific objectives. Hence, achieving synergism between the elements of the marketing mix is a crucial factor in determining its marketing effect when treated as a totality.

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**CHAPTER FIVE**

**DESIGN OF THE FIELD STUDY**

## CHAPTER FIVE

### DESIGN OF THE FIELD STUDY

#### Introduction

The overall purpose of this chapter is to explain the sequence of the steps taken in designing the field study and the methodology used by the researcher in collecting the data relevant for the subject under investigation. As such, this chapter aims at explaining the methodology conceived and the research setting rather than the analysis of the findings, to which the next two chapters are devoted.

The design of the field study has passed through four different, yet equally important stages. These include:

1. Identification of the research problems and objectives.
2. Formulation of the hypothesis.
3. Identification of the population and sample.
4. Development of the research method employed.

In the following pages, the aspects pertaining to each of these stages together with the methodological framework are discussed.

#### 1. Identification of the research problems and objectives

Throughout the literature review, an attempt was made to examine the issue of broadening the marketing concept beyond its traditional concerns of product marketing by discussing its relevance, transferability and contribution to other realms of activity, especially the service sector. Specifically, the objective was to analyze the contribution that might be achieved

by adopting the marketing concept and implementing its decisions to the overall success of members of the hotel industry.

The following are some of the important observations and problems which have arisen from our literature review:

Firstly: It is acknowledged that the marketing discipline has always had a strong goods orientation which, in a sense, made services marketing an uncharted frontier. This overwhelming product orientation on the part of marketing academicians and practitioners has led to service industries being slow in integrating marketing into their mainstream of decision-making and control because marketing offered no guidance, terminology or practical rules that are clearly relevant to services.

However, services marketing subsequently became an area of concern to some marketing writers who laid the foundation of the transferability of marketing to the general area of services and who contributed to the general literature on the marketing of services.<sup>[1]</sup>

Secondly: The introduction of marketing into the hotel industry faced a number of problems which appeared to threaten its acceptance by hotel operators:

- 1 The first of these problems was the attitude hoteliers formed and developed towards marketing. As in other realms of product and service industries, at the outset of introducing the discipline of marketing into the hotel industry, hoteliers formed a negative attitude towards its adoption. Furthermore, hoteliers viewed themselves as professionals operating a unique type of business that could do without the 'art of selling', as it was their perception that marketing is another euphemism or a postgraduate term for selling.<sup>[2]</sup>

2. The literature also revealed that there still is a gap between the acceptance of marketing by hotel management and the effective application of its concept and decisions, where many hoteliers view marketing mainly as advertising and sales, while only a few understand and practice the discipline in its fullest sense.<sup>[3]</sup>
3. In addition to the above, there is a paucity in research undertaken in the general area of hospitality which has led to the belief that the hospitality industry is predominantly based on accumulated experience and tradition and not on scientific research. This view was also sustained recently by Wyckoff and Sasser who also added that unlike other service industries, such as the airline or food-service industries, lodging operators have no major central source of published institutional research.<sup>[4]</sup>
4. Marketing is considered a comparatively recent component of the hotel industry's overall operational strategies, and emphasis on its vital role is a relatively new consideration not fully exploited by hoteliers. In this context, the 1970's was described as a decade of 'hit and miss' marketing practice for hotel operations, and one in which hotel marketers were described as being 'marketing apprentices' and for the most part, the industry's approach to developing and executing marketing programmes was described as being so basic that it elicits amusement on the part of marketing professionals in the consumer goods field.<sup>[5]</sup>

Thirdly: The environment in which any organization operates is subject to significant and continuous changes. Changes which are external to and beyond the control of hotel management include: economic changes in customers' standards of living and spending



power, level of domestic and foreign trade and financial policies of the government; technological developments in methods of production and distribution, transportation and communication; political changes regarding internal and foreign affairs; and social and cultural changes regarding social values, tastes, attitudes and work ethics. Furthermore, because a hotel's market is largely composed of foreign visitors, a hotel is also affected either directly or indirectly by the changes occurring in the environment of its market sources. All these external uncontrollable factors have resulted in accelerating the need for adopting the marketing concept by hotel operations.

Fourthly: As it appeared in the literature review, the application of the marketing mix concept could lead to a better performance in the planning and execution of the operational decisions of the hotel industry. However, although there is no universally accepted marketing mix formula for the hotel industry as a whole, the most important issue or consideration in creating a mix is to achieve synergism in integrating whatever elements a company chooses to incorporate, and to view the effect of these elements when treated as a totality rather than viewing each component in its individual dimension.

Finally; to demonstrate the core of our field study and its objective, we need to present a brief statement on the current state of the Egyptian hotel market. However, at the outset we need to draw the attention to a number of studies which reached the following conclusions regarding the general organizational structure and the extent of the application of marketing in Egyptian organizations.

1. Central planning authorities in Egypt are concerned almost exclusively with investment and production and marketing arrangements are left to work themselves out. [6]

2. The pyramidal structure of companies, organizations and ministries led to the fact that most company executives assume bureaucratic roles and refer minor decisions to parent organizations. The same behaviour is displayed between the organizations and their supervisory ministries.<sup>[7]</sup>
  
3. There is little to indicate that marketing research has been used to any great extent in the emerging economies. Moreover, marketing has always been relatively a low-status occupation in many of the emerging nations. The field of marketing has not attracted outstanding men with considerable managerial skills; marketing personnel have little influence on the major decisions of the company; and only few men with a marketing background ever succeed to a position of high responsibility within the firm.<sup>[8]</sup>

However, these studies concentrated mainly on manufacturing industries and there was no research undertaken to evaluate or measure the application of marketing in service enterprises. Nevertheless, it could be stated that the same governmental laws and policies governing organizational development for the public sector are applied in both product and service firms.

As for the Egyptian hotel market, until only recently most of the hotels operating in Egypt, whether those that are state owned and managed or those that are managed by foreign international hotel companies, enjoyed a continuous flow of business. This was due mainly to the scarcity of the number of operating hotels in the country in relation to the number of visitors arriving either for business or pleasure purposes. The sources of market demand were diverse; these included, but were not limited to; tourists from all over the world visiting Egypt for

its monuments symbolic of its ancient civilization, Arabs who come to Cairo for recreation and entertainment purposes, businessmen conducting international business and/or establishing headquarters for their companies operating in the middle east and north Africa, especially after the civil war and political conflicts in Beirut, Lebanon, which always represented a competing centre with Cairo for middle east trade. In essence, no manipulation of demand seemed necessary.

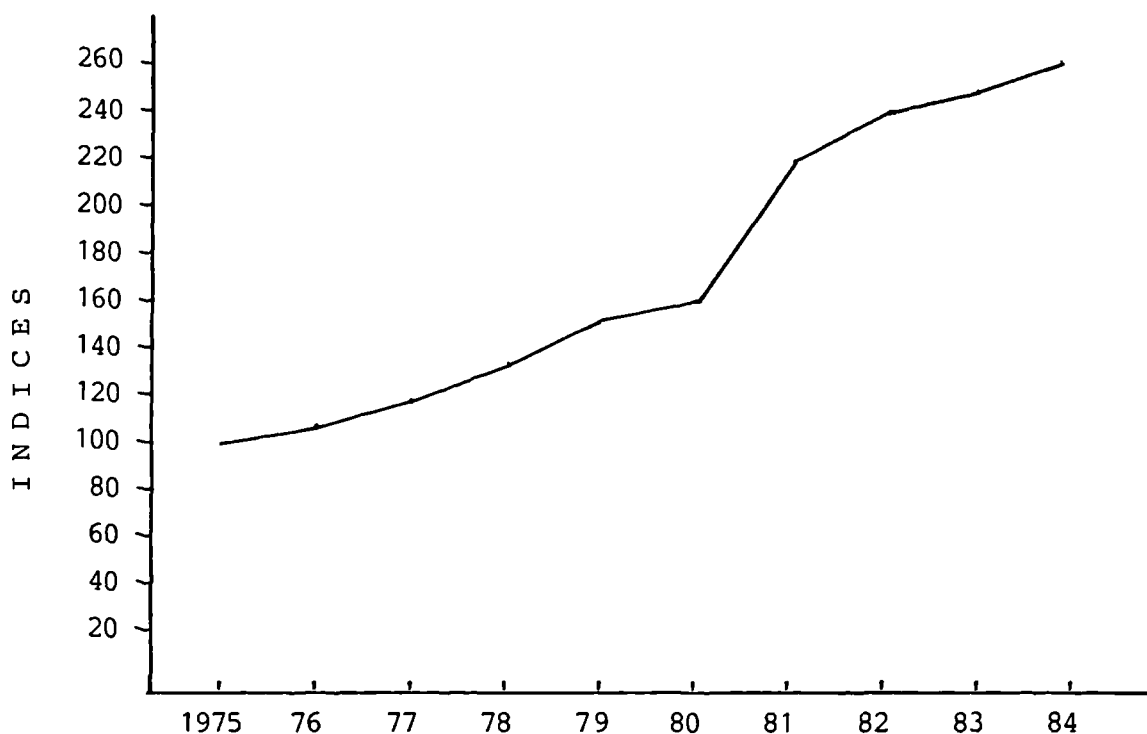
Explaining the dimensions of such a situation, Levitt<sup>[9]</sup> states that "If consumers are multiplying and also buying more of your product or service, you can face the future with considerably more comfort than if the market was shrinking. An expanding market keeps the manufacturer from having to think very hard or imaginatively ... if your product has an automatically expanding market, then you will not give much thought to how to expand it."

Recognizing the growth potential for the hotel industry, existing international chains operating in Egypt started to expand through the construction of new hotels. Other foreign hotel companies were attracted by the opportunity, feeling that their investment is more safe and secure after the open door policy exercised by the Egyptian economy in the late seventies, and in a short number of years, an overbuilding problem was experienced by the hotel industry and was soon reflected in lower room occupancy percentages, as the state of 'non-plus ultra' was not recognized by all concerned.

Wyckoff and Sasser<sup>[10]</sup> explain the overbuilding problem experienced by hotel operations by noting that "High occupancy rates obviously invite new capacity. Unfortunately, there is a strong tendency toward unstable situations resulting from over

capacity in the lodging industry. This instability is a critical concern in an industry with substantially high fixed cost elements, high debt leverage and dependence on high occupancy. However, high occupancy rates and associated profitability appear to fuel the construction cycle both by new entrants and by existing competitors desiring capacity expansion." Wyckoff and Sasser also explain that investors often justify the investment in capacity expansion on return on investments at the peak occupancy period of the business cycle, and that in many cases, individual decision making often fails to recognize the concurrent investment decisions of other investors. "It is as if each investor assumes that he is the only one to observe the opportunity (if it truly exists), or believes that his investment will preempt other operations."

Exhibit 5.1 Increase in hotel capacity (beds)



Source: Tourist Statistics Information 1975-1979, Egyptian Ministry of Tourism 1979.  
Tourist Statistics Information 1980-1984, Egyptian Ministry of Tourism 1984.

Exhibit 5.1 illustrates the increase in hotel capacity in the Egyptian market since 1975 through to 1984. Exhibit 5.2 presents the decrease in percentages of occupancy experienced by both the international and national hotel operations since 1980. Exhibit 5.3 demonstrates the 1983 decrease in the number of room nights experienced by national operations in three of the four cities in which they are located.

However, the hotel operations, especially those establishments which are managed by foreign international chains were able to survive, except for two of the newly constructed operations that were taken over by new management shortly after they started operation. The operations which suffered most were the Egyptian state owned and managed hotels whose occupancy levels were drastically affected (reporting a loss of 5 million Egyptian pounds in 1984),<sup>[11]</sup> and who, in the researcher's opinion, only survived because they are part of a subsidized government authority. "But even survival is a so-so aspiration. Anybody can survive in some way or another ... the trick is to survive gallantly, to feel the surging impulse of commercial mastery, not just to experience the sweet smell of success, but the visceral feel of entrepreneurial greatness."<sup>[12]</sup> According to Levitt, in order to continue growing, companies must ascertain and act on their customers' needs and desires and not bank on the presumptive longevity of their products and services. He also believes that in every case, the reason growth is threatened, slowed or stopped is not because the market is saturated, but because there has been a failure in management; a marketing myopia.

Having stated the research area and problem, our main objective may be epitomized as follows:

Exhibit 5.2    Decrease in percentages of occupancy of international and Egotels operations

Period	INTERNATIONAL		EGOTELS	
	Mean	Median	Mean	Median
1980	84%	90%	73%	74%
1981	82%	81%	67%	65%
1982	75%	79%	57%	57%
1983	72%	71%	52%	53%

Source:    The Egyptian General Organization for Tourism and Hotels, 1981, 1982, 1983, 1984.

Exhibit 5.3    Decrease in total number of room nights of the Egyptian Hotels Company

City	1981/1982	1983/1983
Cairo	171,653	158,563
Alexandria	69,516	79,614
Luxor	84,358	76,476
Aswan	63,872	60,453
Total	389,389	375,106

Source:    The Egyptian General Organization for Tourism and Hotels, Report No.1, 1983.

To assess the existence of the philosophy of marketing and to measure the degree of marketing orientation in the Egyptian hotel industry. In accomplishing and achieving our aim, we shall seek to determine whether the marketing concept has been accepted and implemented in the Egyptian hotel market by investigating the extent of its application in both the foreign managed hotel properties and the Egyptian state owned and managed establishments which are run by the Egotels\* company.

## 2. Formulation of the hypothesis

From the aforementioned discussion, it appears that the introduction of marketing into the hotel industry in general is still developing and that its application is exercised in a variety of ways, to a greater or a lesser degree, both in the United States and Europe.

As for developing countries, there are two proposed methods in which modern marketing can be infused into their economies. These are: (i) management; and (ii) multinational corporations. [13]

As mentioned earlier, previous studies which indicated that Egyptian management seems to be more or less far from being marketing oriented has concentrated mainly on manufacturing. However, as for service industries in general, and the hotel industry in particular, the extent to which multinational corporations have actually implemented the marketing concept in their Egyptian operations has never been researched.

Therefore, our tentative supposition could be presented in the following null hypothesis which is drawn to guide the collection, analysis and interpretation of the data. "Foreign managed

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\* The company's trade name is The Egyptian Hotels Company. For the purpose of our discussion and analysis, the name Egotels is used.

hotel operations in Egypt have accepted and implemented the marketing concept to a greater degree than the Egyptian state owned and managed hotel group."

### 3. Identification of the population and sample

With regard to this stage of the research design, the first step was to define accurately the population to be investigated.

For the purpose of this study and in order to test for the aforementioned hypothesis, the population is defined as encompassing all foreign managed hotels in Egypt and all Egyptian state owned and managed hotel properties.

The population thus was stratified purposively from the main list of the 4th edition of the "Egyptian Hotel Guide" published by the Egyptian Hotel Association in 1984.

Crimp<sup>[14]</sup> defines stratification as when the population is divided into homogeneous groups whose relative size is known and where the strata must be mutually exclusive. In the same vein, Churchill<sup>[15]</sup> notes that the parent population is divided into mutually exclusive and exhaustive subsets.

On the other hand, purposive sampling is a kind of non-probability sampling which, as Chisnall<sup>[16]</sup> indicates, occurs when selection of the sample is dependent on human judgement and not on the rigorous application of probability theory. This means that the sample elements are handpicked because it is expected that they can serve the research purpose. Luck<sup>[17]</sup> explains that towards achieving this process, the criteria for selection are specified and data on these factors are scrutinized to find populations members that meet these specifications. "The sampler deliberately designates the population units or their character-



istics - not by mere whim, but by a specific method that is intended to obtain a true cross section of the population."

In choosing our population, the hotel operations in Egypt were stratified into two main subsets: those operations that are under management contracts by foreign international hotel companies and those properties that are owned and managed by the Egyptian hotel group. These two stratified subsets fell into the 4 and 5 star categories except for one state operation which was rated as a 3 star classification. Generally, whatever fell short of this stratification are privately owned and managed properties, smaller in size and limited on service offerings. However, another common factor which is characteristic of only the foreign and state hotels is that they are all members of a chain or group affiliation.

Finally, to ensure that the list under study is large enough to pick up variations in behaviour and attitude which are relevant to our investigation, all hotel operations falling under the stratifying criteria were included in the study; thus, our results will reflect population values for the two separate groups.

The total number of hotels that were under study is 41, 25 of which are managed by international hotel firms, and 16 belong to the Egotels hotel group.

#### 4. The Method of research employed

This step in the research design is concerned with identifying the main category of the research technique, the method of research that was employed in the collection of data and the reasons which justify the selection of the chosen method.

Generally, the main categories of research techniques are identified as being either reactive or normative, where in the former, the gathering of data relative to a survey is a result of a communication process established between the researcher and the respondents, while the latter, which is also referred to as a non-reactive measure, relates to surveys involving observation or library research, hence no direct dependence on respondents to give information and no communication with them is established.<sup>[18]</sup>

As for the nature and purpose of this research, the field study was undertaken after the development of a direct structured questionnaire which was addressed to the executives assigned with the responsibility for marketing activities and administered by the researcher; hence it is classified as a method of a reactive nature. The reasons governing the choice of such a technique are presented in the following discussion.

The area of marketing research identifies three main techniques for the gathering of primary research data; these are: observation, experimentation and questionnaires.

With respect to observation, Luck<sup>[19]</sup> explains that through perceiving situations or actions, one can record and measure some descriptive facts whether by human means of perception or by non-human devices which involves the use of mechanical apparatus. However, such a technique is a non-reactive measure which involves audits, recording devices and watching human behaviour. Being incompatible with the nature and type of the data this research aims to collect, observations methods were discarded.

The second main technique is experimentation, which is a method based on controlled experiments in which efforts are made to hold conditions constant, just as in laboratory experiments.

However, the difficulty encountered with such a technique is that ideal experimental conditions of laboratory testing are virtually impossible in the real life conditions experienced in marketing, where the environment in which commercial transactions take place is highly complex and uncontrollable.<sup>[20]</sup>

The third technique of data gathering is through questionnaires. Under this heading, one could identify more than one method of data gathering, namely telephone, mail and personally administered questionnaires.

Although it is possible to establish a person to person relationship on the telephone, there exists a lack of opportunity to sustain interest by showing the respondent any supporting material such as the listing of possible answers to multi-choice questions or scales to help respondents rate the strength of their feelings toward a subject. As for mail questionnaires, the response rate achieved is always likely to be low. Given that international post would be involved might even have resulted in a lower number of responses.

The third alternative is administered questionnaires. This method is perhaps the most efficient method of data collection.

Green and Tull<sup>[21]</sup> explain that "questioning of respondents is often the most efficient and economical way to obtain information... through the development of a formal questionnaire designed to get the facts."

In the same vein, Crimp<sup>[22]</sup> favours this method by stating that "for a questionnaire of any length or complexity, satisfactory completion is most likely to be achieved by administration

of the questionnaire in a personal interview." Similarly, Shoner and Uhl<sup>[23]</sup> explain that "a structured instrument seems best when the goal is to obtain precise, determinate 'nuggets' of information."

Based on the above, and after a discussion with Professor M. Baker, the researcher's supervisor, it was decided that communication with potential respondents should be established through the development of a direct structured questionnaire that would be administered by the researcher in order to obtain any further necessary explanations and to avoid respondents' having the opportunity to read through the questionnaire thus forming a particular perception as to its contents and aim, and which might influence their choice of answers at a later time subsequent to their study of the questionnaire's dimensions (a 'failing' or weakness of mail questionnaires).

#### The development of the questionnaire

This step in the research design is concerned with the development of the questionnaire constructed for data collection.

The main objective of the designed questionnaire is to assess the degree of marketing orientation of the subject hotel operations. Toward reaching this end, the questionnaire aims at generating data about the relative awareness and attitudes of respondents vis a vis the marketing concept. The questionnaire also seeks to obtain information relating to the hotels' marketing policies and decisions, thus ascertaining whether or not the marketing concept is put into practice by the subject properties.

The questionnaire was addressed to the executive in charge of the marketing activities for each subject hotel. As responsibility for marketing the Egotels operations is shared

equally by their general managers and a marketing executive at the company's headquarters in Cairo, all those concerned were duly interviewed. At international operations, however, marketing appeared to be the responsibility of a sales/marketing director, a public relations officer or, in one case, the general manager of the operation.

In addition to the above, 13 international hotel operations have a total of 5 area sales/marketing offices in the city of Cairo, whose senior marketing executives have all participated in the study as they are responsible, in part, for the marketing activities of their individual operations.

The sources of ideas for the questions were based on a detailed literature search on the application of marketing to service organizations in general, and to hotel operations in particular, and on suggestions made by the researcher's supervisor regarding ideas, techniques and question sequence

With regard to the type of questions, a combination of open-ended and closed type questions were used in order to gain the advantages of using both types. However, the type of questions which was mainly used was the closed type one to avoid any bias resulting from verbatim recording, yet the advantage of obtaining further explanation was not lost because the questionnaire was completed through personal administration by the researcher in order to gain more in-depth information. In this respect, some of the questions asked respondents to write in and state the variables or answers they see fit, while the closed type questions asked them to add any other alternatives which might not have been listed among the presented configuration. In addition to what further information this approach may generate, it also avoids any feeling of repression the respondent might experience by feeling that he is not doing justice to his opinions and helps act as a safety valve for the closed structure.

The types of closed questions used included the simple dichotomous 'Yes/No' alternatives, and where the starkness of a yes/no response was restrictive, gradation of response was measured on a Likert-type scale which was also used for questions attempting to measure attitudes, e.g. ('strongly agree' to 'strongly disagree' and 'to a great extent' to 'very little'). Few questions were constructed along a semantic differential scale of 'very important' to 'not important at all' issues where higher numbers were associated with positive constructs in order to produce a more natural interpretation at the analysis stage. In the last two methods, a separate label of 'not applicable - N/A' was added to the scales where it was felt that a particular activity might not be applicable to the respondent's role and/or department.

With respect to the issue of scaling, the scales used in the questionnaire are of a numerical value. Moser and Kalton<sup>[24]</sup> indicate that the main feature of measurement by numerical scales is that when the subject under study is placed at some point along a continuum ranging from extreme favourableness to extreme unfavourableness, distinction of degree becomes possible.

Secondly, in view of odd versus even scores, previous studies showed that odd scores were rated more highly by respondents than even scores. However, Youngman<sup>[25]</sup> explains that with odd numbers there is a middle category representing a neutral position, but that with an even number where no middle category is represented, respondents are forced to indicate to which side they belong. However, in this respect, it was felt that for the purpose and nature of the data required, the use of the even numbers, 10,8,6,4,2, allows for more choices to be on the favourable side, or vice versa according to the scaling of the question. Furthermore, some respondents may associate the figures 9,7,5,3,1, as being factors of the integer 10, and thus

some might perceive the figure 9 as not being the ultimate figure and consequently choose it perceiving that there still is a more positive figure associated with the unrepresented integer '10'. Hence, a consecutive five point scale ranging from 1 to 5 was used for all relevant issues under consideration.

Finally, and in spite of the questionnaire being administered by the researcher, instructions on the style of response and the sequence of answering questions were indicated closely on the questionnaire format.

The questionnaire, reproduced in the appendices, encompassed 60 questions, and was developed as follows:

The questionnaire starts with a general question asking respondents to identify the type of industry which they perceive themselves as operating within. The aim of this question was to determine whether or not a respondent is afflicted with a 'marketing myopia' by defining his business in a narrow sense, or whether he views it within a broad perspective.

Questions 10 and parts 1,3,6,7,8,9 and 15 of question 60 served to reflect respondents' comprehension of marketing and the different dimensions associated with its application.

Question 10 asked respondents to define their perception of the meaning of marketing.

Parts 1,4,6 and 9 of question 60 served to test their comprehension of the different dimensions of marketing with regard to its focal point, its main concern, its basic interpretation and its primary interest, respectively.

Parts 7, 8 and 15 of question 60 asked respondents to express their agreement/disagreement with regard to the practicality of marketing in the field of operation and its compatibility with 'sales' or selling efforts.

Questions 2 to 9, 58 and parts 2,11 and 16 of question 60 were concerned with whether the organizational dimensions of the marketing concept at the subject hotels reflect an emphasis on marketing activities.

Questions 3 and 4 seek to identify those hotels which have established a formal marketing department, those which still operate under a sales perception and those which did not establish any special department assigned with the responsibilities of marketing activities.

Question 2 measures the extent of importance assigned by the respondent to the marketing department in comparison to other operational hotel departments. Question 5 inquires about the number of employees on the marketing department's payroll.

Questions 6 and 7 are concerned with the structure and formalization of the hotels' marketing goals.

Question 9 provides information as to the background of the marketing manager, i.e. whether he is an experienced marketer or whether he got his job by way of promotion from another department of the hotel. Question 8 and parts 2 and 16 of question 60 examine the extent of his involvement in the goal setting and decision making processes.



Question 58 and part 11 of question 60 seek to identify the method of allocating budgetary resources for the marketing activities.

Questions 14 to 19 and part 3 of question 60 are concerned with the hotels execution of marketing research activities.

Question 14 asks respondents whether or not they research their markets, and how often if they do.

Question 15 assesses the extent to which the hotel depends on its own staff in undertaking research activities.

Question 16 seeks to identify the major sources upon which the hotel bases its research activities. It specifically aims at identifying whether or not the hotel is aware of and makes use of the valuable information on customers that is already at hand being contained in the hotel's main source documents, i.e. the reservation and registration cards and the guests' folios.

Question 17 examines the different research functions undertaken by the hotel.

Question 18 attempts to assess the main reasons and obstacles which the respondents believe to hinder or deter the hotel from undertaking research activities.

Question 19 examines the hotels' extent of revising their existing services and facilities in order to satisfy customers' changing needs and attitudes.

Part 3 of question 60 examines respondents' attitude towards the continuity of the marketing research process.

Questions 13, 22 to 24, and part 10 of question 60 investigate the hotels' application of market segmentation strategies.

Question 13 identifies the strategy used in segmenting the hotel's market.

Question 22 seeks to verify whether or not the hotel tries to manage the character of its demand by developing a specific customer mix.

Question 23 asks if the allocation of different capacities is managed and directed accordingly or is it left to chance (a first come first served basis).

Question 24 determines the allocation of capacity the hotel gives to each of its market segments, and thus serves to identify if the hotel segments its market to different subsegments according to purpose of visit and/or nature of travel.

Part 10 of question 60 measures respondents' attitude to segmentation strategies.

Parts 7, 8 and 12 of question 59 and parts 5 and 14 of question 60 measure the hotel's degree of competition orientation. The parts embodied in question 59 are concerned with the perceived importance of studying competitive activities, competition's advantages and disadvantages, while the parts embedded in question 60 measure respondents' attitudes with regard to the effect of growing competition on marketing behaviour.

Questions 11 and 12 ask respondents to assign a degree of importance to a number of marketing activities, as well as their determination of the percentages of time they normally spend on each activity.

Questions 19 to 21, 25, 26, 31, 32, 48 and 49 are concerned with the hotels' product decisions.

Question 19 examines if the hotel revises its existing services and facilities in order to satisfy customers' changing needs and attitudes.

Question 20 examines if there has been any new services introduced by the hotel since it started operation.

Question 21 seeks to identify the major factors which influence the hotel's decision to introduce a new service/facility to its markets.

Question 25 examines whether or not the hotel varies its services/offerings to suit the different customers.

Question 26 and question 32 ask respondents to identify the main reason which they perceive to have led their customers to choose the hotel, and to rank in order of importance a number of attributes which may influence guests' choice in selecting between competing hotels.

Question 31 seeks to identify if the hotel has a unique advantage or distinguishing feature along which dimension it could position itself against its competitors in the market place.

Question 48 and question 49 determine the hotel's use of logos and accompanying slogans in order to forge their strong corporate identities.

Number 3 in the classification identifies the hotel's name in order to examine if it conforms to the concept of association.

Question 33 identifies the hotel's main objective of its marketing activities.

Questions 34 to 43 examine the marketing dimension of the hotels' pricing policies.

Question 34 asks respondents to indicate the extent of their hotel's use of price as a marketing tool.

Question 35 identifies the main pricing objectives of the hotel.

Question 36 assesses the hotel's price against that of its direct competition.

Question 37 identifies the method which is employed in order to reach decisions about the price structure.

Questions 37 to 41 examine the hotel's price structure, its flexibility to demand levels and the degree of its manipulation in off-peak periods, as well as the types of discounts offered, family plans and double occupancy rates.

Question 43 seeks to identify how often the hotel revises its pricing policies and structures.

Question 44 and parts 7, 11, 13, 14 of question 45 and part 5 of question 59 are concerned with the importance of location and distribution decisions. Respondents were asked about the importance of the role such intermediaries play in relaying business to their operations. The intermediaries listed were: travel agents, airline offices, chain affiliated hotels, personal

selling as a distribution intermediary to government accounts and corporate accounts, and hotel representatives at the airport terminal.

Questions 45 and 46 were concerned with the importance and frequency of use of promotional efforts such as newspapers, magazines and special interest magazine advertising, radio and television advertising, brochures, in-house posters, direct mail, guest room directories, bill-board advertising and special promotion programmes.

Question 47 asked respondents to indicate the extent to which they perceive public relations has a selling function.

Question 50 identifies the overall objectives of the hotels advertising activities.

Questions 51 and 52 identify whether the hotel has evolved to the dualistic function of serving foreign travellers as well as local residents.

Question 53 examines if the hotel evaluates advertising effectiveness and what measures or yardsticks are used towards achieving this end.

Questions 54 to 57 and part 13 of question 60 were concerned with the hotel's internal marketing function.

Question 54 asked respondents if their hotels are engaged in marketing training programmes directed at personnel other than those at the marketing department.

Question 55 aimed at identifying the source which develops such programmes, and that which executes them.

Question 56 identifies the personnel who are subject to these programmes and their level within the organization.

Question 57 attempted to ascertain the main reasons and obstacles which deter the hotel from conducting the relevant marketing training programmes.

Question 59 attempted to examine the degree of harmony or synergism the management of the hotel has achieved with regard to creating its marketing mix elements.

Questions 27 to 30 and parts 12, 17 and 18 of question 60 examine respondents' perceived degree of their customer satisfaction, their feed-back measure employed in reaching their determination, their attitude towards the use of guest room comment cards and, finally, their attitude towards the retail philosophy which states that "the customer is always right."

#### Rate of Response

Finally, due to the effectiveness of the research method employed, personal contact has been established with all respondents and the findings of the hotel study reflected population values of all those concerned. As thus, the findings reflect the responses of 16 Egotels general managers and the company's senior marketing executive. At international operations, 25 interviews were similarly administered with respondents at the hotel level, as well as 5 interviews with senior marketing executives at area/regional marketing offices.

### The Guest Survey

With customers being the ultimate target of any organization, it was believed that a guest survey which would elicit guests' opinions, views and experiences with regard to their stay at the subject hotels would complement the findings of the primary hotel study in terms of deriving inferences as to the degree to which the subject hotels have committed themselves to the marketing concept.

However, because of time, distance and resource constraints, the population of the guest survey was defined as all guests who patronized the subject hotel operations in Cairo during the time the hotel study was undertaken. However, as some of the hotels were reluctant to the idea of an outside third party eliciting their guests' opinions as to their experiences at the hotels, only 6 international operations and 3 Egotels agreed to participate with the reservation that no demographic criteria be included in any of the questions.

Secondly, because of the nature of the survey, it was anticipated that there would exist a high probability that most of the participating hotels would be reluctant to disclose guest information in order that the researcher would randomly choose a sample of guests for the purpose of conducting a mail questionnaire.

Thirdly, in order to avoid a problem associated with mail questionnaires, especially in the area of travel research, and that which is identified as 'recall bias',<sup>[26]</sup> the following method was believed to be the most practical and feasible to employ.

On the day of the interview with the executive in charge of marketing activities, the researcher asked for the random distribution of a number of questionnaires equivalent to 25% of total room capacity of the subject hotel. These were collected at a later date to allow for the distribution of the total number of questionnaires since the percentages of occupancy differed considerably at the participating hotels.

The front office managers were requested to place the questionnaire, with its covering letter, in a randomly selected sample of occupied guest-room pigeonholes the evening before checkout. This specific time was chosen purposively because the guest would have already used the services of the hotel and the experience would still be fresh in his memory and not affected by time lapse. It was believed that this personal approach would increase guest response rate,<sup>[27]</sup> and that it would increase the representativeness of the sample by reducing the probability that only highly satisfied and/or dissatisfied guests would respond (as is the case with the criticism of guest-room comment cards).<sup>[28]</sup>

The total number of rooms at the 6 international operations was 1,931 as opposed to 875 rooms at the 3 Egotels' properties. Exhibit 5.4 distributes the relative figures and the rate of response.

Type of Establishment	Total No. of Rooms	25%	No. of returned usable questionnaires	
			No.	%
International	1,931	483	233	46
Egotels	875	219	43	19.6
Total	2,806	702	266	38



It is interesting to note, however, that while returned questionnaires were virtually collected from international operations within one to two weeks from the day of their distribution, at Egotels these were left until shortly before the researcher came back to Britain. The reason was not a low rate of response on the part of the Egotels' guests as much as it was that there were not enough guests.

The questionnaire, reproduced in the appendices, encompassed 20 questions and was developed as follows:

Question 1 identifies the general market segment to which the guest belongs, i.e. business traveller; pleasure traveller (independent); pleasure traveller travelling as part of a tour group; convention delegate or transient.

Questions 2 and 3 seek to determine whether or not the guest is a 'repeat customer'.

Question 4 identifies the source through which the guest gained his/her first awareness of the property.

Question 5 identifies the intermediary through which the guest processed his reservation if he had one.

Question 6 seeks to identify the main reason which governed the guest's decision to patronize the subject hotel establishment. A similar question was addressed to the respondents of the hotel study in order to establish a comparison.

Question 7 attempts to examine the frequency of guests' use of the food and beverage outlets at the hotel as this was believed to indicate inferences as to the hotels' internal selling efforts.

Question 8 asks guests to indicate their average length of stay.

Question 9 contrasts guests expectation prior to their arrival at the hotel with their actual experience with regard to the hotel's image, services, facilities, aesthetic appeal, employees attitude and other relevant issues.

Question 10 elaborates on employees attitude by asking guests to indicate the extent to which they perceived the guest-contact employees being 'customer conscious'.

Question 11 measures respondents attitude towards the hotel's price structure.

Question 12 seeks to examine whether the character of demand was managed successfully by the hotel.

Question 13 asks guests to rank in order of importance a number of attributes which may influence their decision when choosing between different hotels.

Question 14 is hypothetical in nature where it asks guests to nominate the most differentiating attribute which they perceive many distinguish between hotels offering similar services and facilities.

Questions 15 to 19 are concerned with guests' level of satisfaction with the services they received at the hotels in which they were staying.

Question 15 asks guests if the hotel has taken any effort to measure their satisfaction with its services.

Question 16 asks guests to indicate their level of satisfaction on a Likert-type scale ranging from highly satisfied to highly dissatisfied.

Question 17 asks respondents whether or not they have filled out the guest-room comment cards placed in their rooms.

Question 18 identifies guests' reasons for dissatisfaction, if applicable, and question 19 examines whether any corrective actions have been taken accordingly by management.

Finally, questions 19 and 20 examine whether guests would become possible resales in the future by repatronizing the same hotel, and identify the reasons if they would have answered in the negative.

The following two chapters represent, respectively, the analysis of the hotel study and that of the guest survey.

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**CHAPTER SIX**

**THE INTERPRETATION AND ANALYSIS OF THE  
HOTEL STUDY**



## CHAPTER SIX

### THE INTERPRETATION AND ANALYSIS OF THE HOTEL STUDY

#### Introduction

The purpose of this chapter is to present an analysis of the findings of the first survey undertaken in order to assess the validity of the hypothesis put forward in the previous chapter with regard to the degree of marketing orientation of the Egyptian hotel industry and that of the international hotel firms operating in Egypt. It is hoped that by investigating the different issues treated in the questionnaire it will be possible to reach an understanding about the stage of the development of marketing thought on the part of the management of the hotel operations under study.

The statistical methods used in analyzing the data included:

- The presentation of the basic distributional characteristics of the variables through frequencies.
- The comparison of means for ranked and scaled questions (e.g. very important ... not important; great extent ... very little).
- Cross-tabulation was used in some cases where a determination of relationships between variables was believed to infer relevant insights into the analysis of the issues being investigated. Cross-tabulation was also put to use as a cross-checking measure where determination of respondents answer to two separate, yet related, questions was needed to be ascertained regardless of the level of significant relationships.

In addition to the above, the analysis was supported with the outcome of our discussion with the individual respondents where verbatim recording of different statements expressing views and attitudes was established.

The issues under investigation in this chapter are presented as follows:

Section One: Extent of Awareness, Adoption and Implementation of the Marketing Concept.

In this section respondents' comprehension of the marketing concept is verified and the degree of their adoption and implementation of some of its principles is measured.

Section Two: The Integration of Marketing Policies into the Hotels' Marketing Mix Variables.

This section aims to investigate the subject hotels' operational policies, and the extent to which the implementation of these policies is compatible with marketing practice. The Policies investigated are:

1. Product Policies.
2. Pricing Strategies.
3. Employment of Intermediaries.
4. Promotional Activities.
5. Marketing Training of Non-Marketing Personnel.
6. After Sales Service/Consumer Feed-back.

## Section One

### EXTENT OF ADOPTION AND IMPLEMENTATION OF THE MARKETING CONCEPT

In this section an attempt is made to examine the extent of awareness, acceptance and adoption of the marketing concept in the hotel operations under study, in both philosophical and practical dimensions. Towards this end, the analysis aims at:

- I. Evaluating respondents expressed agreement or disagreement with different statements regarding the meaning and associated connotations of the marketing concept, coupled with quoted definitions denoting respondents' perceived meaning of 'marketing'.
- II. Assessing whether the organizational structure of the different hotels and the responsibilities assigned and delegated to the marketing executives reflect a marketing emphasis.
- III. Determining the extent of the hotels' application of different marketing activities: these include; marketing research, market segmentation, and their orientation towards competition, plus assessing the perceived importance respondents assign to such activities.

At the outset, however, respondents' views on the nature of their business are presented.

### Industry Definition

It is advocated that a feature of an organization orientated towards marketing lies in its members' broad definition of the market in which they operate and to which they relate their type of business. It is also assumed that product-oriented firms tend to define their industries in a narrow sense, thus displaying a 'marketing myopia'<sup>[1]</sup> in contrast to firms that broadly define their market, thus reflecting a recognition of a wider arena of business, competition and market forces.

Respondents of the hotel study were asked to identify with one, among an array of terms, which they felt best describes their industry. The continuum addressed to them allowed for very narrow interpretations (accommodation and lodging), narrow (hotel), broad (hospitality), and too broad or loose interpretations (tourism and recreation). As in most other questions, a blank space was provided for individual suggestions. Table 6.1 illustrates respondents' choice of terms, and from which several comments can be drawn as follows:

(1) There is no consistency or homogeneity in the responses of the national group (EGOTELS), although its respondents are chain affiliated to the same company. However, the majority (63%) of its members tended to define their business as 'hotel' or 'hotel service'; 19% broadly defined it as hospitality; 6% identified it within an even broader context 'tourism', and the remaining 12% loosely defined their industry as 'service'.

(2) Surprisingly, the response of the senior marketing executive of the Egotels group represented a relatively narrow interpretation: 'accommodation', which in the researcher's opinion, conveys a narrow interpretation from both marketing and operational dimensions since hotel establishments generally offer more services than mere overnight accommodation.

Table 6.1 Respondents' definition of their industry

—— Hotel level ——      —— Regional level ——

TERMS	RESPONDENTS		EGOTELS		INTER-NATIONAL		EGOTELS		INTER-NATIONAL	
	No.	%	No.	%	No.	%	No.	%	No.	%
Hotel	9	56	14	56					2	40
Hotel Service	1	6								
Hospitality	3	19	9	36					2	40
Tourism	1	6								
Service	2	13								
Accommodation							1	100		
Holiday Villages			2	8					1	20
Total	16	100%	25	100	1	100			5	100

(3) Responses of the members of the international groups fell either in the hotel category (56%), or in the broader hospitality classification (36%). Two respondents viewed their business as belonging to a completely different context than the traditional hotel or hospitality configuration. They chose a term of their own initiation: 'Holiday Villages', as indicative of the type of business they are engaged in. It is our point though, that while this interpretation might provide an accurate or precise definition when contemplating activities such as market segmentation, it may be conceived as narrow when perceived from a general marketing framework.

(4) Allied to that of one senior marketing executive who also chose 'holiday villages', responses of other regional marketing executives fell equally into the hotel and hospitality classification, (40% for each term).

From the above, it appears that most of the respondents at the hotel level tend to define their industry in a narrow sense by believing it to be in a special category rather than belonging to a broader 'hospitality' classification. This relatively myopic view is also witnessed among 60% of the regional marketing executives of international hotel operations which have regional offices in Cairo, while the area marketing executive of the national group has adopted the most narrow interpretation presented along the continuum. It need be noted that the response of EGOTELS area marketing executive was inconsistent with any of the responses at the operations level, which in turn were, to a degree, inconsistent with each other. This might indicate that there is no permeation of a unified thought among the different levels of management as well as among the management of the individual operations themselves as to the type of business the company is engaged in running. By contrast, responses of the 13 hotels which have a regional marketing office in Cairo corresponded with those of their five regional marketing executives' views.

#### I. Comprehension and awareness of the marketing concept

The philosophical dimension of the marketing concept revolves around an abstract idea of satisfying customers' needs and a material gain inherent in the achievement of high profit returns. In fact, it could be argued that the absence of one of these elements, or the sole presence of the other, does not imply the existence of a marketing orientated philosophy.

In this sub-section an attempt is made to examine respondents' comprehension of the meaning associated with 'marketing' and their awareness of the issues embodied in the tenets of the marketing concept. The question used towards the collection of data per-

taining to this issue entailed the expression of opinion with regard to a number of statements concerned with two dimensions: (i) the general meaning of marketing, and (ii) marketing's relevance to business in general and to service industries in particular. The statements which were embodied in question number sixty were constructed on a Likert-type scale ranging from strongly agree to strongly disagree. The decision to construct the statements on a negative structure was based on the researcher's view that a positive statement might tend to attract an agreement that might not be based on the respondent's knowledge as much as on his/her simple application of common sense, and where the real meaning of marketing may be conveyed otherwise to the respondent (through the process of deduction for example).

1. Is marketing what the questionnaire says?

Respondents were addressed by four statements about marketing's main concern as a business activity; its focal point; its general meaning; and its primary interest. Tables 6.2 and 6.3 demonstrate respondent's agreement and/or disagreement with the presented statements.

From tables 6.2 and 6.3 one can identify the following:

1. (a) The vast majority of respondents in both the national and international groups agreed or strongly agreed that marketing's main concern is to stimulate demand for a product or a service. Only two respondents (one in each group) have disagreed.

(b) 80% of the senior marketing executives, and the Egotels marketing executive have agreed or strongly agreed to the same statement. One senior marketing executive was uncertain about marketing's main concern.

Table 6.2 Respondents' Comprehension and Awareness of the meaning of Marketing (Hotel level)

Statement	Respondent	Strongly Agree		Agree		Uncertain		Disagree		Strongly Disagree	
		No.	%	No.	%	No.	%	No.	%	No.	%
Marketing's main concern is to stimulate demand for a product or a service	Egotels	12	75	3	19			1	6		
	International	17	68	5	20	2	8	1	4		
Marketing's focal point is to attain a predetermined profit level	Egotels	2	12	11	68	2	12	1	6		
	International	8	32	13	52	3	12			1	4
Marketing basically means selling the products/services of the firm	Egotels	5	32	10	62			1	6		
	International	3	12	14	56	1	4	7	28		
Marketing is mainly concerned with using effective advertising to sell the products/services of the firm.	Egotels	3	19	12	75					1	6
	International			7	28	5	20	11	44	2	8



Table 6.3 Respondents' comprehension and awareness of the meaning of marketing  
(Senior marketing executives level)

Statement	Respondent	Strongly agree		Agree		Uncertain		Disagree		Strongly disagree	
		No.	%	No.	%	No.	%	No.	%	No.	%
Marketing's main concern is to stimulate demand for a product or a service	International	3	60	1	20	1	20				
	Egotels			1	100						
Marketing's focal point is to attain a predetermined profit level	International			4	80	1	20				
	Egotels			1	100						
Marketing basically means selling the products/services of the firm.	International	1	20	3	60			1	20		
	Egotels			1	100						
Marketing is mainly concerned with using effective advertising to sell the products/services of the firm.	International			1	20	1	20	3	60		
	Egotels					1	100				

2. (a) As in 1.a above, only two respondents at the hotel level (one in each group) have disagreed that marketing's focal point is to attain a predetermined profit level. 12% of each group were uncertain, while the remainder agreed or strongly agreed.

(b) As in 1.b above, 80% of the senior marketing executives, and the Egotels marketing executive regarded marketing's focal point as the attainment of a predetermined profit level. One senior marketing executive was uncertain about marketing's focal point.

3. (a) Only one respondent among the Egotels' managers did not confuse marketing with selling and disagreed that marketing basically means selling the products/services of the firm. However, the confusion between marketing and selling was witnessed in 68% of the responses of the international groups where only 7 respondents (28%) disagreed that marketing and selling are the same.

(b) Among the senior marketing executives, only one respondent disagreed with the negative statement which equates marketing with selling while the other four respondents and the Egotels marketing executive shared the confusion between both terms.

4. (a) Only one among the 16 Egotels managers disagreed that marketing is mainly concerned with using effective advertising to promote the firm's offering. On the other hand, 52% of the international group's respondents have disagreed with this, while 7 (28%) expressed their agreement and 5 (20%) expressed their uncertainty.

(b) The majority of senior marketing executives, 3 (60%) rejected this statement. However, one respondent agreed and one, along with the Egotels marketing executive expressed uncertainty.

From the foregoing points there seems to be a poor comprehension of marketing and an overwhelming confusion between marketing and selling on the part of all groups of respondents. Only one respondent in the Egotels group maintained his disagreement to all negative statements while the remainder generally expressed their agreement, or in very few cases their uncertainty. This confusion, although still evident, was less witnessed in responses of members of the international groups, who tended either to disagree or to express their uncertainty more often than their national counterparts.

Surprisingly, the same attitude is reflected in the expressed opinions of the senior marketing executives at the five regional sales/marketing offices. Although one such executive disagreed that marketing basically means selling, he agreed that its focal point is to attain a predetermined profit and that its main concern is to stimulate demand, which could lead us to believe that although the respondent scores a point to his favour, his comprehension of marketing's different dimensions is immature.

It need be noted that the number of uncertainties on the part of Egotels general managers could be justified as these managers, although responsible in part for marketing their operations, have had no marketing experience or experienced any interface with marketing in their careers. On the other hand, however, responses of the sales/marketing managers of the 25 international operations surveyed recorded 11 uncertainties; a figure which the researcher feels to be large as it expresses

opinions and views of individuals who have already held a sales/marketing position for a period of time.

## 2. Marketing: Theory versus Practice

To complement our investigation into respondents comprehension and awareness of the marketing concept, respondents were presented with three statements concerning the applicability of marketing theory to the day to day operations of a business. Tables 6.4 and 6.5 outline respondents' attitudes to such an issue. ✓

From the two tables, the following points may be drawn.

1. (a) Although 43% of the Egotels managers believed marketing is as relevant to service industries as it is to manufacturing companies, the vast majority of 87% believed that marketing serves as an academic idea and that it is 'selling' which provides the solution for business problems. Only two respondents believed in the importance of marketing no matter how good the product of a firm is. ✕

(b) 60% of the sales/marketing managers at the international operations believed that marketing is as relevant to service industries as it is to product manufacturers. However, this percentage has dropped down to 48% where only 12 respondents viewed marketing as a practical philosophy and not only as an academic idea. The frequency distribution showed that 15 (60%) respondents regarded marketing as an essential activity even if the company has built a better 'mouse trap'. ✓

2. (a) By contrast to the vast majority of the Egotels general managers, the company's senior marketing executive believed in marketing's relevancy to service industries, and ✓

Table 6.4 Respondents' attitudes to the 'practicality' of marketing (Hotel level)

Statement	Respondent	Strongly Agree		Agree		Uncertain		Disagree		Strongly Disagree	
		No.	%	No.	%	No.	%	No.	%	No.	%
Marketing has proven to be more relevant to manufacturing industries than to service firms	Egotels	4	25	5	32	6	37	1	6		
	International	3	12	3	12	4	16	10	40	5	20
Marketing serves more as an academic idea; however, in practice, it is selling which solves the business problems	Egotels	6	37	8	50	1	6	1	6		
	International	4	16	8	32	1	4	11	44	1	4
If the product/service is immaculate, marketing is of lesser importance.	Egotels	11	68	3	19			1	6	1	6
	International	1	4	1	4	8	32	12	48	3	12

Table 6.5 Respondents' attitudes to the 'practicality of marketing' (Senior marketing executives level)

Statement	Respondents	Strongly Agree		Agree		Uncertain		Disagree		Strongly disagree		
		No.	%	No.	%	No.	%	No.	%	No.	%	
Marketing has proven to be more relevant to manufacturing industries than to service firms.	Egotels								1	100		
	International					1	20		4	80		
Marketing serves more as an academic idea; however, in practice, it is selling which solves the business problems.	Egotels								1	100		
	International					2	40		3	60		
If the product/service is immaculate, marketing is of lesser importance.	Egotels								1	100		
	International							2	40			

in its 'practicality' in the field of operations as opposed to the predominant 'selling' misconception. Furthermore, he believed that marketing's importance should not be over-ridden even if the company would develop an immaculate product. X

(b) While 4 of the senior marketing executives of the 5 international companies which have a regional sales/marketing office in Cairo believed in marketing's relevancy to service industries, only 3 were against its having 'academic boundaries', with the other 2 believing that it serves more as an academic idea and that selling is the activity which solves the business problems. Similarly, 3 believed in the importance of marketing regardless of the quality of the product while the remaining 2 expressed their uncertainty.

From the above, it could be stated that although the marketing executive of the Egotels group has demonstrated a recognition and awareness of the importance of marketing, his views, however, were not reflected in responses of the general managers at the operations level, who share the marketing responsibilities of their operations. It could also be noticed that a considerably larger percentage of respondents belonging to the international groups have displayed a higher appreciation for marketing than their Egotels counterparts, where: (i) 60% of their respondents believed in marketing's relevance to service industries as opposed to 43% of the national group; (ii) 48% believed in marketing's applicability to business problems as opposed to 13% of the Egotels respondents; and (iii) 60% of the international groups' respondents versus 12% of Egotels' believed in the essentiality of marketing regardless of the product's quality. ✓

### 3. Respondents' perceived nature of marketing

During the course of the researcher's personal interviews with the different respondents, they were asked to define their perception of the meaning of 'marketing'. Accordingly, from the outcome of their definitions, some were further asked to distinguish between marketing and selling. The following presentation illustrates a verbatim recording of a sample of marketing definitions as proposed by members of the different groups.

#### Egotels general managers' definition of marketing

The most repeated definition of marketing among members of the first group of respondents was "marketing is promoting the product through advertising and public relations activities", and that "selling is the actual act of concluding a sale". Other definitions stated that "marketing is the activities aiming at introducing the establishment and its services to the public"; "marketing is to sell for new markets outside the country"; "marketing is to create collateral which help you sell, e.g. brochures, pamphlets, stickers and other advertising activities".

The closest definition of marketing is quoted from one respondent who stated that "marketing is to identify which market(s) you should sell to, how to reach it, and how to sell your product under the best selling conditions (of price) and in accordance with what the guest demands".

#### Sales/marketing managers' definitions of marketing (International operations)

Most of the marketing definitions provided by members of the second group viewed marketing as a wider interpretation of selling. The following quotations illustrate this point. "Marketing is a



long term selling plan ... Selling is the techniques applied in order to bring business"; "Marketing is the same as selling, yet wider in scope ... marketing thinks and devises plans to sell ... selling is the actual 'carrying out' of these plans". A similar definition stated that "marketing is to sell ... selling is to conclude a sale and materialize a revenue". In the same vein, one respondent explained that "marketing is to promote a product and give an image to it ... selling is a practical exercise to collect the business". Another respondent expressed his definition of marketing by stating that "marketing is to contact travel agencies and other sources of business, give them my brochures, my rates ... etc., selling is to simply confirm a sale".

A slight deviation from the above trend is witnessed in one respondent's claim that "marketing is to identify the potential customers who could patronize the hotel, selling is the effort done to attract more business and profit".

Allied to the above definitions, three definitions proposed by three respondents displayed, more or less, positive attitudes towards the comprehension and understanding of what marketing is. These were: (i) "Marketing involves processes of market research, market segmentation and sales activities to attract the business"; (ii) "Marketing is a joint effort of a deep market study, consumer study, in order to develop a product that suits the needs of the segments that would buy it". Finally, the most comprehensive proposed definition of marketing stated that "marketing is to define guest expectations and demands, to meet these expectations and to satisfy them at a profit".

#### Senior sales/marketing executives interpretations of marketing

The definitions proposed by the senior marketing executives were similar to those provided by the sales managers at the

operations level. At international operations, one senior marketing executive defined marketing in relation to building an image, two defined it as a wider interpretation of sales, one explained that marketing is to attain the maximum exposure for a product through promotion, and one executive expressed that marketing is to provide for customer satisfaction while maintaining a profitable stand for the organization. The Egotel's marketing executive's definition of marketing was close to, yet fell short of, a comprehensive definition where he stated that "marketing is a study of product, place, price, who are my customers and how can I promote the product to them".

From the above, one can discern that Egotels general managers' knowledge of marketing is severely limited where an overwhelming confusion between marketing and selling activities, especially advertising, is predominant and is evident in all but one of the respondents definitions. On the other hand, the marketing manager for Egotels provided an immature definition where he integrated McCarthy's four P's yet overlooked marketing's two main elements of customer satisfaction and profit maximization.

As for the members of the second set of respondents, their definitions of marketing either equated marketing with rudimentary promotional activities, or fell short of providing a full dimensional interpretation. However, three respondents at the hotel level and one senior marketing executive have exhibited more or less a considerable awareness of the dimensions of marketing.

## II. Respondents' adoption and implementation of the marketing concept and marketing strategies

In the following discussion an attempt is made to determine the extent to which the marketing concept has been implemented in the hotel operations under study. Towards achieving this end a

number of dimensions have been investigated. These were concerned mainly with:

- i. The organizational dimensions of the marketing concept.
- ii. The use and implementation of certain marketing activities such as marketing research, market segmentation and respondents degree of orientation towards competition.

The analysis of this part of the investigation is mainly based on responses of both groups at the operations level, i.e. Egotels company general managers, and the sales/marketing managers of the international operations. However, inferences from the interviews with the senior marketing executives and the Egotels marketing executive are presented where applicable.

i. The organizational dimensions of the marketing concept

The organizational dimensions of the marketing concept can be viewed as an indication in determining if the marketing concept has been applied in any firm, where the extent to which an organization devotes considerable amount of recognition and importance to the marketing department, the status of the marketing executive within the firm, the extent of his involvement in goal setting and planning decisions, and the method used in determining the marketing budget are indications to the degree of implementing the marketing concept and to the organization's orientation towards marketing.

As such, the organizational dimensions of the marketing concept are discussed within the following themes.

1. The actual creation and maintenance of a marketing department as a functional area of the hotel operation.

2. The importance of the marketing department in relation to other operational departments within the hotel.
3. Existence of full written marketing goals.
4. The status and importance given to the executive in charge of marketing activities and his role in decision and policy making.
5. The method of allocating marketing's budgetary resources.

Following is a detailed investigation of these dimensions.

(1) Actual maintenance of a marketing department

The existence of a marketing department whose main responsibilities are concerned with the identification of the customers the operation wants to attract, identifying their needs, and the creation of a marketing mix that would allow for the achievement of the marketing concept's two main elements, i.e. customer satisfaction and profit maximization, is a preliminary step towards the implementation of the marketing concept within an organization.

In our study, the Egyptian state owned and managed operations do not have either a marketing or a sales department within the individual properties. Marketing activities, however, are shared equally between: (i) the individual general managers of the different properties; and (ii) a 'marketing and sales promotion' manager who is based at the company's main offices in Cairo. The 'marketing and sales promotion' department used to be an independent department with its executive directly reporting to the chairman of the company. However, in late 1984/early 1985 this configuration has changed and the department came under the jurisdiction of the senior executive in charge of the 'technical sector' who is responsible for the company's technical operations of the rooms departments and food and beverage departments of all hotel establishments. Primarily, this could be considered as an

activity which de-emphasized the importance of the department by subordinating it to another sector.

On the other hand, the international operations organize their marketing/selling activities through either a sales department, a public relations office, a sales and marketing department or, as in one case, the general manager of the operation.

Table 6.6 outlines the configuration of the medium through which the marketing activities are carried out at the international operations.

Table 6.6 Organization for marketing activities - International operations

Medium	No.	%
Sales and Marketing department	2	8
Sales department	19	76
Public relations officer	3	12
General manager	1	4

In addition to the above configuration, all operations have a sales/marketing office at their headquarters either in Europe, USA, or India. Furthermore, 11 of the 19 hotels which maintain a sales department/liasion at the hotel level have an area/regional sales/marketing office in Cairo, while two of the three hotels which employ a public relations officer have a public relations director in Cairo. Collectively, these thirteen operations belong to five different groups whose senior marketing executives have participated in the study.

The organizational structure of the two groups included in the survey, i.e. the national and international operations, reflects that the international operations have laid more emphasis on marketing by designating a special department whose responsibilities are to carry out marketing or marketing-like activities. On the other hand, the national company have de-emphasized marketing's importance firstly by subordinating the department to another sector, and secondly by the policy it follows and the structure it has implemented for the execution of its marketing activities. The marketing executive for Egotels has said that the division of marketing responsibilities among his office and the individual general managers provides no clear cut lines and distinctions outlining the responsibilities and/or the tasks expected from each, and hence any blame of mal-performance or low sales is shared between both parties.

(2) The importance of the marketing department in relation to other operational departments within the hotel

Allied to the above discussion, however, the existence of a marketing/sales department in any organization does not directly reflect an emphasis on the marketing function or imply success in the application of marketing philosophy. Hence, in order to gain deeper inferences pertaining to the hotels' emphasis on marketing, respondents were asked to rank the activities of the different departments in their hotels as to their importance to the success of their operations. (Egotels' general managers were asked to consider the marketing activities carried by them and by the marketing executive involved). Our aim was to examine the extent to which the respondents regarded the marketing department and its activities as one of the most important amongst those presented.

Table 6.7 illustrates respondents' views on the importance of the marketing department in comparison to other operational departments in their hotels.

Table 6.7 The importance assigned to the marketing department

ALL respondents

Department	Egotels		Inter-national		Egotels Marketing Executive	Regional Sales Marketing Executives		
	Mean *	Rank	Mean	Rank		Rank	Mean	Rank
Front Office	1.375	1	2.00	1		1	2.00	1
Food & Beverage	2.375	2	2.120	2		5	2.80	2
Accounting	3.937	3	6.120	7		4	6.20	7
Personnel	5.375	6	5.320	6		3	5.00	5
Housekeeping	3.937	4	3.880	3		2	3.40	3
Marketing	6.437	7	3.960	4		8	3.80	4)
Security	7.562	8	7.840	8		7	7.40	8
Maintenance	5.00	5	4.760	5		6	5.40	6

\* The lower the mean the more important the department is considered by respondents.

From this table one can notice the following:

1. The marketing department was not regarded as one of the most important departments within the hotel by all groups of respondents. However, it has gained varied degrees of importance where it was ranked fourth by both the sales/marketing managers at the hotel level and by the area/regional sales/marketing executives, and came seventh in importance in the ranking of Egotels general managers where it only superseded 'security' in importance. ✓

It need be noted, however, that the marketing department was ranked first in importance by one Egotels general manager and by three respondents and one senior marketing executive at the hotel level and area offices of international operations, respectively.

2. Surprisingly, the marketing executive for Egotels ranked the department eighth (or last) in importance. His reasoning was that the company does not engage itself in marketing activities as it only pays lip service to the marketing discipline. This view is supported by the recent policies the company has adopted towards marketing as discussed earlier and where the new chairman appointed for the company has been quoted to have said that he will stop all marketing efforts which aimed at marketing the company's hotels outside Egypt and that he will use his relationships with the management of the international companies to market the Egotels hotels outside Egypt.<sup>[2]</sup>

3. There was a common agreement between the four sets of respondents as to the importance of some departments in the hotel. For example, all groups ranked the front office as the most important department while three groups ranked the food and beverage in second place, with the Egotels marketing executive ranking it third. This, however, may reflect an attitude towards the importance of operational aspects of the hotel since front office and food and beverage represent the production departments in manufacturing firms.

4. As in respondents views on the nature of their business, there seems to be a permeation of thought between the international operations and their regional marketing offices with regard to the importance of different departments. Both groups have ranked the different departments almost identically except for maintenance and personnel which exchanged places 5 and 6. Understandably, however, this might have occurred because people at the regional offices might not be acquainted with maintenance problems as their counterparts at the hotel level who usually have first hand experience with such problems. This permeation of a unified marketing/operational thought was not reflected in



responses of the Egotels general managers and the company's marketing executive who chose different terms for their industry definition and ranked unevenly the importance of their hotels' departments.

From the above discussion, it appears that the marketing function has received more attention and recognition on the part of the international operations and almost none on the part of the national company which owns and operates its own establishments.

(3) The existence of full written marketing goals

A further indication of whether an organization is orientated towards the marketing concept is its commitment to and integration of its marketing goals into its overall organizational objectives. Towards investigating this end, respondents were asked to identify their marketing objectives and to indicate the extent to which these objectives are adhered to by committing them to paper.

From our discussion with the individual respondents it appeared that:

1. All members of the Egotels group have fully written goals; however, whether these goals are marketing in nature is questionable. Eleven respondents (69%) indicated that their goal is to increase sales, the other 5 (31%) explained that attaining the budgeted or forecasted figure of sales is their main objective.

The marketing executive for the company explained that these goals, or actually this goal, are actually the goals of the company in general and not of the marketing department or

marketing activities per se, which could not have any other goals otherwise. "Our financial, operational and marketing goals are all one and the same, and that is to increase sales in order to attain the forecasted figures laid down by our operations headquarters."

The individual general managers explained that these forecasted figures are usually higher than what they expect to achieve, hence each general manager provides a different forecast to the company; however, when performance is evaluated at the end of the fiscal year, the comparison of actual versus budget takes into consideration only the draft laid down by headquarters. As one general manager said: "Those who estimate our yearly forecast live in ivory towers, they dictate to me my sales revenue and my expenses, and in order to present a window dressed budget draft they assume a sales increase every year on no basis whatsoever."

2. The international hotel operations differed in that respect from the Egotels group. 15 (60%) of respondents indicated that they have full written marketing goals and 10 (40%) explained that these goals are partly written down. Nevertheless, in some cases, the expressed goals reflected a sales orientation, in others, they indicated the existence of a marketing philosophy. Table 6.8 outlines the main marketing goals and the overall objectives associated and integrated in them as expressed by the respondents.

As can be seen from the layout of table 6.8, 14 (56%) respondents indicated that their main objective is to increase sales. However, 6 (43%) of those respondents indicated that their overall marketing objectives included other goals such as the attraction of a special market segment, maintaining a competitive stance or even more broader objectives such as promoting the city in which the hotel is located and increasing

Table 6.8 Structure and formalization of marketing goals, International operations

Main Goal	Overall objectives Associated and integrated in main goal	Fully written down		Partly written down	
		No.	%	No.	%
Increase sales	-	8	32		
Increase sales	Increase market share from a specific market segment.	2	8		
Increase sales in slow periods	- Build an international market mix. - Build a resort image for the hotel by changing the image of the city to reflect the image of a resort destination in addition to its historic background. - Increase length of stay.	1	4		
Position the hotel as the businessman's hotel.	Increase average room rate.	2	8		
Customer satisfaction at a profit.	-	1	4		
Increase sales	Maintain competitive position.	1	4		
Increase sales	Penetrate a new market segment.			1	4
Increase sales	Build a good reputation.			1	4
Create new customers	-			2	8
Create new customers	Promote city as a tourist destination for foreign travellers.			1	4
Maximum exposure	-			3	12
Customer satisfaction	Increase sales			2	8
		15	60	10	40

guests' length of stay. Allied to the above, 12% of respondents indicated that their goal is to create new customers, while an equal percentage displayed an obsession with promotional activities, by indicating that getting maximum exposure is their main marketing objective. Two hotel respondents indicated that positioning their hotels is their main marketing objective; two aim at achieving customer satisfaction and one respondent explained that it is achieving customer satisfaction at a profit which directs his hotel's marketing activities.

Responses of the area marketing executives were similar to those of the sales/marketing managers at the hotel level where three respondents (60%) indicated that their marketing objective is to increase sales and maintain their competitive position, one respondent described 'promotion of our properties' and another 'creating new customers' as the main objective of their marketing activities.

From the preceding discussion, it appears that the international groups demonstrate a higher orientation towards marketing than their national counterparts with regard to their integration of marketing goals into the overall objectives of their firms and which may be identified from a marketing perspective and not only from an operational or a financial dimension.

#### (4) The status of the marketing executive

A further indication as to an organization's adoption and implementation of the marketing concept, and one which equals the existence of fully-committed-to marketing objectives is not inherent in the mere existence of a marketing department or a marketing executive as much as in the extent of that executive's involvement in the goal setting and planning decisions for the organization and the extent of influence marketing decisions have

on other operational aspects of the business firm. Towards investigating this end, and in order to escape any trappings which might have been implied in respondents answers to previous questions, respondents were asked to indicate the extent of their involvement in goal setting and planning decisions for their individual hotels. Egotels general managers, however, were asked to indicate the extent of involvement of the marketing executive in such activities, as he was asked to indicate the extent of his own involvement. Table 6.9 illustrates respondents' answers to the relevant question.

Table 6.9    Extent of involvement in goal setting and planning decisions

	Egotels		Inter-national		Egotels marketing executive		Area marketing executives	
	No.	%	No.	%	No.	%	No.	%
5) To a great extent			5	20			3	60
4)			15	60			1	20
3)	2	12	3	12	1	100		
2)	9	56	2	8			1	20
1) Very little	4	25						
Not involved	1	6						
* Mean value		1.75		3.92				4.6

\* The higher the mean, the more involved is the marketing executive.

From table 6.9 it can be discerned that the Egotels company tends to give its marketing executive less participation and involvement in the goal setting and planning decisions for its hotel operations. The Egotels marketing executive did not deny this himself as can be seen from his answer. On the other hand 80% of the international operations have their sales/marketing

managers actively engaged in the planning process. 12% and 8% of these managers have less and little involvement respectively. Similar responses were reflected in the responses of the senior marketing executives. Comparison of mean values indicated a large difference between group responses, where the mean value calculated for the Egotels group was 1.75 as opposed to a higher figure of 3.92 for the international firms, which indicates more involvement of marketing managers in the goal setting and planning decisions for the international operations.

The researcher, however, has some reservation with regard to respondents (particularly the marketing/sales managers at the international firms) answer to the above question. It is likely that respondents might have overestimated their role as they were the ones who answered the question pertaining to their own involvement in the decision making process. Nevertheless, where the researcher anticipated such outcomes, cross-checking questions were provided for in the questionnaire draft. Hence, in order to verify respondents' indications as to the previous question, they were asked, at another point in time, to indicate their agreement or disagreement with a statement on the status of the marketing executive and his place on the organizational chart of the firm and with another statement on the influence of marketing decisions on other operational departments.

Tables 6.10 and 6.11 illustrate respondents' opinion with regard to these two issues. From these tables one can identify that:

1. The vast majority of Egotels general managers (74%) indicated that the marketing manager's status should come after that of the general manager, the hotel comptroller, the front office and food and beverage managers. Only one respondent

Table 6.10 Respondents views on the status of the marketing executive and the influence of marketing decisions. (Hotel level)

Statement	Respondent	Strongly Agree		Agree		Uncertain		Disagree		Strongly disagree	
		No.	%	No.	%	No.	%	No.	%	No.	%
The marketing executive should acquire a status directly following that of the financial and operations executives	Egotels	2	12	10	63	3	19	1	6		
	International	6	24	4	16	2	8	10	40	3	12
	Egotels			4	25	11	69	1	6		
	International	2	8	7	28	3	12	10	40	3	12

Table 6.11 Respondents views on the status of the marketing executive and the influence of marketing decisions. (Senior marketing executives' level)

Statement	Respondent	Strongly Agree		Agree		Uncertain		Disagree		Strongly disagree	
		No.	%	No.	%	No.	%	No.	%	No.	%
The marketing executive should acquire a status directly following that of the financial and operations executives.	Egotels							1	100		
	International	1	20	1	20			2	40	1	20
To avoid any conflict, decisions of the marketing department should not have an influence on other major departmental decisions.	Egotels							1	100		
	International			2	40			3	60		



disagreed along with Egotel's marketing executive who both explained that a marketing manager should be a member of a hotel's executive committee which generally includes, allied to the general manager, the heads of the different operational departments. Similarly, the same two respondents disagreed that marketing's decisions should be passive by not influencing other departmental decisions. It need be noted, however, that the Egotel's manager and the company's marketing executive who shared the same opinion explained in the process of discussion that theirs' is a personal view and does not reflect the company's policy.

2. 13 (52%) respondents belonging to the international groups and 3 senior marketing executives (60%) disagreed or strongly disagreed that the marketing executive's status be underestimated, as the statement implied, by being second to those of other heads of departments.

From the above, it appears that a number of respondents who belong to the international firms have over-estimated their involvement in the planning decisions for the hotel operations they work in. What supports our supposition is that a cross-tabulation of responses revealed that among the 20 respondents who indicated that they are involved to, more or less, a great extent in the process of goal setting and decision making, only 12 (60%) and 10 (50%) disagreed to the implied de-emphasis of the marketing executives status and to the passiveness of marketing's decisions, respectively. Tables 6.12 and 6.13 provide a cross-tabulation of respondent's assumed involvement in the processes of goal setting and decision making and their expressed agreement/disagreement with the statements on the status of the marketing executive and the influence of marketing's decisions on the hotel's overall policies, respectively.

Table 6.12 Extent of marketing executives' involvement versus agreement/disagreement with the statement:  
"The marketing executive should acquire a status directly following that of the financial  
and operations managers". International operations, hotel level.

Extent of Involvement	Strongly agree		Agree		Uncertain		Disagree		Strongly disagree		Total Rows	
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
5) To a great extent	5	33	2	13	1	7	3*	60	2	40	5	100
4)							6	40	1	7	15	100
3)	1	33			1	33	1	33			3	100
2)			2	100							2	100
1) Very Little												

\*To be read: 3 (60%) of the respondents who indicated that they are involved to a great extent in the goal setting and planning decisions for the hotel (5) disagreed with the statement.

significance = 0.0496.

Table 6.13 Extent of Marketing executives' involvement versus agreement/disagreement with the statement:  
"To avoid any conflict, decisions of the marketing department should not have an influence  
on other major departmental decisions". International operations, hotel level.

Extent of Involvement	Strongly agree		Agree		Uncertain		Disagree		Strongly disagree		Total Rows	
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
5) To a great extent	2	13	2*	40	1	20	1	20	1	20	5	100
4)			3	20	2	13	7	47	1	20	15	100
3)			1	33	1	33			1	33	3	100
2)			2	100							2	100
1) Very little												

\* To be read: 2 (40%) of the respondents who indicated that they are involved to a great extent in the goal setting and planning decisions for the hotel (5:100%) disagreed with the statement.

Significance = 0.54.

Nevertheless, from the interpretation of the data presented in this part of the analysis, it could be argued that the international operations believe in assigning a higher status to the marketing executive and in his active participation in the decision making process and goal setting activities of the hotel than the national hotel company.

(5) The marketing managers' experience and the number of marketing personnel

A further dimension which was investigated by the researcher in order to assess the organizational dimensions of the marketing concept was determining the previous experience of the executive in charge of marketing activities and the number of employees on the marketing department's payroll.

Our discussion with the different respondents revealed the following:

1. The marketing department of the Egotels group employs twelve people. The marketing manager has previous experience in marketing as he has been working in the marketing department since he joined the company. None of the general managers has had a previous interface with marketing. The closest position to marketing held by one of these managers was 'manager of the central reservation system' which the company has implemented for a very limited period of time and which proved unsuccessful and was aborted accordingly.

2. The international operations' sales/marketing executives were appointed to their positions through one of the following:

- (a) 5 (20%) by way of promotion from within the sales/marketing department.

- (b) 3 (12%) hired from outside the hotel, with hotel sales/marketing experience.
- (c) 4 (16%) hired from outside the hotel, with previous sales/marketing experience in other product/service industries.
- (d) 12 (48%) by way of promotion from within the hotel, with no previous sales/marketing experience.  
(11 from the front office department, 1 from personnel).
- (e) One operation's marketing activities are exercised by the hotel's general manager and his assistant executive.

The number of personnel hired by the marketing department are as follows:

- 19 hotels employ up to 5 employees (at each hotel).
- 4 hotels employ between 6 and 8 employees (at each hotel)
- 1 hotel employs 13 employees.

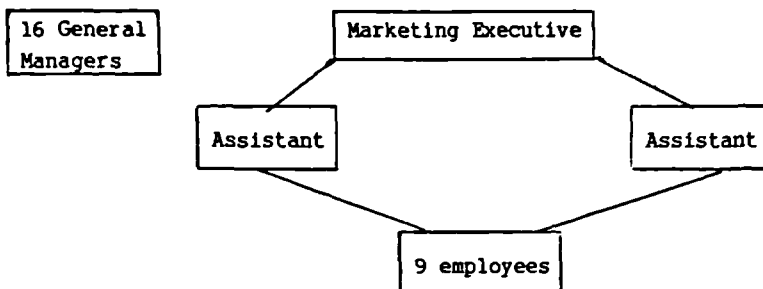
A cross-tabulation analysis indicated a significant relationship in that the higher the number of guest rooms a hotel has, the higher the number of employees in the marketing department.

In addition to the above, some of the international firms which operate in Egypt have the employees and managers of their regional sales/marketing office in Cairo aiding them in their sales and marketing activity. Exhibit 6.1 provides a comparison of the marketing organizational chart of the Egotels company and that of an international hotel chain which operates five hotels in Egypt and four floating hotels sailing between Cairo and the cities of Luxor and Aswan in Southern Egypt.

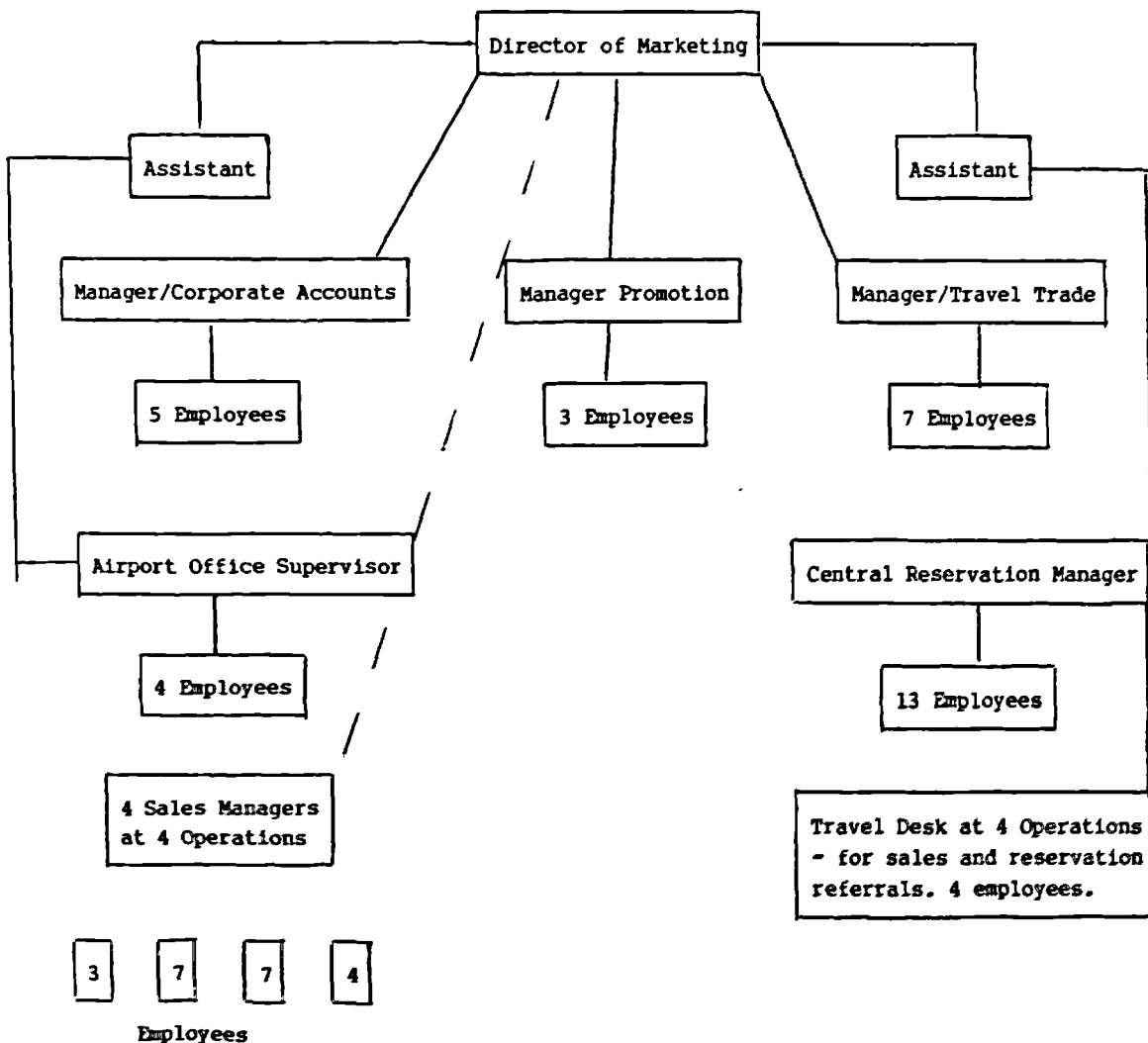
Exhibit 6.1 The marketing organizational chart for the Egotels company as compared with that of an International chain

Egotels Total 28 managers and employees marketing 16 properties.

=====



An International Corporation Total 69 managers and employees marketing 9 properties.  
 ===== (5 hotels and 4 boatels)



From Exhibit 6.1 it is revealed that while 28 individuals [the general managers and the marketing department] market 16 operations belonging to the national group, an international chain employs 69 people to market its nine operations in Egypt. A simple calculation reveals that the sales force of this particular chain is almost four and a half times that of the Egotels company where the ratio of the number of employees to an operation is 7.66 and 1.75 for the former and the latter respectively.

(6) Method of allocating marketing's budgetary resources

One criterion which helps determine an organization's degree of marketing orientation is the method it adopts for the allocation of budgetary resources to the activities carried out by the marketing department. Generally, firms allocate such resources using one of three methods: (i) as a percentage of sales; (ii) what is available after determining/allocating other departmental budgets; and (iii) the task method, or what has been referred to in the literature review as 'zero-base budgeting',<sup>[3]</sup> where resources are allocated according to what is needed to cover the cost of the marketing activities which are predetermined and outlined in the firm's marketing plan and which aim at reaching the organization's objectives.

In order to investigate this issue in our hotel study, respondents were asked to indicate the method used by their hotel operation in setting marketing's share of the total budget.

Egotels managers and the company's marketing executive explained that this is set using the percentage of sales method where 1.5 per cent of sales is allocated to 'advertising'. However, the marketing executive at the company's head offices explained that the company's general policy is to 'tighten on

expenses', and since 'advertising' is an expense, managers are advised not to use this allocation as much as they could in order to bring their expenses down to a minimum. Following headquarters guidelines, some hotels do not use 'advertising' money at all. Furthermore, some managers could not afford to spend the 1.5%; as one manager said that this percentage figure would not cover the expense he might incur if he advertises for one week in the national newspaper, let alone advertising in a foreign market's paper or an inflight magazine.

On the other hand, international firms allocate their marketing expenses using the methods outlined in table 6.14.

Table 6.14 Method of allocating the marketing budget.

International operations

Method	Hotel Level		Regional Offices	
	No.	%	No.	%
Percentage of sales	18	72	2	40
What is available	3	12	1	20
What is needed to do the job	4	16	2	40

As can be seen from this table, the majority of hotel firms use the percentage of sales method (72%). However, three respondents expressed that it is what's left over from the yearly budget which is assigned to marketing, and only four operations are free to use the task or zero base method in order to decide on what would be spent.

Nevertheless, in order to investigate this issue from another dimension, respondents were asked to express their



agreement/disagreement with a statement which stated that "when sales are anticipated to be low, the marketing budget is lowered accordingly."

To this statement all Egotels managers and the company's marketing executive have agreed. On the other hand, respondents belonging to the international firms expressed different opinions where 15 respondents agreed or strongly agreed (60%) and the remaining 10 (40%) disagreed or strongly disagreed. A cross-tabulation between respondents expressed opinion and the method they employ in allocating the marketing's budget revealed that:

1. All respondents who employ the zero-base or task method (4:16%) disagreed to lowering the marketing budget according to sales volume.
2. All respondents who allocate the marketing budget according to what's available after determining other budgetary expenses (3:12%) agreed to the statement.
3. Among those respondents who use the ratio to sales method (18:100%) 6 (33%) disagreed or strongly disagreed and 12 (57%) expressed their agreement or strongly agreed. This, however, may indicate that to some, the use of percentage figures provides a general guideline rather than a strictly-adhered-to policy.
4. Only one of the senior regional marketing executives who employ the zero-base method disagreed with the statement. This was so although it was two respondents who indicated their use of the task method. Thus, it may be argued that one such respondent does not fully adhere to the task method as he expressed his agreement to the reduction of the marketing budget

when sales are anticipated to be low; a practice which is not commensurate with the method indicated.

From the foregoing, it can be stated that the Egotels company has underestimated the importance of marketing by considering it an 'advertising' expense that is better off saved. On the other hand, the international operations have demonstrated a higher degree of acceptance of the marketing department as a functional department of their firms, where more attention and appreciation is given to the marketing budget.

ii. The perceived importance and implementation of marketing research and marketing analysis

A well established criterion which reflects an organization's marketing orientation is the extent to which it devotes full recognition to the importance of marketing research and marketing analysis. In fact, marketing research is an integral activity which underlines an organization's emphasis on 'marketing' since such activity points out to the firm its type of customers, their whereabouts, their traits, and most importantly the needs they wish to satisfy. Furthermore, it aids management in decision-making through providing an up-to-date, detailed analysis of the product, the market and the competition.

Towards investigating this end, this part of the analysis aims at determining respondents implementation of activities centering around marketing research, market segmentation and competition orientation. It is hoped that by studying these issues, further inferences could be drawn as to the overall marketing orientation of the hotel firms under study.

### 1. Marketing research

Respondents were asked whether or not their hotels perform marketing research activities, how often if they do, and whether these activities are performed by the staff of the firm's marketing department or through employing an outside organization, or both. Respondents were then asked to indicate what functions are performed under the marketing research process.

With regard to conducting research activities, all Egotels general managers and the company's marketing executive explained that such activities are not carried out, simply because they are not regarded by the company as a fundamental policy. Once again, the ambiguity covering the division of marketing responsibilities between the individual managers and the marketing executive does not give a clear picture as to who would conduct the research activities if they were to be exercised. However, from our discussions with the different respondents, it appeared that some activities among the 16 functions listed are performed in, more or less, an informal manner. The following points explain the issue in more detail.

1. With regard to 'identifying the market', only one respondent explained that his market is (informally) identified as his hotel hardly attracts either native or foreign pleasure travellers as its location attracts only businessmen (mostly Egyptians) coming to conduct business in the nearby business destination.

2. Estimating market share is done for all operations by headquarters which lay down the budget and the annual sales forecast each property is 'required to produce', according to the percentage of occupancy it is 'required to achieve'.

3. Hotel's image in public's perception is derived from guest-room comment cards. These, however, are mailed to the company's headquarters (self-addressed envelopes, requiring a stamp) and not to the individual general managers. It need be noted that the company's guest comment cards are standard, and no indication as to which hotel the guest was staying in is made.

4. Advantages and disadvantages of the individual properties are identified informally as to the 'feel' of the general manager.

5. With regard to 'competition analysis' only one respondent (the same as in 1 above) explained that this is done in an unstructured way and on a limited basis as it is in his interest to know about competition, yet his time does not permit a more thorough investigation.

6. Geographic segmentation: all hotels operating in Egypt are required by law to present a daily listing of all guests' names, nationality and passport number to the local police. Similar listings are sent to the National Centre for Public Mobilization and statistics which produce national statistics as to the number of tourists visiting the country, their length of stay and their country of origin. These statistics, however, are produced collectively and do not classify the information as to the type of establishment patronized (Private versus Public). Furthermore, the statistics are not compiled and produced until a year later. Nevertheless, from our discussion with the marketing executive, he explained that he has attempted to produce similar statistical data; however, these were filed as an ordinary report and the information contained within the data was never used.

On the other hand, among the international operations, 11 (44%) establishments always conduct marketing research activities, 9 (36%) sometimes do, and 5 (20%) rarely perform such activities. Most of the hotels depend on their own staff in conducting the research activities; however, in performing certain functions, some use information or assistance from outside organizations while others involve their headquarters in administering certain research processes. Table 6.15 provides a tabulation of the research functions listed to respondents and outlines the medium involved in performing the different activities.

For the purpose of our analysis, interpretation of the data and the relevant discussion is divided into: (1) general research activities and (2) specific research activities.

(1) General research activities

From table 6.15 one can identify that:

(a) Most firms (92%) estimate the total market potential. The majority of these firms (88%) depend in that respect on statistics generated by the Ministry of Tourism and the National Centre for Public Mobilization and Statistics. However, as these statistics are usually produced a year late, and as they are not classified according to the individual cities, 3 firms (12%) generate their own data. Two operations do not perform such an activity.

(b) Estimating market share is a shared responsibility of the marketing department and the front office in 13 operations (52%). Respondents belonging to the other 12 operations (48%) indicated that this is a front office activity and that the marketing department is not involved in preparing sales forecasts.

Table 6-15 Marketing research activities carried out by international firms.

Activities	Marketing Department		Marketing Headquarters		Outside Organisation		Not Performed	
	No.	%	No.	%	No.	%	No	%
1. Estimate total market potential.	3	12			22	88	2	8
2. Estimate market share	13	52					12*	48
3. Identify the market	25	100						
4. Pricing research	23	92					2	8
5. Advertising media research	18	72			3	12	4	16
6. Competition analysis	22	88			1	4	2	8
7. Consumer buying habits	9	36					16	48
8. Customer demographics					4	16	21	84
9. Customer psychographics			2	8			23	92
10. Motivation research							25	100
11. Hotel's image in public's perception	23	92					2	8
12. Product advantage and disadvantages	23	92					2	8
13. Product features and appeal	9	36			2	8	14	56
14. Hotel's image in management's perception	9	36					16	64
15. Design consideration			10	40	15	60		
16. Effect of environment on behaviour			2	8			23	92

\* Activities performed by front office department with no involvement from the marketing department.

(c) All firms identify their market. This identification, however, involves the separation of the customer mix into individual and group travel, as well as a collective geographic segmentation. Further classification, however, is not conducted by all of the firms as discussed later under market segmentation.

(d) Pricing research, advertising media research and competition analysis are activities performed by 23 (92%), 21 (34%) and 23 (92%) operations respectively.

(2) Specific research activities

With regard to specific research activities (functions 7-16) it has been noticed that whenever the research activities become more complex the less the number of respondents who answered in the affirmative. For example:

(a) 9 firms (36%) study or research consumer buying habits. 4 (16%) research customer demographics, 2 firms take customer psychographics into consideration and none study why consumers buy, i.e. motivation research.

(b) Hotels' image in public's perception and knowledge of product's advantages and disadvantages are identified by 23 (92%) firms through their investigation of guest-room comment cards. However, only 9 firms (36%) study further their product's features and appeals to different market segments and measure their management's own perception of the hotel. However, this is done informally since none of the 9 respondents indicated that there is a hard copy or a formal questionnaire designed for use in investigating this issue.

(c) 10 operations (40%) have their headquarters' architects and engineers involved in the design and layout of their

operations' blueprints prior to construction. The other 15 operations (60%) employ the services of a local architect. Only 2 respondents indicated that they assign an importance to the effect of the environment on the behaviour of guests.

With regard to the above, it need be noted that the researcher has some reservations with regard to the answers given by respondents:

Firstly; it is likely that the suggestion of functions to the respondents have led them to over-estimate the marketing research activities performed by the Hotel. This, in turn, may indicate that the marketing research activities performed are not as comprehensive as the responses indicated. For example, respondents were asked if there are any other functions that are researched, and none were indicated. Towards this end, respondents have failed to realize the importance of researching some activities that were not listed on the questionnaire draft and which are generally easier to research than other more complex activities which they indicated they perform. One such activity, for example, is guest yield analysis (average spending by type of customer). However, the most important missed-out activity, and one which is at the core of the marketing concept is 'researching customers' needs'.

Secondly; it may seem that some respondents have over-estimated their performance of some research activities by indicating that these are performed by an outside organization. For example, it is highly unlikely that a hotel operation would employ an outside organization to research its customers' demographic characteristics when most of the data pertaining to customers' demographics are readily available to the hotel in the information entered in the registration card or the guests' pass-



ports which are generally handed in for registration. This was supported by the outcome of our discussions with the senior marketing executives who collectively indicated that they do not research customer demographics and who indicated that this is only limited to geographic segmentation, i.e. country of origin or nationality.

Thirdly; when asked about the primary and main sources upon which the research process is built, 14 (56%) respondents failed to indicate the hotel's own records of past guests. These records generally contain primary and most important guest information and are contained within the data recorded on the guest's reservation and registration cards and his folio.

Fourthly; our view was supported when the issue of marketing research was investigated from two other dimensions:

1. Respondents were asked to express their agreement/disagreement with a statement on the importance of the 'continuity' of the marketing research process. The statement indicated that "marketing research - once conducted - helps the firm achieve long range operational success." To this statement 18 (72%) of the respondents of the international operations versus 5 (31%) of Egotels managers have expressed their disagreement. The other 28% and 69% respectively, agreed. This, in turn, reflects that although a larger proportion of international operations believe that the marketing research process should be a continuous activity in order to accommodate for the various changes in market conditions, 28% believe in the adequacy of a pre-opening feasibility study.

2. Respondents were asked "to what extent does your hotel revise its existing services and facilities to satisfy customers' changing needs and attitudes?" As indicated in table 6.16 only 7 (28%) of the international operations revise their offerings to, more or less, a great extent; 13 (52%) operations fairly do, while the remainder of 20% along with the Egotels properties give little recognition to customers' changing needs and attitudes.

Table 6.16 Respondents' extent of revising existing services according to changing customers' needs.

	International		Egotels	
	No.	%	No.	%
5) To a great extent	1	4		
4)	6	24		
3)	13	52		
2)	5	20	5	31
1) Very little			11	69
Total	25	100	16	100

Finally; there was a question addressed to the respondents to indicate the reasons for not conducting marketing research activities. Although it is those respondents who do not conduct research activities that were expected to answer this question, twelve respondents (48%) did. The most common reasons were lack of research talent, lack of necessary facilities, unnecessary and expensive.

On the other hand, all Egotels managers and the company's marketing executive have answered this question. Allied to the main reason (not a company's policy) other reasons were indicated as: lack of research talent, lack of necessary facilities, unnecessary, extremely difficult and expensive.

From the above presentation it could be deduced that the international operations give more emphasis to marketing research activities than the operations run by the national group. Nevertheless, it seems that not all international operations regard marketing research as a formal, structured and continuous activity where the overall attitude does not warrant the determination nor reflect the implementation and existence of a fully comprehensive marketing research process.

## 2. Market Segmentation

In our attempt to investigate the hotels' adopted policies towards the implementation of the concept of market segmentation, five questions were addressed to the executives in charge of marketing activities at the hotel level and at the area/regional sales/marketing offices.

Firstly, respondents were asked to indicate whether in planning and executing their marketing activities they: (i) regard all customers as the same, hence using 'aggregated marketing' or what is otherwise known as the 'shotgun approach'; or (ii) divide their market into a number of segments and approach each segment differently; or (iii) cater for a particular type of visitor. The question was used as a key to other questions investigating respondents' segmentation strategies. Table 6.17 presents the primary strategy employed by the different respondents.

From table 6.17 one can identify that:

(1) Almost all Egotels respondents do not implement the concept of market segmentation, save for geographic segmentation, as identified previously, which only serves the purpose of filing reports to the local authorities. This was confirmed by the marketing executive at the company's headquarters. Only one

Egotel manager indicated that his hotel is patronized by a certain segment as its location does not appeal to any other.

Table 6.17 Respondents' market segmentation strategies

Strategy	Hotel level				Senior Executives level			
	Egotels		Inter-national		Egotels/Area		International Regional	
Aggregated marketing	15	94	3	12	1	100		
Market segmentation			15	60			3	60
One type of customer	1	6	7	28			2	40
Total	16	100	25	100	1	100	5	100

(2) On the other hand, 15 (60%) respondents at the international properties indicated that they divide their markets into segments and that they approach each segment differently. An equal proportion of the senior executives at the regional offices (60%) indicated that they segment the markets of their different operations in Egypt. 7 (28%) and 2 (40%) respondents at the hotel level and regional offices respectively indicated that they cater mainly for a particular type of customer, while the remaining 3 (12%) respondents at the hotel level do not implement any segmentation strategy and use aggregated marketing as a means of attracting the largest number of guests regardless of any segmentation criteria.

In order to gain more inferences as to the hotels' segmentation strategies, respondents who segment their markets were asked if they aim at developing a specific customer mix and to indicate the extent to which they adhere to, and achieve the allocated proportions. To this question, all respondents who

segment their market indicated that they aim at developing a specific customer mix; however, they differed in the extent of adhering to the allocated proportions. Table 6.18 provides a representation of the findings.

Table 6.18    Extent of respondents' adherence to their allocated mix proportions

Extent of adherence	No.	%
Completely	-	-
Often	7	47
Occasionally	3	20
Rarely	5	30
Total	15	100

It need be noted, however, that in the course of discussion with the respondents who indicated that they aim at developing a specific customer mix, it was generally indicated that the allocated proportions serve only as general guidelines and are never strictly adhered to as no reservations are denied to customers, irrespective of type, even if the forecasted or allocated proportions have reached their potential.

In addition to the above, all respondents were asked to express their agreement/disagreement with the statement "Targeting marketing activities at one segment is the most successful strategy a hotel can employ". To this statement 7 (44%) respondents among the Egotels managers have disagreed or strongly disagreed, 7 (44%) were uncertain and 2 (including the one whose hotel caters for a particular type of visitor) have agreed. The company's marketing executive has disagreed

to the statement along with (80%) four of the senior marketing executives in the regional offices of the international hotel operations which have a regional sales/marketing office in Cairo. Responses of the marketing executives at the hotel level of the international operations are cross-tabulated in Table 6.19 by the segmentation strategies adopted by the individual hotels. The decision to cross-tabulate both issues was taken because the frequency distribution revealed that while 7 respondents indicated that they cater for a particular type of visitor, only 2 respondents indicated that this is the most successful strategy a hotel can employ. From this table it can be noted that:

(1) All respondents who segment their market, 15 (60%), have disagreed with the statement.

(2) All respondents who employ market aggregation have disagreed, 3 (12%), probably as it is against the 'shotgun' approach they implement.

(3) Respondents who indicated that they cater for a particular type of guest were divided as to their agreement/disagreement with the statement where 2 respondents have agreed, 4 have disagreed and one was uncertain. It should be noted, however, that the 2 respondents who agreed believe that this is the best strategy for their 'unique operations' which are similar to the Club 18-30 organization in Europe, and whose customers are, or at least supposed to be, of similar characteristics and seeking the same needs. On the other hand, a statement indicated by one of the regional marketing executives (whose operations cater for a particular type of customer yet he disagreed with the statement) might explain why 4 out of the 7 respondents who indicated that they cater for a particular type

Table 6.19 Respondents' segmentation strategies by their agreement/disagreement to the statement "Targeting marketing activities at one segment is the most successful strategy a hotel can employ". International operations hotel level.

Segmentation strategy	Strongly Agree		Agree		Uncertain		Disagree		Strongly Disagree		Total Row	
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
Market aggregation							3*	100			3	100
Market segmentation							12	80	3	20	15	100
One type of customer			2	29	1	14	3	43	1	14	7	100

\* To be read: 3 respondents, who employ market aggregation, disagreed to the statement.

Significance: 0.14.

of visitor have disagreed that this is the most successful strategy; "Personally, I disagree with this statement, although our hotels cater for a particular type of customer. This, however, is a result of the fierce competition experienced by the Egyptian hotel market due to the large increase in the number of hotels, especially in Cairo. Hence, our location - which is still sought by the pleasure vacationer - hardly attracts the businessman anymore ... and even if it did, he has a number of hotels clustered around it to choose among."

From the above investigation, it appears that the majority of the international operations realize the value of segmenting their markets and of approaching the different segments accordingly. This attitude was not witnessed among the Egotels managers who do not implement the concept of market segmentation and depend on aggregation as a means of attracting any type of guest irrespective of segmentation criteria.

This was supported by the outcome of respondents' classification of their customer mix where they were asked to indicate the proportion of each type of guest who patronize their hotel, i.e. individual business - individual pleasure - group tour travel - conventions/meetings market - walk-ins and airline crews. Only 6 respondents among the international groups indicated that such classification is limited to individual/group travel, while the vast majority of 19 (76%) operations divide their customers mix further in order to gain more inference as to its composition. On the other hand, the Egotels operations do not classify their guests against any of these criteria.

### ✓ 3. Competition Orientation

The third dimension integrated in our investigation of respondents' implementation of marketing research and marketing



analyses activities was to assess their degree of orientation towards competition.

The importance of being competitor oriented was referred to in the literature as becoming a vital and crucial criterion of a marketing orientated firm which operates in a highly competitive market. While it has been stated that it is not enough to know what guests' needs are, if other competitive establishments are already satisfying those needs, and that a SWOT approach (strengths, weaknesses, opportunities and threats) need be developed for competitive analysis as it is needed for the firm's own product analysis,<sup>[4]</sup> others have taken the matter further and metaphorized competition orientation as being a state of 'marketing warfare'.<sup>[5]</sup>

Towards this end, respondents were presented with a number of questions pertaining to the importance of studying competitive activities and the effect competition has had on the marketing activities of their firms.

The first set of questions asked respondents to indicate, on a Likert-type scale, the importance of studying competitive products and activities. These were further broken down to studying competitors' advantages and disadvantages. Table 6.20 breaks down respondents answers as to the three main groups concerned.

From this table one identifies that:

(1) For the first statement, concerned with general competitive activities, the vast majority (84%) of respondents belonging to the international operations (hotel level) considered it as either important or very important against only 3 (19%) Egotels respondents who considered it important.



(2) Identifying competitors' advantages gathered less support than the first activity among the international groups (76%) and a higher one among Egotels respondents (50%).

(3) Identifying competitors' disadvantages gathered less support on both international and national sides (60% and 6% respectively); however, the considerable difference is obvious.

(4) While 4 of the senior marketing executives regard these activities as important or very important, one such executive regarded such activities as being of hardly any importance.

Finally, the marketing executive of Egotels explained that, for a marketer, these activities should be of considerable importance. However, in evaluating them in respect of the marketing activities of Egotels, or of his role, the three statements were regarded of least importance.

From the above it could be stated that the respondents of the international groups displayed a higher degree of competition orientation than those of the Egotels company. This has been largely reflected in respondents assignment of values of importance to the different activities, and where the lowest mean calculated for any of the statements addressed to the respondents of the international groups was higher than the highest mean calculated for any of the similar statements addressed to the Egotels respondents.

In addition to the above, respondents were asked to indicate their agreement/disagreement with two statements on the effect of growing competition on the marketing orientation of the firm.

Table 6.21 Respondent's expressed opinions as to the effect of growing competition on a firm's marketing orientation.

	Strongly agree		Agree		Uncertain		Disagree		Strongly disagree		Total	
	No	%	No	%	No	%	No	%	No	%	No.	%
Growing competition has resulted in marketing being of greater importance than selling												
	<u>Hotel Level</u>											
	2	12	4	25	8	50	1	6	1	6	16	100
	12	48	6	24	6	24	1	4			25	100
<u>Area/Regional Level</u>												
Egotels	3	60	1	100							1	100
International			2	40							5	100
By adopting the marketing concept the competition becomes of less importance												
	<u>Hotel Level</u>											
	3	19	1	6	7	44	5	31	2	8	16	100
			2	8	6	24	15	60			25	100
<u>Area/Regional Level</u>												
Egotels										1	100	
International										5	100	
<u>Total</u>												

From respondents' opinions illustrated in table 6.21 it is noted that:

(1) 37% and 72% of Egotels' and international operations respondents' respectively agree or strongly agree that growing competition has resulted in marketing being of greater importance than selling.

(2) 4 (25%) and 2 (8%) of each group respectively do not regard being competitor oriented as part of being marketing oriented.

What is more interesting to note, however, is that in both classifications, there exists a large number of uncertainties to both statements. This may indicate that:

- (a) A considerable proportion of both groups (50% national and 24% international) do not differentiate marketing from selling by expressing their uncertainty to the first statement.
- (b) A considerable proportion of both groups (44% national and 24% international) believe that when a firm becomes marketing oriented, then it need not worry about competition.

### Conclusion

This part of the analysis has investigated respondents' comprehension and awareness of the marketing concept, and the extent of their implementation of different marketing activities and strategies. It is the researcher's contention that, as the data has indicated and from the outcome of the individual discussions with the different respondents, that the international

operations have displayed a higher degree of marketing orientation than the Egyptian state-owned and managed operations. So far, this supports our hypothesis outlined in the previous chapter. Moreover, tables 6.22, 6.23, 6.24 and 6.25 provide further indications which support our tentative supposition.

Respondents at the hotel level and the marketing executive of the Egotels company were asked to indicate the importance of the marketing activities discussed in this part of the analysis, and to indicate the percentage of time they normally spend on each activity. From this investigation it was discerned that:

1. The sales/marketing managers of the international operations regarded most of the activities as being of more importance than did the Egotels managers. Similar findings were revealed in interpreting responses of the regional marketing executives and the Egotels marketing manager. The only two activities which were regarded as being more important by the Egotels managers than by the sales/marketing managers of the international operations were 'attract new customers' and 'manage the staff'. This, however, reflects a sales orientation on the part of Egotels respondents, while assigning a higher importance to 'managing the staff' is justifiable as these respondents are responsible for the management of the hotel and not of a particular department. On the other hand, the international operations' sales managers' assignment of a higher importance to activities such as 'gather general market information', 'research customer needs' and 'gather information about competition' reflects an orientation towards marketing and competition. Furthermore, their higher importance assigned to 'sell particular services more than others at certain times', indicates an emphasis on 'profitability' rather than on sales volume.

Table 6.22 The perceived importance of market activities. Egotel's hotel level.

	Very Important		Important		Least Importance		Least Important		Not Important		* Mean
	No.	%	No.	%	No.	%	No.	%	No.	%	
Attract new customers	14	87	2	12							4.87
Sell more of your services to existing customers	3	19	5	31	8	50					3.68
Gather general market information			1	6	6	37	9	57			2.50
Win customers from competitive establishments	1	6			3	19	7	44	5	31	2.06
Sell particular services (more than others at certain times)							2	12	14	87	1.12
Research customers' needs			1	6	8	50	7	44			2.62
Gather information about competition			2	12	6	37	5	31	3	19	2.43
Manage the staff	16	100									5.00

\* The higher the mean, the more important the activity was considered.

Table 6.23 The perceived importance of market activities. International operations. Hotel Level.

	Very Important		Important		Least Importance		Least Important		Not Important		* Mean
	No.	%	No.	%	No.	%	No.	%	No.	%	
Attract new customers	19	76	5	20	1	4					4.68
Sell more of your services to existing customers	11	44	5	20	8	32	1	4			4.04
Gather general market information	7	28	13	52	3	12	2	8			4.00
Win customers from competitive establishments	8	32	8	32	6	24	3	12			3.84
Sell particular services (more than others at certain times)	3	12	3	12	9	36	10	40			2.96
Research customers' needs	9	36	12	48	4	16					4.20
Gather information about competition	11	44	11	44	3	12					4.30
Manage the staff at the department	16	64	5	20	4	20					4.48
* The higher the mean, the more important the activity was considered											



2. In addition to the above, the percentages of time allocated by the sales/marketing managers to the execution of the different marketing activities far outweighs its counterpart in the Egotels company. Tables 6.24 and 6.25 illustrate that the Egotels' managers are preoccupied with managing the hotels where 95% of their time is devoted to the day-to-day running of the business. Similarly, the Egotels' marketing manager seems to be preoccupied with managing his department and spends 30% of his time on 'marketing' activities which do not include either 'winning customers from competitive establishments', 'selling particular services', 'gathering information about the competition', or 'researching customer needs'.

3. Although the percentages of time allocated by the sales/marketing managers of the international firms do not correspond 'linearly' with the importance assigned to the different marketing activities, this may be justified as some of the activities may not be as time consuming as others. Moreover, the fact that there exists a sales/marketing department at 24 of the 25 operations should indicate that its staff's working hours are devoted solely to the marketing activities carried out by the department. Finally, 13 of these operations are at an advantage by having their regional sales/marketing office located in Cairo, whose personnel aid them in the planning and execution of the different marketing activities.

Table 6.24 Percentage of time spent on each marketing activity.  
Egotels operations

	General Managers				Marketing Executive
	0-5%		95%		
	No.	%	No.	%	
Attract new customers	16	100			10
Sell more of your services to existing customers	16	100			10
Gather general marketing information	16	100			10
Win customers from competitive establishments	16	100			N/A
Sell particular services (more than others at certain times)	16	100			N/A
Research customers' needs	16	100			N/A
Gather information about competition	16	100			N/A
Manage the staff at the department (hotel)			16	100	70

Table 6-25. Percentage of time spent on each marketing activity. International operations. Hotel level.

	0-5%	10%	15%	20%	25%	30%	35%	40-50%
	No. %	No. %	No. %	No. %	No. %	No. %	No. %	No. %
Attract new customers		3 12	2 8	5 20	6 24	3 12	5 20	1 4
Sell more of your services to existing customers	6 24	2 8	9 36	3 12			5 20	
Gather general market information	11 44	9 36	4 16	1 4				
Win customers from competitive establishments	11 44	6 24	1 4	7 28				
Sell particular services (more than others at certain times)	17 56	8 32						
Research customers' needs	11 44	8 32		6 24				
Gather information about competition	15 60	8 32	2 8					
Manage the staff at the department	7 28	4 16	4 16	5 20	5 20			

## Section Two

### MARKETING POLICIES AND PRACTICES

#### Introduction

The aim of this section is to investigate the operational policies of the hotel operations under study and the extent to which the implementation of these policies is commensurate with marketing practice. As such, the application of the theories behind the discipline of marketing with regard to the development of the hotels' marketing mix is investigated, together with the hotels' approach to training non-marketing employees on the philosophy of marketing and the after-sales service/customer feedback research methods that are employed.

The investigation of these issues is based mainly on data derived from the different respondents at the hotel level, since it is at this level of operation that the customer interacts with the service facilities and its personnel and where the services are actually rendered to the guests. However, because of the equal division of marketing responsibilities between the Egotels' managers and the company's marketing executive, the latter's answers are taken into consideration.

The section is divided into six parts or sub-sections which discuss the different variables of product, price, place, promotion, marketing training and after-sales service/customer feedback, respectively.

Part OneProduct Policies

In this part of the analysis, attention is drawn to one of the most critical decisions of an organization's marketing effort, i.e. the development of its product/service, which represents the end which the customer seeks in order to satisfy his needs. Hence, a number of the hotels' different product strategies are investigated, and evaluated from a marketing point of view.

1. Development of products in accordance with customer needs ✓

The first indication as to the orientation of a firm towards the marketing concept is how well do its products and services satisfy its customers' needs. Towards investigating this end, respondents were asked the question "To what extent does the hotel revise its existing services/facilities to satisfy customers' changing needs and attitudes?" This question served two purposes. Firstly, it was used as a cross reference to the organization's implementation of marketing research activities; and secondly, it was used to evaluate the extent to which management is attentive to the revision of the hotel's offering and its compatibility with guests' needs and expectations.

The Egotels' respondents indicated that such activities are carried out to a little extent (31%) or to a very little extent (69%). The company's marketing executive chose the 'very little extent' extreme of the presented continuum.

On the other hand, 7 (28%) of the international operations' sales/marketing managers indicated that their offerings are revised to, more or less, a great extent, while the remaining 72% oscillated between fairly little and little extent. ✓

## 2. Introduction of new services

In accordance with the above, only two hotels belonging to the Egotels' company have introduced a new service to their customers since they started operation. It need be noted, however, that all the Egotels hotels have been in operation for more than fifteen years. The two new services introduced at the two operations were: a discotheque at one, and a coffee shop at another. One Egotel manager explained why his hotel never introduced a new service by saying "why should I develop or introduce a new service if the existing one(s) do not reach their potential?" This attitude reflects two things: (i) the hotel does not revise its services as to whether they are in accordance with guests' needs; and (ii) the hotel does not contemplate the revision of its services until its possibly 'unneeded' ones reach their potential.

On the other hand, among the 25 establishments operated by international hotel firms, 14 (56%) have introduced at least one new service to their market. Examples of such services are: a courtesy bus service commuting between the hotel and Cairo International Airport; a business centre equipped with a business library, secretarial service, interpreting service; convention facilities; and the first of its kind in Egypt: a multi storey car park.

## 3. Factors influencing new product/service development

Respondents were asked to rank in order of importance the major factors which influence their hotels' decision to introduce a new service to their customers. These are represented according to respondents' groups in table 6.26.

Table 6.26 Factors influencing new product/service development

	Egotels (2) <sup>N</sup>	International (14) <sup>N</sup>
Management thought it is a good idea	1	3
Competition introduced similar services	2	4
To attract more customers	3	1
To change/project the image of the hotel	4	5
Research indicated its feasibility	-	2
<sup>N</sup> Number of operations which introduced a new service		

From respondents ranking of the different factors it could be identified that:

(1) The Egotels respondents depend more on their 'feel' than any other criterion. Furthermore, they depend more upon copying competition than on their creative thinking, and are sales oriented.

(2) Most of the international operations which introduced a new service did so in anticipation of increasing market share, which also indicates a sales orientation on their part. Nevertheless, 10 out of the 14 respondents who introduced a new service included 'research indicated its feasibility' in their ranking, and two of these ranked it as their number one reason. This, however, supports our earlier inference that not all those who

conduct research among the international operations regard it as a formal, structured and continuous process.

#### 4. Varying the services to the different customers

Respondents were asked to indicate whether the hotel varies its services to suit the different types of customers who patronize it. While all Egotels managers said that they don't, 13 (52%) of the sales/marketing managers of the international operations indicated that they do. For example, the Egotels establishments offer a limited variety of guest rooms in comparison to most international operations who offer a multiplicity of single and double bedrooms, junior, standard and presidential suites. One hotel went further to build an executive tower, reached by a special elevator and equipped with special facilities for business executives. Furthermore, 14 operations have more than one bar, 3 have indoor swimming pools, 13 have a health club/spa on the premises, 8 have outdoor sporting facilities, 10 have a business centre, two operate gambling casinos, and 12 have a speciality restaurant (mostly pizzeria's) while one operates three speciality restaurants in addition to its french restaurant and 24 hours coffee shop.

#### 5. Positioning and Product differentiation

As highlighted in our literature review, positioning a product along a benefit dimension or a unique attribute is a product policy which could successfully differentiate an organization's product among its competition. The articulation of a positioning statement also denotes promoting the product in a consistent way that it takes on a distinctive personality in the mind of its consumers. Furthermore, in competitive environments, and where services are undifferentiated, mainly because of ease of duplication, positioning



serves in projecting an organization out of what could be termed 'the uniformity syndrome'.<sup>[6]</sup>

Towards investigating respondents' implementation of such issues, they were asked if their operations acquire a unique feature or attribute which differentiates them from competition and whether if this feature is amplified or elaborated upon in the hotels' marketing strategies (e.g. advertising).

Respondents listed their unique attributes as illustrated in table 6.27.

Table 6.27 Respondents' listed unique attributes.

Egotels		International Operations	
Unique attribute	No.	Unique attribute	No.
Room size	2	View	1
		Outdoor recreation	1
Location	3	Location	2
		No. of food & beverage outlets	1
Architectural style	3	Architectural style	1
		Multi-storey car park	1
		Good old time hospitality	1
		Style of operation	2
Total	8		10

The researcher, however, has some reservation with regard to respondents' indications. For example, hotel locations in Cairo are mainly clustered around 3 areas: close to the pyramids, to the airport, or on the bank of the river Nile. Nevertheless, two of the sales/marketing managers of two international operations indicated that their location is unique. The first of these

operations is located at a tip of an island in the middle of the river Nile. However, there exists another hotel located on the tip of another island facing the first hotel. In fact, this other hotel did not report its location as unique, but its guest room view, as all its guest rooms, directly face the Nile, while the former's do not. Similarly, in Aswan in southern Egypt, one Egotel manager indicated location as the unique attribute. The hotel is located on one of the many islands in Aswan, another of which hosts an international hotel operation. Similar arguments could be developed for some other supposed unique attributes mentioned by respondents belonging to the two groups. However, what concerns us more is the articulation of a positioning statement that embodies the relevant attributes. Unfortunately, none of the hotels, in both classifications, has developed a unique position.

#### 6. Brand names and Logos

The leading characteristic of services, i.e. intangibility, coupled with the higher level of perceived risk experienced by service buyers makes reliance on the seller's reputation for assurance of uniform quality much more critical in the case of services than in that of product marketing. The literature has highlighted one important factor in building an image of a hotel operation or a chain of operations as the use of trade or brand names and logos. In investigating these issues in our study it appeared that:

1. (a) Each Egotel property has its own individual logo, although all the operations belong to the same chain and are run by the same company. In addition, the company has its own logo which appears on its stationary and on some of the food service china in its different operations. Some pieces of china in the hotels carry the hotel's logo, while other

pieces still carry the old logos of the old companies which owned the operations prior to 1981. (The Egotels properties were owned by four different companies prior to 1976; in 1976 their ownership changed to the EGOTH company, and in 1981 their ownership changed to EGOTELS). It need be noted that all these hotels, and companies, belong to the Ministry of Tourism and fall under the jurisdiction of the same institution, i.e. the hotel sector. Our main concern, however, is that a guest could identify a 'clutter' of three different logos within a single property.

(b) None of the Egotels managers could identify if his hotel's logo carries any message. All managers indicated that their hotels' logos were designed by the company's marketing department and that they did not participate in its design. One such logo was accompanied by the slogan "QUI AQUAM NIL BIBIT, RURSUS BIBET". When asked about the statement's meaning, the general manager said that he didn't know. The Latin phrase is a translation of an ancient Egyptian proverb which stated that 'He who drinks from the water of the river Nile, eventually comes back to Egypt'.

(c) None of the Egotels properties display their logo on the outdoor sign, nor is it used in print advertising.

(d) Some of the hotels' names do not confirm to the concept of association with their image, for example:

- 'Cleopatra Palace', occupies the upper 8 storeys of a 14 storey building, with a two-yard side door entrance on one of Cairo's downtown streets. There is no indication whatsoever, neither from the hotel's architectural design nor from its inside atmosphere or decor, that this was a palace at any time.

- 'El Borg', which means 'the tower' in arabic is a 9 storey building. The only association the hotel has with a tower is that it is located on the same island where the Cairo tower is constructed.

2. (a) All the international operations have their individual logos which mainly serve to identify their properties as parts or members of their international chains. The logos are used as symbols printed on stationary, direct mail, brochures, food service utensils, print advertising as well as illuminated signs on top of the physical plants, in order to forge a strong corporate identity.

(b) It has been noticed that most of those operations use their corporate 'brand' name in conjunction with the location of their property in designing and associating their individual names; for example: 'Cairo Sheraton', 'Nile Hilton', 'Holiday Inn Pyramids', 'Etap Luxor', 'Aswan Oberoi' and 'Ramada Renaissance, Alexandria'. However, some international operations have used arabic terms in naming their hotels: 'El Salam Hyatt' and 'El Gezira Sheraton', meaning 'peace' and 'island' respectively, are examples. In such cases, a guest might find it more difficult to identify or associate with the name. However, the integration of corporate names with a strong identity like Hyatt or Sheraton gives him a threshold to identify with.

7. The Perceived importance of factors influencing guests' choice between hotels

In order to investigate respondents' perception as to the main reason and the importance of different factors weighed by guests in their choice or selection between different hotel properties, respondents were asked to rank in order of importance

eight attributes which might influence guests' choice when deciding to patronize a hotel establishment. Respondents were also asked to indicate the main reason for guests choosing their hotel as the place to stay.\*

Table 6.28 ranks in order of importance respondents' perceived influence of a number of attributes in affecting guests' choice in choosing among different hotel establishments.

Table 6.28 Respondents' ranking of perceived attributes influencing guests' choice in choosing among hotel establishments

Attributes	Egotels		Internationals	
	Mean	Rank	Mean	Rank
Location	2.50	1	3.28	1
Cleanliness	3.12	2	3.64	3
Good food and beverage	3.31	3	3.36	2
Value for money	3.93	4	3.92	5*
Comfortable furnishings	4.25	5	6.68	7
Friendliness/hospitality	5.68	6	3.92	4*
Word-of-mouth/recommendation	5.87	7	3.96	6
Lower prices	7.31	8	7.24	8

\* Although 'value for money' and 'friendliness/hospitality' have the same mean score, decision on their consecutive ranking between ranks 4 and 5 was based on the number of times each attribute was chosen as the number 1 attribute.

From respondents ranking of the different attributes there seems to be an agreement between both hotel classifications as to

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\* Comparison between hotel respondents' and guests' ranking of attributes is established in the next chapter.

the importance of some factors. For example, both Egotels and international operations' respondents regard 'location' as the most influencing factor, followed by 'cleanliness' and 'good food and beverages' which exchanged 2nd and 3rd positions respectively for Egotels and for international firms. Both classifications of respondents regarded lower prices as the least influencing factor in comparison to the other presented attributes. However, respondents differed on the ranking of friendliness/hospitality and word of mouth/recommendation that were regarded as being of greater influence by international firms than by the Egotels' respondents who believed that 'comfortable furnishings' is a more influencing attribute.

The importance of location was also reflected in respondents' indications of the main reason for customers choosing their hotels where 9 (56%) and 10 (40%) respondents at the Egotels and international operations respectively explained that location is the main reason which attracts customers to their hotels. Among other Egotels respondents 3 (19%) indicated 'price', 2 (12%) indicated 'reputation' and 2 (12%) indicated 'architectural style' as the main reason. Of the international firms, 4 (16%) respondents indicated 'atmosphere', 4 (16%) indicated 'quality of service', 3 (12%) indicated 'reputation' and the remaining 4 indicated 'architectural style', 'variety of facilities', 'newest hotel' and 'good old time hospitality' as the main reason which mostly attracts guests to their operation.

From the preceding discussions it could be argued that product decisions are exercised more from a marketing dimension in the case of international operations than in the case of the Egotels properties. This was evident in the extent the international operations revise their products and services, their integration of research into reaching decisions pertaining to

what services should be introduced and accordingly their development and introduction of new and varied services to suit their different types of customers. This was also evident in the importance such operations place on their development of logos and their association with brand names in order to forge a strong corporate identity. However, it need be noted that not all of the hotel establishments that are run by international hotel companies exercise their product decisions in a fully comprehensive marketing orientated manner where a number of such operations displayed a higher orientation towards sales. Nevertheless, it appears that there are certain operations among this classification that have taken wider steps towards the application of marketing philosophy.

## Part Two

### Pricing Strategies

In this part of the analysis, our concern is to investigate some aspects that pertain to the pricing decisions of the hotel operations under study. These aspects include the overall objectives of the pricing policies, the methods employed in setting prices, the price structure of the different operations and the extent to which respondents regard 'price' as a marketing tool.

#### 1. The overall objectives of pricing decisions and the methods employed in reaching them

Firstly, respondents were asked to define the overall objectives of their pricing policies. Table 6.29 illustrates the objectives as ranked by respondents in order of importance. Table 6.30 complements table 6.29 by identifying the principal pricing methods employed by the different respondents in order to reach their stated objectives.

From both tables one identifies that:

(1) The Egotels operations are preoccupied with covering operational costs and retaining a profit or a mark-up on their sale. It need be noted that the Egotels' company publishes a yearly booklet outlining the prices determined for each of their operations. The company's marketing manager explained that these prices are determined according to the cost plus method. However, the individual managers disagreed within themselves according to the method used. For example, two managers indicated that the company's pricing policy is based on a return on investment, and two of them indicated that prices are determined according to the ratio method (1 pound for every 1,000 spent on construction costs), which was discussed in our literature review as being the



Table 6.29 The overall objectives of respondents' pricing policies

Overall objectives	Egotels		International	
	Rank	Mean*	Rank	Mean
Cover costs	1	1.00	3	3.68
Attain a predetermined profit (ROI)	2	2.18	6	4.30
Increase sales	3	3.50	1	2.04
Have a competitive advantage	4	3.68	4	3.78
Maintain market share	5	4.62	2	3.12
Maximize profits	6	6.00	5	3.82

\*

The lower the mean, the more important the objective was regarded by respondents.

Table 6.30 Methods used in determining prices

Methods	Egotels		International	
	No.	%	No.	%
Full cost plus profit margin	11	69	4	16
A return on investment method	1	6	9	36
Follow the competition			5	20
What the market will bear			7	28
The 1:1000 ratio method	2	12		
Other: (set by Headquarters)	2	12		

most inappropriate, obsolete method, especially for application to old hotels. The marketing manager denied the company's use of such method; however, this indicates that not all Egotels managers acquire a knowledge with regard to the pricing method employed by their company in setting prices.

(2) Increasing sales volume scored the lowest mean among international operations' respondents thus indicating an orientation towards sales volume rather than profit maximization which ranked fifth in importance. However, the researcher feels that there seems to be some discrepancies between respondents' ranking of objectives and the methods employed in determining prices. For example, the objective 'to attain a predetermined profit' came sixth in ranking although 9 respondents (36%) and 4 (16%) indicated their use of a return on investment and cost plus methods, respectively, which are in fact the two methods that seek 'to attain a predetermined profit'.

The researcher also believes that more inferences could be gained by cross-tabulating respondents' main pricing objectives (ranked first among the presented alternatives) by the method used in setting prices. Table 6.31 identifies that respondents who ranked the same objective as number one do not necessarily follow or employ the same pricing method. For example, among those whose pricing objective aims at increasing sales (11), one follows the cost plus method, 4 use a return on investment method, 3 follow the competition and 3 charge what the market will bear.

From respondents' answers tabulated in the three tables (6.29, 6.30 and 6.31) the researcher has the reservation that not all of the marketing executives may be involved to a great extent

Table 6-31. Respondents' main pricing objective by method of pricing employed

Main Pricing Objective	Method of Pricing		Full cost plus profit margin		Return on Investment		Follow the completion		What the market will bear		Total (Row)	
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
Increase sales	1	9*	4	36	3	27	3	27	3	27	11	100
Cover costs	1	50	1	50							2	100
Maximize profits			2	50					2	50	4	100
Maintain market share	2	50	1	25					1	25	4	100
Have a competitive advantage					1	50			1	50	2	100
Attain a pre-determined profit			1	50							2	100

\* To be read: 1 respondent (9%) of those who indicated that their main pricing objective is to increase sales (11) uses the full cost plus profit margin method in setting prices.

in reaching or deciding upon the ultimate price charged to guests. Our inference is supported by respondents' answers to the question "To what extent does your hotel use price as a marketing tool?" Respondents' indications were as follows:

Table 6.32 Respondents' extent of using price as a marketing tool

	International		Egotels	
	No.	%	No.	%
5) To a great extent	6	24		
4)	9	36		
3)	7	28	14	87
2)	3	12	1	6
1) Very little	-	-	1	6

This reflects that only 15 (60%) of the international operations believe in the employment of the price variable of the marketing mix as a marketing tool, which in turn may indicate that the marketing executive is more or less involved to a great extent in setting the price for the hotel services. On the other hand, 10 (40%) respondents do not believe in 'price' playing a major role in their marketing activities, hence it may be argued that in these cases price determination is regarded as a financial comptroller decision rather than being within 'marketing' jurisdiction.

Finally, it is interesting to note that the three respondents who indicated that their services are higher priced in comparison to their direct competitors believe, to a great extent, in price as a marketing tool. This supports the view which connotes that, especially for service industries, price could be used as an indication of quality.

As for the Egotels operations, table 6.32 reveals that price plays a minor role in their marketing activities. This was supported by the company's marketing manager who indicated that the company views 'price' as having 'very little' significance as a marketing variable or tool.

#### Period of Price Revision

Respondents were asked to indicate how often do their hotels revise their price structure. To this question all Egotels respondents and 15 (60%) of the international operations' respondents indicated that their prices are revised once per year. However, 9 (36%) international operations revise their prices twice per year while one such operation revises it quarterly. As the respondent at this operation put it "Being in the South of Egypt our occupancy varies considerably. However, our main aim is to increase occupancy in the slow period (summer, which extends considerably over the winter months) and this requires us to use price, in varying degrees, according to temperature".

#### The Price Structure of the Hotel Operations

In order to gain knowledge about the hotel's price structures, a number of price practices were presented to respondents who were asked to indicate whether or not these were implemented in their pricing policies.

The dimensions are illustrated in table 6.33 from which one can identify that among the different pricing practices:

(1) The Egotels company only varies its prices by season to groups in excess of 15 persons. The company offers discounts to guests staying over a period of two weeks, and offers quantity discounts to groups in excess of 15 persons, regardless of season

Table 6.33 Price Structure and Pricing Practices

Strategies	Egotels		International	
	No.	%	No.	%
Varies by season/individuals	-	-	-	-
Varies by season/groups	16	100	23	92
Varies according to length of stay	16	100	9	36
Varies by day of week	-	-	-	-
Quantity discounts	16	100	23	92
Regular guests discounts	-	-	8	32
Discounts to V.I.P.s	-	-	8	32
Corporate account discounts	-	-	16	64
Special week end discounts (off season only)	-	-	9	36
Special off-peak periods discounts (e.g. National holidays and special events)	-	-	5	20
Family plan	16	100	25	100
Contribution pricing	-	-	2	8

(off peak or peak). The company's family plan offers a 30% discount to children under the age of nine (as stated in the company's price booklet). However, the general managers were not sure at the time of the interview of the age limit where one indicated it is sixteen, two said fourteen, two said twelve, three did not comment and explained that the front office displays such information and eight (50%) indicated 9 years old as was verified by the company's published price structure. To this end, the company's marketing executive added that under nine years old are entitled to a discount on 'menu' prices; however, he said that he is not sure at the moment how much the discount adds up to, (30% as verified by the company's published price structure).

(2) The international operations implement most of the practices outlined in table 6.3. 23 (92%) vary their prices by season, yet this also applies only to groups in excess of 15 persons while prices do not vary to individuals who are charged the higher 'rack rate' regardless of season. 9 (36%) operations give discounts to guests staying over a period of two weeks or more, and 8 (32%) allow for regular guests discounts and special discounts to V.I.P.'s. In addition to this, 16 (64%) offer corporate discounts to business travellers who come through any of the held corporate accounts and 9 (36%) offer week-end discounts in off-peak periods only. The family plans offered by the different hotels differ slightly among each operation; however, these mainly denote that children under the age of 14 (and 18 in some hotels) are not charged for if sharing the same room with their parents. However, if two children would occupy a double room, a single room rate is charged. These children are charged 50% of the hotels' 'menu' prices.

Finally, two operations indicated their use of contribution pricing, where they sell their rooms at a price over variable but below total costs. In fact, one such operation has exercised this method in 1984 (only to group bookings) and was selling its first class hotel rooms at a rate below 15 Egyptian pounds, (the rack rate being 40 pounds). Several competitive establishments complained to the Egyptian Hotel Association; however, no action was taken as there is no trade law which identifies a 'rock bottom' price at which hotel rooms could be sold at.\*

From investigating the pricing policies of the different hotel operations, it could be argued that price plays a minor role in the marketing activities of the Egotels company, while, on the other hand, the majority of the international operations regard 'price' as an integral element of their marketing mix and apply different pricing practices, in varying degrees, as a marketing tool. Nevertheless, although pricing decisions seem to be more flexible in some of these operations than in others, its importance as a marketing tool is witnessed to a greater extent in the practices of the international operations than in the state owned and managed properties.

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This information is based on our interview with the company's senior/regional marketing executive, the hotel's sales manager, and was confirmed by the hotel's front office manager and other sales/marketing managers interviewed at the different operations.



### Part Three

#### Place and Channel Intermediaries

The concept of distribution channels in services context in general and for hotel operations in particular was treated in the literature review under two main dimensions; location, and channel intermediaries.

The importance of hotel location is a key influence to the marketing function of hotel establishments whereby it fixes a hotel classification, e.g. resort, commercial, transient, etc., thus defining the broad market segments that would potentially patronize a certain property. Location also serves as a competitive dimension, and in some cases as a barrier to entry.

On the other hand, channel intermediaries are employed in order to make the offered service easier for the target market to obtain, especially in the case of hotel establishments where these markets may be thousands of miles away.

Following is a presentation of respondents' perceived importance of these two dimensions.

##### (1) Extent of Importance given to the hotel's location

Respondents were asked to indicate the extent to which they perceive the importance of hotel's location in attracting hotel patronage by circling the most appropriate integer on a Likert type scale ranging from 5 (very important) to 1 (least important). 44% and 60% of national and international operations' respondents respectively regarded location as a very important factor while the remainder of 56% and 40% and the

Egotels' marketing manager assigned location's importance the integer (4) i.e. important.

It need be noted that the Egotels properties are older than any except one of the international operations which was built in the late 1950's along with other Egotels properties. This, however, put the Egotels hotels at an advantage where all the prime locations, especially in Cairo, were not exploited. Nevertheless, the company does not have any properties in two important, and among the most demanded, locations in Cairo: the pyramids area and the airport area, which is also close to the Cairo exhibition grounds and other developed industrial estates, and which hotels cater for two main market segments: transient, e.g. airline crews and overnights, and business travellers. Through the last decade, six international operations have established their properties around the airport area, and the Egyptian hotel sector failed to realize the growing potential and opportunities this area has promised. Furthermore, when one mentions 'Egypt', the first image which probably would be projected in the mind of most foreign travellers is that of the pyramids; however, again the Egyptian hotel sector have also failed in capitalizing on the fact that a few years ago only one international operation had its location in the vicinity of the pyramids area; now there are five international properties competing in the area and none of the Egotels properties which are clustered in the downtown area where, in fact, they are competing against one another more than with other international properties.

Finally, with regard to location decisions, six international operations have extended their concept of 'place' to include Gronroos's concept of 'accessibility' where they provide a

courtesy bus service commuting between the airport and the hotel and the hotel and the down town area.

(2) The relative importance of channel intermediaries

Respondents were asked to indicate the extent of importance they would assign to a number of intermediaries which are generally employed by hotel operations, and to rank the intermediaries they employ in order of importance according to the amount of business generated by each and relayed to the hotels.

Tables 6.34 and 6.35 illustrate the ranking of the intermediaries and the importance assigned to each by the national and international operations' respondents respectively.

From these tables it may be noted that:

(1) There is an agreement between respondents of both classifications as to travel agencies being the intermediary which generates the largest amount of business.

(2) There is also an agreement as to the consecutive ranking of chain affiliation, airline offices, and the airport representative where these came in 2nd, 3rd and 4th position respectively for Egotels properties and 3rd, 4th and 5th for the international groups.

The discrepancy, however, was the result of the different rankings of personal selling activities which were ranked in 2nd position by international firms and came in last for the Egotels group.

(3) Similar findings were reflected in the degree of importance assigned by the different respondents to the inter-

Table 6-34. Respondents perceived Importance of channel intermediaries - Egoteles operations

Intermediary	Generation of business					Importance					Mean <sup>2</sup>	Rank	N <sup>2</sup>			
	Mean <sup>1</sup>	Rank	N <sup>1</sup>	5 very important		4		3		2				1		
				No.	%	No.	%	No.	%	No.				%	No.	%
Travel Agents	1.0	1	15	11	68	3	19	1	6	1	1	6	4.4	1	16	
Chain Affiliation	2.6	2	12					7	43	5	31	4	2.1	2	16	
Airline Offices	2.8	3	12					4	25	7	43	5	1.9	3	16	
Airport Representative	3.0	4	6							6	37	10	1.3	5	16	
Personal selling <sup>3</sup>	3.2	5	10			1	6	2	12	7	43	6	1.8	4	16	

Mean<sup>1</sup> : The lower the mean the more business is generated by the intermediary

N<sup>1</sup> : Number of respondents who included intermediary in their ranking

Mean<sup>2</sup> : The higher the mean, the more important the intermediary is considered by respondents.

N<sup>2</sup> : Number of respondents (valid observations) 16 = 100%

Personal Selling<sup>3</sup> : For part (a) of the table this refers to government and corporate accounts, for part (b), it includes general (all) personal selling efforts.

Table 6.35 Respondents perceived importance of channel intermediaries. International operations.

Intermediary	Mean <sup>1</sup>	Rank	N <sup>1</sup>	5		4		3		2		Least Important	Mean <sup>2</sup>	Rank <sup>2</sup>	N <sup>2</sup>
				Very Important											
				No.	%	No.	%	No.	%	No.	%				
Travel Agents	1.6	1	25	13	52	8	32	4	16				4.36	1	25
Chain Affiliation	2.5	3	25	10	40	9	36	5	20	1	4		4.12	3	25
Airline Offices	3.6	4	25	2	8	5	20	10	40	3	12	5	2.84	4	25
Airport Representative	4.5	5	12	3	12	2	8	2	8	4	16	14	2.0	5	25
Personal Selling <sup>3</sup>	2.4	2	25	9	36	16	64						4.36	1	25

Mean<sup>1</sup>: The lower the mean the more business is generated by the intermediary.

N<sup>1</sup>: Number of respondents who included intermediary in their ranking.

Mean<sup>2</sup>: The higher the mean, the more important the intermediary is considered by respondents.

N<sup>2</sup>: Number of respondents (valid observations) 25 = 100%.

Personal Selling 3: For part (a) of the table personal selling refers to government and corporate accounts, for part (b) it includes general personal selling efforts.

mediaries employed. However, the respondents at the international operations assigned equal importance to travel agents and to personal selling activities (as an intermediary directed at government and corporate accounts).

Finally, it is interesting to note that in parts (a) of tables 6.34, 6.35 a number of Egotels respondents indicated that there is no business generated for them from some of the listed intermediaries, hence the missing values of 1, 4, 4, 10 and 6 appeared for travel agents, chain affiliation, airline offices, airport representative and personal selling respectively. This, however, reflects a crucial neglect on the part of the individual hotels, and the company's marketing department in not employing such intermediaries.

On the other hand, 13 missing values were calculated in the ranking of 'airport representative' by respondents at the international operations, whereas none were reported for any of the other intermediaries. It need be noted that, not all of the international operations who assigned an importance to 'airport representative' have an 'airport representative', but their answers referred to the airport office established by the Ministry of Tourism. However, one reason for international operations assigning a higher importance to that intermediary than that assigned by the Egotels group is that international operations pay a commission to this office for every room booked through it, while the policy of Egotels does not allow for payment of commissions to the Ministry of Tourism's airport office. Naturally, the office relays more business to the international firms. This information is based on our discussion with some of the Egotels managers and the company's marketing manager.

From the above investigation, it appears that the international firms seek to employ channel intermediaries in order to distribute their services and to act as accessible outlets translating customer motivation into action in a manner which reflects more emphasis on their part than on the part of the Egotels company. This was mainly reflected in the devaluation given by most of the Egotels respondents to such intermediaries as airline offices, their chain configuration, and to personal selling as a distribution dimension.

#### Part Four

##### Promotional Activities

The purpose of this part of the analysis aims to examine the use of promotion as a variable of the marketing mix created by the hotels under study. Our attempt to do so entailed the identification of the promotional efforts used by the respondents, their perceived importance and the frequency at which they are used. At the outset, however, the overall objectives of respondents' promotional efforts are outlined. 10 (62%) Egotels respondents indicated that increasing sales is their main and only promotional objective. However, only one respondent added 'to counteract competition' as a second objective. The remaining 38% did not answer the question on the basis that they do not conduct any promotional efforts. The marketing manager at Egotels headquarters indicated that the company's policy emphasises cutting costs, and that the individual general managers are advised accordingly, and being an expense, promotional activities are kept to a minimum. He added that on the limited marketing budget, the promotional efforts undertaken by the company could

not attain any of the presented objectives.

On the other hand, the promotional objectives of the international firms were ranked as to increase sales, to build an image, to maintain brand loyalty to build familiarity and to counter-act competition respectively.

The perceived importance and frequency of using promotional Efforts

From interpreting respondents' perceived importance and frequency of use of promotional efforts outlined in tables 6.36, 6.37, 6.38 and 6.39, it is revealed that the responses of the sales/marketing managers at the international operations far outweigh those of Egotels respondents in both degree of importance and frequency of use, for example:

- Only one Egotels property occasionally advertises in the local paper, the other 9 properties that do, rarely place an advertisement.
- Only two Egotels properties have advertising billboards, (away from the hotel's site).
- Only two Egotels respondents indicated their occasional use of personal selling. The other 14 rarely do sales calls.
- None of the properties conduct sales promotion programmes, or sales promotion programmes offered at a discount.
- One respondent indicated that he often uses direct mail, one occasionally does, two rarely and 12 never.



Table 6.36 The perceived importance of promotional efforts. Egoteles respondents.

	5 Very Important		4		3		2		1 Least Important		* Mean
	No.	%	No.	%	No.	%	No.	%	No.	%	
Newspaper advertising			1	6	1	6	2	12	12	76	1.43
Magazine advertising							2	12	14	88	1.12
Special-interest magazine advertising									16	100	1.00
Television advertising									16	100	1.00
Radio advertising									16	100	1.00
Billboard advertising							2	12	14	88	1.12
Brochures			5	31	9	56	2	12			3.18
In-house posters							5	31	11	68	1.31
Direct mail	1	6	1	6			1	6	13	80	1.50
Guest-room directories					2	12	8	51	6	37	1.75
Personal selling			1	6	2	12	7	43	6	37	1.87
Special promotion									16	100	1.00

\* The higher the mean, the more important the activity is considered by the respondents.

Table 6.37 The perceived importance of promotional efforts. International operations' respondents.

	5 Very Important		4		3		2		1 Least Important		* Mean
	No.	%	No.	%	No.	%	No.	%	No.	%	
Newspaper advertising	3	12	9	36	4	16	4	16	5	20	3.04
Magazine advertising	1	4	2	8	15	60	4	16	3	12	2.76
Special interest magazine advertising			7	28	13	52	1	4	4	16	2.92
Television advertising							1	4	24	96	1.04
Radio advertising					1	4	1	4	23	92	1.12
Billboard advertising	1	4	1	4	3	12	7	28	13	52	1.80
Brochures			10	40	11	44	4	16			4.24
In-house posters	1	4	6	24	14	56	3	12	1	4	3.12
Direct mail	6	24	11	44	5	20			3	12	3.68
Guest-room directories	5	20	11	44	5	20	2	8	2	8	3.60
Personal Selling	9	36	16	64							4.36
Special promotion	3	12	10	40	7	28	4	16	1	4	3.40

\* The higher the mean, the more important the activity is considered by the respondents.

Table 6.38 Frequency of use of promotional efforts. Egotels respondents.

Activities	Often (once/month)		Occasionally (once/3 months)		Rarely (once/6-12 months)		Never	
	No.	%	No.	%	No.	%	No.	%
Newspaper advertising			1	6	9	56	6	37
Magazine advertising					3	19	13	81
Special-interest magazine					16	100		
Television advertising							16	100
Radio Advertising							16	100
Direct Mail	1	6	1	6	2	12	12	75
Billboard advertising					2	12	14	88
Personal selling			2	12	14	88		
Special promotion programmes							16	100
Special promotion programmes offered at a discount							16	100

Table 6.39 Frequency of use of promotional efforts. International Operation

Activities	Often (once/month)		Occasionally (once/3-6 months)		Rarely (once/6-12 months)		Never	
	No.	%	No.	%	No.	%	No.	%
Newspaper advertising	8	32	11	44	1	4	5	20
Magazine advertising	1	4	12	48	9	36	3	12
Special-interest magazine			7	28	15	60	3	12
Television advertising					5	20	20	80
Radio Advertising					4	16	21	84
Direct Mail	16	64	5	20	1	4	3	12
Billboard advertising	2	8	4	16	4	16	15	60
Personal selling	23	92	2	8				
Special promotion programmes	2	8	8	32	10	40	5	20
Special promotion programmes offered at a discount			7	28	9	36	9	36

On the other hand, 8 (32%) international operations advertise at least once per month in the local papers, while 12 occasionally do. One other interesting finding is that although international operations advertise more frequently in general magazines than in special interest magazines, they assigned higher importance to the latter thus reflecting a marketing orientation in terms of reaching certain market segments. However, one could justify the frequency discrepancy on the basis that there aren't too many special interest magazines published in Egypt.

- Personal selling was regarded as the most important promotional activity and the most frequently exercised activity followed by direct mail.
- Hotel brochures were regarded as a very important tool used mainly in direct mail and in guest rooms. Two hotel operations went further to develop in addition to the usual hotel brochure, which outlines the general attributes of the hotel, a specially designed brochure detailing the blue prints of the hotel's convention and meeting facilities.
- Greater importance was assigned by respondents of the international groups to in-house posters and guest-room directories, thus reflecting an awareness of the effectiveness of such tools in internal selling.
- In addition to the above, most international operations display 'tent cards' in their guest rooms, restaurants and lounge bars. This tool of internal promotion, otherwise known in the hotel terminology as 'criss-cross advertising' is not used at any Egotel property.

### Public Relations

In order to investigate respondents attitude towards public relations as a promotional activity they were asked to indicate the general importance of public relations activities and the extent to which they perceive public relations has a selling function.

Among Egotels respondents, one (6%) indicated that P.R. is a very important activity, 11 (69%) regard it as important and 4 (25%) viewed it as of little importance. On the other hand, 19 (76%) of the sales/marketing managers at the international operations indicated that P.R. is a very important activity for their hotels, 5 (20%) regarded it as important, and one (4%) viewed it as of little importance to the hotel.

However, a relatively smaller number than the above distribution view public relations as having a selling function. Nevertheless, from table 6.40 one could identify that the

Table 6.40 Respondents' answers to the Question "To what extent do you think public relations has a selling function?"

	EGOTELS		INTERNATIONAL FIRMS	
	No.	%	No.	%
5. Very Great Extent	1	6	7	28
4.	5	31	11	44
3.	6	37	5	20
2.	3	19	1	4
1. Very little	1	6	1	4
	Mean	3.125	Mean	4

respondents at the international groups believe more in public relations having a selling function than do the Egotels respondents including the company's marketing manager.

### Paratourism

The revised literature identified one market segment which is often overlooked by hotel marketers as that of accommodating residents of the direct community who either seek a break from the traditional day to day routine or those who cannot afford a far away holiday.

Respondents were asked if the promotional efforts directed towards local markets concentrate solely on the use of food and beverages facilities or on room accommodation as well, and how often do they accommodate guests from their direct community.

Only one Egotel (resort) hotel promotes its room accommodation in addition to its food and beverage facilities. It rarely accommodates guests from its direct community (city); however, it occasionally accommodates visitors from other cities in Egypt. On the other hand 4 (16%) respondents at international operations indicated that they promote their rooms locally and that they are occasionally patronized by local people. Furthermore, two respondents indicated that they are sometimes patronized by local people although they do not promote their room accommodation to the local market. In fact, paratourism is becoming a trend to certain Egyptian social grades (mainly upper) where residents of a major city like Cairo take a weekend break and stay at one of the local hotels, either in the main guest rooms or in the swimming pool cabanas which are rented out either for day use or for overnight accommodation (according to size of cabana and/or number of party). This, however, indicates that some of the international firms operating in Egypt have evolved to the dualistic functional capacity of serving foreign travellers and local residents.

Finally, with regard to evaluating advertising effectiveness only 3 (12%) respondents at international operations have indicated that they use the amount of extra business generated during the

time their advertisement ran as a measure of evaluating the effectiveness of the ad and the type of media employed. The remaining 88% and all Egotels' respondents do not employ any measure with regard to this issue.

From the above presentation it appears that international operations regard promotion as one of the critical elements constituting their marketing mix. These operations tend to diversify their promotional efforts, in varying degrees, on different advertising media and other promotional activities, where, on the other hand, the Egotels properties seem to spend less resources and effort on such activities which are conducted on a very limited scale.

#### Part Five

##### Marketing Training

The close interaction between buyer and seller in service industries, and the role service personnel play in the purchase, delivery and consumption processes has led to the emphasis on the effective management of the 'interactive marketing function' which service literature designates as a marketing task and not solely as an operational, technological or personnel problem.<sup>(8)</sup>

This, in turn, has led to an increased emphasis on the importance of service industries 'customer contact' employees as an input resource which should be successfully developed and carefully directed in order to achieve the ultimate objectives of the firms' marketing activities.



In order to assess the hotels' awareness of the importance of such a marketing dimension, respondents were asked if their hotels engage in marketing training programmes directed at members of staff other than those of the marketing department. This question was used as a key to other questions concerned with who develops these programmes, at whom are they directed and the extent of conflict such programmes have with the traditional professional training the employees receive on their job.

From respondents answers to these questions it was revealed that all members of the Egotels company do not conduct any marketing programmes. The main reason given by all respondents, including the company's marketing manager, is that 'training' in general is not within their responsibilities, as it is the responsibility of the company's 'training sector'.

On the other hand, 8 (32%) international operations conduct marketing training programmes directed at members of staff other than those of their sales/marketing departments. These programmes are developed by the companies' headquarters which supply the training manuals; are executed by the training departments in conjunction with the heads of the different departments involved; and are directed to room clerks reservation clerks, food service personnel and in 3 out of the 8 hotels, to telephone operators.

The researcher, however, has some reservation with regard to respondents answers to the relevant questions. Firstly, it is likely that respondents' confusion between sales and marketing, identified earlier in the chapter, may have misled them in understanding the main issue behind the question. Furthermore, the fact that these programmes are executed mainly by the training department in conjunction with other heads of departments and supervisory level increases the probability of their being

concerned with salesmanship traits or what could be termed as 'tips on selling'. However, as outlined in our literature review, developing employee salesmanship is one aspect of marketing training and which complements 'behavioural training' which has been described in the review as being a 'terra incognita' on the part of many hotel operators. As one senior marketing executive put it "operations people are busy, marketing to them is something fancy they wouldn't bother much with".

Our supposition is somehow supported in the reasons provided by respondents who do not execute 'marketing ' training programmes, where the most common stated reason was that 'professional training is effective enough', followed by 'staff are already qualified', 'there should be no interference from the marketing department with other departmental employees', and 'marketing training is only relevant to marketing personnel', respectively.

Nevertheless, it is apparent from the presented data that the international operations give more attention to at least one facet or aspect of marketing training than does the Egotels properties. This is supported by respondents indication of the degree of importance they assign to marketing training and to their expressed agreement/disagreement with a statement concerned with the same issue.

Firstly, respondents were asked to assign a value of importance to "Training non-marketing employees on the philosophy of marketing". From table 6.41 it could be identified that the Egotels operations hardly assign any degree of importance to such activity, while the international operations view it in a more positive manner.

Respondents' views on marketing trainingTable 6.41 Extent of importance of training non-marketing employees on the philosophy of marketing

	Egotels		International	
	No.	%	No.	%
5. Very important			1	4
4.			7	28
3.			11	44
2.	10	62	3	12
1. least important	6	38	3	12
Mean	1.625		3.00	

Table 6.42 Respondents' agreement/disagreement with the statement  
"As long as the marketing people are doing their job effectively, there is no urgent need to train other employees on marketing theory and practice, unless when one of them is promoted to a job in the marketing department"

	Strongly Agree		Agree		Uncertain		Disagree		Strongly Disagree	
	No.	%	No.	%	No.	%	No.	%	No.	%
Egotels			7	44	8	50	1	6		
International			6	24	7	28	10	40	2	8

Secondly, respondents were asked to indicate their agreement/disagreement with the statement "As long as the marketing people are doing their job effectively, there is no urgent need to train other employees on marketing theory and practice, unless when one of them is promoted to a job in the marketing department". Table 6.42 identifies only one Egotel respondent who disagreed with the statement as opposed to 12 (48%) respondents at the international operations. It is interesting to note that the Egotels marketing manager expressed his uncertainty to the presented statement.

#### Achieving Synergism between the elements of the marketing mix

Allied to the formation of a marketing mix, the achievement of a synergistic effect in integrating its elements is viewed as a critical marketing activity. However, although trade offs may be to an extent in order to create the best overall impact, there is no doubt that the coherence of interrelationships between the integrated elements serves to strengthen their effectiveness when treated as a totality.

In order to test for the synergism in respondents' developed marketing mix, they were asked to indicate the degree of importance they assign to the different variables constituting the mix elements which appear in table 6.43. Our determination of the relative synergism was based on the standard deviations calculated for the mean scores of the different mix elements.

The calculation revealed a standard deviation of .602 and 1.25 for the international and Egotels operations respectively, hence indicating a stronger synergism in the former's creation of a marketing mix and a wider dispersion in the case of Egotels whose deviation was more than double that calculated for international firms.

Table 6.43 Respondents' Synergism in Creating a marketing mix

Mix Elements	Mean Scores Egotels	Mean Scores International Operations
Identifying products advantages	4.375	4.600
Identifying products disadvantages	4.562	4.400
Improve products/services quality	4.562	4.840
The hotels location	4.437	4.440
Developing and maintaining sales contact with travel agents	4.437	4.400
Developing and maintaining sales contact with airlines	1.875	3.720
Paying more attention to promotion	1.937	3.480
Importance of public relations activities	3.812	4.720
Paying more attention to pricing decisions	2.562	3.840
Training non-marketing employees on the philosophy of marketing	1.625	3.00
Mean Score	3.418	4.144
Standard deviation	1.259	.602

## Part Six

### After Sales Service/Customer Feed Back

The final part in the analysis of the hotel study is concerned with identifying the feed back measures employed by the respondents in order to assess their customers' satisfaction with the services they receive at the hotels, and the perceived viability of these methods.

Toward achieving this end, respondents were asked to indicate, on a Likert type scale, the extent to which their customers are satisfied with the services they receive at the hotel. Consequently, they were asked what feed back measure did they employ in reaching their determination. Tables 6.44 and 6.45 outline respondents perceived extent of their customers' satisfaction and the method employed in determining customers' attitude.

From the data provided by the respondents, it appears that the international firms are slightly more confident of their customers' satisfaction than their Egyptian counterparts. It also appears that a proportionately larger percentage of Egotels respondents depend more on subjective methods of determining customer satisfaction where 8 (50%) respondents indicated that they depend on their 'feel' or intuition in determining their answer to the preceding question. The major indicative measure used is the guest room comment cards which have been described in the literature review as 'ubiquitous' and 'statistically invalid.'<sup>(9)</sup> However, two operations among the international firms have developed exit interviews which guests are requested to participate in as part of their check out procedures.

Table 6.44 Respondents' perceived extent of their customers' satisfaction

Extent of Satisfaction	Egotels		International	
	No.	%	No.	%
5. Very great extent	1	6		
4.	10	62	22	88
3.	5	31	3	12
2.				
1. Very little				
* Mean	3.75		3.88	

\* The higher the mean, the higher the perceived extent of satisfaction

Table 6.45 Respondents' method of determining their customers' satisfaction

Feed Back Measure	Egotels		International	
	No.	%	No.	%
Guest room comment cards	6	38	17	68
G.C.C. and exit interviews			2	8
Repeat business	2	12	3	12
Feel (intuition)	8	50	3	12

It need be noted that the Egotels marketing manager marked the lowest integer on the continuum of perceived customers satisfaction. When asked why did he place his decision as so, he said "the low percentages of occupancy our operations experience is an adequate indication".

#### Respondents views on guest room comment cards

In order to assess the sharp critique addressed in the literature to the use of guest room comment cards, respondents were asked to indicate their agreement/disagreement with two statements concerned with the use of such method in measuring customer satisfaction. The first statment questioned the statistical validity of measuring guest satisfaction and the second statement indicated that guest room comment cards are most often filled by dissatisfied customers rather than by satisfied guests.

The use of guest room comment cards mainly for expressing dissatisfaction gathered strong agreement among both national and international hotel classifications (94% and 80% respectively). Nevertheless, while 69% of Egotels respondents agreed to the statistical invalidity of guest room comment cards, 13 (52%) respondents in the international groups disagreed, as can be identified in table 6.46.

It need be noted that, whenever a respondent disagreed to the statistical invalidity of guest room comment cards, and subsequently agreed to their major use by dissatisfied customers, the issue of using guest room comment cards as an indicator of customer 'satisfaction' was raised. The main answer given by respondents was the small number of complaints received. However, in the researchers view



Table 6.46 Respondents views with regard to the use of guest comment cards as a measure of customer satisfaction

	Strongly Agree		Agree		Uncertain		Disagree		Strongly Disagree	
	No.	%	No.	%	No.	%	No.	%	No.	%
In the hotel business, it is hard to measure guests' satisfaction using a statistically valid method	2	12	9	57	1	6	4	25		
	1	4	8	36	3	12	13	52		
Guests mainly use their comment cards to express their dissatisfaction rather than their satisfaction	6	37	9	57					1	6
	3	12	15	60	2	8	5	20		

this does not necessarily validate the method statistically, nor does it provide a clear picture of guest satisfaction, i.e. a small number of complaints being indicative of a high level of guest satisfaction.

Finally, respondents were asked if dissatisfied customers who report their dissatisfaction are notified of the hotel's receipt of their complaint, how is that done and what actions are taken.

None of the Egotels managers notify any of the dissatisfied customers of their receipt of complaints as the company's guest-room comment cards are self addressed to its headquarters. However, even if the guest chooses to post the complaint in the "complaints" box generally found at the Egotels hotel lobby, the general manager does not notify the guest of receipt of the card, and it is supposed that he relays these complaints to the company's headquarters. However, one respondent who was recently appointed general manager to one of the company's hotels which was closed for three years for renovation purposes and was reopened prior to the time of the interview, indicated that so far he has not received any complaints, yet he intends to send a personal apology to each complaining guest hereafter.

As for the complaints which are received at the Egotels headquarters, the company's marketing manager indicated that the only complaints for which guests are notified of receipt of complaint are those of a serious nature, e.g. theft and loss of property.

On the other hand, 18 (72%) respondents at the international operations indicated that guest room comment cards are relayed directly to the general manager's office where a personal apology is sent on behalf of the management to each complaining guest informing him about any corrective action undertaken and wishing that the hotel would be of service to him in the future.

Finally, respondents were asked to express their agreement/disagreement with a well known retail philosophy of business which states that "the customer is always right".

From table 6.47 which distributes respondents attitude along the scale, it could be noticed that a relatively substantial percentage of

Table 6.47 Respondents expressed attitude to the retail philosophy  
"the customer is always right"

"The Customer is always right"	Strongly Agree		Agree		Disagree		Strongly Disagree		Mean*
	6	37	4	25	4	25	2	12	
Egotels	6	37	4	25	4	25	2	12	3.50
International	11	44	9	36	4	16	1	4	4.00

\* The higher the mean, the more positive attitude towards the statement.

respondents at both Egotels and international operations (37% and 20% respectively) have disagreed or strongly disagreed to the statement. However, although a less proportion of respondents at international operations have disagreed or strongly disagreed in comparison to those at Egotels, the general attitude does not wholly reflect customer sovereignty among all concerned.

#### The Findings of the Hotel Study : General Conclusions

From the interpretation of the data reflecting responses of the executives in charge of marketing activities at the different hotel operations that are owned and managed by the Egyptian hotels company, and those that are under management contracts with international hotel firms operating in Egypt, the analysis shows that:

- The Egotels operations do not adopt the marketing concept neither conceptually nor, 'a fortiori', in practical terms. The company's respondents overwhelmingly confuse marketing with selling. This confusion, however, does not rule that the company is orientated towards sales, as its promotional efforts are kept to a minimum and are mainly limited to advertising in the local newspapers. Moreover, the company does not execute organized promotional or advertising campaigns neither in its local markets nor in foreign demand generating markets. Furthermore, the company's other marketing mix decisions and market research activities do not reflect a marketing orientation and lack the integration of marketing theories and the application of marketing techniques into the overall operational policies and objectives. For example; marketing research and analysis is mainly limited to compiling lists of guests' geographic origin which primarily serve the purpose of filing reports to the local authorities; product decisions are no concern of the marketing department; rigid pricing policies play a minor role in the feeble, so called, marketing efforts of the company; and the role of distribution intermediaries is underestimated, except for that of the travel agents - who are not approached through personal selling efforts - yet who use the company's services and facilities to suit their own and their customers' demands. As the company's marketing manager explained "the travel agents control both our room occupancies and our type of customer"

- By comparison, the international operations displayed an orientation towards marketing in terms of performing some marketing research activities, employment of segmentation strategies and their orientation towards competition. Furthermore, their organizational structure reflects an emphasis on marketing and on the role the marketing executive plays in the processes of planning and decision making. However, the confusion between marketing and selling, although evident in many cases, was less witnessed than in the case of Egotels' respondents. Nevertheless, from investigating

the operational marketing mix policies of the international operations it is the researchers' contention that this confusion reflects a miscomprehension of the descriptive meaning of 'marketing' rather than a marketing disorientation. For example, some of the respondents who conduct some market research activities, segment their markets, study competitive activities and integrate marketing to a greater or lesser extent, into their operational strategies, still tended to define 'marketing' as a post-graduate term, or as a wider interpretation of 'selling'.

Finally, it is the researchers' contention that the international operations degree of orientation towards marketing is designated as 'immature', where most of these operations reflect an orientation towards profit, yet their vast majority fail to integrate the issue of 'satisfying customers' needs' into their comprehension of the marketing concept, and to realize the importance of permeating the marketing philosophy into all levels of the operation in order to cross the threshold towards a fully comprehensive, and integrated marketing orientation.

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**CHAPTER SEVEN**

**THE FINDINGS OF THE GUEST SURVEY**



## CHAPTER SEVEN

### THE FINDINGS OF THE GUEST SURVEY

#### Introduction

The purpose of this chapter is to present an analysis of the findings of the guest survey. The survey was mainly concerned with measuring guests' behaviour and attitude towards the subject hotels in which they had stayed. The main purpose of undertaking this survey was to complement the findings of the primary hotel study whose objective was to test the validity of the hypothesis under investigation. It is believed that by eliciting guests' opinions and views with regard to their experience at the different hotels it would be possible to derive inferences as to the degree to which these hotels have committed themselves to the marketing concept.

The main statistical techniques employed for drawing inferences was the determination of the basic distributional characteristics of the variables through frequencies, and the comparison of means for questions ranked in order of importance. Crosstabulation was used in cases where determination of the existence of relationships between variables was needed to be ascertained; the use of cross-tabulation involved the computation of the chi square test of significance where significance is presumed to exist at the .95 - .99 levels of confidence.

The issues investigated were concerned with some of the marketing mix decisions investigated in the hotel study. In addition, the survey attempted to measure the extent of guests' satisfaction in an effort to derive inferences as to the hotels' achievement of one of the elements comprising the marketing concept, as the nature of this survey does not directly permit

the measurement of the organizations' profitability.

The analysis is designed to follow the sequence of the guest's cycle in patronizing a hotel establishment. In doing so, it follows Gronroos's<sup>1</sup> three stage model illustrating the marketing and need adaptation circle (creating demand, purchase and repeat purchase) which was discussed in chapter 3.

At the outset, however, general inferences are presented with regard to guests' purpose of travel, their length of stay and their repeat behaviour, i.e. whether or not they were repeat customers.

#### 1. Guests' Purpose of Travel

The first question addressed to the hotel guests entailed the identification of their main purpose of travel, i.e. pleasure or business; travelling as individuals or as part of a group.

Table 7.1 identifies guests' purpose of travel by type of operation patronized. From the classification outlined, it can be seen that: International operations attract and accommodate more market segments than the Egotels operations. Furthermore, International operations appear to seek a higher average room rate than the Egotels properties. This appears in Egotels' higher proportion of tour/group business which generally account for the lowest average room rate in hotel establishments (as they are allowed high discounts per number of group members) as opposed to business travel (especially in the case of business travellers who are on a per diem expense account) which generally account for higher average room rates and higher general expenditure than most other segments.

Table 7.1 Guests' Purpose of Travel

Purpose	Egotels		International	
	No.	%	No.	%
Business	9	21	79	35
Pleasure	10	23	48	21
Tour/Group	24	56	86	39
Convention			2	1
Transient			8	4
Total	43	100	223	100

Table 7.2 Guests' Average Length of Stay

No. of Nights	Egotels			International		
	No.	%	Room Nights (average)	No.	%	Room Nights (average)
1 - 3 nights	24	56	48 <sup>a</sup>	87	39	174
4 - 7 nights	18	42	99	85	38	467
Over 7 nights	1	2	7	51	23	357
Total	43	100	154	223	100	998
Average length of stay per guest			$\frac{154}{43}$ <sup>b</sup>			$\frac{998}{223}$

$$a \quad (24 \times \sum \frac{1,2,3}{x})$$

$$b \quad 154 \div 43$$

## 2. Length of Stay

Respondents at both hotel classifications were asked to indicate their average length of stay at the subject hotels. Table 7.2 illustrates guests' length of stay from which one can see that the Egotels' guest spent an average of 3.58 guest-room nights as opposed to 4.47 guest-room nights spent by a guest patronizing an international operation.

A crosstabulation analysis between guests' main purpose of travel and their average length of stay indicated that there is a significant relationship between type of customer mix and the number of nights spent at the hotel. Tables 7.3 and 7.4 display the relationship between the two issues and reveals that people travelling on business tend to spend more nights than pleasure travellers travelling independently, who in turn spend more nights than pleasure travellers travelling as part of a tour/group. As for the nature of their travel, transient guests accounted for the least number of nights.

## 3. Repeat Customers

In order to assess if any of the hotel establishments enjoy a repeat potential or have developed a brand loyalty among its customers, respondents were asked to indicate whether or not they were on their first visit to the city in which the hotel is located, and to indicate accordingly if they were 'repeat guests' at the subject property.

The analysis revealed that 6 (14%) guests at the Egotels operations were on their 2nd or subsequent visit to the city in which the hotel is located. However, among these 6 individuals, only one guest (16%) was a repeat customer. On the other hand, at international operations, out of the 67 (30%) guests who were on their 2nd or subsequent visit to the same city, 29 (43%) were repeat customers. It is interesting to note that

Table 7.3 A crosstabulation between type of customer mix and length of stay:International operations

Customer mix	1-3 nights		4-7 nights		over 7 nights		Total (100%)
	No.	%	No.	%	No.	%	
Business	19	24*	24	30	36	46	79
Pleasure	18	37	23	48	7	15	48
Tour/Group	42	49	36	42	8	9	86
Transient	8	100					8
Convention			2	100			2

\* To be read: 19(24%) of those travelling on business (79%) stayed between 1-3 nights.

Significance : 0.000

Table 7.4 A crosstabulation between type of customer mix and length of stay:Egotels Operations

Customer mix	1-3 nights		4-7 nights		Over 7 nights		Total (100%)
	No.	%	No.	%	No.	%	
Business			8	89*	1	11	9
Pleasure	6	60	4	40			10
Tour/Group	18	75	6	25			24

\* To be read: 8(89%) of those travelling on business (9=100%) stayed between 1-3 nights.

Significance : 0.002

the only repeat Egotel customer was last at the hotel in 1946 when it was virtually the only first class hotel in Cairo.

### The Marketing and Need Adaptation Circle

The following analytical presentation follows the marketing and need adaptation circle identified by Gronroos. In doing so, it follows a guest's normal cycle in patronizing a hotel establishment. Towards achieving this end, it traces the medium through which guests gained their first awareness of the subject hotels; identifies their main reason governing their choice of the establishment; the channel intermediary through which they processed their reservations; their purchase behaviour of subsidiary services; their interactions with other customers; their perceived expectations versus their actual experience of service levels and employees' attitude, their levels of satisfaction; and finally, their future behaviour towards becoming possible 'resales' or repeat customers.

#### 1. Guests' First Awareness of the Patronized Hotel

In order to identify the most common medium through which respondents gained their first awareness of the hotels they stayed at, they were asked the question "How did you first hear of this particular hotel?", and were presented with a number of advertising media and distribution intermediaries to choose their answers among. From table 7.5 which tabulates guests' responses it can be seen that:

1. The majority of Egotels' guests and the largest proportion of their counterparts at international operations (79% and 48% respectively) gained their first awareness through travel agents. In the case of Egotels, however, the percentage was considerably higher than in that of international properties. This supports the Egotels' marketing

Table 7.5      Guests' First Awareness of the Hotel Establishment  
Patronized

	Egotels		International	
	No.	%	No.	%
Travel Agent	34	79	108	48
Friend	4	9	52	23
Business Associate	4	9	29	13
Airline	1	2	10	4.5
Special Interest Magazine			12	5.5
Newspaper Advertising			6	2.7
Magazine Advertising			6	2.7
Total	43	100	223	100

executive's statement "the travel agents control our occupancy and our customer mix".

2. The distribution of figures indicates that many guests have gained their first awareness of international operations through a multiplicity of media and intermediaries much more varied than in the case of Egotels. This supports the findings reflected in the analysis of the hotel study where:

- A large proportion of guests patronising international operations gained their first awareness through a friend's recommendation (23%); marketing managers at international operations assigned a higher value of importance, than Egotels respondents, to 'word of mouth' advertising.
- A higher percentage of the same guests gained their first awareness through special interest magazines (5.5%) rather than newspapers (2.7%), and general magazine advertising (2.7%); marketing managers at international operations assigned a higher value of importance to special interest magazines than they did to other forms of print advertising.
- None of the Egotels guests gained their first awareness through any kind of promotion or print advertising which in turn reflects, the feebleness of the company's promotional efforts identified in the previous analysis.

In order to determine if there exists a relationship between type of guests' mix (purpose of visit) and the medium through which they gained their first awareness of the hotel they patronized, a cross-tabulation was computed and revealed that:



Table 7.6 Cross-tabulation of customer mix (purpose of visit) by medium providing for first awareness of the hotel - (Guests patronizing international operations).

	Friend		Travel Agent		Airline		Newspaper Advertising.		Magazine Advertising.		Special Interest Magazine		Business Associate		Total Row	
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
Business	23*	29	11	14			5	6	2	2.5	9	11	29	37	79	100
Pleasure	19	40	23	48			1	2	2	4	3	6			48	100
Tour/Group	8	9	74	86	2	2			2	2					86	100
Convention	2	100													2	100
Transcent					8	100									8	100

\* To be read : 23(29%) guests of those who came on business(79%) gained their just awareness of the hotel they stayed at through a friend.

Significance : .000

Table 7.7 Cross-tabulation of customer mix (purpose of visit by medium providing for first awareness of the hotel. (Guests patronizing Egotels operations)

Purpose of Visit	Friend		Travel Agent		Airline		Business Associate		Total Row	
	No.	%	No.	%	No.	%	No.	%	No.	%
Business	4*	44			1	11	4	44	9	100
Pleasure			10	100					10	100
Tour/Group			24	100					24	100

\* To be read: 4(44%) guests of those who came on business(9) gained their first awareness of the hotel they stayed at through a friend.  
Significance ; .000

1. Businessmen at both types of establishments gained their first awareness mainly through their business associates or their friends.
2. Pleasure travellers travelling independantly or as part of a group gained first awareness of international operations mainly through travel agents (48% and 86% respectively), or through a friend (40% and 10% respectively). Other sources however, such as print advertising, provided preliminary information to pleasure as well as to business travellers.
3. The role of the travel agent appears more significantly in the case of Egotels where it gave first awareness to all pleasure travellers who either travelled independantly or as part of a tour group.
4. Airlines predominantly informed all transient guests as to the hotel establishment they patronized.

From the above discussion it may be argued that the more aggressive promotional efforts executed by international operations seem to have paid more dividends to their hotels as opposed to the feeble efforts that are employed by the Egotels company. We rest our supposition on the view that gaining first awareness through a travel agent does not directly indicate that the choice of patronizing a certain establishment is based entirely on a customers own accord or decision as appears from the following discussion.

## 2. Factors Influencing Guests' Choice of Hotel Establishments

Guests at both types of establishments were asked to indicate the main reason governing their decision to stay at the hotel in which they resided, and to rank in order of importance a

number of attributes which may influence potential customers' choice in patronizing a specific hotel operation.

From table 7.8 which demonstrates guests' main reason for choosing the hotel it can be seen that 70% and 43% of guests at Egotels operations and international hotels respectively explained that they had no choice in selecting the hotels in which they stayed as it was mainly their travel agents' decision to place them at the subject establishments. This, in turn, reflects the growing importance of travel agents as intermediaries furnishing pre-purchase information, and relaying business patronage to hotel operations, and sustains the literature where it was explained that potential hotel guests may regard the travel agent as an unbiased intermediary. As one group/tour traveller indicated the main reason for patronizing the hotel as "Our blind trust in our travel agent".

Similar to the above, 14% and 7% of guests who stayed at Egotels and international operations respectively had no choice in selecting their hotels as it was their business associate in Cairo who placed them at the subject properties, as was the case of another 4.5% of guests at international operations who stayed at hotels chosen by their airlines.

Allied to being an intermediary's or a second party's choice the remaining 16% of Egotels guests expressed their main reasons for selecting the hotels as: location (9%), price (5%) and one guest indicated 'reputation', which gathered the highest momentum (14%) among international operations guests who independently made their own choice. Following Location (11%), and recommendation (9%), 14 guests (6%) at international operations displayed their brand loyalty by indicating that they always stay at these hotels or at others belonging to the same chain. Three

Table 7.8 Guests' main reason for selecting the subject  
hotels

	Egotels' Guests		International Operations' Guests	
	No.	%	No.	%
Travel Agents' choice	30	70	95	43
Business Associates choice	6	14	15	7
Location	4	9	24	11
Price	2	5	4	2
Reputation	1	2	32	14
Recommendation			19	9
(Always stay)			14	6
Airline			10	4.5
Atmosphere			10	4.5
Total	43	100	223	100

of these guests were 'card holders', i.e. holding special membership cards issued to frequent/repeat guests which entitles them to the use of special facilities, e.g. pre-registration, express checking-out procedures, access to a special lounge equipped with an honour bar, periodicals...etc., and who are offered extra credit limit. Finally, Kotler's <sup>(2)</sup> concept of 'atmospherics' seemed to attract 4.5% of international operations' patronage while price attracted 2% of its business.

With regard to guests' ranking of the perceived attributes which may influence their choice in choosing between competing hotels, table 7.9 provides a comparison between guests' ranking and that listed by the respondents of the hotel study. It need be noted that in order for our comparative analysis to reflect more discernible similarities and/or differences, guest responses were compared against those responses expressed by hotel respondents at the operations from which the guest sample was drawn. Our decision is based on the fact that while the guest sample was drawn from hotels located in Cairo, the comparison of their responses with that of hotel executives at the different cities may not be as objective as comparing them with those of the executives at the actual operations they patronized.

Table 7.9 reveals that there are considerable differences between attribute rankings by guests and that provided by the hotel executives. The differences however, are witnessed to a greater extent among the higher needs on the guests' hierarchy than those ranked along the lower end of the continuum. This may indicate that managers have a fairly poor understanding of the relative importance their customers assign to the attributes influencing their choice between competing hotels, where, in particular, they tend to underestimate the importance of a particular attribute which exists at the top of their guest's needs hierarchy.

Table 7.9 Guests' ranking of perceived attributes influencing their choice among different hotels as compared to rankings of respondents at the hotels from which the guest sample was drawn

Attributes	International		Egotels	
	Guests	Hotels	Guests	Hotels
Value for money	5	4	5	7
Cleanliness/Appearance	3	6	4	4
Good Food and beverage	4	2*	3	2
Friendliness/ Hospitality	2	2*	2	6
Low Prices	8	8	8	8
Comfortable furnishings	7	7	7	1
Location	1	5	1	3
Word of mouth/ recommendation	6	1	6	5

\* The two attributes had the same mean value and were similarly ranked by the respondents.

An interesting finding, however, is that responses of guests at both Egotels and international operations reflected more similarities between them than they did with rankings of the relevant hotel respondents. For example, respondents at both types of establishments agreed on the ranking of 'location' and 'friendliness/hospitality' along first and second places respectively, followed by 'good food and beverages' and 'cleanliness/appearance' which came in third and fourth position and fourth and third position for Egotels' and international guests respectively. Guests also agreed on the ranking of 'value for money', 'word of mouth/recommendation', 'comfortable furnishings' and low prices along 5th, 6th, 7th and 8th position respectively.

Finally, in looking upon guests' ranking of different hotel attributes, the importance of 'word of mouth/recommendation' was reflected in its comparative ranking along the continuum although it does not represent a material attribute like other listed factors. This finding supports the view that, in service contexts, eliciting subjective methods of evaluation (word of mouth) is one criterion against which potential customers can evaluate the service and minimize the high level of perceived risk associated with their buying decision.

#### Importance of Attributes According to Customer Mix

In order to ascertain if differences among customer types would reflect different rankings of perceived attributes influencing guests' choice among hotel establishments, the data in table 7.10 was computed and revealed that difference in ranking does exist between different types of the customer mix, as well as between members of the same mix who patronized the Egotels or the international operations; however, there are less discernible differences among guests travelling for the same purpose but staying at different hotel establishments.



Table 7.10 Importance of Attributes Influencing Guests' choice Between Different Hotels As  
Ranked By Different Market Segments

Attributes	Business Hotels International	Pleasure Hotels International	Group/Tour Hotels International	Con- vention International	Trans- ient International
Value For Money	3*	6	5	1	2
Cleanliness/Appearance	4	5	4	3	3
Good Food & Beverage	2	3	3	5	4
Friendliness/Hospitality	5	1	1	4	5
Low Prices	8	7	8	8	8
Comfortable Furnishings	7	8	6	7	7
Location	1	2	2	2	1
Word of Mouth/Recommendation	6	4	7	6	6

\* Importance determined according to calculated means; where means were of equal value, precedence was determined according to number of times attribute was chosen as number 1.

### Positioning Along A Benefit Dimension

Finally, with regard to guests perception of the influence of different product/service attributes on their selection and purchase decision of hotel accommodation, they were asked the question: "If almost all hotels offer the same services and facilities, what, in your opinion, is the single most important factor upon which you would build your decision?"

From table 7.11 it can be seen that guests at both types of establishments tended to agree on the nomination of the single most important attribute which they perceived would differentiate between hotel establishments offering similar services.

Noticeably, the factor which gathered the highest number of responses among both the Egotels' and international operations' guests was location. However, when responses of a closer relationship, i.e. denoting similar meaning, were combined (e.g. Friendliness, hospitality, courtesy of employees, sincerity of staff, helpfulness, feeling welcome) it is obvious that the role of the hotel personnel or the guest contact employees and its effect on the buyer/seller interaction was considered as the most discriminating factor among hotel operations which offer similar services.

The above finding amplifies the crucial importance of developing the character of guest contact employees by training them on the philosophy of marketing whereby they may prove to be one of the most valuable assets a service operation may acquire.

In addition to the above findings, guests' differentiating factors were cross-tabulated by their type of mix in order to discern if there is any relationship between their 'singled out' discriminating factor and the different elements composing the customer mix.

Table 7.11 Guests' expressed single most important factor  
which differentiate between similar hotels

	Egotels		International	
	No.	%	No.	%
Location	16	37	83	37
Hospitality +(related terms)	16	37	85	38
Price	11	26	29	13
Cleanliness			17	7
Good Food			6	3
Methods of International Communication			3	2

Tables 7.12 and 7.13 presents the responses of Egotels and international operations' guests respectively. From the data illustrated it is revealed that;

- 1) Businessmen at both types of establishments tended to choose 'location' as the most discriminating attribute differentiating between hotels offering the same services and facilities.
- 2) Individual guests travelling for pleasure, and residing at international operations tended to choose hospitality and/or its related terms, while their counterparts at Egotels favoured location.
- 3) Members of tour/groups at both types of establishments mainly selected 'hospitality' as the most differentiating factor.
- 4) Convention delegates regarded 'price' as the would-be differentiating attribute upon which similar hotels could compete or position themselves against, while transient guests oscillated, equally, between location and hospitality.

From the above presentation it may be argued that the most significant finding in guests' ranking of attributes and in their answers to the hypothetical question which followed is that

Table 7.12 The most discriminating attribute differentiating between similar hotels as viewed by different market segments. (Egotels operations)

Type of Customer	Location		Hospitality		Prices		Total Row	
	No.	%	No.	%	No.	%	No.	%
Business	7	78*	1	11	1	11	9	100
Pleasure	5	50	3	30	2	20	10	100
Tour/Group	4	17	12	50	8	33	24	100

\* To be read: 7(78) of those who were travelling on business (9=100%) chose location as the most discriminating attribute differentiating between similar hotels.

Significance : 0.0224

Table 7.13      The most discriminating attribute differentiating between similar hotels as viewed  
by different market segments

Type of customer	Location		Hospitality		Price		Cleanliness		Good Food		Communi- ication		Total Row	
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
Business	41	52*	21	27	8	10	6	8			3	4	79	100
Pleasure	9	19	24	50	11	23	2	4	2	4			48	100
Tour/Group	29	34	36	42	8	9	9	10	4	5			86	100
Transient	4	50	4	50									8	100
Convention					2	100							2	100

\* To be read : 41(52%) of those who were on business (79=100%) chose location as the most discriminating attribute differentiating between similar hotels.

Significance : 0.0008

marketing rather than operational aspects tend to be the dominant factors which influence potential guests to decide upon which hotel establishment to patronize.

### 3. Guests Use of Channel Intermediaries

Following a guest's choice of a certain hotel establishment is the step of processing a reservation request through a channel intermediary. Hence, in order to determine the type, nature, and extent of use of hotel channel intermediaries, guests were asked if they had a reservation prior to their arrival at the hotel, and to indicate, accordingly, through which intermediary it was processed.

The vast majority of 80% and 95% of guests at Egotels and international operations respectively booked a reservation prior to their arrival at their subject hotels. The intermediaries employed in processing these reservations are outlined in table 7.14 from which one can see that:

1. 90% and 60% of guests who had a reservation at Egotels and international operations respectively processed these through their travel agents. This supports earlier findings in both the hotel study and the guest survey as to the growing importance of travel agents as channel intermediaries furnishing pre-purchase information and providing the convenience of 'one stop shopping' where customers could buy flight tickets, hotel accommodation and hire automobiles in one single transaction.
2. The use by international operations of a wider amalgam of intermediaries which was reflected in the findings of the hotel study is witnessed among guests responses where channels such as airlines, central reservation offices and chain affiliated hotels have played a significant role in relaying a considerable proportion of hotel patronage.

Table 7.14 Channel Intermediaries Used in processing Guests' Reservations.

Intermediary	Egotels		International	
	No.	%	No.	%
Travel Agents	34	90	128	60
Business Associates	4	10	17	8
Chain Affiliated Hotel			17	8
Central Reservation Office			15	7
Corporate Secretary			14	7
Airline			14	7
Self (Telephone, Telex, etc)			6	3
Airport Representative			1	0.5
Total (adjusted)	34	100	212	100

In order to gain more inferences as to guests' use of channel intermediaries, a cross-tabulation analysis between guests' type and intermediary used in processing the reservation revealed significantly that:

1. Businessmen, at both types of establishments, had their reservations processed mainly by their business associates/partners in Egypt.
2. Pleasure travellers travelling either independently or as part of a group processed their reservations mainly through their travel agents.

However, while these intermediaries were predominant for all types of reservations processed on the part of Egotels guests, other intermediaries processed different types of reservations for different types of the customer mix at international operations. For example, table 7.15 identifies that travel agents processed 19% of business travellers' reservations, while chain affiliated hotels and central reservation offices handled, collectively, 29% of such reservations as well as 21% of reservations of independent pleasure travellers. These figures may have been higher, however, if the businessmen who indicated 'corporate secretary' would have explained further the type of intermediary being used. Nevertheless, it was assumed that for these cases, the company(s) has a travel department. In addition to the above, airlines were involved in handling different types of business and pleasure travel while retaining 100% of transient guests' reservations.

In addition to the inferences that could be discerned from the significant relationships, the above discussion reflects that international operations maintain and enjoy a more productive contact with a multiplicity of intermediaries, whole role in processing and relaying reservations for their operations



Table 7.15 Use of channel intermediaries by different types of customer mix  
(Guests at International Operations)

Type of Customer	Travel Agent.		Airline		Chain Affiliated Hotel		Central Reservation Office		Corporate Secretary		Business Associate		Airport Representative		Self		Total Row	
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
Business	13	19*	2	3	9	13	11	16	12	17	17	25	1	1	4	6	69	100
Pleasure	33	70	2	4	6	13	4	8							2	4	47	100
Tour Group	82	95	2	2	2	2											86	100
Convention									2	100							2	100
Transient			8	100													8	100

\* To be read: 13(19%) among the business travellers who had a reservation (69 = 100), processed their reservations through a travel agent.

Significance: 0.000

Table 7.16 Use of channel intermediaries by different types of customer mix.  
(Guests at Egotels operations)

Type of Customer	Travel Agent		Business Associate		Total Row	
	No.	%	No.	%	No.	%
Business			4	100*	4	100
Pleasure	10	100			10	100
Group/Tour	24	100			24	100

\* To be read: 4 (100%) of business travellers who had a reservation processed their reservations through their business associates.

Significance: 0.000

appears to be more active than in the case of Egotels who seem to be largely dependant upon business generated mainly by one single source. i.e. travel agents.

#### 4. Use of Auxilliary Services

In addition to the main or core service which is consumed by hotel guests i.e. room accommodation, respondents were asked to indicate the frequency of eating their meals in the food and beverage outlets at the hotels they stayed in. The question was believed to provide inferences as to the hotels' internal selling function.

Guests' frequency of meal consumption is illustrated in table 7.17 which shows that a considerably higher proportion of guests at international operations have patronized the food and beverage outlets at their subject hotels than did the Egotels' residents. For example, 86% of Egotels customers never had their lunch at their hotels as opposed to 35% of guests at international operations. Similarly, only one Egotel guest(2%) always had dinner at the hotel as opposed to 43(19%) who always had theirs at international operations. However, all Egotels guests always had their breakfast as opposed to 96% of guests at international operations where the remaining 4% only often did. Nevertheless, the fact that Egotels operate a European plan (bed and breakfast included in room rate) may explain this phenomenon.

Finally, with regard to guests' consumption of meals at the hotels where they stayed at, a cross-tabulation analysis indicated that in the case of international operations, there exists a significant relationship between type of customer mix and meal consumption at the subject properties. For example, it was revealed that:

- All guests travelling for pleasure, either independantly or

Table 7.17 Frequency of meal consumption at the hotels' food and beverage outlets by meal period

	EGOTELS						INTERNATIONAL					
	Breakfast		Lunch		Dinner		Breakfast		Lunch		Dinner	
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
Always	43	100	1	2.3	1	2.3	215	96	19	9	43	19
Often					7	16	8	4	57	26	85	38
Rarely			5	12	27	63			68	30	71	32
Never			37	86	8	19			79	35	24	11

as part of a group, always had their breakfast, in addition to 90% of those travelling on business.

- Businessmen and independent pleasure travellers tended to have more frequent lunches and dinners than those travelling in a tour group.

In the case of Egotels' customers, however, although similar trends were reflected yet there was no significance in the relevant relationships.

It need be noted that the relatively low frequency of guests' meal consumption at the Egotels properties supports the findings of the hotel study where respondents at international operations assigned a higher importance to 'selling more of your services to existing customers' than did their counterparts at the Egotels properties. As one Egotel manager indicated (when assigning a low value of importance) "it is good enough that he (the guest) has come".

##### 5. Guests Attitude Towards The Price Structure

In order to measure guests attitude towards the hotels' price structure, respondents were asked to indicate if they perceived to have had value for their money in return for their purchase of the hotel services. From guests' responses tabulated in table 7.18, it could be argued that a considerable number of guests at both types of establishments did not perceive the offered services to be up to the monetary value that they were charged.

Table 7.18 Guests Attitude towards Hotels prices

	Egotels		International	
	No.	%	No.	%
(1) Yes	27	63	154	72
(2) Not Quite	9	21	42	19
(3) No	7	16	19	9
* Not Charged Mean	1.53		1.37	

\* Charges of 8 transient guests were paid by the airlines

In addition to the above, guests were asked if they felt that the hotels' price structure (family plans and double occupancy rates) encourages them to bring family members along with them. To this, guests responses were almost identical where the adjusted frequencies indicated an 81% positive attitude and a 19% negative perception. It need be noted that the adjusted frequencies were taken into consideration as a number of guests at both types of establishments took no notice of the hotels' family plans or the double occupancy rates, as could be depicted in table 7.19.

From the presentation(table 7.19) on guests' perception as to the price variable it could be discerned that, although the Egotels operations set their prices either lower or similar to competition (hotel study findings) the frequency distribution of those guests who did not believe in getting value for their money at Egotels was double that for international operations. This, in turn, raises an important consideration with regard to the company's price and/or product/service revision in terms of

Table 7.19 Guests attitude towards the hotels price structure regarding family plans and double occupancy rates

	Egotels			International		
	No.	%	A.F.*	No.	%	A.F.
Yes	21	49	81	159	71	81
No	5	12	19	38	17	19
Took no notice	17	40		25	12	

\* Adjusted Frequency

either reducing their rates or upgrading and improving their services.

#### 6. Guests Perceived Synergism in the Customer Mix

In service organizations, management of the character of demand does not only affect the profitability of the firm, but also affects the delivery/consumption process as customers interact with the organizations' personnel as well as with other customers. Hence, in order to measure the synergism achieved by the hotels in creating their customer mix, guests were asked to give their opinion as to the synergism or harmony they felt to exist between the characteristics of the different elements of the customer mix created by the hotel in which they were staying.

From table 7.20 which illustrates guests' opinion towards this issue, it can be seen that 42% and 22% of guests at Egotels and international operations respectively viewed the customers at the hotels in which they stayed as being of heterogenic characteristics. The frequency distribution being almost double

in the case of Egotels' guests indicates, and supports previous inferences in the hotel study, that the company's different operations do not try to create a certain customer mix nor do they try to achieve synergism or a high level of harmony between the characteristics of its different elements.

Table 7.20 Guests' opinion as to the synergism of the customer mix.

	Egotels		International	
	No.	%	No.	%
	Similar	7	16	22
Mixed	18	42	151	68
Different	18	42	50	22

## 7. Guests' Satisfaction

To help develop a more objective evaluation of the hotels' commitment to the marketing concept, a number of questions were addressed to the guests to measure their overall satisfaction with the hotels' services. The questions' aim was to assess the extent to which guests' expectations were met at the subject hotels; to measure their level of satisfaction; to examine their attitude towards guest comment cards; and to project and determine their future repeat behaviour. Following is a detailed analysis of the issues under consideration.

### i. Guests Expectations

Guests respondents were presented with a list of a number of hotel services and were asked to indicate whether or not these services met the expectations and perceptions which they held prior to their arrival at the hotel and consuming its services.



From table 7.21 which illustrates the extent of guests' expectations being met it is revealed that:

1. Guests' expectations with regard to their perceived image of the hotels were met in 82% of cases at international properties as opposed to a considerably lower percentage of 58% in the case of Egotels.
2. While room size accounted for the lowest mean at both types of establishments, thus displaying a high level of consistency between expectations and actual experiences, room decor seemed to appeal to the majority of guests at international operations (70%) and only met the expectations of 42% of guests staying at Egotels properties.
3. Menu variety did not meet the expectations of the majority of guests at both types of establishments. However, international operations seemed to offer more variations on their menus to suit more different tastes. More customers, however, were content with the decor of the food and beverage facilities at both Egotels and international operations.
4. Although the expectations of a slightly higher percentage of guests at international operations were met with regard to the aesthetic appeal of the hotels' physical plant than in the case of Egotels, the frequency almost doubled in distribution with regard to 'inside atmosphere' where it was 83% and 42% for international and Egotels operations respectively.
5. The expected levels of service were not commensurate with what 59% and 34% of customers experienced at the Egotels and international operations respectively.

Table 7.21 Guests Expectations as met by the hotels

	Egotels						International									
	Yes		Not Quiet		No		Yes		Not Quiet		No					
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%				
Perceived Image	25	58	11	26	7	16	43	1.58	182	82	28	13	13	6	223	1.24
Room Accommodation																
Room Size	42	98	1	2			43	1.02	201	90	16	7	6	3	223	1.12
Room Decor	18	42	21	49	4	9	43	1.67	155	70	52	23	16	7	223	1.37
Food & Beverage Facilities																
Menu Variety	9	26	13	37	13	37	35	2.11	88	44	51	25	63	31	202	1.87
Decor	23	53	15	35	5	12	43	1.58	156	70	59	26	8	4	223	1.33
Aesthetic Appeal																
Outside Appearance	28	65	5	12	10	23	43	1.58	170	76	28	13	25	11	223	1.34
Inside Atmosphere	18	42	14	33	11	26	43	1.83	185	83	27	12	11	5	223	1.22
Level of Service	18	42	14	33	11	26	43	1.83	148	66	57	26	18	8	223	1.41
Credit Card Acceptance	11	69			5	31	16	2.31	92	79	11	5	13	6	116	1.31
Entertainment Facilities	1	2	17	39	25	58	43	2.55	145	65	45	20	33	15	223	1.49
Management/Employees Attitude	27	63	13	30	3	7	43	1.44	142	64	78	35	3	1	223	1.37

N<sup>1</sup> : Number of respondents who answered the question

\* : The lower the mean, the more the guests expectations were met.

6. The use of credit cards was a more accepted practice at international operations.
7. Entertainment facilities seemed to prevail more at international operations.
8. Friendliness and staff attitude met the expectations of 63% and 64% of guests patronizing Egotels and international operations respectively.

With regard to the above presentation, it seems that guests at international operations were more informed about the hotels' services and facilities than their counterparts at Egotels' properties whose experiences, comparatively, fell short of their expectations as to almost all of the presented issues save for room size. Although this supports the findings of the hotel study with respect to the more active use of promotional efforts and channel intermediaries on the part of international operation, it need be noted that despite the relative differences in meeting guests' expectations at both types of establishments, international operations also fell short of meeting guests' expectations with some services more than others. For example, one crucial finding is that guests' expectation with regard to staff attitude were not met in 36% and 37% of cases at international and Egotels operations respectively. Generally, potential hotel guests expect a positive employee attitude, however, at both types of establishments, a considerable proportion of guests were, more or less, denied on intangible, yet a most important aspect of a hotels' product; the feeling of hospitality.

ii. Employees Behaviour and Attitude

In order to investigate the permeation of marketing thought through the different operational levels at the subject hotels,

Table 7.22 The degree of guest contact employees customer consciousness as perceived by guests

Employees	Egotels						International								
	Yes		Indifferent		No		Yes		Indifferent		No		N <sup>1</sup>	Mean *	
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%			
Room Clerk	26	60	14	33	3	7	43	145	65	63	28	15	7	223	1.41
Food Service Personnel	24	56	17	39	2	5	43	126	57	67	30	30	13	223	1.57
Bellmen	35	81	7	16	1	2	43	75	35	110	51	29	14	214	1.78
Telephone operators	7	21	11	32	16	47	34	36	21	89	53	43	26	168	2.04
House Keeping Staff	12	28	17	39	14	33	43	126	59	68	32	21	10	215	1.51

N<sup>1</sup> : Number of respondents who answered to the part of the question

\* : The lower the mean, the more positive attitude displayed by employees.

'staff attitude' was explored further by asking guests to indicate the extent to which they perceived the hotels' employees being attentive to their needs.

Table 7.22 which displays guests' responses with regard to a number of guest-contact personnel reveals that a more positive attitude was displayed by room clerks, telephone operators and house-keeping staff at international operations than by those at Egotels, while food service personnel and bellmen showed the opposite bias.

It seemed, however, from reviewing the returned questionnaires that some guests, especially those who were offended by an employee's attitude are particularly aware of the issue of employees behaviour, where many of those recorded a statement which briefly recalled their experience. The low figures in the positive columns of table 7.22 support our reservation expressed in the analysis of the hotel study where it was argued that most of the respondents at international operations who indicated that they conduct marketing training programmes directed at non-marketing employees, execute these programmes with a main emphasis on 'sales training' and not by integrating behavioural and attitudinal aspects, thus falling short of providing a comprehensive marketing education for all those concerned.

### iii Level of Guest Satisfaction

As a further indication of guests' views with regard to their experience at the hotels in which they stayed, respondents were asked to indicate their extent of satisfaction with the hotels' services on a Likert-type scale ranging from highly satisfied to highly dissatisfied. Table 7.23 displays the distribution of responses on the scale, and identifies that while international operations were successful in achieving the satisfaction of 75% of

Table 7.23 Extent of guests' satisfaction with the hotels' services

Extent of Satisfaction	Egotels		International	
	No.	%	No.	%
5) Highly Satisfied			33	15
4) Satisfied	20	46	134	60
3) Indifferent	12	28	33	15
2) Dissatisfied	11	26	22	10
1) Highly Dissatisfied			1	0.4
* Mean	3.20		3.78	

\* The higher the mean, the higher the extent of satisfaction.

their customers, the Egotels operations failed in achieving a 50% level of satisfied customers, which in turn reflects their failure in achieving a primary objective of the marketing concept.

The Relationship between level of Satisfaction and Length of stay

The analysis of the data indicated that, at international operations, there exists a significant relationship between guests' length of stay and their extent of satisfaction with the hotel services. Table 7.24 presents a cross-tabulation between the two issues and shows that the longer the length of stay, the less the number of highly satisfied and satisfied customers, and the higher the number of those who were indifferent and dissatisfied. Similar findings were reflected in the calculation of the mean values for each average period of time spent by guests where the values were 1.90, 2.22 and 2.70 for the 1-3, 4-7 and over 7 night periods respectively.

Table 7.24 Level of guests' satisfaction versus their length of stay international operations

Level of Satisfaction	1-3 nights		4-7 nights		Over 7 nights		Total Row (100%)
	No.	%	No.	%	No.	%	
Highly Satisfied	20	61*	12	36	1	3	33
Satisfied	60	45	51	38	23	17	134
Indifferent	2	6	14	42	17	52	33
Dissatisfied	5	23	7	32	10	45	22
Highly Dissatisfied			1	100			1

To be read : 20(61%) of those who were highly satisfied, spent between 1-3 nights at the hotel.

Significance : 0.000

In the case of Egotels guests, however, the cross-tabulation showed a similar trend of the figures, yet the fact that the only customer who stayed over 7 nights was 'indifferent' affected the level of significance to be 0.09 and the mean values to be 2.54, 3.11 and 3.00 for the respective lengths of stay.

Nevertheless, the above presentation displays that a higher level of guest satisfaction was witnessed among guests at international operations for each of the individual time periods as well as collectively with regard to their overall satisfaction.

However, it need be noted that in comparing between guests' overall level of satisfaction and that reported by the respondents at the hotels in which these guests have stayed, it seemed that the hotel respondents overestimated the extent of their guests'

satisfaction when the calculated means were as follows:

Table 7.25 Guests reported level of satisfaction versus hotel respondents' perception

	Hotel Respondents	Hotel Guests
Egotels	4*	3.20
International	4	3.78

- \* The higher the mean, the higher the perceived level of guest satisfaction (hotel respondents) and the higher the reported level of satisfaction (guests).

From the data presented in table 7.25 it could be argued that the over-estimation of the respondents of the hotel study as to their guests' level of satisfaction may either be a result of a simple over-confidence on their part, or on the other hand, is based on a misguided perception of guests' attitude which in turn may be based on an inappropriate feed-back measure. As all the hotels which participated in the guest survey indicated their use of guest room comment cards as their main measure of guest opinion, the discrepancy reported in the findings may question the validity of using this tool as a primary feed-back measure of great satisfaction.

#### iv Guests' Attitude towards Guest-Room Comment Cards

In order to determine guests' attitude towards the hotels' use of guest-room comment cards as an after sales service which is used as a device through which guests could sound their complaints or express their compliments as to the services they received at the hotel, they were asked a number of questions in order to determine their behaviour in response to such a measure.



The responses revealed that only 57(25%) of the 223 guests at international operations have filled out the subject cards, as opposed to none at Egotel establishments. In the case of the formers, the distribution of the 57(25%) responses was 36(16%) expressed satisfactions and 21(9%) expressed dissatisfactions. Table 7.25 provides a cross-tabulation between guests' level of satisfaction and their tendency to fill out the guest-room comment cards at international operations. It need be noted that Egotels' guest behaviour did not reflect any significant relationships as none of the 14(33%) guests who noticed the comment cards has filled it out.

The analysis of table 7.26 reveals the following findings and implications:

Firstly: Not all guests noticed the guest-room comment card where 69(31%) guests either did not come across the card, or as few have indicated that they "did not look (or bother to look) for it". The implication is that, as some of the rooms may not have been supplied with a new card (assuming the previous guest has filled out the last card placed), the probability of all guests filling or 'encountering' the card is not even for all guests.

Secondly: Although 97(44%) guests have noticed the card, they did not fill it out regardless of their level of satisfaction. The implication is that when the relevant figures are added to their corresponding figures in (1) above, management will never know, for example, why 24(73%) of its customers were indifferent, and most importantly, the reasons behind the dissatisfaction/high dissatisfaction of 11(50%) of its dissatisfied/highly dissatisfied customers.

Table 7.26 Guests' level of satisfaction versus their behaviour towards filling out the guest-room comment cards. (International operations)

Level of satisfaction	Express Satisfaction		Express Dissatisfaction		Did Not Fill Card		No Card Noticed		Total Row	
	No.	%	No.	%	No.	%	No.	%	No.	%
Highly Satisfied	24	73 <sup>*1</sup>			3	9	6	18	33	15
Satisfied	12	9			66	49	56	42	134	60
Indifferent			9	27	20	61	4	12	33	15
Dissatisfied			12	55	8	36	2	9	22	10
Highly Dissatisfied							1	100	1	0.4
Total Column	36		21		97		69		223	100
	16% <sup>*2</sup>		9%		44%		31%		100%	

\*<sup>1</sup> To be read: 24(73%) of the highly satisfied customers (33=100%) filled out the guest-room comment card expressing their satisfaction.

\*<sup>2</sup> To be read: 36(16%) of all guests (223=100%), filled out the comment card expressing their satisfaction.

Significance = 0.000

Thirdly: Among the 57(25%) guests who noticed the card and filled it accordingly were:

- 73% of the highly satisfied guests;
- 9% of the satisfied guests;
- 27% of the indifferent guests; and
- 55% of the dissatisfied guests.

Finally, the findings support the general view and critique addressed to guest-room comment cards which holds that the majority of those who fill the card tend to be either the highly satisfied and/or the dissatisfied customers, hence the measure does not represent a true cross section of the customer base. It is interesting to note though, that the guest survey seemed to have escaped such draw back as its findings represent a closer relationship to the customer base as it drew responses from different cross sections along the satisfaction continuum.

Another major drawback of guest comment cards was reflected in the findings where among the 21 reported dissatisfactions, corrective action was taken by management in only 8(38%) of the cases. Most probably, the action was taken because the customer has notified the management (or an employee) personally, in addition to noting it on the comment card. However, the severe disadvantage of the comment card is reflected in the fact that management is only made aware of the reason of guests' dissatisfaction long after the guest has checked out. It is argued however, that management does not lose a potential sale until the same guest comes back to town<sup>(3)</sup>, or when an acquaintance of his, influenced by his word of mouth, does.

As for the case of Egotels' customers, the disadvantage of guest room comment cards was amplified where in the case of the 20 reported reasons of dissatisfaction(on the questionnaire draft) by indifferent and dissatisfied guests, corrective action was only

taken in one of the cases. However, as none of the guests had filled out the card, management will never get to know the reasons behind their guests' dissatisfaction.

Finally, with regard to guests' behaviour towards filling their guest-room comment cards, the most recurring reasons for not filling the card were: 'unnecessary', 'no need to', 'nothing to report' and 'nothing outstanding'. Few guests, however, wrote in a comment which might reflect a stereotype, psychological, yet unexpressed attitude where one said "don't think it is effective", while another expressed himself more subtly by saying "don't believe in this impersonal gesture".

v. Guests' Future Purchase Behaviour

The last step in Gronroos' marketing and need adaptation circle which was taken as a model in presenting our interpretation of the guest survey is the total effect of the customer's experience on his opinion and on the probability of his becoming a possible resale, or in our case, a repeat guest.

The analysis of guests' responses indicated that Egotels would enjoy a 23% repeat potential as opposed to a substantially higher 44% for international operations. Furthermore, at both types of operations, there appeared to be a significant relationship between level of guest satisfaction and their repeat behaviour, as well as their reason for not coming back.

From table 7.27 which displays guests' level of satisfaction by their tendency to repatronize the hotel one identifies that:

1. The vast majority of highly satisfied customers(88%) were certain about the possibility of their becoming repeat guests.

Table 7.27 Level of guest satisfaction versus their future repeat behaviour

a. (International Operations)

Level of Satisfaction	Yes		No		Don't Know		Total Row
	No.	%	No.	%	No.	%	(100%)
Highly Satisfied	29	88*			4	12	33
Satisfied	66	49	55	41	13	10	134
Indifferent	4	12	22	67	7	21	33
Dissatisfied			22	100			22
Highly Dissatisfied			1	100			1
Total Column	99	44	100	45	24	11	223

b. (Egotels Operations)

	Yes		No		Don't Know		Total Row
	No.	%	No.	%	No.	%	(100%)
Highly Satisfied							
Satisfied	9	45	8	40	3	15	20
Indifferent	1	8	8	67	3	25	12
Dissatisfied			11	100			11
Highly Dissatisfied							
Total Column	10	23	27	63	6	14	43

To be read: 29(88%) of the highly satisfied guests (33=100%) indicated that they would stay at the same hotel again if the opportunity arises.

Significance : Part a : 0.000

: Part b : 0.005

2. 49% and 45% of satisfied customers at international and Egotels operations respectively shared the same view as in (1) above; however, 41% and 40% at both types of establishments respectively indicated that they will not stay at the same hotel on their next visit, although they were satisfied with its services..
3. While 12% and 8% of "indifferent" guests at international and Egotels operations respectively indicated that they would stay at the same hotel if the opportunity arises, an equal majority of these(67%) at both types of establishments indicated that they will not.
4. All dissatisfied/highly dissatisfied guests at both types of operations were certain that they will not repatronize the same hotel in the future.
5. There were expressed uncertainties at the highly satisfied/satisfied/indifferent levels of satisfaction at both types of operations with regard to the possible future repeat behaviour. No uncertainties, however, were reported at the dissatisfied/highly dissatisfied levels of satisfaction by guests staying at either type of operation.

From the above presentation, it could be discerned that the higher the guest satisfaction with the hotels' services, the higher the chances of the hotel operation in developing brand loyalty among its guests or what is known in service contexts as a clientel.

As for the guests who indicated that they would not stay at the same hotel if they visit the same city again, it may be argued that it is understandable that 100% of dissatisfied guests indicated as such, and that a 67% of those who where indifferent

at both types of establishments to be of similar opinion. However, 41% of the satisfied guests at international operations, and a 40% at Egotels shared the same view. Table 7.28 explains the relationships between guests satisfaction and the reason why they would not patronize the same hotel on a future visit.

From parts 1 and 2 of table 7.28 it can be noticed that:

1. Having a low level of satisfaction is not necessarily the reason why dissatisfied customers would not come back to the hotel. While 50% and 55% of dissatisfied customers at international and Egotels operations respectively who indicated that they would not patronize the hotel in the future, have indicated that it is their low level of satisfaction which is the main reason behind their decision, the remaining 50% and 45% expressed other reasons such as 'like to change'. The hotels' location being inconvenient, or not having enough facilities.
2. A guest being satisfied with the services of a certain hotel does not necessarily indicate that he would be a repeat customer on his next visit. In the case of 'satisfied guests at international operations for example, marketing variables or attributes like 'location', were claimed by 11% of guests who were satisfied yet who indicated that they would not stay at the same hotel on their subsequent visit, while operational attributes like 'not enough facilities' accounted for only 2%.

The above analysis sustains our inference expressed earlier with regard to guests' ranking of attributes influencing their choice between different hotels, and their proclaimed discriminating factor between similar hotels in that marketing rather than

Table 7.28 Guests' level of satisfaction versus the reasons why they won't patronize the same hotel at a subsequent visit

1. International Operations

Level of Satisfaction	Low Satisfaction		Like to Change		Location(Far)		Not enough Facilities		Total Row (100%)
	No.	%	No.	%	No.	%	No.	%	
Satisfied			48	87	6	11	1	2	55
Indifferent			19	87	2	9	1	4	22
Dissatisfied	11	50*	7	32	3	14	1	4	22
Highly Dissatisfied	1	100							1
Total Column	12	12%	74	74%	11	11%	3	3%	100

\*To be read: 11(50%) of the dissatisfied guests who indicated that they would not patronize the same hotel on a future visit, gave their low level of satisfaction as their reason.

Significance : 0.000

2. Egotels Operation

Level of Satisfaction	Low Satisfaction		Like to Change		Not enough Facilities		Total Row (100%)
	No.	%	No.	%	No.	%	
Satisfied			6	75	2	25	8
Indifferent	1	12*	1	12	6	75	8
Dissatisfied	6	55	3	27	2	18	11
Total Column	7	26	10	37	10	37	27

\* To be read! 1(12%) guest among the 8 who were indifferent and indicated that they would not patronize the same hotel on a future visit, explained that this is due to his low level of satisfaction.

Significance : 0.004



operational attributes seem to be the dominant criteria influencing guests' choice, and experience at hotel establishments, and that these play a significant role in achieving guest satisfaction and consequently on his future purchase behaviour.

#### The Findings of the Guest Survey : General Conclusions

By eliciting and interpreting hotel guests' opinions and views with regard to a number of issues concerned with marketing dimensions, this chapter presented the findings of an attempt which was made to examine the extent to which the subject hotel operations have committed themselves to the marketing concept.

Basically, the study findings support our hypothesis in that international operations have a substantially higher degree of marketing orientation than the Egotels hotels. However, along with the hotel study, the guest survey revealed that the Egotels operations are far from being marketing orientated.

Drawing upon inferences from the guest survey, international operations' precedence over Egotels with regard to their orientation towards the marketing discipline appeared in the following:

1. Their diversification of their marketing efforts to attract and accommodate more varied market segments.
2. Their management of their customer mix in order to achieve higher average room rates.
3. Their success in creating and maintaining a relatively higher level of synergism with regard to the characteristics of the different types of customers constituting their market mix.

4. Their achievement of a higher average length of stay per guest, and consequently a higher number of guest room nights.
5. Their execution of more aggressive promotional activities, as opposed to the feeble efforts exercised by Egotels.
6. Their building and maintenance of a more productive sales contact with a wider multiplicity of channel intermediaries whose role in processing reservations and relaying hotel patronage was witnessed to a considerably more active fashion than in the case of Egotels.
7. Their success in managing aspects of their internal selling function where guests tended to patronize the food and beverage outlets at their hotels more often than the Egotels' guests did.
8. As far as price is concerned however, there was no great difference between guests' opinion to the hotels' price structure (value for money, family plan and double occupancy rates). Nevertheless, more positive cases were reported in the case of guests patronizing international operations than by their counterparts at Egotels.
9. With regard to meeting guests' expectations and their level of satisfaction, the case of Egotels reflected more serious findings than that of international operations which also fell short of meeting guests' expectations with regard to a number of services and facilities but were successful in achieving a 75% level of guest satisfaction and retaining a 44% of potential repeat guests as opposed to Egotels which failed in achieving a 50% level of satisfaction among its guests, and retained a comparatively lower repeat potential of 23%.

However, one main conclusion is that the extent of meeting expectations and level of satisfaction expressed by the guests indicates that both types of establishments do not wholly satisfy their customers' needs. This may be attributed to the fact that respondents at the hotel study had a fairly poor understanding of the relative importance their customers assign to the attributes influencing their choice between competing hotels, where in particular, they tended to underestimate the importance of particular attributes which exist among the top attributes of their guests' needs hierarchy.

In turn, an adverse finding was reflected in the low level of employees' customer orientation at both types of establishments; an issue of which many guests were consciously aware, and which, most probably, have lead them to rank 'friendliness/hospitality' among the top ranked attributes. It is our supposition however, that when choosing between hotels, potential guests may not consider the importance of employees' behavioural attitude as most of them take it for granted. However, as they were confronted with a relatively low level of 'guest consciousness' their implicit need came on to the scene, as it was, in many cases, unsatisfied. In other words, the existence of a 'guest consciousness' attitude is not, per se, a satisfier, however, its absence is a dissatisfier.

Towards this end, it could be stated that our hypothesis has been confirmed by the findings of the hotel study and the guest survey as to international operations reflecting a more marketing awareness and displaying a higher degree of marketing orientation than the Egotels operations. However, as Egotels seemed to be far from being marketing oriented, it could not be ruled that international operations have displayed a full awareness of the different dimensions of marketing. As expressed earlier in the hotel study, although most of these

operations reflected an orientation towards profit, their vast majority failed to integrate the issue of satisfying customers' needs into their comprehension and application of the marketing concept and its practices, and to realize the importance of permeating the philosophy of marketing through all its levels of operation in order to cross the threshold towards a fully comprehensive and integrated marketing orientation.

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**CHAPTER EIGHT**

**CONTRIBUTION OF THE STUDY AND SUGGESTIONS  
FOR FURTHER RESEARCH**

## CHAPTER EIGHT

### CONTRIBUTION OF THE STUDY AND SUGGESTIONS FOR FURTHER RESEARCH

#### Introduction

The inception of the marketing concept has been closely associated with tangible consumer products. This tendency seemed to continue for a substantial period of time through the development of the discipline, and the application of modern marketing concepts and techniques has largely neglected the area of services marketing in general, and the area of hospitality marketing in particular. Thus, the present study is an attempt to fill, partly, the gap concerning marketing's application to the hotel industry. Its main purpose is to examine the issue of broadening the marketing concept beyond its traditional concerns of product marketing by discussing its relevance, transferability and contribution to other realms of activity, especially the service sector. Specifically, the objective is to analyze the application and contribution that might be achieved by adopting the marketing concept and implementing its decisions to the overall success of members of the hotel industry.

Drawing upon inferences from the study findings, the main conclusion is that the Egyptian hotel authorities are far from being marketing oriented. The Egotel's operations do not adopt the marketing concept neither conceptually, nor in practical terms.

Egyptian Hotel executives overwhelmingly confuse marketing with selling, and save for some feeble promotional efforts which the company executes, the company's operational decisions do not reflect a marketing orientation and lack the integration of marketing theories and techniques into its overall policies and objectives. In essence, the company should make fundamental changes and developments in the way its hotels' services and products are designed, developed, priced, distributed and promoted. Furthermore, the company has some distance to travel before it reaches an organizational structure that integrates marketing and operations in ways calculated to deliver high levels of service quality and customer satisfaction.

As for international hotel firms operating in Egypt, marketing has come in unevenly with some operations taking major steps and other firms lagging behind. However, while most of these operations are orientated towards profit, many do not give equal consideration to satisfying customers' needs and the permeation of the marketing philosophy among their different levels of management and guest-contact personnel. Hence, there is still room for improvement in many areas in order for these organizations to achieve a fully comprehensive and integrated marketing orientation.

The purpose of this chapter is to discuss the contribution of the present study, its limitations, and to provide some suggestions for further research in the areas of services marketing in general and hospitality marketing in particular.

#### Contribution of the Study

The present study is thought to make some contribution to the literature on services marketing in general, and to offer some useful information and guidelines to managers and educators in the field of hospitality in particular.



Firstly, this study has dealt with a relatively neglected area, i.e. hotel marketing, as opposed to consumer and industrial marketing which have provided the major focus of most marketing studies.

As the marketing concept is a comparatively recent component of the hotel industry's overall operational strategy, and as emphasis on its vital role is a relatively new consideration not fully exploited by the field of hotel management, this study is considered a further research of the diffusion of marketing in this area in order to gain a better understanding of the relevance and contribution of this field of endeavour to other realms of activities other than tangible products.

Unlike most of the literature reviewed, the study has extensively discussed the application of all the marketing mix elements, i.e. product, price, place and promotion, and their applicability to services/hotels situations. Furthermore, to the best of the researcher's knowledge, it is one of the pioneering studies which have investigated the integration of people, physical settings and atmospherics into the marketing mix decisions of service operations. (Although, for the purpose of discussion, 'people' have been separately treated in discussing inseparability and potential productivity gains, its importance as a mix element was not overridden.) In this manner, the study offers further insights for both marketing scholars and marketers of hotel services with regard to the successful application of these variables in practical terms.

Secondly, based on the researcher's knowledge, this study is among the first attempts to be added to the literature on marketing hotel operations. In addition to the body of literature which offered evidence that hotel establishments may improve their performance by adopting the marketing concept and implementing its decisions,

it provides useful empirical data and information which can enable hotel marketers to see certain areas for possible improvement in order to satisfy their customers' needs and achieve their satisfaction, while maintaining a profitable position for their organizations. Among these areas are: the use of market research, analysis and segmentation, product/service development, branding, price manipulation, employment of intermediaries, providing information as to guests' choice criteria, in addition to drawing the attention to the importance of word of mouth and the role of the human factor in service settings. In addition, the most important contribution of the study is in suggesting and determining ways and means by which hotel organizations can benefit from and capitalize upon previous research and development undertaken at both areas of product and service marketing and draw from both resources, amalgamate, select and develop marketing programmes that would suit their configuration and contribute to their overall success.

#### Limitations of the Study

Research, because of the various constraints within which it is conducted, has varying degrees of limitations. This study is no exception. Primary among these limitations is the fact that only chain affiliated hotels were involved. However, discernible differences in ownership and management patterns, size and facilities have not made it feasible to include independent hotel operations in the survey. Furthermore, the study was concerned with hotel firms operating in Egypt. If the pattern of marketing hotel operations in other countries is similar to those investigated, our results can be said to have general applicability concerning all hotel operations, yet sampling of these properties would be necessary to confirm this.

A second limitation concerns the span of the customer survey. According to the time and cost limitations, the study solicited the opinions of guests patronizing hotel operations in Cairo. If

the pattern of perception and behaviour of those guests is similar to their counterparts patronizing other establishments in different locations, our results can be said to have general applicability concerning all hotel patronage, yet sampling of these guests would be necessary to confirm this.

#### Suggestions for Further Research

We may recommend the following areas of research for further investigation:

(1) As was apparent from the literature review, there are many examples of organizations operating under the phenomenon of hospitality, e.g. hotel (transient, commercial, resorts), motels, motor-hotels, the restaurant industry, and airlines. As such, a replication of this study could be undertaken in other institutions comprising other different sub-segments of the hospitality industry.

(2) Another approach is to examine the extent to which the application of only one certain aspect of marketing activity, not all the marketing activities examined in this study, can contribute to the overall success of hotel operations. For example:

1. The use and application of market research and analysis.
2. Further examination of a single element of the marketing mix.
3. The possibility of differentiating services and positioning them in the market place.
4. The effect of word of mouth advertising upon customers' choice.
5. The role of the human factor in service settings.
6. The potential of customer participation in service delivery.
7. The feasibility and the effect of industrialization of hotel services, its effect on productivity gains, service quality, and the provision of the intangible feeling of hospitality.

In the light of what further research may yield, it would be possible to develop further the theory of hospitality marketing and to elevate hotel marketers from their 'apprenticeship'\* stage to one of marketing professionalism.

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\* See for example: Yesawich, P., "Marketing In the 1980s" The Cornell Hotel and Restaurant Administration Quarterly, February 1980, pp. 35-38  
Anon., "Marketing Today : A Survey of the Marketing Function in International Hotel Firms", The Cornell Hotel and Restaurant Administration Quarterly, February 1979, pp. 39-47.

## **APPENDICES**

Q.1 Which of the terms below best describes your industry?  
(Please tick one only)

- |                                  |                          |
|----------------------------------|--------------------------|
| a. Lodging                       | <input type="checkbox"/> |
| b. Hotel                         | <input type="checkbox"/> |
| c. Recreation                    | <input type="checkbox"/> |
| d. Hospitality                   | <input type="checkbox"/> |
| e. Travel                        | <input type="checkbox"/> |
| f. Accommodation                 | <input type="checkbox"/> |
| g. Other. (Please specify) _____ | <input type="checkbox"/> |

Q.2 Please rank (1-10) the departments below according to their importance to your hotel operation.

- | Departments                        | Order of importance      |
|------------------------------------|--------------------------|
| a. Front Office                    | <input type="checkbox"/> |
| b. Food and Beverage               | <input type="checkbox"/> |
| c. Accounting                      | <input type="checkbox"/> |
| d. Personnel                       | <input type="checkbox"/> |
| e. Banqueting                      | <input type="checkbox"/> |
| f. Housekeeping                    | <input type="checkbox"/> |
| g. Marketing ) (Please delete that | <input type="checkbox"/> |
| h. Sales ) which does not apply)   | <input type="checkbox"/> |
| i. Security                        | <input type="checkbox"/> |
| j. Maintenance and Engineering     | <input type="checkbox"/> |
| k. Other (Please specify). _____   | <input type="checkbox"/> |

Q.3 How are you organised to plan and control the total sales/marketing effort at your hotel? (Please tick all that apply).

- |  |                          |
|--|--------------------------|
| a. Existence of a formal centralised sales department within the hotel               | <input type="checkbox"/> |
| b. Existence of a formal centralised marketing department within the hotel           | <input type="checkbox"/> |
| c. Existence of a formal sales department for the area/division                      | <input type="checkbox"/> |
| d. Existence of a formal marketing department for the area/division                  | <input type="checkbox"/> |
| e. Responsibility of such efforts are under the jurisdiction of the General Manager. | <input type="checkbox"/> |



- Q.9 Did the present marketing executive come from: \_\_\_\_\_
- a. Within the hotel? \_\_\_\_\_
- What was his previous job? \_\_\_\_\_
- b. Outside the hotel? \_\_\_\_\_
- What was his previous job? \_\_\_\_\_
- In which industry? \_\_\_\_\_

Q.10 Respondent is asked to provide an interpretation of 'marketing'.

Q.11 How important are the following tasks to the marketing manager's role?  
(Please circle the most appropriate number of the scale).

Tasks	very important			not important at all			N/A
	5	4	3	2	1	0	
a. Attract new customers	5	4	3	2	1	0	
b. Sell more of your services to existing customers	5	4	3	2	1	0	
c. Gather general market information	5	4	3	2	1	0	
d. Win customers from competitive establishments	5	4	3	2	1	0	
e. Sell particular services (more than others at certain times)	5	4	3	2	1	0	
f. Research customer needs	5	4	3	2	1	0	
g. Gather information about competition	5	4	3	2	1	0	
h. Manage the staff at the department	5	4	3	2	1	0	

Q.12 Please indicate below the amount of time the marketing manager normally spends on the following tasks.

- a. Attract new customers \_\_\_\_\_ %
- b. Sell more of your services to existing customers \_\_\_\_\_ %
- c. Gather general market information \_\_\_\_\_ %
- d. Win customers from competitive establishments \_\_\_\_\_ %
- e. Sell particular services (more than others, at certain times) \_\_\_\_\_ %
- f. Research customer needs \_\_\_\_\_ %
- g. Gather information about competition \_\_\_\_\_ %
- h. Manage the staff at the department \_\_\_\_\_ %



- Q.13 In planning and executing your marketing activities do you:
- a. Regard all customers as the same and use the same selling/ marketing approach to them all; OR
  - b. Distinguish between different subgroups and approach them differently; OR
  - c. Cater mainly for a particular type of visitor?

- Q.14 Does your hotel research the customer market before it decides to introduce a new facility or services? (Please tick one only).
- a. Always
  - b. Sometimes
  - c. Rarely
  - d. Never

If 'd', please go to Q.17, otherwise continue with Q.14.

- Q.15 How is this customer research carried out?
- a. By own staff
  - b. By specialised outside organisations
  - c. Other. (Please specify) \_\_\_\_\_

If 'by own staff' please continue with Q.15, otherwise go to Q.16

- Q.16 What are the major sources of information upon which you build or start the research process.

Please write in \_\_\_\_\_

- Q.17 Please indicate which marketing research functions are performed by your hotel and which are performed by outside organisations. (Please mark where applicable).

Functions	Hotel	Outside organisations	N/A
a. Identify the market	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
b. Estimating market potential	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
c. Estimating market share	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
d. Consumer buying habits	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
e. Motivation research	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
f. Effect of environment on behaviour	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
g. Hotel's image in public's perception	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

to be cont.

Functions	Hotel	Outside organisations	N/A
h. Pricing research	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
i. Design consideration	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
j. Product features and appeal	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
k. Advertising media research	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
l. Customers demographics	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
m. Product advantages and disadvantages	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
n. Competition analysis	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
o. Hotel's image in managements' perception	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
p. Customer psychographics	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Q.18 What are the main reasons for not conducting research activities?  
(Please tick all that apply and rank in order of importance).

Reasons	Order of Importance
a. Expensive	<input type="checkbox"/>
b. Extremely difficult since hotel's clientele come from various countries	<input type="checkbox"/>
c. Lack of necessary facilities	<input type="checkbox"/>
d. Lack of research talent	<input type="checkbox"/>
e. Unnecessary	<input type="checkbox"/>
f. Lack of manpower	<input type="checkbox"/>
g. Other (Please specify). _____	<input type="checkbox"/>

Q.19 To what extent does the hotel revise its existing services/facilities to satisfy customers' changing needs and attitudes?

To a great extent					very little
5	4	3	2	1	

Q.20 Have there been any services and/or facilities eliminated or added since the hotel started operation?

- a. Yes
- b. No

Please give example and state reason(s) \_\_\_\_\_

Q.21 What are the major factors which influence your hotel's decision to introduce new services to the market?

(Please tick all that apply and rank in order of importance).

Factors	Order of Importance
a. Competition introduces similar services	<input type="checkbox"/>
b. Top management thought it a good idea	<input type="checkbox"/>
c. To change the image of the hotel	<input type="checkbox"/>
d. Research indicated its feasibility	<input type="checkbox"/>
e. To attract more customers	<input type="checkbox"/>
f. Other. (Please specify). _____	<input type="checkbox"/>

Q.22 Do you aim at developing a specific customer mix?

- a. Yes
- b. No

If 'yes', please continue with Q.22, otherwise go to Q.23

Q.23. To what extent do you adhere to the allocated proportions?

- a. Completely
- b. Often
- c. Occasionally
- d. Rarely
- e. Not at all

Q.24. What proportion of your total business comes from each of the following categories?

- a. Individual reservations (business) \_\_\_\_\_ %
- b. Individual reservations (pleasure) \_\_\_\_\_ %
- c. Group-tour reservations \_\_\_\_\_ %
- d. Convention/meetings market \_\_\_\_\_ %
- e. Walk-ins \_\_\_\_\_ %
- f. Airline crews \_\_\_\_\_ %
- g. Others (Please specify) \_\_\_\_\_ %
- h. Don't know

Q.25 Does the hotel vary its services/offerings to suit the different customers?

a. Yes

b. No


If 'Yes', please give an example \_\_\_\_\_

\_\_\_\_\_

Q.26 In your opinion, what is the main reason for customers choosing your hotel?

Please write in \_\_\_\_\_

Q.27 In your opinion, to what extent are your customers satisfied with the services they receive during their stay at your hotel?

Very great extent

very  
little

5      4      3      2      1

Q.28 What feed-back measure do you employ in reaching such a conclusion?

Please write in \_\_\_\_\_

Q.29 In the case of dissatisfied customers, and if the matter is not resolved instantaneously, what measure does the hotel undertake?

a. Please write in \_\_\_\_\_

b. Is the customer then notified?

Yes

No


c. If 'Yes', how is that done? \_\_\_\_\_

d. If 'No', why not? \_\_\_\_\_

Q.30 What is the main complaint which dissatisfied customers usually report as causing their dissatisfaction?

Please write in \_\_\_\_\_

Q.31 Does your hotel acquire a unique advantage which its competitors lack?

a. Yes

b. No

c. Don't know


If 'Yes', please indicate what it is \_\_\_\_\_

Q.32 Following is a number of attributes which might influence guests' choice in patronizing a specific hotel, please rank them according to their importance

Factors	Order of importance
a. Price/value relationship	<input type="text"/>
b. Cleanliness/appearance	<input type="text"/>
c. Good food and beverage	<input type="text"/>
d. Friendliness	<input type="text"/>
e. Low prices	<input type="text"/>
f. Comfortable furnishings	<input type="text"/>
g. Location	<input type="text"/>
h. Word of mouth	<input type="text"/>
i. Others (Please specify. _____)	<input type="text"/>

Q.33 What is the main objective of your marketing activities?

Please write in \_\_\_\_\_

Q.34 To what extent does your hotel use price as a marketing tool?

very great				very little
5	4	3	2	1

Q.35 What are the objectives of the pricing policies which your hotel adopts?  
(Please tick all that apply and rank in order of importance)

Objectives	Order of Importance
a. To increase sales	<input type="text"/>
b. To cover all costs and retain a profit	<input type="text"/>
c. To maximize profits	<input type="text"/>
d. To maintain market share	<input type="text"/>
e. To have a competitive advantage	<input type="text"/>
r. To attain a predetermined level of profit	<input type="text"/>

Q.36 With regard to your 'direct competitors', are you:

a. Higher priced	<input type="text"/>
b. Lower priced	<input type="text"/>
c. Charge the same price	<input type="text"/>
d. Don't know	<input type="text"/>

- Q.37 What is the method that you employ in setting your prices?
- a. Full cost plus profit margin
  - b. A return on investment method
  - c. Follow the competition
  - d. Charging what the market will bear
  - e. The 1 to 1000 ratio method
  - f. Other. (Please specify)
- Q.38 Is your price structure: (Please tick whichever apply)
- a. Fixed
  - b. Varies by season
  - c. Varies by day of week
  - d. Varies by type of customer. (individual/group/convention)
  - e. Varies according to length of stay
- Q.39 In off peak periods, do you lower your prices to stimulate demand?
- a. Yes
  - b. No
- Q.40 Do you ever use contribution pricing (where you sell above variable costs but below total costs), in cases where the sale could not be achieved otherwise?
- a. Yes
  - b. No
- Q.41 What type of discounts do you give to your customers?  
(Please tick all that apply)
- a. Quantity discounts to travel agents
  - b. Quantity discounts to convention delegates
  - c. Regular guests discounts
  - d. Special discounts to V.I.P.'s
  - e. Seasonal discounts in off-peak periods
  - f. Weekend discounts in slow weekends
  - g. Other. (Please specify).
- Q.42 Does your price structure encourages your customers to bring family members along with them?
- a. Yes
  - b. No

If 'Yes', please give example \_\_\_\_\_

---

Q.43 If it is a policy of your hotel to revise its price structure periodically, please indicate how often?

- a. Every quarter
- b. Twice a year
- c. Once a year
- d. Other. (Please specify time period) \_\_\_\_\_


Q.44 Which of the following do you depend upon most in business generation?

(Please rank in order of importance)

Order of importance

- a. Chain affiliation
- b. Travel agencies
- c. Airline offices
- d. Personal selling (excluding that for travel agents and airlines)
- e. Hotel representative at airport terminal (if applicable)
- f. Other. (Please specify)


Q.45 In your opinion, how important are the following intermediaries and promotional efforts in attracting and stimulating customers to patronize your hotel?

Factors	5	4	3	2	1	least important	N/A
a. Newspapers advertising	5	4	3	2	1		0
b. Magazine advertising	5	4	3	2	1		0
c. Special interest magazine advertising	5	4	3	2	1		0
d. Television advertising	5	4	3	2	1		0
e. Radio advertising	5	4	3	2	1		0
f. Brochures	5	4	3	2	1		0
g. Travel agents	5	4	3	2	1		0
h. In house posters	5	4	3	2	1		0
i. Direct mail	5	4	3	2	1		0
j. Guest-room directories	5	4	3	2	1		0
k. Chain affiliation	5	4	3	2	1		0

to be cont.





Q.50 What are the overall objectives of your advertising activities?  
(Please rank in order of importance).

- a. To increase by sales stimulating interest
- b. To counteract competition
- c. To maintain brand loyalty
- d. To build a positive image
- e. To build familiarity with the property


Q.51 Do the promotional and advertising efforts that you direct  
towards local people concentrate:

- a. Solely on the use of food and beverage facilities
- b. On food and beverage facilities and room accommodation


Q.52 How often do you accommodate customers from your direct  
community (city)?

- Usually
- Often
- Occasionally
- Rarely
- Never


Q.53 Is it a policy of your hotel to evaluate advertising effectiveness?

a. Yes

b. No

If 'yes', what yardsticks are used? \_\_\_\_\_

If 'no', why not? \_\_\_\_\_

Q.54 Does your hotel engage in any marketing training programmes directed at members of staff other than those of the marketing department?

a. Yes

b. No

If 'Yes', please continue with Q.55, otherwise go to Q.58.

Q.55 Who develops such programmes?

a. Parent company

b. Marketing department

c. Others (please specify)

Q.56 At whom are these programmes directed?

(Please tick all that apply)

a. Heads of departments

b. Supervising levels

c. Key employees

d. Room clerks

e. Food service personnel

f. Bellmen

g. Telephone operators

h. Reservation clerks

i. Others. (Please specify). \_\_\_\_\_

Q.57 What are the main reasons for not conducting any marketing training programmes?

(Please rank all that apply in order of importance)

- a. Expensive
- b. Traditional professional training is effective enough
- c. The staff are already well qualified
- d. There should be no interference from the marketing department with other departmental employees
- e. Marketing training is only relevant to marketing personnel
- f. Others. (Please specify) \_\_\_\_\_

Q.58 What is the method that you use in determining the marketing budget?

- a. Percentage of sales
- b. All that could be spent
- c. All that is available after allocating other budgetary resources
- d. What is needed to do the job
- e. Other. (Please specify) \_\_\_\_\_

Q.59 In your opinion, how important is each of the following marketing activities to your hotel. (Please circle the most appropriate number on the scale).

Activities	very important			least important			N/A
a. Identifying the product's advantages	5	4	3	2	1	0	
b. Improve product/service quality	5	4	3	2	1	0	
c. Paying more attention to promotion	5	4	3	2	1	0	
d. Identifying product's disadvantages	5	4	3	2	1	0	
e. The hotel's location	5	4	3	2	1	0	
f. Training non-marketing employees on the philosophy of marketing	5	4	3	2	1	0	
g. Studying competitive activities	5	4	3	2	1	0	
h. Identifying competitors' advantages over your property	5	4	3	2	1	0	
i. Paying more attention to pricing decisions	5	4	3	2	1	0	
j. Developing and maintaining sales contact with travel agents							

to be cont.

Activities	very important			least important			N/A
k. Developing and maintaining sales contact with airlines	5	4	3	2	1	0	
l. Identifying competitors' disadvantages	5	4	3	2	1	0	
m. Public Relations	5	4	3	2	1	0	

Q.60 For each of the following statements, please circle the most appropriate number on the scale that best describes your feeling about the corresponding statement.

Statements	strongly agree	agree	uncertain	disagree	strongly disagree
1. Marketing's focal point is to attain a predetermined profit level	5	4	3	2	1
2. The marketing executive should acquire a status directly following that of the financial and operations executives	5	4	3	2	1
3. Marketing research, once conducted, helps the firm achieve long range operational success	5	4	3	2	1
4. Marketing's main concern is to stimulate demand for a product or a service	5	4	3	2	1
5. Growing competition has resulted in marketing being of greater importance than selling	5	4	3	2	1
6. Marketing basically means selling the products you have profitably	5	4	3	2	1
7. Marketing has proven to be more relevant to manufacturing industries than to service firms	5	4	3	2	1
8. If the product/service is immaculate, marketing is of lesser importance	5	4	3	2	1
9. Marketing is mainly concerned with using effective advertising to sell the products/services of the firm	5	4	3	2	1

to be cont.

Statements	Strongly agree	agree	uncertain	disagree	Strongly disagree
10. Targeting marketing activities at one segment is the most successful strategy a hotel can employ	5	4	3	2	1
11. When sales are anticipated to be low, the marketing budget is lowered accordingly	5	4	3	2	1
12. In the hotel business, it is hard to measure guests' satisfaction by using a statistically valid method	5	4	3	2	1
13. As long as the marketing people are doing their job effectively, there is no urgent need to train other employees on marketing theory and practice, unless when one of them is promoted to a job in the marketing department	5	4	3	2	1
14. By adopting the marketing concept, competition becomes of a lesser importance	5	4	3	2	1
15. Marketing serves more as an academic idea, however, in practice, it is selling which solves the business problems	5	4	3	2	1
16. To avoid any conflict, decisions of the marketing department should not have an influence on other major departmental decisions	5	4	3	2	1
17. Guests mainly use their comment cards to express their dissatisfaction rather than satisfaction	5	4	3	2	1
18. "The customer is always right"	5	4	3	2	1

## Q.61 Classification

1. National
2. International
3. Name
4. Number of rooms
5. Years in operation
6. Percentage of occupancy for 1984



University  
of Strathclyde

Professor Michael J. Baker TD BA BSc (Econ) DBA

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STUDENT RESEARCH PROJECTS\*  
Department of Marketing

Stenhouse Building, 173 Cathedral Street, Glasgow G4 0RQ  
Tel: 041-552 4400

20 March 1985

Dear Respondent

I am a doctoral candidate undertaking a research project at a British University (University of Strathclyde) on the application of marketing in the hotel industry.

I would like to ask for your co-operation in contributing to the results of this project whose validity and reliability depends entirely upon your participation. In surveys of this kind, it is often only highly satisfied and/or dissatisfied guests who respond. However, this causes a 'response bias' as it does not represent a true cross section of hotel patronage, so whatever your views towards this hotel, please help by answering the attached questionnaire, and returning it to the front office.

I assure you that all responses will be treated in strict confidentiality, and that no information will be revealed to any other party as to their nature or content.

Your participation is much appreciated.

Yours sincerely

Hassan Sherif

HOTEL GUESTS' QUESTIONNAIRE

Q.1 Please indicate the main purpose of your visit.

- a. Business
- b. Pleasure
- c. Pleasure (Group)
- d. Convention
- e. Other (Please write in) \_\_\_\_\_

Q.2 Is this your first visit to this city?

- a. Yes
- b. No

If 'No', please continue with Q.3, otherwise go to Q.4.

Q.3 Did you stay at this hotel during your last visit?

- a. Yes
- b. No

Q.4 How did you first hear of this particular hotel. (Tick one only)

- a. Friend
- b. Travel agent
- c. Airline
- d. Newspaper advertising
- e. Magazine advertising
- f. Special interest magazine advertising  
(e.g sports, financial, business, etc)
- g. Television advertising
- h. Radio advertising
- i. Other (Please specify) \_\_\_\_\_

Q.5 Did you make a reservation prior to your arrival?

- a. Yes
- b. No

If 'Yes', through which of the following channels was it processed?

- 1. Travel agent
- 2. Airline
- 3. Chain affiliated hotel
- 4. Central reservation office of chain
- 5. Other (Please specify) \_\_\_\_\_

Q.6 What is the main reason governing your decision to stay at this particular hotel? (Please write in).



Q.7 How often did you have your meals at the hotel?

	Always	Often	Rarely
a. Breakfast	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
b. Lunch	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
c. Dinner	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Q.8 How long did you stay at the hotel?

a. 1 - 3 nights	<input type="checkbox"/>
b. 4 - 7 nights	<input type="checkbox"/>
c. Over 7 nights	<input type="checkbox"/>

Q.9 Were your expectations met with regard to the following:

	Yes	Not Quite	No
a. Your perceived image of the hotel	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
b. Value for money	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
c. Room accommodation: size decor	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
d. Food and beverage facilities: menu variety decor	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
e. Aesthetic appeal of property: Outside appearance Inside atmosphere	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
f. Package plan delivery (if applicable)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
g. Level of service	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
h. Credit card acceptance	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
i. Management and employees' attitude (Friendliness/hospitality)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
j. Entertainment facilities (availability)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Q.10 Apart from their professional/technical skills, which of the following did you perceive as being attentive to your needs.

	Yes	Indifferent	No
a. Room clerks	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
b. Information clerks	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
c. Food service personnel	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
d. Bellmen	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
e. Telephone operators	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
f. Housekeeping staff	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
g. Others (Please specify)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Q.11 Did you feel that the hotel's price structure encourages you to bring your family members with you?

a. Yes  b. No

Q.12 Would you say the guests at the hotel were:  
(Please tick one only)

- a. Very similar to each other
- b. Mixed
- c. Quite different

Q.13 Following is a number of attributes which might influence a guest's choice in patronising a particular hotel. Please rank them in order of importance.

Factors	Order of Importance
a. Value for money	<input type="checkbox"/>
b. Cleanliness/appearance	<input type="checkbox"/>
c. Good food and beverages	<input type="checkbox"/>
d. Friendliness/Hospitality	<input type="checkbox"/>
e. Low prices	<input type="checkbox"/>
f. Comfortable furnishings	<input type="checkbox"/>
g. Location	<input type="checkbox"/>
h. Word of mouth/recommendation	<input type="checkbox"/>
i. Others (Please specify)	<input type="checkbox"/>

Q.14 If almost all hotels offer the same services and facilities, what - in your opinion - is the single most important factor on which you would base your choice? Please write in.

Q.15 Did the hotel make any effort to measure your satisfaction/dissatisfaction with its services?

- a. Yes
- b. No

If 'Yes' what was the method used?

Q.16 To what extent were you satisfied with the services you received at the hotel?

- |                          |                          |                          |                          |
|--------------------------|--------------------------|--------------------------|--------------------------|
| Highly Satisfied         | Satisfied                | Disappointed             | Highly disappointed      |
| <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

Q.17 Did you fill out the comment card placed in your room?

- a. To express satisfaction
- b. To express dissatisfaction
- c. No comment card was placed
- d. Did not fill in comment card  
(Please state why not)


(If 'b', please continue with Q.18, otherwise go to Q.20)

Q.18 What was the reason(s) for your dissatisfaction?  
Please write in

Q.19 Did management take corrective action and inform you accordingly?

- a. Yes       b. No

Q.20 If you visit this city again, would you stay at this same hotel?

- a. Yes       b. No

If 'No', please indicate why not.

Please write any comments you feel like mentioning

THANK YOU