

Marketing strategies to counteract recession in hotels



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What marketing strategy is best used to counteract the effects of a potential recession on the four star hotel industry in the UK economy?

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Background and Research Aim

Financial Management (2008) reported that, at a recent CIMA forum for financial directors in the UK, the majority of the delegates believed that the global economic crisis has had far reaching impacts, and will most likely cause a recession in the UK in the near future. This is a view which is widely matched by Campaign (2008), which argues that the coming economic downturn is likely to have adverse impacts on all industries in the UK as consumers, and hence businesses, reduce their spending. However, this article does not advocate that businesses simply give up on attracting new custom, arguing that the businesses with the most successful and creative marketing strategies are likely to be the ones who not only survive any potential recession, but also benefit from it.

As such, it is clear that there are two main potential strategies for hotels as the economy begins to contract. They can either choose to contract their operations, focusing on operational efficiency and aiming to cut costs wherever possible, or they can look to use the recession as an opportunity to

increase their competitiveness over and above their rivals. This can be achieved via a focus on improved efficiency, costs, quality, or general marketing. However, the argument of Campaign (2008) above tends to indicate that marketing is the main method by which hotels, and businesses in general, can differentiate themselves and maintain revenue and market share in the face of a recession.

Both of these strategies are equally valid, however this piece will aim to focus on the more positive of the two: the use of a marketing strategy to counteract the effects of a recession on the UK hotel industry. The hotel industry in the UK is very broad, ranging from the cheap and basic one and two star hotels, up to the extremely luxurious five star offerings which grace many major destinations. However, the majority of attention tends to focus on these two ends of the spectrum, with little thought being given to strategic development and planning for the mid range hotels such as four star offerings. As such, this piece will concentrate specifically on the four star segment, in order to determine what factors drive consumer demand and business success in this segment, and how these factors can be used to develop a marketing strategy to help four star hotels in the UK handle the impact of a recession.

Literature Review

Many hotels have already started planning for a recession, particularly in the United States, where the economy is in a more advanced stage of recession than the UK. As such, there is value to be obtained from looking at the strategies taken by hotel chains in the US. In particular, Ricca (2008)

considers the strategy of the Wyndham Hotel Group, which intends to <https://assignbuster.com/marketing-strategies-to-counteract-recession-in-hotels/>

improve its marketing in order to boost its performance, as well as looking to improve its inventory management and service levels. In addition, the chain will look to boost the use of its loyalty program, helping to grow the company's brand identity as well as to drive revenue higher in the short term (Ricca, 2008). Another useful study from the literature comes from Barsky and Nash (2008) who reveal that higher end and luxury hotels tend to perform better during a recession when compared to other classes of hotel. This implies that the four stars may be able to improve their performance by aiming to become more exclusive. In addition, Barsky and Nash (2008) argue that hotel should not aim to cut back on prices and services in a recession, but instead they should aggressively market themselves and focus on customer service, in order to be more competitive than others in the market.

Further to this, a major study by O'Neill and Mattila (2006) found that the net operating margin of a hotel tends to be driven most strongly by its average occupancy level, and that the average price per room was less significant. However, this study also showed that the market segment in which the hotel operated; the hotel's age; any affiliation to a major brand; and a hotel's size and location also had strong effects on financial performance. This is based on data from the last slowdown in the hotel industry, in 2002, when global terrorism and the dot com crash saw many hotels in trouble. The hotels which performed best in that year were the ones which focused on driving strong occupancy, rather than looking to cut back in size or expenditure. However, O'Neill and Mattila's (2006) study shows that the mid range hotels were the ones which suffered most in the last slowdown. Looking at the current economic context, Lloyd-Jones (2008) argues that the current state

of the economy, combined with the general consensus amongst analysts that a recession is quite likely, means that hotels need to start preparing now. As such, Lloyd-Jones (2008) recommends that property managers should look to use the full range of their marketing strategy, right across the 7Ps, to achieve the most profitable balance between occupancy levels and room rates.

Proposed Methodology

Unfortunately, given the uncertain nature of the economy, and the fact that no one can accurately predict the nature and severity of any potential recession, it is difficult to be prescriptive about the ideal strategy for a hotel to take to mitigate the effects of said recession. As such, this piece will arguably need to take an approach more in line with contingency theory, where it can make specific recommendations based on the circumstances of individual hotels. This implies that the main methodology should be to use interviews with hotels who are preparing for a potential downturn, as well as those with experience at surviving previous downturns. By determining what strategies, if any, the most successful chains are using to overcome a potential recession, it should be possible to develop a detailed typology of the potential strategic choices hotels can make to deal with economic downturns, and the circumstances in which each strategy is most appropriate.

In order to give this typology academic value, it should be firmly based in an existing academic framework. The framework chosen for this paper is the '7Ps' extended marketing mix. The 7Ps are based on the 4Ps introduced by McCarthy (1960): Product, Price, Promotion and Place. However, the 7Ps <https://assignbuster.com/marketing-strategies-to-counteract-recession-in-hotels/>

extends this to include another three factors. Whilst there is some debate over what these factors should actually be, with various writers proposing People, Processes, Physical Layout, Provision of Service, and Physical Evidence; this piece will focus on the three determined by Booms and Bitners: People, Processes and Physical Layout (Kotler and Keller, 2005). This 7P framework will be used to construct the typology, and also to drive the interviews.

The interviews will be semi structured interviews, conducted with some senior members of staff from a wide selection of four star hotels throughout the UK. Semi structured interviews have been chosen because they will allow the interviewer to investigate the desired range of topics, whilst also giving the interviewee the chance to provide additional details or to clarify certain points. The main themes for the semi structured interview will be:

- To determine whether the interviewee has worked at a hotel during a previous recession and the steps they took to overcome that recession.
- To determine what steps, if any, have been taken to prepare for a potential coming UK recession.
- To determine the extent to which these steps are marketing focused.
- To determine which of the 7Ps the interviewee deems most important in using marketing to overcome the effects of a recession.

Research Strategy and Resources Required

In order to fully ground the typology in the theoretical framework, it will be necessary to obtain a full understanding of the 7Ps framework and its application to hotel marketing. This will be achieved via a complete review of

the literature around marketing and the hotel industry. As such, it will be necessary to spend a significant amount of time using libraries and online resources to review a wide range of literature on the subject. This research should also involve a detailed study of the literature around the effects of a recession on consumer demand, and strategies which businesses in general can use to handle a recession. This will be of use in helping to validate the potential strategies which emerge from the interviews, and generally in helping to direct the interviews.

Ideally, the interviews will all be conducted via the telephone. This will save on travel costs and time, as well as making the process run smoother.

Initially, a large number of four star hotels, around fifty, will be contacted by phone or e-mail, to enquire about the possibility of interviewing senior staff. This will hopefully allow for at least ten interviews with senior staff members across the UK. Once agreement has been obtained, the relevant staff members will be contacted to arrange an appropriate time, and length of time, for the interview. It is expected that this will simply require a telephone and a quiet room where the interviewer is unlikely to be disturbed. A recording device will also be useful, to help with transcribing the interviews later. As the data will be mainly qualitative, there will be little need for any statistical analysis tools, and an appropriate research paradigm will be selected as needed. All interviewees will be informed that the interview is being recorded, but all respondents will be guaranteed complete anonymity.

References

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