

Saimaa University of Applied Sciences
Faculty of Tourism and Hospitality, Imatra
Degree Programme in Hotel, Restaurant and Tourism Management

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Marketing with Limited Budget

Thesis 2017

Abstract

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Marketing with Limited Budget, 36 pages, 2 appendices

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The purpose of this research-based thesis was to get an idea how managers of two small resembling hotels of a specific region deal with marketing process with a limited budget. In addition, the aim of the thesis was to examine if hotel managers who were interviewed perceive marketing only in the way of 'promotion' rather than marketing research, marketing mix and marketing environment theories. It was also found out if hotel managers of those hotels consider marketing as a key to successful hotel performance.

The theoretical part of the study consists of analyzing different marketing elements as marketing plan, marketing research, marketing mix and marketing environment. All of them were chosen because they do not require financial investment. Moreover, prime ways of hotel's promotion with limited budget were discussed and analyzed. The empirical part of the study consisted of semi-structured interviews with hotel managers.

The results of the study show that hotel manager focused on the promotion instead concentrate on more significant marketing concepts and theories. Moreover, both hotels do not consider marketing as best alternative leading to successful hotel performance. All in all, all information was analyzed and the author got an idea how hotels handle marketing related issues with limited budget.

Key words: hotel, marketing, limited budget, marketing mix, marketing research, marketing plan, marketing environment, promotion

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1 Introduction to the subject

It is not a big deal to do marketing in a company with infinite budget. Every thought, every idea may be easily brought to life without an anxiety of failure and wasting money. Nonetheless, the reality is that the most of the companies have very limited budget or they do not have it at all. Especially, this might be an actual problem of small businesses. In that case, marketing can be a great challenge because every cent counts and every mistake might bring to harmful results.

The research published on “ResearchLeap.com” webpage states that marketing strategies influence firm performance. “According to the resource-based view of the firm, product, pricing, promotion and distribution standardization should directly influence firms’ capabilities (the firm’s sales, customer and financial performance). These overall findings, based on prior knowledge and previous research conducted by various authors, show that all the variables included in the study would have an impact on the overall firm performance”. (Saif 2015) Of course, marketing is not the only thing that affects company’s performance but still it is one of the most important entities on a way of company’s success or loss.

Almost every book related to marketing gives arguments convincing that if company knows the right product/service that customers need; knows the right price to sell the product/service; knows the right distribution channels and how to sell the product/service; knows the right ways of promotion: it will lead company to a great success and reduce marketing costs. At some point, it is true. Marketing plan, marketing research, marketing mix and marketing environment are key elements of marketing process which provide company with a powerful tool called ‘information’. The more information is collected, the greater is a chance to make successful marketing-related decisions. It usually costs nothing to collect and to analyze information for a small business. However, companies often leave it in a background and focus more on promotion of goods or services. Promotion usually requires money, but still there are different ways to make it for a low cost. Nevertheless, marketing is a process that always requires at least some investments and companies whose budget for marketing is very strict and limited may not afford it.

1.1 Research question

The situation that small businesses barely have enough money to cover costs is real and up-to-date. The author has been working in a small hotel over a year and she realized that costs for maintaining the hotel are enormous. The more rooms occupied, the better is overall situation. Marketing is a great tool to attract customers, so in theory it should be a key thing that brings hotel to successful performance. It is interesting to know the real life situations. The main research question of the thesis is: “How resembling small hotels of the same region deal with marketing with a limited budget?”. As well, there is an additional question: “Do hotel managers of those hotels perceive marketing only in the way of ‘promotion’?”.

1.2 Aims of the research

Aim of the research is to study how small resembling hotels deal with a marketing process when their budget for marketing purposes is limited. Moreover, how much money do the hotels spend on marketing purposes, and do they feel that there is not enough money for effective marketing - are leading facts to evaluate. Furthermore, marketing research and precise look through marketing mix and marketing environment are core and low-cost ways of marketing which helps to improve hotels' performance. That is the reason to evaluate to what extent hotels pay attention to those components of marketing. Besides, the key goal of this research is to study the theoretical aspects of marketing in hotel business and compare those with a real life situation. The research could be useful for those who are planning to operate a small existing hotel or a completely new one. This particular research concerns two resembling hotels in South Karelia, Finland, situated in the same region. Two hotels whose names and location would be kept in secret took part in the research. Those hotels are situated far away from the city centre, they offer same services almost for the same price and neither of the hotels is a member of a well-known hotel chain. Those criteria were chosen because usually location, brand name and presence of the unique features or services simplify marketing process. In this case, hotels do not have such an advantage, so it will be interesting to know how they manage with marketing

related issues. Moreover, there is no marketing department in either hotel and hotel managers deal with all marketing related issues by themselves.

2 Introduction to marketing

The role of marketing in every business is very significant. It is important to define the term 'marketing' and specify what makes marketing in hotel business special.

2.1 Definition of the marketing

Different sources give various explanations of what marketing means. For example, American Marketing Association defines marketing as “an activity, set of instructions, and processes of creating, communicating, delivering and exchanging offerings that have value for customers, clients, partners and society at large” (Middleton, Fyall, Morgan and Ranchhod 2009, p.21). Dr. Philip Kotler (2000) says that: “Marketing is the science and art of exploring, creating, and delivering value to satisfy the needs of a target market at a profit. Marketing identifies unfulfilled needs and desires. It defines, measures and quantifies the size of the identified market and the profit potential. It pinpoints which segments the company is capable of serving best and it designs and promotes the appropriate products and services” (KotlerMarketing). Mark and Bernard Katz (1997) wrote that “Every businessperson has their interpretation of marketing. Marketing is selling. Marketing is advertising. Marketing is being in the right place to make profit. In essence, the marketing function is the process of providing a customer with the goods or services that he or she really wants”.

To sum up, marketing is actually the way to find right customers and convince them to buy a product that company offers. Distinctive feature of hospitality industry is that it offers services to customers.

2.2 Marketing in hotel business

Oxford Dictionary's definition of hotel is “An establishment providing accommodation, meals, and other services for travelers and tourists”. Basically

hotel business is all about arranging different services to customers. It is very important to understand that service marketing is more challenging than marketing product. First of all, it will be useful to define the term “service”. The most detailed definition of that term was found in a book “Services Management. An Integrated Approach” by Bart Van Looy, Roland Van Dierdonck and Paul Gemmel (2002). As Grönroos in Van Looy suggests: “A service is an activity or series of activities of a more or less intangible nature that normally, but not necessarily, take place in interactions between the customer and service employees and/or physical resources or goods and/or system of the service provider, which are provided as solutions to customer problems.”(Van Looy et al. 1998, p.4). The main difference between services and goods are explained in a table below.

Services	Goods
• An activity or process	• A physical object
• Intangibility	• Tangible
• Simultaneous production and consumption: customers participate in production	• Separation of production and consumption: customers do not normally participate in production
• Heterogeneous	• Homogeneous
• Perishable	• Can be kept in stock

Table 1. Difference between services and goods (Van Looy et el 1998)

On one hand hotels provide customers with one core product – room for one or several nights, on the other hand, it is a versatile process with lots of constituent elements. The process of ‘providing service’ begins when customer decides to spend a weekend far away from his/her home town. He/she will start to browse

Internet in order to find a hotel and probably he/she will choose the one with a better webpage or the one that is available on the most popular webpage 'Booking.com', or the one with better feedbacks and reviews and so on. Then, when he/she arrives at a hotel: staff attitude, the overlap between expectation and reality, atmosphere and hotel's conveniences could play a giant role in customer's perception.

An understanding of the service concept and its unique features might help to generate successful marketing process.

3 Key elements of marketing

Marketing is a complex process which consists of many different elements. It involves planning process, analyses, evaluation, predictions and much more. Elements of marketing described in Chapter 3 could be considered as a low-cost marketing alternative.

3.1 Marketing plan

The main topic of this thesis is "Marketing with a limited budget". Marketing plan is the first thing a company should do. Also it is an inexpensive way that might help hotel to manage more successfully. A marketing plan is a working document which is actually a blueprint for taking marketing action that would lead to success if targets are reached. (Katz & Katz 1990, p.32.)

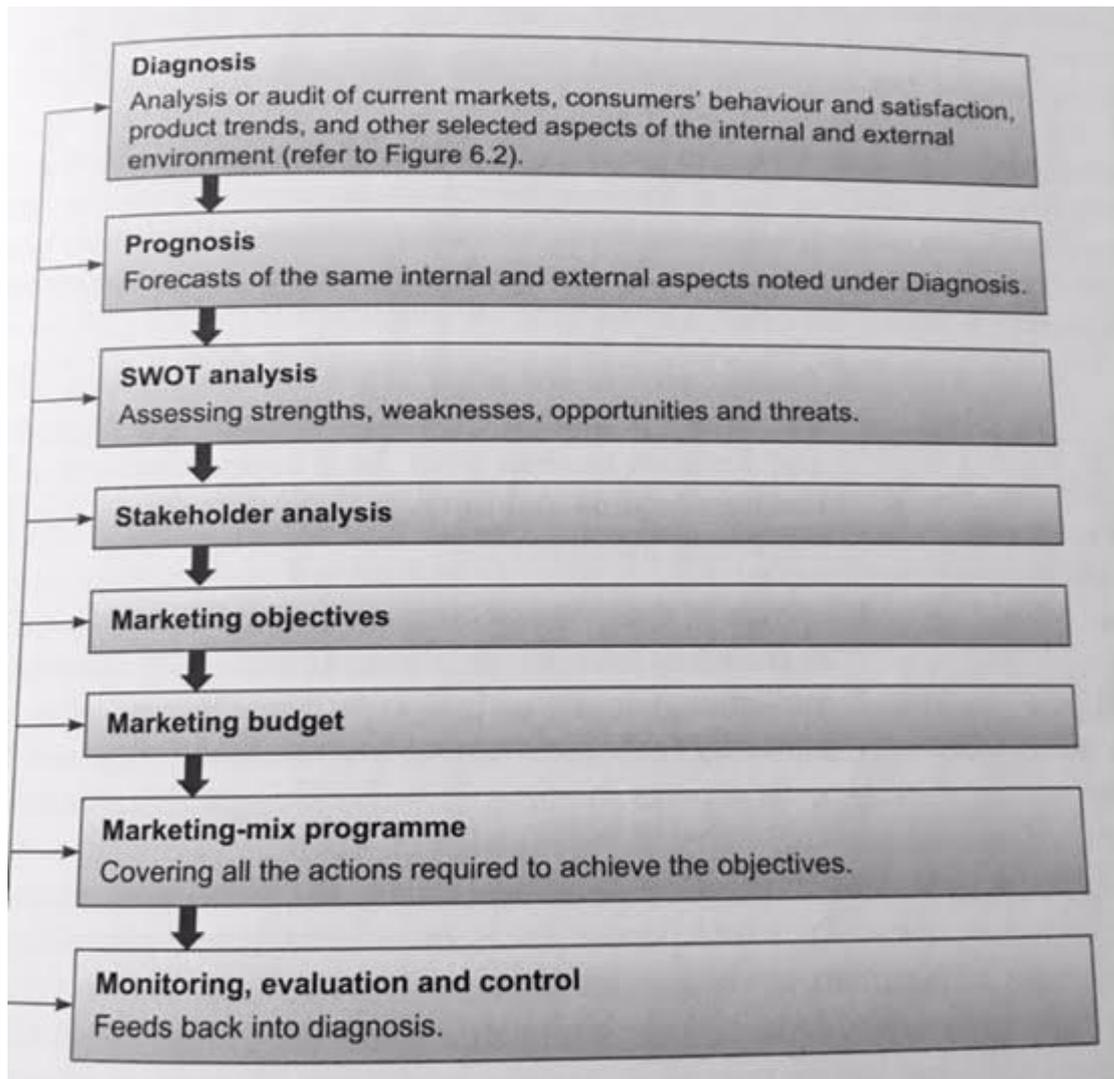


Figure 1. Stages in a Marketing Plan Process (Middleton et al. 2009)

Figure 1 represents key stages in marketing plan process. This process starts with analyzing the market, market trends and customer behavior. Travel and tourism industries have access to data from many different sources. Nowadays Internet is full of different statistics which are organized, selected and available for public use. (Middleton et al. 2009, p.208.)

Prognosis also deals with market research and it relies on expectations, judgments, visions and forecasting (Middleton et al. 2009, p.209).

SWOT analysis consists of evaluation of strengths, weaknesses, opportunities and threats (Katz & Katz 1997, p 34).

SWOT Analysis	
Strengths	<ol style="list-style-type: none"> 1. High brand recognition 2. Technical innovations to improve customer experiences and Constant upgrade of business processes 3. Good employee retention 4. Around 540 hotels in over 78 countries 5. They have been in the industry for 93 years now making them real experts at what they do. 6. Good reputation in the market
Weaknesses	<ol style="list-style-type: none"> 1. Limited market share inspite of good brand recall 2. Operations are affected globally due to different Govt policies and parameters
Opportunities	<ol style="list-style-type: none"> 1. High potential in emerging markets 2. Innovation in customer services 3. Digitalization and better use of technology 4. Indian and as well as global hospitality sectors are looking at a boom
Threats	<ol style="list-style-type: none"> 1. Entry of several international brands along with the strong hold of long standing, well established Indian brands. 2. Competition on price point 3. Stagnated growth 4. Economic and political turbulence in most countries

Table 2. Hilton Hotels and Resorts' SWOT Analysis (MBAskool)

Table 2 is an example of SWOT analysis for Hilton Hotels posted on "Mbaskool.com" webpage. It clearly explains the main points and ideas of SWOT analysis and it gives an image what SWOT analysis is in practice.

Stakeholders or 'partners' are an important part of an organization. One of the key stakeholders are shareholders who provide resources for company progress through shareholding or loans. Moreover, customers themselves, local community, government, non-governmental organizations could also be stakeholders. Analysis of stakeholders' involvement helps to develop a sensible marketing plan. (Middleton et al. 2009, p.212.)

Marketing objectives are basically targets and goals which were established by the company and hopefully will be achieved during a specified time period. Those could be both long-term and short-term goals. (Middleton et al. 2009, p.213.)

“The marketing budget determines the amount of money that has to be spent in advance of bookings, reservations and purchases in order to secure targeted sales volumes and revenue” (Middleton et al. 2009, p.214). According to Mark and Bernard Katz (1997), there are a number of different techniques that helps to set marketing budgets. Those are: historical approach (when companies follow plans that worked out and were successful in past years); percentage of sales turnover approach (correlation between marketing expenditures and sales); match the competitors approach (‘imitate’ company’s competitors) and task-oriented approach (realistic evaluations of marketing expenditures and if they are worth it).

Marketing mix deals with monitoring, evaluation, controlling and estimating company’s current situation (Middleton et al. 2009, p.216). This concept is described in chapter “3.3 Four P’s of Marketing Mix” in detail.

3.2 Marketing research

Marketing research is another tool that might bring hotel to more successful performance without any expenses.

First of all, it is good to understand what marketing research is. “Marketing research is an organized information process, which deals with the gathering, processing, analyzing, storage and communication of information to facilitate marketing decision-making” (Middleton et al. 2009, p.162). The key word here is ‘information’. Usually, it costs nothing to find out facts that might help to understand how to plan marketing related issues.

The table below has been taken from book “Marketing in Travel and Tourism” by Middleton, Fyall, Morgan and Ranchhod and it shows the six main categories of marketing research.

Research category	Used in/of	Typical research content and methods
Market analysis and forecasting	Marketing planning	Measurement and projection of market volumes, shares and revenue by relevant categories of market segments and product type
Consumer research	Segmentation, branding and positioning	Quantitative measurement of consumer profiles, awareness, attitudes and purchasing behaviors including consumer audits Qualitative assessments of consumer needs, perceptions and aspirations
Product and price studies	Product formulation, presentation, pricing and market assessment	Measurement and consumer testing of amended and new product formulation, and price sensitivity and price sensitivity studies
Promotion and sales research	Efficiency of communication	Measurement of consumer reaction to alternative advertising concepts and media usage; response to forms of sales promotion, and sales-force effectiveness. Measurement of website responses
Distribution	Efficiency of distribution network/channels	Distributor awareness of products, stocking and display brochures, and effectiveness of merchandizing, including retail

		audits and occupancy studies, analysis of website usage and call centers
Evaluation and performance monitoring studies	Overall control of marketing results and product quality control	Measurement of customer satisfaction overall by product elements, including measurement through marketing tests and experiments and use of mystery shoppers

Table 3. Six main categories of marketing research and their uses (Middleton et al. 2009)

All information written is based on author's work experience in a small hotel and author's thoughts.

Table 3 shows that first thing any company should do is a market analysis. Through statistics that was found in Internet (Statistics Finland), South Karelia's total number of overnight stays at accommodation establishments increased by 24.1 per cent in October 2016 (A). South Karelia is a region that borders Russia and Russian tourists are the second largest group of tourists in Finland (B). It shows that South Karelia region could be considered as a nice place to build a hotel. The demand for hotel services should be quite high.

The second step of marketing research is to understand who company's potential customers are. Determination of potential customers for a hotel is quite an easy task at first sight. Generally, those are tourists. Usually those are native tourists, tourists from closest countries and other international tourists. Due to the Russian border, hotel's potential customers are Russians as well as Finnish residents. The author of thesis has experience working in the hotel, so she could add that there is also a small percent of tourists from Sweden and Estonia. However, there are many different types of tourists: business tourists, leisure tourists, sport tourists, education tourists, adventure tourists, cultural tourists and much more (HRI 2007). This complicates the determination of hotel's potential customers,

but marketing forced to the right 'niche' of customers will lead to hotel's successful performance.

The third step is to find out right distribution channels. Nowadays, the most popular distribution channel for hotels is reservation system "Booking.com". Due to the author's work experience, reservations using "Booking.com" prevail direct bookings. The other key distribution channel is hotel webpage. Many hotels have a direct reservation system on hotel's webpage. Other distribution channels should be analyzed as well but it depends on many different facts like location, services hotel may offer its customers, purpose of visiting the hotel and so on. It is vital to find how to reach customers through different ways of media.

The next step is services' market price evaluation. Competitors' prices could be found on hotel's webpage, "Booking.com" or by contacting hotels directly. It would be a good idea to check hotels that offer resembling services if hotels' potential customers types are same. Despite competitors' prices, it is also important to match price-quality ratio.

The other important step is to evaluate customer reaction to product. As it was mentioned before, hotels offer their customers services and that is the reason why evaluation of feedbacks will help a lot. There are usually lots of reviews on the Internet. Every reservation system like "Booking.com", "Expedia", "HRS" gives an ability to leave feedback after guests' stay in a hotel. Moreover, there are many different web sources like "Tripadvisor" for customers' feedbacks. Plus, many hotels have review brochures left in a hotel room and it also might help in analyzing customers' reaction.

3.3 Four P's of marketing mix

"Marketing mix is the set of marketing tools that the firm uses to pursue its marketing objectives in the target market". That is a definition given by Philip Kotler in his book "Marketing Management, Millennium Edition".



Figure 2. The Four P Components of Marketing Mix (Kotler 2000)

Figure above shows Four Ps of marketing mix that were classified by Edmund Jerome McCarthy. Marketing mix is quite longstanding concept. Already in 60s Neil Border acknowledged twelve controllable marketing elements that would lead to a "profitable business operation". However, Jerome McCarthy simplifies marketing elements to four: Product, Price, Promotion and Place. Even nowadays this concept remains a keystone of marketing management. (Journal of Marketing Management 2006). Despite the fact that promotion probably is the most expensive part of marketing, evaluation of 'promotion' along with evaluation of 'product', 'price' and 'place' costs nothing and those are very useful to consider. All of them are considered from the author's point of view.

Core product of hotels are rooms for a night or for a longer stay. However, it is a very general explanation. Things like observant and friendly staff, comfortable beds, diversified breakfast buffet, atmosphere and appearance of the hotel and services available in the hotel are main constituents of the product in that case.

Setting the price for product is also an important thing to be considered. Having worked in a hotel, the author knows that hotel's fixed costs are very high. Basically, hotel subsists on the number of rooms sold. Every hotel should set its price in a way that it covers fixed costs and in a best scenario it also brings some profit. Still, price should not be extremely high or extremely low. Uniqueness and

quality of services hotel is offering are indicators of price formation that should be taken into account.

Promotion is also a very important component of marketing mix. As it could be seen from the figure above - sales promotion, advertising, sales force, public relation and direct marketing are things related to promotion. The idea of promotion is to make potential customers know about the hotel and remind regular customers about its existence.

For hotels, 'place' should be described in terms of location and distribution channels. It is always better if hotel is situated in city center rather than "in the backwoods". Furthermore, distribution channels should be well planned in a way that when a person is planning a trip and he/she is searching for a place to stay, the hotels should be easily assessable.

3.4 Seven P's of marketing mix

Later on Bernard Booms and Mary Bitner complete McCarthy's four Ps of marketing mix with three additional variables: people, process and physical environment (Baalbaki 2015; Marketing mix 2015).

People are the main component of all business processes. Both personnel and clients should be considered in this case. Hotels' personnel are delivering services for customers, while customers are evaluating those services and how those were presented. Staff working at hotel's reception desk and staff working in hotel's restaurant should be carefully selected and well trained. This is one of factors that may influence customers' impression. By the way, impression is a diverse component that plays specifically in hotel business giant role. Creating a positive impression is a primary objective every hotel manager should aspire (Marketing mix 2015).

Every business is a complicated organizational process and in order to operate well it should be effective. Sales system, distribution system, pay system and other systematic procedures form an entire process that should be planned and controlled by hotel manager. (Marketing mix 2015.) Drawbacks in any tiny system could affect the whole process negatively.

Physical evidence deals with concept of branding (Marketing mix 2015). Through authors personal experience, quite enough people would prefer to stay in a hotel of certain chain because they know what to expect and even could get bonuses or discounts as group loyalty members. If there is a list of hotels person is taken into account as a destination, it is more likely that person will chose one that has a brand. That is the reason why establishing a physical evidence along with psychological evidence is a very important thing in every marketing process. (Marketing mix 2015.)

3.5 Four C's of marketing mix

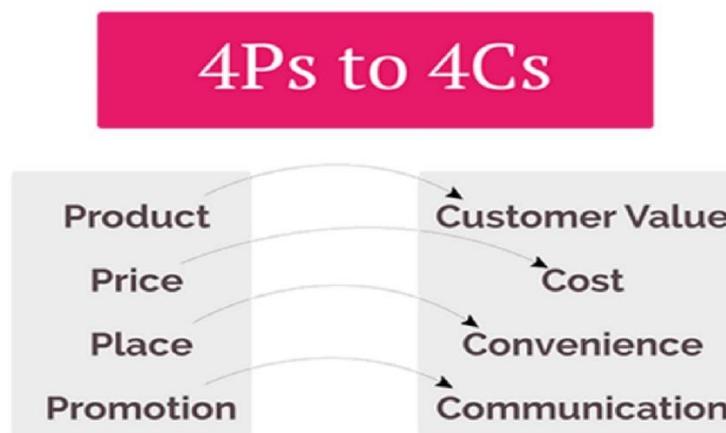


Figure 3. Marketing Mix 4C's. 4 Ps to 4Cs (Marketing mix 2015)

Figure 3 shows components of 4 C's model which were developed by Robert F. Lauterborn in 1990. It is not considered as an independent part of four P's of marketing mix theory but appears as an extension of that concept. (Marketing mix 2015.)

'Product' turns into 'Customer value' which means that hotel should take into account what potential customers need and be sure that they want to get exactly that kind of services hotel is offering. 'Price' goes as a 'Cost' and according to Lauterborn opportunity cost and cost of conscience should be analyzed well. 'Place' turns into 'Convenience' which deals with availability of the product and

choosing right distribution channels that will be vastly visible for customers. 'Promotion' is shown as 'Communication' because the crucial goal is to form an open dialog with hotel's potential customers in order to satisfy their wants and needs. (Marketing mix 2015.)

3.6 Marketing environment

According to definition that was found in a Business Dictionary, marketing environment is about outside factors that prevent relationships between company and customers. Tom Powers (1990) in his book "Marketing Hospitality" divided those environmental influencing factors to macroenvironments of marketing and microenvironments of marketing. All of them are shortly described below.

3.6.1 The macroenvironments of marketing

Figure 4 shows seven different marketing environments that influence company based on Tom Powers' writings.

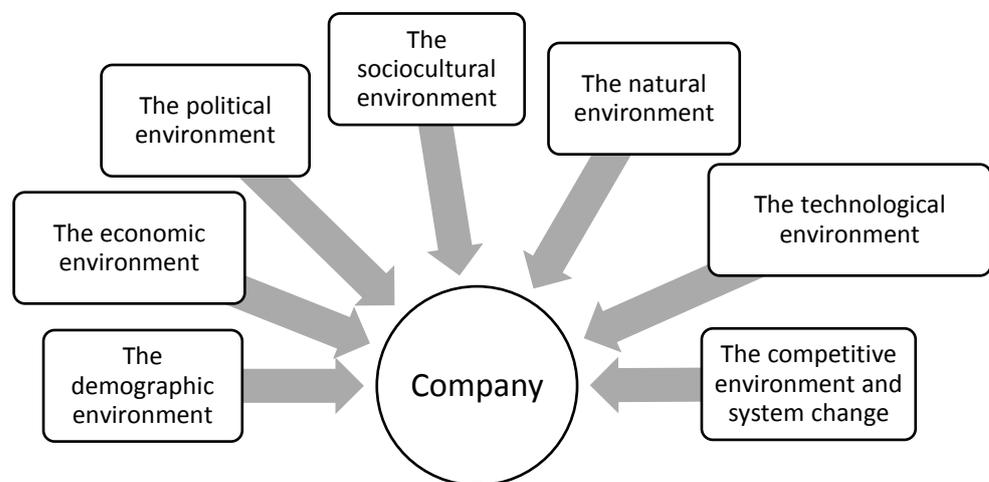


Figure 4. The Macroenvironments of Marketing (Powers 1990)

The demographic environment deals with customers' age; family formation and structure; and income. (Powers 1990, p. 19). It helps to make a clear picture who are potential customers of the hotel. If hotel's rooms are small and there is no place for two extra-beds or baby cot, the hotel should not be focused on that particular type of visitors. A hotel in the city center surrounded by fancy bars and restaurants with a karaoke bar in the hotel, might present itself in a way that it is

a perfect place for young generation, rather than middle-aged customers. Moreover, the greater people's income, the more money they are willing to spend on their leisure.

The economic environment deals with economic conditions. If economic situation of the country is or becomes weaker, travel expenses (both by individuals and by companies) are ones of the easiest expenses to cut. (Powers 1990, p.21).

A great example of the political environment's influence is today's political situation in Russia. Based on authors personal experience, political situation in Russia makes some tourists afraid to visit this country while Russian people do not want to travel abroad and prefer to travel inside the country.

The sociocultural environment deals with government actions, ethnicity and social class of customers. For example, restrictions on smoking in public places or even in a hotel room; or hotels that are directed, for example, only for Russian customers; or a giant number of refugees and poverty of the tourist destination. (Powers 1990, p.23-25.)

The natural environment is related to physical world. For example, scarcity of natural resources might lead to increase in costs for hotel. Furthermore, the length of the coastline, land use restrictions, the number of mountaintops relate to natural environment issues. (Powers 1990, p.25-26.)

The technological environment influences marketing with a great power. Today's is an era of electronic devices and Internet. On the one hand it is good because it reduces expenditure costs, the chance of "human error" is decreased and customers admiring high-tech technologies. On the other hand, there are still many customers of the elder generation who might not appreciate those technologies. (Powers 1990.)

The competitive environment and systems change go with the fact that today's hotel industry offers varying levels of facilities and services from low-cost and simple up to expensive and pompous. It means that nowadays the market environment is enormously competitive and hotels are all the time competing with each other. (Powers 1990.)

3.6.2 The microenvironments of marketing

Figure 5 shows microenvironments of marketing suggested by Tom Powers. This figure was made by the author and it tells how different factors affect customers' behavior and therefore affect general company performance. It is based on a facts and examples that were found in "Marketing Hospitality" published in a year 1990.

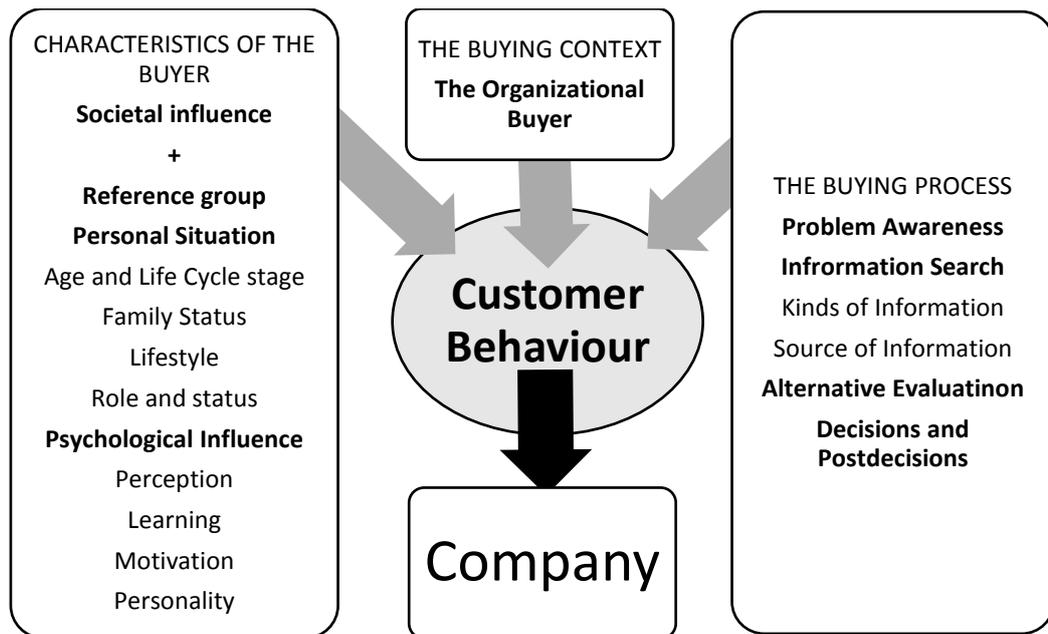


Figure 5. The microenvironments of marketing

Characteristics of the buyer consist of many different factors. Firstly, hotel managers should take into account societal influences like ethnic and regional background of customers. Moreover, every person is a part of varying reference groups which influence person's decisions. Primary reference groups are family members, friends, co-workers, neighbors and other people that are relevant to person. Secondary reference group is demonstrated when person for example joins hockey team or visits church every Sunday and meets people there. A third category is 'demigods' like celebrities and famous people. All of those influence customers' decisions and could be applied to marketing. For example, if a famous Internet blogger praises a new hotel in his/her video-blog, there is a chance that his/her fans will definitely visit that hotel. Secondly, a person always has his/her own experience (personal situation), but it could also be influenced by different factors like age, family status, lifestyle, role and status. People's needs, incomes

and preferences usually change with their age. As well as childless couples could bring more money than an independent tourist; employed parents prefer a short business trip rather than a family trip and people who hold senior positions may prefer different travel accommodations unlike people who have lower job position. Thirdly, psychological factors like perception, learning, motivation and personality should be carefully considered in hospitality markets because every person thinks differently, notices different things, has different motives and consists of a different pattern of characteristics, attitudes and habits. (Powers 1990.)

Buying context deals with importance and level of interest for the purchase. The amount of information customer is searching in order to make a purchase varies with the degree of importance of buying decision. (Powers 1990, p.37.) Moreover, there are situations when there is an initiator of purchase and an actual buyer. For example, children beg their parents to stay in the hotel with a pool and parents choose that hotel instead of one they have chosen (Powers 1990.) Basically, there are plenty of situations when more than one person is involved in a buying process and makes final decisions. Usually there is always the initiator, influencer, decider and buyer and all of them might be different people. (Powers 1990.)

Buying process consists of four main stages like problem awareness, information search (kinds of information and sources of the information), alternative evaluation, decisions and post-decisions. At first, a person faces the problem: choosing a nice hotel for a one-week vacation. Then, the person starts to collect information about hotels. Obviously, there is not only one hotel in the city, so there are many alternatives. Usually, the person is searching different pictures, evaluating services available in the hotel, its location and so on. Moreover, someone could recommend person a hotel or he/she could read different feedbacks and reviews on the Internet. After collecting all facts, the person compares those and makes a final decision where to go. When the decision is made and implemented, the customer could feel satisfied or dissatisfied. It is a common rule that 'pleased' customer will tell two people, while a customer who was dissatisfied with his/her experience will tell ten. Because of that, it is

important to find out reasons of bad experience and to reassure a customer. (Powers 1990.)

4 Promotion in hotel business

The general definition of promotion that was found in Business dictionary is “the advancement of a product, idea, or point of view through publicity and/or advertising”. It is one of marketing mix parts. The main goal of promotion is to obtain the level of demand or to maintain demand or/and to influence the demand through channels of communication which allow access to a different target audience. (Buttler 1992.)

Hotels are providing services for their customers. It might be challenging because customers are evaluating ‘intangible’ services before consuming them (Van Looy et al. 1998, p.79). It is important to understand that the key thing that influences promotion is visual perception and experiences. Hotels should use pictures of hotel’s facilities, surrounding area, have an accurate and descriptive exposition of the hotel and create condition to give an impression and to create an image for customers. Moreover, ‘expectations’ should meet ‘reality’ in order to satisfy customer. Otherwise it might turn out a failure.

The key benefits of promotion are: increasing brand awareness, providing appropriate information, increasing customer traffic and building sales and profits (Blog resellerclub 2015). It is more about disseminating information about a product, product line, brand, or company. Advertising is a tool that is used to inform potential customers about services and how to obtain them. (Diffen) In order to inform customers, companies use different types of media.

4.1 Types of media

Nowadays there are many different types of media. It is generally divided in two main parts: traditional media and digital media. Traditional media includes print publications, radio, billboards, TV, etc. while digital media is everything that is related to Internet. Nowadays digital media becomes more and more popular.

Traditional media is still popular, but it does not reap the same returns as it did before. (Donovan.)

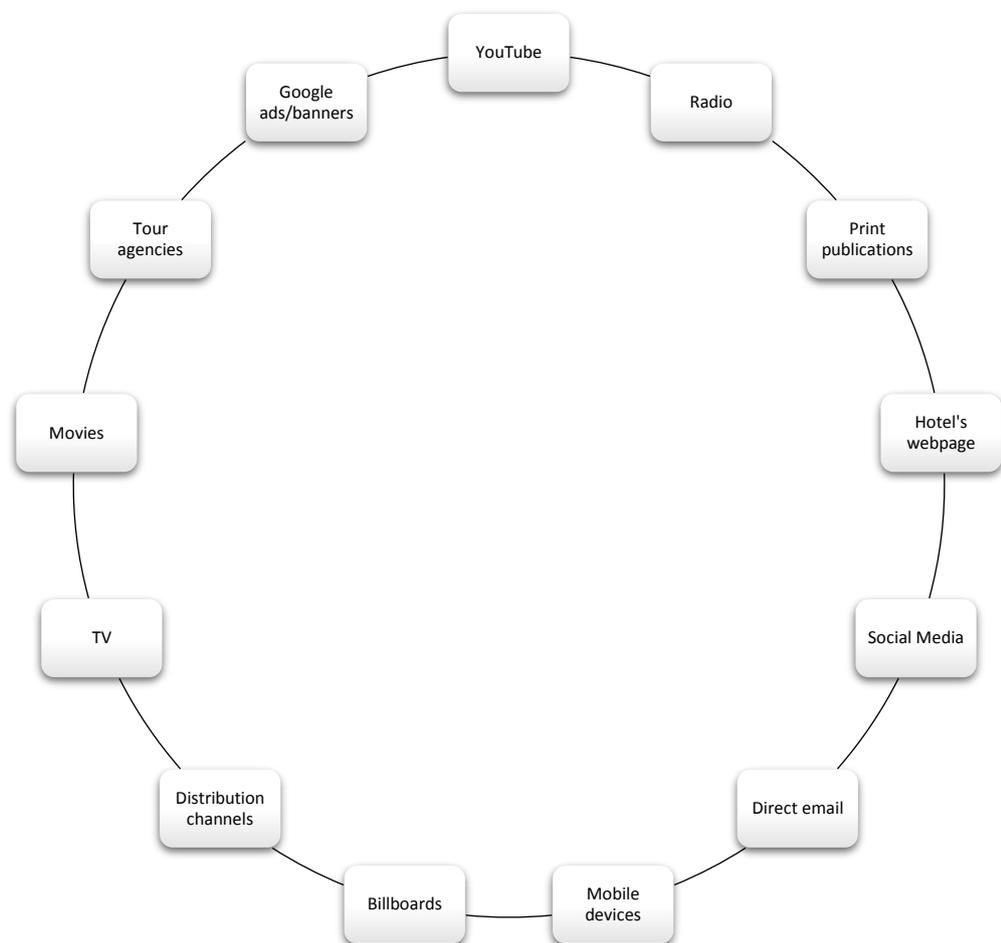


Figure 6. Different types of media

Figure 6 was made by the author and it represents types of media hotels are using. The author faced all of them as media for hotel advertisements. Author's work experience in the hotel also helped to evaluate usage of media types which are listed above.

Nowadays TV and radio less and less appear as ways of media for hotels. People do not watch TV or listen to the radio as much as even 20 years ago. However, travel agencies, fliers, billboards, articles in newspapers and ads in magazines are types of media that hotels still use. Also direct emails are still in use. For example, when Christmas and New Year holidays are coming, hotel might send

different companies an email with an offer to celebrate 'Pikkujoulu' (Finnish for 'Little Christmas') at the hotel's restaurant.

Sometimes, hotels appear in popular movies. For example, famous "Hotel Plaza" in New York city appears in "Home Alone 2: Lost in New York". Of course, it is not an example of small hotels, but still it could be one example of media.

'Youtube' is a webpage full of different types of videos. Every person could download a video there. All you need is to share a 'link' for a video and people could watch it if they are interested. Videos help to convey the atmosphere of the place and to create a better image of the place, so it could be also used as advertising media for hotels. Moreover, nowadays 'Youtube' is full with video bloggers who talk about their lives 'in public'. If a video blogger is telling a story about a fascinating hotel she/he has visited, it might somehow effect on customer's choice.

There are many different social media webpages like 'Facebook.com', Russian version of 'Facebook' 'Vkontakte.com', 'Instagram' and 'Twitter'. Many hotels have a personal group that shares with social media users the information about hotel, new offers, pictures, surveys, interesting facts and all kind of information concerning the hotel. Also, social media is a nice place where users could share their emotions, experiences, feeling and recommendations. Moreover, there are special Internet sources like 'Tripadviser' where users could leave feedbacks and experiences, too.

Distribution channels like 'Booking.com', 'HRS', 'Expedia' could be considered as ways of media, too. Significant number of people who would like to find a hotel for stay are using 'Booking.com'. First it gives person a list of every hotel in the specified city, every hotel has a 'rating', feedbacks of real people's experiences and it gives guarantees to customers and the person could make reservation through it.

Hotel's own webpage is also an important media. People may use it to learn more about the hotel or even to make a reservation.

Google ads and banners also are popular ways of media. When people are 'googling' for a hotel, they usually notice only those 'links' who are on top of the page. Google ads give an opportunity to be on top when customers enter specific words in Google search. However, companies should pay money for it. Banners also cost some money and they appear on preassigned webpages chosen by company.

Webpages adjusted for mobile use are 'must have' for every company. People living in the 'Era of Smartphones' use them more often than computers. Mobile apps become more and more popular, too.

4.2 Promotion with limited budget

Social media is absolutely free to use. However, to have more people following a hotel group, to make people press 'Likes' and 'Shares' is very hard to arrange by hotels themselves. Usually, hotels need to invest at least some money in promotion of those groups through the social media and Internet. The amount of money being spent affects hotel's position in top of the list. The more money is paid, the higher is the position. It seems a nice alternative for hotels whose budget for marketing purposes is limited. Still, the availability of different social networks without inverting money is a potential way of advertising.

Moreover, availability of hotel's own webpage is a good way to promote hotel. It should be simple and at the same time descriptive. Ideally, it would be nice to have a reservation option to let customers book a room directly through the webpage. Hotels should take into consideration the fact that webpage should be easy to use not only with computers but with smartphones, too. To make that real, the hotel needs to spend money on programming. Unfortunately, it cannot be done without professionals who deal with webpages' programming.

The key goal of marketing is to stimulate an interest and make consumers happy. That is the reason why employees should be carefully selected and trained, description of services should correspond to reality and it should not be overstated. All needs of hotels' potential customers should be satisfied on the highest level. It will be better to find a concrete 'niche' of potential customers and

adjust business for their specific needs. (Pacar 2015). Moreover, the power of 'word of mouth' is greater than any other promotion options. People love to share their experiences. Someone likes to do it publicly through different social networks while someone shares it with their friends and relatives. Still, good or bad impressions will spread and influence the image of the hotel one way or another. (Pacar 2015.)

5 Presentation of hotels

5.1 South Karelia region

South Karelia is one of the regions of Finland. It borders the regions of Kymenlaakso, Southern Savonia and North Karelia and its neighboring country – Russia. The region of South Karelia has nine municipalities: Parikkala, Rautjärvi, Ruokolahti, Lemi, Luumäki, Savitaipale, Taipalsaari and two main towns Imatra and Lappeenranta. South Karelia is known for its beautiful nature, magnificent forests, thousands of lakes and islands, the biggest lake of Finland - Saimaa, cultural heritage and its history as a border region. It is one of the popular tourist areas in Finland. Nowadays it becomes more and more popular so major towns are more and more centered to improve their tourism infrastructure. For example, Lappeenranta is focused more on tourism services for families, while Imatra is focused more on fishing and spa tourism. There are many different tourist attractions and services all around South Karelia region. The most popular and interesting attractions for international and domestic tourists are Lake Saimaa, Saimaa Canal, Lappeenranta Fortification and Imatrankoski rapids. The existence of Russian border attracts both Finnish and Russian tourists. Finns could easily visit Saint-Petersburg and Vyborg and vice versa. They could do it by car, by train, by bus or have a nice cruise on Lake Saimaa and along Saimaa Canal up to Vyborg and Saint-Petersburg. (Gosaimaa; Etelä-Karjala.)

5.2 General information about hotels

Hotels that took part in this particular research are hotels that are not members of any hotel chains. There is no marketing department but hotel managers deal

with the marketing process by themselves. The location of those hotels is far away from the town center but both of them are situated in the same region of South Karelia. Neither hotel has additional services like spa, gym, restaurant where the guest could have a meal anytime, and so on. However, those are not hostels or apartment hotels. Those are full value hotels that offer rooms for stay and breakfast. One of those hotels has operated for a long time, while the other has operated for a few years. Only two hotels of the same region met the criteria author wants to be followed. At first, it was an anxiety not enough information would be gathered. However, when interviews were done, the author realized that facts that were collected will still help to have an understanding of the research problem and it will be still possible to make a reliable conclusion.

5.3 Interviews

Qualitative research method is the most convenient method in that case. That was the reason why semi-structured interview was conducted with managers of two small Finnish hotels. They have been interviewed with a help of open-ended questions, so the responder has a chance to share the information and to be sure that all the information that will be provided stays confidential.

The main advantages of this research method that was chosen were that questions can be prepared beforehand and still it provides freedom for the interviewer. It is also good because sensitive issues (like money related issue) may be more easily discussed, but the confidentiality should be ensured. The greatest advantage of a semi-structured interview is that it may confirm what is already known but also provides the opportunity to learn something new. However, the preparation must be carefully planned in order to get maximum useful information for the thesis related issues. It is also a time consuming method and there is always a lot of information (data) to analyze. (SSWM 2016.)

All questions were about marketing process. Questions that have been selected help to understand how small hotels are using different marketing theories; to

learn what kind of paid and free media they are using; do they pay attention to promotion rather than market research and analysis; what kind of marketing do they use if they have more money to spend on marketing purposes; and to understand if they think that marketing plays a key role in hotel is successful performance.

5.4 Summary

In order to make it easier to follow the summary, the author will call hotels “Hotel A” and “Hotel B”. Prices for a standard room of both hotels are almost the same: about 80 euros for a one-night stay (the price also includes breakfast). Both of them consider themselves three-star hotels. Hotels’ potential customers are Russians and Finns. Both of the hotels mentioned the fact that this year there were lots of Finnish guests. Usually Finnish customers who come to that region in South Karelia are business tourists or ‘blue collar workers’. However, this year there were many people who specified their purpose of the visit as “leisure”. Hotel A’s manager said that due to Finnish guests, hotel successfully managed summer season. Russians guests’ numbers have decreased a lot: that was pointed by both hotel managers. Earlier there were more Russian customers rather than Finnish. Now the number is almost fifty-fifty. Occupation rate for high season is about 50% on average for Hotel A and about 80% for Hotel B. Low season occupation rates are about 30% or less for both hotels.

Neither hotel makes marketing research or follows marketing mix concept. The only things they do is competitors’ price check and analyzing customer feedbacks through ‘Booking.com’ and ‘Tripadvisor’. Distribution channels are quite same: the only difference is that Hotel A prefers print media, while Hotel B prefers digital media. Both hotels use all possible free media like ‘Vkontakte’ webpage, ‘Facebook’ webpage and ‘Instagram’. As for paid media, Hotel A uses tourist map magazine that is directed to Russian customers. The hotel manager tried to make an advertisement for several tourist map magazines but it did not work. Thus, it was decided to leave an advertisement only in one magazine and basically it is the only paid media the hotel uses. Hotel B spends its money on webpages promotion. The hotel manager’s goal is to be on top of the list in Google search and to be on top on ‘Booking.com’ web-page. Moreover, the hotel manager of

this hotel considers that digital marketing is the most effective and low-cost ways of marketing. Nowadays everyone uses Internet for planning their trip. That was also the reason why Hotel B is improving their own webpage of the hotel. Hotel A made a decision to renew its hotel's webpage, too and its renovation is still in process. To speak more about Hotel B, other paid advertisements the hotel uses are ads-banners that people who visit specific webpage could notice. Hotel B had used printed media a couple of times which was newspaper article. However, it was useless. Also Hotel B has a partnership with a company that promotes South Karelia region. Generally, both hotels concentrate more on free media.

Hotel A spends 50 euros per month and it gives 600 euros per year on marketing purposes. Hotel B did not want to tell the exact amount of money hotel spends on marketing. However, its hotel manager said that it is 4-7 per cent out of budget. Those numbers show that the budget for marketing purposes is extremely limited. Hotel A pointed out that season has no effect on marketing process. Hotel B has an opposite vision: it attends marketing more in autumn, by the end of winter and spring. Hotel A has general marketing plan and it follows it without trying something new. Hotel manager of Hotel A has not even changed room prices for 3 years. Hotel B has also some general plan, but occasionally tries something new.

The best marketing decision for Hotel A was joining 'Booking.com'. Hotel A has operated for a long time but joined 'Booking.com' just 3-4 years ago. That led to increase in tourist flow and it helped to attract new customers. The only disadvantage of 'Booking.com' is the high commission rate cost. Furthermore, hotel manager is satisfied with advertisement in a magazine because it really works. Receptionists of Hotel A asked every guest of their hotel: "How did you find our hotel?". Great number of guests named exactly that magazine. That is how hotel manager understood that this marketing was successful and it was decided to use only this way of paid media. Hotel B said that the most successful decision was renovation of their hotel's webpage. It became more informative, colorful and easy to follow. As it was mentioned before, hotel made their own reservation system that turned out a very successful tool. The key indicators of success for Hotel B are statistics of webpages, how many people had visited web-

pages, exit rate, bounce rate, number of 'likes' and 'shares'. Moreover, both hotels pay attention to feedbacks guests leave after their stay.

Hotel A manager said that if hotel got more money that could be spend for marketing purposes, it would be spent on renovation of the building and rooms. It could also be very nice to provide rooms with small kitchens but this idea could not be actualized, because the building plan does not provide kitchen in rooms at all. Generally, hotel manager is pleased with marketing decisions of the hotel. Hotel B wants to spend more money on digital marketing to be on top list of google search because the more money is spent, the higher is the position. An other idea is to have advertisements on billboards on the way from Russia to Finland and different kind of flyers and brochures all over the area where the hotel is located.

The last question for the interview was: "Do you think that successful performance of small hotels depends on marketing?". Hotel A said that people will always come, so marketing is not the key for successful hotel performance. Hotel B said that marketing does not always correlates with success. As an example, hotel manager said that because of the growth in exchange rate, Russian clients could not afford stay in a hotel. Even if prices stay the same, for Russians prices increased significantly. It does not matter how much money hotel spends on marketing purposes, people do not have money for it and they will not come.

6 Conclusions

To draw the conclusion, the information that was found through interviews helped the author to get an understanding of how small hotels deal with marketing with limited funds. Moreover, during face-to-face interview, it was clearly seen that hotels pay more attention to promotion rather than analysis and evaluation of marketing mix and marketing environment. The word 'promotion' was not used in interview questions on purpose. The word 'marketing' was the one which was used. Still, all collected information was focused on 'promotion' to greater extent.

It is important to understand that promotion is just a small part of marketing process. Different definitions of the term 'marketing', clearly shows that marketing is a complex and versatile business function. Marketing is a business philosophy (The Financial Express 2008.) with million aspects and visions that is hard to sum up. However, all marketing segments which are somehow related to marketing with limited budget are presented in this particular thesis.

It is always easier to operate when a hotel is part of a well-known hotel chain, it is a well-formed brand or it has some unique features, or it has a great location in the middle of city center. Hotels that take part in the research do not have it, so they need to think of marketing in a way of marketing research and marketing mix rather than promotion. Both hotels mentioned the fact, that there is a decrease in flow of Russian tourists. One of the hotel managers said: "Russian tourists are not coming because accommodation in Finland has become too expensive for them now. And if people do not have money, the first thing they skimp is costs for leisure. It does not matter how much marketing (promotion) would be done – they still will not come". At the same time, the hotel manager mentioned that if there was more money to spend on marketing, it would be good to have billboard with ads on the way from Russia to Finland. Basically, there is a dissent: is it necessary to spend money on that if Russians do not come anyway because they do not have money for it? The author got an impression that it is hard for hotels to realize that because of today's situation with Russian tourists, hotels' potential customers might change. Hotel A manager said: "Our hotel 'survived' this summer because of Finnish business and leisure tourists". However, there are not any plans to review marketing in a way to attract native tourists. So as it was mentioned, it will be very useful to consider marketing based on marketing mix and marketing environment analyses especially for small hotel. It will not cost a cent but it takes much effort and time. Besides the fact that both hotels do not find marketing an important enough tool for successful hotel performance, the author expects that information that was found out and was carefully analyzed will help those hotels in the future.

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Appendices

Appendix 1



Dear Hotel Manager!

I am a fourth year student of Tourism and Hospitality. Thesis research is a part of my studies in Saimaa University of Applied Sciences. The purpose of the research is to get an idea how small hotels whose budget allocation for marketing purposes is tightly set deals with marketing process.

I would like to conduct semi-structured interview. By responding to the attached questionnaire you could help me to get an idea of marketing in hotel business. The results of my thesis will be published in Theseus in winter 2016-2017.

Your responses will be processed anonymously and confidentially by myself. Hotel will not be recognized from the published results.

Please, contact me by email or by phone by 25.11.2016 at the latest if you are interested and ready to help me with my thesis process.

Thank you!

~~Daria Smirnova daria1smirnova1@gmail.com 046 6823334~~

Appendix 2

Questions for the interview

- 1) What kind of service does your hotel provide?
- 2) Who are your potential customers and how do you catch their attention?
- 3) What is the average price of the room/night?
- 4) What is your occupancy rate during the high/low season?
- 5) What kind of marketing research was done?
- 6) What kind of marketing tools do you use?
- 7) Why do you use exactly those marketing tools?
- 8) Do you think those marketing tools are successful and how do you basically measure the success of marketing overall?
- 9) What was the most successful marketing you have done?
- 10) Do you have a strict plan of doing marketing or are you trying something new from time to time?
- 11) Does marketing mean “one-time investment or is it a continuous investment?
- 12) How much money does the hotel spend on marketing annually (in per cent)?
- 13) Does a season affect marketing process?
- 14) Do you concentrate more on free or paid ways of marketing?
- 15) What kind of paid media do you use?
- 16) What kind of free media do you use?
- 17) Does free or paid media catch more attention of customers?
- 18) Are there some ways of marketing that you think would be successful in your case, but you could not afford it?
- 19) Do you think that marketing is a key to successful hotel performance?