

Factors affecting average spending power marketing essay



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Introduction:

Krajewski & Ritzman (1987) Operation management is the systematic direction and control of the process that transforms inputs into finished goods and services. Operations management involves the responsibility to ensure that business operations are efficient in terms of resource use as little as a necessary and effective in terms of customer requirements. At this current age, hospitality has grown up much bigger than even it was expected in last couple of decades. It is one of the most leading business sectors in the business world but in many different forms where efficient service is being offered to the clients using as little resources as possible to gain the client satisfaction.

Throughout this report we will be finding how the hospitality operations management performs in the practical business market and necessary theoretical evident discussion will be done to emphasis the aspects of the topic.

Part A

Factors affecting average spending power (ASP)

The average spending power is a compromise or could be called as a joint decision between equal partners in the pricing process such as between the hotel or restaurant and the customers.

In the context of hospitality, the customers are usually offered with a wide range of food and beverage items of different price labels which actually

brings about average spending power. Generally the average spending power is very much depended on the customer or guests' whims or impulse.

The spending power could be affected by the following factors –

Size of income

Status

Socio/cultural influences

Economic situation

Key Stages in Product and Service Development

There are number of stages in product and service development process, the key stages are follows –

Market research,

Market segmentation,

Idea evaluation,

Concept development

Product development

Advertising objectives

Create

Desire

Create awareness

Sell

Increase market share

Develop brand loyalty

Customer awareness

(http://churchill.ac/moodle/file.php/52/Stages_of_Product_Development.ppt)

The features, contribute towards customers' perception of product and service

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are follows –

Marketing Research

The market research is a systematic way to meet, to store and to analyze of data in markets, competition, future tendencies and other factors affect the business operational process. It is done generally to be to more clients oriented and in other way to advance the efficiency and the effectiveness of the whole operational process.

Market segmentation

Market Segmentation could be defined as the identification of a subset of consumers, so that a combination of the marketing thinks up to satisfy specifically its demand.

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Advertising and Merchandising

Advertising are generally a paid way of non-personal form of presentation and promoting the idea or ideas, goods or services by a particular company or sponsor intended to reach their desired set of customers. It is the leading marketing weapon in the market place. This process requires objectives like other marketing elements.

Advertising Objectives

The advertising objective varies for individual organisation depending on the time of advertising. Using this process advertiser expect short or long time benefits. Competition, consumer behaviour, revenue and profits will all influence the advertising objectives from time to time.

Opportunities and Constraints Affecting Product and Service Development

The following issues are affecting the product and service development –

Availability of resources; human, financial, and physical resources

standardisation,

style of service,

space utilisation

A range of Merchandising opportunities for Hospitality Products and Service

The opportunities are –

Persuade customers to patronise the hotel or restaurant often.

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Create desire for product/service in the minds of potential customers

Emphasise benefits and advantages of the products/ services

(<http://churchill.ac/moodle/mod/resource/view.php?id=665>)

Create an awareness of the product

Increase the market share

Improve revenue

Influence the attitude of the public towards the product

Improve brand loyalty

Confirm in the minds of customers that they have made the correct choice

Enhance the desired image of the hotel or restaurant

(<http://churchill.ac/moodle/mod/resource/view.php?id=665>)

Methods of Pricing and additional Pricing considerations

Methods of Pricing

Cost-oriented

Cost-oriented pricing involves the determination of all fixed and variable costs associated with a product or service. After the total costs attributable to the product or service have been determined, managers add a desired profit margin to each unit.

Cost-oriented pricing method could be summarized as –

Cost + Fixed profit percentage = Selling price

Market-oriented

Market-oriented pricing determines Pricing at the same level as the competition. The organization has to assess how its product relates to a competitive product and set its price at a comparable level to stay competitive in the market place.

Additional Pricing considerations

Service Charge,

Cover Charge,

Minimum Charge

A system.

(<http://churchill.ac/moodle/mod/resource/view.php?id=744>)

Factors in Hospitality Operations affect Revenue Generation and Profitability

The following factors affect Revenue Generation and Profitability in

Hospitality Operations –

Factors affecting revenue generation

Sales mix

It is a way of mixing the relative set of products together and setting up a comparatively lower price than the sum of individual products together as promotion to raise the organizational total sale, but it is actually less than

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the total amount it could be if it was sold as individual, therefore it affect the revenue generation at the end.

Customer turnover

Revenue generation depend on customer turnover, if the customer are not attracted by the product or satisfied with the service, they would not come back to organization again and therefore sales will be very badly affected and revenue generation at the same time.

Average spending power (ASP)

Average spending power is completely depend on the customers will; customers are free to decide whether to spend extra or not. If the average spending power of the customer or guests lower down, the sales will go down as well therefore the revenue will be affected as where there is no sales there is no revenue.

Factors affecting profitability

Labour intensity

To produce goods or to delivered service large amounts of human effort is required specially the industry like hospitality where they are very much people oriented. The larger the human effort against the product or service the larger the amount would be paid and would lower the profitability.

Shelf-life

Self-life determines the length of time a product may be stored or preserved without deterioration; the length of time it remains usable. If the product or service is not suitable to use it will be left as waste and therefore it will affect the profitability very badly.

Elasticity of demand

If the availability against demand is not met properly the profitability will go down as sales will go down.

The aspects of hospitality operations which are commonly appraised

Structuring the discussion

Building trust and rapport

Objectivity

Balancing praise and criticism

Setting objectives

Getting buy-in

Making them motivational

Career plans

Follow up and action

([http://churchill.ac/moodle/file.](http://churchill.ac/moodle/file.php/52/Appraisal_and_improved_performance.ppt)

[php/52/Appraisal_and_improved_performance.ppt](http://churchill.ac/moodle/file.php/52/Appraisal_and_improved_performance.ppt))

Two of the aspects of hospitality operations which are commonly appraised

Structuring the discussion

The organizations take decisions time to time to carry on developing their products or to improve the service they usually offer. This sort of decision should be taken based on their management and development strategy set by the organisation earlier. The set of decisions has to be structured or arranged in a sorted manner so that they can be used in the future to keep their standards of the product or services.

Setting objectives

In order to produce or offer a quality service the organisation must set the objectives targeting the goal which they are intended to achieve. The objectives could couple in numbers depending on the organisation and the label of their product and services. After setting up the objectives the organisation will follow the production or operation strategy to achieve the objectives for that particular stage.

Reasons for Appraising

To identify areas for improvement on operations.

Identify areas where products and services are thriving as well as areas of failure.

To improve on performances

To identify constraints and capitalise on opportunities (http://churchill.ac/moodle/file.php/52/Appraisal_and_improved_performance.ppt)

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Definition and Description of Pricing

Method adopted by a firm to set its selling price. It usually depends on the firm's average costs, and on the customer's perceived value of the product in comparison to his or her perceived value of the competing products. Different pricing methods place varying degree of emphasis on selection, estimation, and evaluation of costs, comparative analysis, and market situation. See also pricing strategy. (<http://www.businessdictionary.com/definition/pricing.html>)

In other word, Pricing is a fundamental aspect of financial modelling, and is one of the four Ps of the marketing mix. The other three aspects are product, promotion, and place. Price is the only revenue generating element amongst the four Ps. Pricing is the manual or automatic process of applying prices to purchase and sales orders. (http://churchill.ac/moodle/file.php/52/price_and_profitability.ppt)

To develop the price for a new product the following strategy would be followed –

Developing marketing strategy – perform marketing analysis, segmentation, targeting and positioning.

Make marketing mix decision – define the product, distribution, and promotional tactics.

Estimate the demand curve – understand how quantity demanded varies with price.

Calculate Cost – include fixed and variable costs associated with the products.

Understand environmental factors – evaluate likely competition actions, understanding legal constraints etc.

Set Pricing Objective – for example, profit maximization, revenue maximization, or price stabilization.

Determine Pricing – Using information collected in the above steps, select a pricing method, develop the pricing structure and define discounts
(http://churchill.ac/moodle/file.php/52/price_and_profitability.ppt)

Part B

In this part of the report, I will be discussing the relevant practical issues required by the project and presenting some evidential information found throughout my individual research on TESCO PLC, Hancock Road, Broomly - By – Bow, London E3 3DA.

Background:

Tesco plc is a British international grocery and general merchandising retail chain founded by Jack Cohen in 1919. The brand first appeared after Cohen bought a shipment of tea from T. E. Stockwell and he used those initials and added the first two letters of his own surname. The first Tesco store was opened in 1929 in Burnt Oak, Edgware, Middlesex. During the 1950s and the 1960s Tesco grew organically, and also through acquisitions, until it owned more than 800 stores. Originally specialising in food and drink, it has diversified into areas such as clothing, electronics, financial

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services, telecoms, home, health, car and dental insurance, retailing and renting DVDs, CDs, music downloads, Internet services and software. It is the largest British retailer by both global sales and domestic market share, with profits exceeding £3 billion, and the third largest global retailer based on revenue, after Wal-Mart and Carrefour and second largest in profit behind Wal-Mart. (<http://www.thefree4all.com>)

Figure and information extracted from (<http://en.wikipedia.org/wiki/Tesco>)

Figure: The Current information about TESCO PLC

Nature of the Product

Tesco Broomly-Bow offers Food, Beverage, and quality services. They also offers non-food items including holiday accessories, travel insurance etc. The food range comprised with frozen, chilled, regular item. Fresh produce (Fruit, Vegetable) items are even offered there.

Range of Product:

Clothes, World Foods, Asian, Halal, Afro Caribbean, Greek, Polish

Different Influences affecting Patterns of Demand

There are number of influences affecting the patterns of demand

External Factor

Several National customers – Several different expectation

Religious aspects on foods – Halal Food

Competitive price offered by the competitor

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Range of product

Current financial crisis etc.

Internal Factor

Product Packaging

Competitive Price offered by Tesco

Multi buy product mix offered

Product design

Value product to attract the customer with low spending budget

Tesco's backlog Policy

Customer expectations and requirements

The profile of the client could be defined as description of client that includes demographic, geographical, and characteristics of psychographic, buying guideline, the reliability, and the history of purchase.

A complete survey been done to the TESCO Broom-By-Bow branch among the customer and the details are bellow –

Research Method

Primary research (Field research, fresh data)

Questionnaire survey (Close ended)

Sampling (Selecting set of customer from a larger number of customers)

Location: Broomly-By-Bow

Secondary research (Existing data)

Internet

After surveying 100 customer of different age group the following result is been found –

Figure: Top chart describes the likings on different age group; Bottom Chart shows the overall product expectation to the TESCO Broomly-By-Bow.