The Marketing Mix in Small Hotels: the case of Samui, Thailand

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Abstract

Each year, an increased number of tourists come to Samui, Thailand. Although, this provides a significant contribution to Samui’s economy, the competition between hotels operating on the islands extremely severe. With limited resources and budgets, the smaller hotels in Samui face very different challenges and are at greater risk from the competition compared to the big or chained hotels. Our research investigates the marketing mix that is perceived to be important for the small hotels and resorts in Samui. Unlike previous studies, this research provides insights through a review of the marketing activities performed by the small hotels and resorts. Eight owners of small hotels or resorts, all local Samui people, were selected for an in-depth interview. The research suggests that seven marketing mixes (e.g. Product, Price, Place, Promotion, People, Physical Evidence and Process) were commonly used by these small hotels, however, three types—People, Price and Physical Evidence—were considered most important by the owners.

Keywords: Marketing Mix, marketing tools, small hotels

1. Introduction

Suratthani is one of the most popular tourist destinations in the south of Thailand as many people from all over the world every year visit Suratthani during their holidays. Data from the Samui Travel Coordination Center indicated that nearly one million tourists visited Samui generating travel income up to 18 billion baht for Sumui’s economy in 2013. Being directly connected with travel and tourism, the hotel business in Samui has been growing.

In 2014, the number from Suratthani’s Tourism Authority of Thailand reported that 540 hotels were operating in the market. The competitive state of hotel business in Sumai has been poised to intensify over a decade due to the growth of tourism and increased tourist demand. The shortage of resources and budgets of the small sized hotels and resorts compared with the larger and chained hotels result in many of them to going out of business.

To better understand this reduction of small-sized hotels, this investigation analyzes the marketing mix that is regarded as the most important factors for the survival of small hotels and resorts in Samui. The results of this study of successful marketing strategies may then be used to support small-scale hotel marketers enhance their performance and long-term operations.

2. Literature Review

The Marketing Mix concept is a fundamental idea in marketing (Ivy, 2008; Khan, 2014). It is defined as the set of controllable tools that marketers use to determine satisfaction of its target market (Ivy, 2008; Nicholls et al, 1995). Evidence suggests that Borden (1965) was the first to use the term “marketing mix” to describe a framework
comprised of 12 elements. Later, Borden’s ideas were reorganized into the classic “4Ps” (Product, Price, Place and Promotion) by McCarthy (1964) (Rafig and Ahmed, 1995; Goi, 2009).

Many scholars suggest that the traditional 4Ps may not be appropriate for the marketing of services, such as with the hotel industry (Ivy, 2008; Nicholls et al., 1995; Harvey and Busher, 1996, Rafig and Ahmed, 1995; Boom and Bitner, 1981). However, the most influential framework for a service marketing mix was proposed by Boom and Bitner (1981), where the additional 3Ps (People, Physical evidence and Process) were introduced.

In relation to the hotel industry, “People” would correspond to the hotel owners and staff as those who provide service to their guests. People are typically regarded as the primary factor in the hotel industry because its operation is based around a high level of interpersonal contact with its customers. In other words, the owners and staff represent the key position for influencing customers’ perception of service quality.

The idea of internal marketing was defined in the study by Radisic, Perisic and Berecic (2010), which referred to a marketing system that drives employees to deliver satisfying products directly to their customers. They identify the notion that to succeed in the hotel industry, it is important for the business to enhance their employees’ satisfaction, which in turn, will increase their guests’ satisfaction. Research by Rafig and Armed (1995) also found that people have been ranked highest in relevance for the service industry over any other industry category, including the consumer and industrial sectors. Furthermore, staff working in smaller businesses benefit from having closer contact with customers and are more flexible and responsive to change than those working in larger businesses (Mariarty et al., 2008). In addition, the study by Stoke (2000) claims that people are an important factor for small businesses because they deliver personal relationships and interpersonal communication with customers, which often provides unique selling points and competitive advantages for these businesses.

The second element in the additional framework, “Physical evidence,” includes the provided environment, atmosphere, building, and layout of the hotel through which customers experience and assess the quality of service provided (Rafig and Ahmed, 1995). The final element of the 3Ps, “Process,” relates to the operations and procedural methods that hotel management ensures consistent quality service. Since the customers are involved in the production of service, process can be considered more important for the service industry than it is for businesses only developing and selling physical goods (Khan, 2014; Hirankitti, Mechinda and Manjing, 2009).

While it has been popular to use the 7Ps for service businesses, Rafig and Armed (1995) questioned that this marketing mix framework should not be limited to service sector marketing, but should be extended to apply to other industries. Therefore, their study highlights that the 7Ps framework should be broadly accepted as a generic marketing mix framework. Since its initial introduction, there has been continual modification of the original 4Ps framework as many researchers have attempted to introduce new “P” elements to the marketing framework, and these researchers have come from service marketing area (Rafig and Armed, 1995).

For small business, their size will require different objectives and management styles compared to larger business. Small businesses operate with limited financial resources, human resource constraints, lack of specialized marketing expertise and challenges with controlled growth. Larger businesses, on the other hand, tend to focus on sales maximization, increasing market share and generating profit (Gilmore, Carson and Grant, 2001). In many cases for smaller businesses, the market decisions are largely managed and finalized by the owner/manager, therefore, the business performance will depend solely on the owner/manager’s marketing expertise and personal management style (Mariarty, Jones, Rowley and Kupiec-Teahan, 2008). Considerable evidence from research confirms that marketing in small to medium-sized business is different from that of large-scale business; however, previous research was mainly focused on the marketing and market activity in hotel businesses as a whole (Mariarty, Jones, Rowley and Kupiec-Teahan, 2008). Therefore, marketing research in small hotels has been of less interest, especially in terms of how they perform marketing mix strategies.
3. Methodology

A qualitative approach was taken for this study by developing an in-depth interview process of the owners of small sized hotels and resorts. Through this design, we were able to gain a better understanding and discover the unique characteristics of their marketing activities and methods. The respondents were selected from owners and marketing managers of 297 small hotels and resorts in Samui (Samui Travel Coordination Center, 2013). The respondents for the interview were carefully selected based on their willingness to share their marketing experiences. Initially, a simple random sampling was utilized for the selection process. However, many of these first contacts with hotels/resorts owners expressed concern about confidentiality and the sensitivity of marketing data they must provide, so they refused to participate in the research. To overcome this problem, a snowball sampling process was employed. The first respondent was contacted and then asked to recommend the owners of others small hotels and resorts in Samui, which resulted in a total of 8 respondents (5 females and 3 males) being selected for participation. The interviews were conducted in Thai and lasted between 20 and 90 minutes over five consecutive days in Samui. A tape recorder was used as recording helped to free the researcher to concentrate on the interviewees (Richards, 1996) and minimized information loss (Aberbach and Rockman, 2002). Following the recommendation of Malhotra and Birks (2003), the interview was held in the respondents’ place of business in order to encourage respondents to be more honest, reflexive, open and relaxed. All respondents were asked to explain the overall market situations of the small hotels/resorts in Samui as well as that of his/her own business. After this initial discussion, they were given a list of marketing activities and were asked to check all items that were most similar to their own market activities. Finally, they were asked to explain their performance in each of these market mix and activities.

4. Analysis of Results

4.1 The current situation and respondents’ background

The interview results found that the majority of respondents felt that small hotels and resorts still had good opportunities to grow in this market. Even though the competition between the hotel businesses on the island is getting more difficult, the lower cost of management (e.g. labor cost, land, infrastructures) is an advantage for the smaller-sized businesses. More than half of respondents indicated that they were working in family owned businesses in which family members worked on the premises. Moreover, these smaller businesses are more flexible in terms of quick response and decision-making when unpredictable circumstances occurred. The data indicated that all decision-making regarding marketing activities are made by the owners or marketing managers, who are also members of the owner’s family. This deep family connection may be a weak point in terms of marketing ability and expertise (Moriarty et al. 2008). It should be noted that all participating respondents are local Samui people; hence, they may have the benefit of owning their own land. Therefore, they have a competitive advantage than the larger or chained hotels in terms of initial investment costs. Half of the smaller business owners have their resorts located by the beach in Chawang and Lamai, the two most famous beaches in Samui, which are superior locations.

Over 85 percent of respondents said that they are satisfied with their businesses’ performance today since they have their own targeted customers. These customers were in the mid-range to low income, including some backpackers who only care about having a room to sleep while they were on the holidays. All of these factors suggest that the future of the small sized hotels and resorts in Samui have a positive outlook and will be able to remain in the hotel business.

4.2 The Marketing Activities

The interview data confirms that marketing activities currently undertaken by the small scale hotels and resorts can be compared to the 7Ps marketing mix concept, which is an extension of the 4Ps framework by Booms and Bitner (1981). As discussed above, the 7Ps marketing mix takes into account the intangible nature of services, resulting in the additional elements of people, physical evidence and process to the traditional marketing mix. However, it is clear that these three following factors were most important to the interviewed respondents.
People

The majority of respondents were in agreement that people were a significant factor for the success of their businesses. As mentioned before, the small hotels/resorts were family-run business; therefore, the management was authorized by themselves and/or another member of the family. More specifically, they directly serviced their guests personally. Many respondents accepted they did most of the jobs as much as they can (e.g. hotels reception, booking, cooking and housekeeping). By being so personally involved, they can ensure that their guests will receive the best service possible. Additionally, with the size of the hotels, the easy going feeling between staff and guests were more readily established compared to experiences found in the larger or chained hotels. All respondents explained that they were considered by their guests to be more like friends instead of owners. A female respondent shared her experiences of visiting her guests’ homes overseas: “I have visited my guest’s place in New Zealand and stayed there for two weeks. In Europe, I stayed at my Italian guest’s place and also stayed in Switzerland with my Swiss guest. We are all friends and we still keep in touch until now” (Respondent8).

The research also found that these respondents paid better attention to the service of their staff. Their employees were also personally concerned about bringing excellent service to their guests; they were trained to be polite, patient, and ready for serving their guests all the times. Although the service in the small sized hotels/resorts may not be considered to be at the same level the luxury hotels, the respondents confirmed that their guests were happy with the friendliness and informality when staying in their hotels. Not surprisingly, the guests of small hotels and resorts tended to be returning customers. One respondent commented that “80 percent of my guests were coming back and this is how I can survive in the business” (Respondent6). All of this confirmed that high-personal contacts, personal relationships and communication interchanges with the customer were regarded as important marketing strategies these small hotels/resorts. The result of this study confirmed the findings of previous research as found in Stokes (2000), Ivy (2008) and with Radisic, Perisic and Berecic (2010).

Pricing

The majority of respondents confirmed that price was another important marketing factor for their businesses. The price varied depending on the location of the hotels/resorts, which ranged from 500 baht per night per room for hotels/resorts which are far from the beach to over 2,000 baht for the beach hotels. Comparing with larger or chained hotels located in the same area, the price of small hotels/resorts is relatively inexpensive. It also found that targeted customers of small hotels may differ from luxury or chained hotels. These customers care only if they have a room to sleep and less about the hotel facilities. In other words, they chose the accommodation because of price to save their costs as they can extend the duration of stay. This finding confirms that a lower price may have an impact on guests’ decision making over products or place. With limitations for the smaller hotels in terms of size and facilities, such as restaurants, spa, parking lot and swimming pools, setting a reasonable price for the right target customers is a key marketing factor for their success. This is consistent with the study by Friel (1999) in that small hotels may not easily compete on facility with larger competitors, but rather on reasonable prices.

Physical Evidence

The results indicated that although there existed a competitive limitation with land and facilities for the small hotels/resorts, the majority of respondents were in agreement that physical evidence was not less important than people and pricing. Some of their comments were “The room is only the room, every hotel is the same. But the feeling of greenery, a welcome, and a relaxed ambient environment they can feel like they are staying at home are what my mum wants” (Respondents6). And “My resorts get a compliment of having lots of shady trees, cleanliness, and a pleasant place. This reminds us why we work hard on these things” (Respondents8).

Many marketing scholars support the idea that marketing mix elements were not viewed as equally important, and some consider the product and price to be the most important (Kellerman, Gordon and Hekmat, 1995; Binsardi and Ekwulugo, 2003; Hemsley-Brown and Oplatka, 2006). These findings, from the view of respondents, show that product was not regarded as important as price, but for the marketing activities of small hotels/resorts in Samui this might be the result of their different targeted customer.
5. Conclusion

The purpose of this study is to investigate and analyze the marketing mix elements that are regarded to be the most important factors for the small sized hotels/resorts in Samui. The qualitative approach presented through in-depth interviews of local owners was undertaken to shed light on the full market picture and discover the issues facing the small scale hotel and resort business. Using this approach, the researchers had the opportunity to listen directly to the hotel owners as they expressed their perceptions. The research found that each P in the service marketing mix may not be equally important in the view of respondents, and only three out of seven were regarded as the most important marketing mix: People, Pricing and Physical Evidence. People may be important for hotels/resorts’ owners in that personal relationships may be formed with customers, resulting in greater satisfaction with services and creating unique selling environments to develop returning customers. Pricing is important for hotel owners because it encourages guests’ decision-making to select the smaller hotel over the larger and/or chained hotels because they may want to pay less and stay longer. Finally, our results reveal that physical evidence was regarded as another important marketing mix as owners attempt to make their guests feel at home, and they believe that their guests will come back again. This study is only an attempt to present first-hand results, so further research is required to broaden investigation relating to marketing plethora. This research focuses only the view of marketing mix on the supply side, the demand side (from small hotel and resorts’ users), on the other hand, should be take into the consideration. Ideally, the perception from both sides should be matched.

References


