

Current market situation

[Business](#), [Marketing](#)



This is a marketing report for the boutique hotel chain Hotel du Vin (HdV). After analysing the current market situation and customer segments served by HdV, the report notes the strength of HdV's food and beverage operation, identifying the need to focus on the accommodation side of the business. The marketing strategy aims to increase the average occupancy rate for 2011 to 80% by means of a sales promotion targeting the couples market. A monthly budget is estimated and the necessary controls and recommendations explained.

1. Introduction HdV is a 4* boutique hotel chain comprising of 14 hotels across England and Scotland. HdV is owned by MWB Group Holdings who also own the Malmaison hotel chain. Founded in Winchester in 1994 by a Master Sommelier, HdV was developed with a unique business concept of a devotion to wine. HdV is a lifestyle hotel with stronger emphasis on the customer experience than the tangible product, which itself is intended to be luxurious, stylish and elegant.

A signature feature and strength of HdV is its bistro style destination restaurants; Food and Beverage departments are very successful, accounting for around 55% of total HdV business. HdV operates in the boutique hotel sector which has seen significant growth over the last decade (Aggett, 2007). Other key players in this market include Firmdale Hotels, Red Carnation, Abode and numerous independent boutique hotels. HdV depends mainly on the leisure market but is seeing an increasing number of business customers during the week.

1. 1 Current Market Situation The past 18 months have been challenging for HdV as the economic downturn has put pressure on room rates and levels of expenditure. Management has attempted to adapt to difficult market conditions by focusing on reducing its costs while maintaining high quality service (HdV Annual Report, 2009). For the six months ending 30 June 2010 RevPAR increased 3% from the same period in 2009 to £112. They are, however, yet to reach 2007 rates of £120. Average occupancy fell from 78% for the period in 2009 to 76% in 2010.

Low wage growth, rising unemployment, high levels of inflation and Government spending cuts are having a negative effect on the average household's levels of disposable income (BBC, 2010). The UK is in a period of economic recovery with GDP growing by 1.2% in Q2 2010 (BBC, 2010). However, forecasters say that momentum is slowing and the economy remains at risk of a double-dip recession.

Use of mobile and social networks is increasing within all age groups and technology is developing at a rapid rate. HdV must keep up to date with these developments in order to reach their target markets efficiently. (See appendix 1 for detailed PESTE analysis) Competition in the boutique hotel sector continues to intensify as UK boutique hotel groups expand and large international hotel chains begin to enter the market. The "threat of substitutes is one of the major factors that intensify competition in the lodging industry" (Kim and Oh, 2004). Thus it is important for HdV to differentiate themselves and to stand out in this competitive market. (See appendix 2 for Porter's Five Forces analysis)

2. Customers

Jones (2002) identifies the target market of boutique hotels as people in their mid-20's to mid-50's with mid- to upper-incomes. This is true for HdV where room prices are advertised in the range 435 per night. Bowie and Buttle (2004) describe HdV as a "domestic niche operator" which means it is a company with national coverage which focuses on a single market. In terms of Maslow's Hierarchy of needs (see appendix 3) HdV's customers have satisfied their physiological and security based needs, they are likely to have achieved employment and financial security. They are now looking to fulfil social and esteem based needs. Social needs include the need for love, friendship and intimacy (Simons et al., 1987). HdV provides a venue to nurture these needs by spending time with friends or partners. Esteem based needs are an urge to attain a feeling of importance, self-respect, achievement and social status. HdV offers a luxury lifestyle experience and service. It is the ability to afford this lifestyle which leads to a feeling of importance and higher social status.

Boutique hotels are "less reliant on the corporate market, depending more on leisure stays" (Harmer 2010). HdV described leisure and social spending as the highlights of 2009. Many HdV hotels have successful events departments with the Devonshire Gardens hotel hosting 84 weddings during 2009. HdV has seen a decline in their corporate customer base and an increase in leisure business (HdV annual report, 2009). As the corporate market begins to grow again and the leisure market is threatened by the impacts of recent budget cuts it will be important for HdV to attract more

business customers as well as trying to maintain leisure market business. HdV has already begun a new promotion aimed at serving the business market. HdV describes itself as having a loyal customer base. Hence HdV should focus on attracting new customers while ensuring that they continue to serve returning customers.

3. Marketing information Customer comment cards are left in all guest bedrooms but guests are not asked to fill them out and cards are often left untouched. Any completed cards and verbal comments which staff receive are passed on to management. The introduction of a reward for completing the comment cards, for example a free glass of wine during their next visit, may encourage customers to fill in the cards, which would provide the marketing management with more information from a wider range of customers.

The marketing department at HdV keep a close eye on travel guide websites, such as Tripadvisor. com, which are growing rapidly. Tripadvisor now has over 9 million registered members (Online Travel and Hospitality, 2008) and has over 1400 reviews of HdV hotels. Therefore it is an important marketing research resource for the company. The website also allows management to reply to comments posted on it which can help to deal with complaints.

In 2009 HdV invested in management software which enables them to monitor room prices of their competitors (HdV annual report, 2009). This information is up to date and reliable and is used effectively to help HdV vary their room rates accordingly. With 14 hotels across the county HdV is now a major hospitality company. Bowie and Buttle (2004) explain that these

companies have developed computerised data bases which use guest histories to track customer segments and identify emerging trends.

4. Key opportunities HdV hotels have successful restaurants and food and beverage departments which account for around 55% of total business. HdV offer a number of promotions based around their bistros. With occupancy levels this year lower than 2009, it is therefore important to focus on attracting customers to the accommodation offered by HdV hotels. The UK has an aging population and a growing number of adult households (Keynote report, 2009). There is potential to target this segment with short-break offers. Government spending cuts are likely to affect the leisure market so it is important to target this sector in order to try and retain the increased business provided by this sector over the past year.

There is increasing competition in the boutique hotel market particularly from large international hotel chains entering the market with new brands. It is important for HdV to continue to differentiate itself from these brands and to increase brand awareness. (See appendix 4 for full SWOT analysis). HdV describes itself as ideal for a romantic weekend away; however, it does not provide customers who would like a romantic night away with anything special. Many of HdV's competitors have romantic packages and promotions for couples (see appendix 5).