International Conference on Strategic Innovative Marketing, IC-SIM 2014, September 1-4, 2014, Madrid, Spain

Factor framework for the evaluation of multichannel marketing mixes in 5* city hotels

Alexios-Patapios Kontis*, Dimitrios Lagos*

*Department of Business Administration, University of the Aegean, Chios, 82100, Greece

Abstract

The increasing international competition in the touristic sector as well as the particular conditions in the trade of touristic services have made it impelling for hotel enterprises, among other things, to focus on extroversion and on the mechanisms that are linked with the market, highlighting the catalytic role of tourism marketing channels. The decisions of marketing managers regarding the formulation of Multichannel Marketing Mixes acquire vital significance in the contemporary enterprising environment, since they are determinately conducive to hotels enterprises’ succeeding or failing ventures. The quality of the marketing managers’ decisions is interlinked with providing them with the appropriate information regarding the effectiveness of the diverse resources and procedures used.

In the current paper, through in depth personal interviews with sales and marketing decision makers an exploration is attempted of the factors as well as the criteria for the evaluation of the performance of channels used by 5* hotels in Attica (Greece) in order to reach decisions in reference to the formation of Multichannel Marketing Mixes. As a result, delimitation is obtained of an initial framework of financial and non-financial factors and criteria for evaluating the performance of touristic marketing channels in the Hotel sector, in order to efficiently support the decision making process. According to informants an eclectic approach in choosing a mix of factors and evaluation criteria, which responds to the various business targets, contributes to decreasing insecurity and improving the terms of decision making processes regarding the formulation of an overall Multichannel Marketing Mix.

Keywords: hotel marketing; marketing channels; decision factors

* Corresponding author. Tel.: +0-000-000-0000 ; fax: +0-000-000-0000 .
E-mail address: d.lagos@aegean.gr
1. Introduction

Touristic enterprises such as hotels present significant peculiarities which are relevant with the conditions of production, formulation, promotion and sales of the touristic services (Supply) as well as with the consumption of these services by the tourists (Demand). Touristic Marketing is called in to answer issues which relate to the peculiarities of the production and promotion of touristic services so as to dull the increasing pressure that is put on producers and retailers of touristic services and at the same time improve their competitiveness. Thus, in a sector where sensitivity and space and time peculiarities of the services produced are great, the strategies used by marketing channels acquire a vital significance for the competitiveness and the sustainable development of hotel enterprises, since they constitute the commercial frontispiece for the totality of the managerial and operational procedures that are executed in every hotel unit (Cooper & Lewis, 2001). Especially for tourism, (Kotler, Bowen & Makens, 2013) support that a well managed distribution system can make a difference between a company with a leading part in the market and a company which is struggling to survive, in the sense that the channels of touristic marketing stress the vital importance of the bidirectional interconnection that exists between producers and consumers aiming at the sale of the produced and provided services. Often enough, high quality services that can derive from a adequate organization and running of a hotel can remain unconsumed or show signs of reduced performance, if the gap between potential consumers and the hotel cannot be bridged with the best possible conditions.

Over the past years the importance of Marketing Channels is becoming more and more acknowledged by most businesses as the main strategic variable of marketing mixes for obtaining a viable competitiveness advantage (Kotler & Armstrong, 2007), forcing thus the businesses to pay greater attention to their management in the broader sense of the term (Cespedes, 1998), since the new conditions render as inadequate the treatment and handling of marketing channels just as a mechanistic procedure only. The aforementioned attitude is becoming more and more established because of the radical rearrangements in the structure of the financial, producing and commercial arena (Freyer & Molina, 2008) (Coughlan et al., 2006). Developments and changes in the whole of the touristic and commercial circuit affect the total of the involved parts of the marketing channels such as hoteliers who look for innovating policies and practices for an efficient promotion and sale of their production by constantly redefining the role and function of marketing channels that they use (Gustalfsson & Johnson, 2003). During these past few years the total of hotel enterprises, following the general trend in the sales of services, has adopted multi-channel marketing strategies for the attainment of multiple objective goals, such as an expanded coverage of marketing goals, massive adaptation to distinctly different consumer habits, the letting go of the need for intermediaries, the diminishment of risk through danger dispersion to a greater number of channel associates et cetera. Moving from mono-channels to multi-channels marketing strategies burdens more the administrative marketing framework, which is now asked to make decisions and form matching channel marketing policies under very difficult circumstances.

Despite the recognition of the catalytic role of touristic marketing channels in the hotel sector, it seems that the necessary scientific as well as business attention has not been given yet, on matters that are relevant with efficient management. It is important to stress that the definitive factor for a successful business course of action is the “Efficient Making of Rational Decisions” by the management for the whole of the business operations.

Still, without dependable measurements, intelligent decisions cannot be made, which ensure a long term, lasting positive course of business. The above conclusion has led, over the last years, to a turning of interest of many business managements worldwide, towards notions such as measurement, monitoring, and consequently to the improvement of their performances in various business aspects. In particular, the measuring and evaluation of marketing activities present a rising interest for professionals and the international research community, something which nevertheless cannot be said about the touristic marketing channels in the field of hotels.

The lack of a complete framework of factors and criteria for the evaluation of the performances of touristic marketing channels deprives the decision makers of information of critical importance, giving thus way to insecurity which reinforces the levels of relevant risk during the making of relevant decisions. In order to construct a Framework of Support of Multi-channel Marketing Decisions in the hotel sector, this paper explores the factors and criteria used by decision makers for measuring and evaluating the performances which relate to touristic marketing channels in hotels.
2. Literature Review

According to the analysis of (Oh, Kim & Shin, 2004), so far most research papers of touristic marketing are customer-oriented, analyzing issues such as the prospective client’s image intake as well as selection procedures of the touristic destination, leaving though aside the study of the notion of Marketing Administration. Thus, only the last few years have touristic marketing channels managed to attract any research interest, since their contribution in the overall touristic industry, despite being definitive, has been notably long overdue in being recognized and studied in depth, leaving this way a broad field needing to be explored (Zhang, Song & Huang, 2009). The researchers’ interest in relation to touristic marketing and distribution channels has focused on the study of the structure of touristic marketing channels (Casarin, 2001) (King & Choi, 1999), on the role of specific constituents of the channels (Williams & Richter, 2002) on the inter-channels relations within marketing channels (Chen & Tseng, 2005) and on the consequences of technological advances in marketing channels (Sigala, 2010) (Buhalis, 2003) (O’Connor, 1999). The scientific research has over sighted fundamental issues in relation with the touristic marketing channel performances (Pearce & Taniguichi, 2008) (Stuart et al, 2005), the factors/criteria used by hotels for the evaluation of single touristic marketing channels, and also the terms of selection for the formulation of the overall mix of multi-channels marketing strategies (Pearce & Tan, 2006), which nevertheless constitutes a universal practice for the whole of the major touristic enterprising activities (Frazier, 1999).

Several researchers coming from different scientific fields, have underlined the need for the measuring and the evaluation of marketing channels, pointing out that the present theoretical framework presents limitations for the conduct of such measurements, while any relevant published empirical studies on this specific field are practically non-existent (Kotler, Bowen & Makens, 2013) (Coelho & Easingwood, 2004) (Green, 2004) (Middleton et al, 2009). Particularly, scientific research in relation to the notion of evaluation of touristic marketing channels restricts itself to the exceptional research papers of (Pearce & Taniguichi, 2008), which focus on the basic but one-sided relation between income / expenses per used marketing channel, by (Sanchez & Ahmet, 2005) who approach the changes in performance at a wide range of on-line and off-line touristic marketing channels and lastly, by (Yilmaz & Bititci, 2006), who delineate a more general model focused mostly on measuring performance of touristic supply chain.

Needless to say, for the making of critical and rational business decisions which relate to the formation of more efficient multi-channel marketing mixes, it is essential the measuring and providing of crucial and useful information to marketing decision makers, a process which the scientific research must take greater interest in (Chekitan & Olsen, 2000). The absence of a scientifically documented functional and efficient set of evaluation factors of the performance of alternative marketing channels in the hotel sector, denies the marketing decision makers access to essential evidence, critical for the formation of appropriate selling and distribution strategies of their production (Pearce & Taniguichi, 2008).

3. Methodology

The methodological approach which was followed is detected in the area of quality research, since semi-structured personal interviews were used for the collection of data, from employees at 5* hotels in Attica, Greece. Following a carefully constructed Guide of Conducting Interviews, the informants were asked to answer though open ended questions, which factor or/and criteria they use for the evaluation of channels performances within the framework of making decisions relating to the design of future mixes of multi-channel marketing.

The application of this quality based research methodology was necessitated by the unstructured character that the research question possesses, but also by the informants need for spontaneous responses (Malhotra & Birks, 2007) without the limitations imposed by quantity research approaches. The informants’ spontaneous responses led to the formation of a framework of factors for evaluating channels performances, which includes a mixture of financial as well as non-financial factors.

During the preliminary analysis of hotels in Attica (Athens, Piraeus, the rest of Attica, except from the islands) there was evidence that within the limits of the area under study, there are several hotel corporations and hotel groups which consist of one or more hotel units. Some of the hotels, even though they are part of a bigger hotel group, have autonomous managerial mechanisms for Sales and Marketing, while other hotel units have vested those
functions to a more central administrative hierarchy within their business groups. Potential informants in corporations which exploit 5* hotels (27 units in total) were 20 people, while until saturation point, 17 interviews took place, 12 of which were actually used, covering a 60, 00% of the available informants (20 informants).

The processing of the scientific data was conducted according to the model of Quality Data Analysis by (Miles & Huberman, 1994), which consists of 4 basic parts: a. Data Collection, b. Data Reduction, c. Data Display, d. Conclusion: Drawing / Verifying. The transcription and processing of the research data were carried out immediately after the completion of each interview so as to diminish any loss and yield as many reliable interpretations resulting from the data analysis (Saunders, Lewis & Thornhill, 2000).

Through the Data Reduction procedure, an organization of the collected data was achieved, as well as their coding in a way which is convenient for the focusing and condensing of the conceptual content of the data collected, into distinct and different categories, in order for their final total makes the drawing of reliable conclusions feasible. A two-stage coding was adopted, where during the process of Open Coding; a preliminary line by line examination took place of the informants’ standpoints and opinions, in order to characterize and classify the various phenomena into distinct categories, whereas during the process of Axial Coding the most important categories, which possessed high interpretational interest and stemmed from the previous stage, were pointed out. Thus, data were codified a-new, around homogenous conceptual categories so as associations, sequences and causes and results become visible, contributing that way to a fuller understanding of the phenomena under research and leading to interpretation and theory formation. In effect, through the process of Axial Coding, which centres more on the conceptual level of the collected data, axial categories of a higher order were created which correspond to the Factors of Evaluation of touristic marketing channels, which constitutes the basic research question in this paper.

The process of Conclusion: Drawing / Verifying, helped in the centering of the resulting data on confirming/rejecting as well as in the enrichment of the existing knowledge, but mostly in the preliminary delineation and delimitation of a theoretical framework of the factors and criteria for evaluating the marketing channels performances in hotels.

During the stage Data Display, a depiction of the quality data in quantity form was thought necessary, so as to fuller exhibit the associations and contrasts among the evaluation factors suggested by the informants, reinforcing thus the framework of the provided evidence, according to the theory of Quality Analysis (Miles & Huberman, 1994).

4. Analysis and Result

Accepting the fact that business success is a multi-dimensional notion (Otley, 1999), which depends directly on design, production and the marketing of the product or of the services, most commonly within a complex and dynamically changing environment, it is obvious that the exclusive adoption of only financial factors can lead to decisions of unsuccessful adaptation in the new and constantly changing competitive environment. The developments in the arena of business and enterprise and mostly the intensification of international competition has made the inadequacies and the limitations of traditional measures more evident (Ghalayini & Noble, 1996), since it is about deferred indexes that show only the result of managerial actions and operational performances and not their causes (Bringnall & Ballantine, 1996) The increasing interest in non-financial factors is based on the belief that they provide information for the future medium- long term performances of a business, allowing that way the taking of initiatives which lead to the improvement of the financial performance of the business (Said et al., 2003).

Hence, the utilization of a combination of financial and non-financial factors contributes to completing more efficiently the multi-sided puzzle of the evaluated business activity or operation, reinforcing the supply of decision makers with quality and spherical information (Larcker & Ittner, 2003).

The spontaneous responses of the informants led to the formulation of a framework of factors for evaluating the channels performances, which includes a mixture of financial as well as non-financial factors. In the table that follows, there is a presentation of the 17 factors that resulted from the analysis and coding of the informants’ answers. As it comes forward from their answers a quite broad but common grid of factors is evident, which covers differentiated criteria and responds to modern demands for efficient evaluation of business operations. The quantity and quality factors which have derived have formed up to a great degree the full picture of channels performances in the hotel sector and possess characteristics which depict the past history of channel, as a confirmed and documented
basis for estimating, as well as the estimations of the dynamic of future developments, expanding “forward” the horizon of the decision makers, delineating a broader framework for the making of rational decisions.

In the ranking of factors and evaluation criteria of the total number of the calculated answers the financial (quantity) and non-financial (quality) factors intermingle and succeed one another. With the exception of Sales Volume which constitutes a sheer quantity metrics of evaluation, the first places in the preferences of executive marketing officers are taken by quality criteria for the evaluation of channels performances, such as Coverage/Penetration of targeted markets, the financial situation that represents the credibility of the channel, the Reliability and abidance of what has been agreed, the level of cooperation which is in relation with the compatibility of the systems and the efficiency of their organization and lastly, the willingness/mood to cooperate which exhibits in relation with the hotel business. In the 7th place we find the second quantity criterion which represents the selling price of hotel services towards the channel and after that we find the degree of serving the market trends from each channel, the dynamic for development of the channel in the market, the reputation the channel has among associates, the degree of loyalty and dedication in cooperating with the hotel. Among the last places one can find criteria such as, the number of overnight stays achieved by each channel, the cost of service of the channel (eg. Channel operation and growth cost, commissions etc.), the support of the hotel during periods of low occupancy, so that the problem of seasonality can be dealt with, while the last criterion is the criterion of guest/client quality in relation to their financial performance and their causing problems to the normal operation of the hotel.

Table 1. Factors of evaluation of touristic marketing channels in 5* Hotels of Attica.

<table>
<thead>
<tr>
<th>Rank</th>
<th>Factors of Evaluation of Touristic Marketing</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Sales Volume</td>
<td>91.7%</td>
</tr>
<tr>
<td>2</td>
<td>Coverage / Penetration of Target Markets</td>
<td>91.7%</td>
</tr>
<tr>
<td>3</td>
<td>Financial Situation (Credibility / Reliability)</td>
<td>83.3%</td>
</tr>
<tr>
<td>4</td>
<td>Reliability and Agreement Abidance</td>
<td>83.3%</td>
</tr>
<tr>
<td>5</td>
<td>Level of Cooperation (Managerial Organization &amp; System Compatibility)</td>
<td>75.0%</td>
</tr>
<tr>
<td>6</td>
<td>Willingness / Mood to Cooperate</td>
<td>75.0%</td>
</tr>
<tr>
<td>7</td>
<td>Selling Price</td>
<td>66.7%</td>
</tr>
<tr>
<td>8</td>
<td>Market Trends</td>
<td>66.7%</td>
</tr>
<tr>
<td>9</td>
<td>Dynamic / Prospect of Production</td>
<td>58.3%</td>
</tr>
<tr>
<td>10</td>
<td>Reputation Among Business Associates</td>
<td>50.0%</td>
</tr>
<tr>
<td>11</td>
<td>Commitment / Loyalty / Dedication</td>
<td>41.7%</td>
</tr>
<tr>
<td>12</td>
<td>Terms of Transaction (Fluidity / Credit Limit)</td>
<td>41.7%</td>
</tr>
<tr>
<td>13</td>
<td>Reputation Among Customers / Guests</td>
<td>41.7%</td>
</tr>
<tr>
<td>14</td>
<td>Overnight Stays</td>
<td>25.0%</td>
</tr>
<tr>
<td>15</td>
<td>Channel Cost</td>
<td>16.7%</td>
</tr>
<tr>
<td>16</td>
<td>Dealing with Seasonality</td>
<td>16.7%</td>
</tr>
<tr>
<td>17</td>
<td>Customer Quality / Customer Performance / Nationality</td>
<td>8.3%</td>
</tr>
</tbody>
</table>

In Table 1, we have a presentation of the overall framework of the factors for the evaluation of touristic marketing channels as they resulted from the spontaneous reports of informants of 5* hotels in Attica, the frequency of their answers as well as their rank.

Even though the responses of the informants cover all the width of factors, a deeper analysis shows that the informants of hotels which are members of international chains of hotels form a clear tendency for non-financial factors for the evaluation of channels performance. According to their sayings this differentiation originates from a sense of security they feel during the evaluation and the making of relevant decisions as a result of the continuous support and guidance they receive from the “parent” company. On the contrary, decision makers of independent hotels turn towards the security of financial factors for the evaluation, because they are easier to measure and most
importantly comprehensible by the share holders, even though in cases they state that they acknowledge the fact that the kind of obsolete information these factors provide does not help in making decisions which will affect the future of their business. The vast majority of the informants stressed out the multi-factor nature of the decision making process in relation with an efficient formation of multi-channels marketing mixes for hotels. The simultaneous management of a big number of channels in combination with the constant changes that can be observed in their dynamic, constitute a particularly complex decision making environment. To the above it must be added the effort put by decision makers during the evaluation of a marketing channel in order to use more than one evaluating criterion, such as a combination of Sales Volume, Credibility and Selling Price that a channel achieves. The multi-factor nature of the above issue leads the majority of executives to make decisions not by following a systematic and structured methodology; on the contrary, the relevant decisions are a product of informal and/or circumstantial procedures. Lastly, they claim that the selection of a suitable mixture of financial and non-financial factors of evaluation which responds to goals and pursuits set by the enterprises would decrease insecurity levels and reinforce the quality of decisions in relation with the formulation of an efficient multi-channel marketing mix.

5. Conclusion

This research set as its goal the emergence of a framework of factors and criteria for the evaluation of touristic marketing channels, providing a greater understanding of this side of Marketing Administration. This framework can bring about radical changes and new approaches in the way that the administration of touristic marketing channels is practices in the sector of hotels.

The specification of a body of factors and criteria for evaluating the touristic marketing channels in hotels is the first scientific exploration and recording of this crucial sector of touristic marketing administration. The suggested framework of evaluation factors could at a later stage be enriched with additional variables or evaluation factors. Furthermore, the results of this research paper could be checked or be compared with additional empirical studies in hotel enterprises in destinations of a similar or differentiated touristic profile. To a certain extent, they me be also used to inform and enrich more generic approaches to business innovation (Lagos & Kutsikos, 2011) (Kutsikos & Warr, 2004).

On a more practical basis, the suggested framework of factors could contribute definitively, in the making of rational business decisions relevant with the multi-channels marketing strategies on an annual or periodic basis, to the benefit of more general business goals and priorities of every hotel. Especially, the delineation of a framework of factors and criteria of evaluation of the touristic marketing channels in hotels can be conducive to a more regulated and more successful commercial operation of the hotels. Such methodological approaches are important since they support managers who deal with the management of marketing channels in developing of better strategies. They contribute to a valid and prompt communication of strategic choices to the rest of those involved as well as to the administration, by justifying the reasons for making the particular decisions. To conclude, through a constant measuring and monitoring of the performances of the overall multi-channel mix we can achieve the support of making the appropriate corrective moves, heading towards their continuous improvement.

References


