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Overcoming The Impotency Of Marketing

K. Michael Haywood
University of Guelph, null@uoguelph.ca

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Overcoming The Impotency Of Marketing

Abstract
In his dialogue titled - Overcoming The Impotency Of Marketing - K. Michael Haywood, Assistant Professor, School of Hotel and Food Administration, University of Guelph, originally reveals: “Many accommodation businesses have discovered that their marketing activities are becoming increasingly impotent. To overcome this evolutionary stage in the life cycle of marketing, this article outlines six principles that will re-establish marketing’s vitality.”

“The opinion of general managers and senior marketing, financial, and food and beverage managers is that the marketing is not producing the results it once did and is not working as it should,” Haywood advises.

Haywood points to price as the primary component hospitality managers use to favor/adjust their marketability. Although this is an effective tool, the practice can also erode profitability and margin he says.

Haywood also points at recession as a major factor in exposing the failures of marketing plans. He adds that the hotel manager cannot afford to let this rationale go unchallenged; managers must take measures to mitigate circumstances that they might not have any control over. Managers must attempt to maintain profitability.

“In many hotels, large corporate accounts or convention business generates a significant proportion of occupancy. Often these big buyers dictate their terms to the hotels, especially the price they are prepared to pay and the service they expect,” Haywood warns. This dynamic is just another significant pitfall that challenges marketing strategy.

The savvy marketing technician must be aware of changes that occur in his or her marketplace, Haywood stresses. He offers three specific, real changes, which should be responded to.

“To cope with the problems and uncertainties of the hotel business during the remainder of the decade, six components need to be developed if marketing impotency is to be overcome,” says Haywood in outlining his six-step approach to the problem.

Additionally, forward thinking cannot be over-emphasized. “A high market share is helpful in general, but an even more crucial factor is careful consideration of the market sectors in which the company wants to operate,” your author advises.

“Taking tactical initiatives is essential. Successful hotels act; unsuccessful ones react. The less successful marketing operations tend to be a hive of frantic activity. Fire-fighting is the normal way of life in such organizations, Haywood observes. “By contrast, successful firms plan and execute their tactical marketing activity with careful timing and precision so as to create the maximum impact,” he extends in describing his fruitful marketing arabesque.

Keywords
K. Michael Haywood, Overcoming the Impotency of Marketing, USP (unique selling proposition), Differentiation strategy, Beverage

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Overcoming The Impotency Of Marketing

by K. Michael Haywood
Assistant Professor
School of Hotel and Food Administration
University of Guelph

Many accommodation businesses have discovered that their marketing activities are becoming increasingly impotent. To overcome this evolutionary stage in the life cycle of marketing, this article outlines six principles that will re-establish marketing's vitality.

"Marketing is impotent," a senior executive in a well-known hotel chain stated recently. "The name of the game is location and price, and you don't need marketing for that."

His comment reflects the views of many people both outside and inside the marketing function, and is noteworthy because the marketing concept is both well understood and practiced in his own and the majority of hotel firms. The opinion of general managers and senior marketing, financial, and food and beverage managers is that the marketing is not producing the results it once did and is not working as it should.

What evidence is there for the accusation of impotence? There is no doubt that in many areas and for many companies marketing has failed and that this failure has been ruthlessly exposed by recession. Margins are being viciously eroded. Is not marketing supposed to keep prices at levels sufficiently high to achieve a reasonable rate of return?

The traditional view widely accepted by marketers is that the traveler is offered products from competing hotels at similar prices. The marketing slogan has been that since product and price are very similar, the factor that makes the difference is price. Based on this view, the marketing executive responds that he is using price, one of the tools of the marketing mix, as the main weapon in response to a changing market situation. Unfortunately, the effect of the policy is to produce a net reduction in both margins and profitability.

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tion in the total travel market resulting from government policy, inflation, etc. Unfortunately, acceptance of this rationale decreases productivity, increases unit costs, and produces under-recovery of overheads.

In many hotels, large corporate accounts or convention business generates a significant proportion of occupancy. Often these big buyers dictate their own terms to the hotels, especially the price they are prepared to pay and the service they expect. In the face of such overpowering force, the sales representative, one of marketing's most expensive tools, is virtually impotent, and often adopts the role of a fawning courtier. What place, if any, has marketing, when key marketing variables are fixed by the customer?

Marketing Has Role In Business

To write off marketing as a mere peripheral frill to the real business would be like discarding manned flight because some of the pioneers crashed. Why is marketing not really working in many accommodation businesses, while continuing to make a significant contribution in a few successful properties and chains? The developments of the last 25 years provide some of the answers. In retrospect, it is apparent that most firms at this time had a large number of strategic marketing options open to them. Unfortunately, many chose either to write off marketing as a mere peripheral frill to the real business of earning profits or to overlook the benefits which were enjoyed and continues to be enjoyed by the travelling public in countries which were early adopters of the long-term concept of retailing as a profession. In that sense, retailing has become a marketing-oriented, customer-driven activity, and the success of such companies can be attributed to the marketing orientation of their management.)

Over the 25 years that have elapsed since the early 1960s, the role of marketing has become much more significant and marketing decisions have become much more critical. In many hotels, large corporate accounts or conference business generate a significant proportion of occupancy. Often these big buyers dictate their own terms to the hotels, especially the price they are prepared to pay and the service they expect. In the face of such overpowering force, the sales representative, one of marketing's most expensive tools, is virtually impotent, and often adopts the role of a fawning courtier. What place, if any, has marketing, when key marketing variables are fixed by the customer?
international markets are becoming even more competitive. Fourth, there has been a reduction in growth of consumers' personal disposable income. Finally, until recently, consumers have been faced with the twin evils of high inflation and high interest rates; this has created a tendency to postpone travel and stay closer to home.

Unfortunately, few hotel firms have identified how their marketing process has been affected by these changes. Many sales and marketing departments are using responses developed and proved in a very different environment to take them through what they see as a period of softening in demand, which will shortly pick up again. It is indeed true that as the economy moves out of the recession, most hotels will benefit from an increase in demand; but unless marketers have come to grips with the real changes that have been and still are taking place in marketing, they will find themselves behind their sharper and more alert competitors.

**Marketers Must Respond To Three Changes**

What then are the real changes in the marketing mechanism to which marketers must respond? There are primarily three. First, the range of strategic options has gradually been narrowed until today the marketer has only a few from which to choose. The correct choice of strategy and tactics is much more difficult; in the mid-1960s almost any marketing effort produced results. The marketer today has a much greater chance of making mistakes, and few chances of producing the results which are needed for the hotel to survive and prosper. Simply, there are far fewer winning formulae than there used to be. This means that the marketer must use three available resources—people, money, and information—in a much more effective way than before in order to steer the marketing programs in the right direction.

Second, tactical marketing tools, such as advertising, promotion, and selling, have become less effective in markets which shift and change at an increasingly rapid rate. Consumers have come to realize that many of the subjective and emotional promises communicated by hotel marketers simply do not materialize in practice. This disenchantment also extends to many games and contests. The chances of winning any one of hundreds of prizes in a bonus-bonanza can be minimal; winners of prizes are often the result of a mathematical, statistical formula. Most consumers have seen and experienced it all before, and automatically discount a large part of what is communicated to them by marketers.

Third, there has been a fundamental shift in the underlying cost structure of marketing. Manpower costs have increased dramatically. Reservation, travel agent, and postal costs similarly have escalated. At the same time, a relative reduction in the costs of communicating, storing, and analyzing data has made it easier for a head office to control and direct a large number of geographically dispersed offices in a central and profitable manner. The result of increased automation has been a very different environment in which to operate.

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Marketing has been inexorably travelling since its birth. The hopeful child of the early 1960s became the enthusiastic, arrogant youth of the mid-1960s and early 1970s and the confident, secure young person of the late 1970s and early 1980s. In the mid to late 1980s with menopause an imminent prospect, the time has come to review, rethink, and redirect marketing activity, if it is not to fall into increasing impotence.

Hotel marketers must recognize that marketing evolves through its own life cycle and that marketing impotency is a stage in this evolution. Its essence is two-fold. First, it is important for the marketer to appreciate that evolution, not revolution, is occurring. The experience and knowledge gained by marketers to date is still relevant, but must now be adopted and refined to recognize the realities of life.

Secondly, with increasing maturity, marketing must come to grips with the fact that activities that were easily carried out in youth have now become much more difficult. Resources which were once available in vast quantities and could, therefore, be squandered must now be carefully husbanded and directed.

Six Components Need To Be Developed

To cope with the problems and uncertainties of the hotel business during the remainder of the decade, six components need to be developed if marketing impotency is to be overcome:

- Differentiate or die
- Dominate the market and keep it
- Relentlessly pursue a basic strategy
- Carry out ruthless analysis to increase marketing productivity
- Systematically adapt new marketing aids and techniques
- Synergistically adapt new marketing aids and techniques

Differentiate or die has an inescapable logic. Unless a hotel can offer a product/service package which is significantly different from that of its competitors, and insure that the differences are perceived as worthwhile by the market, it loses a potentially powerful weapon.

The nature of differentiation required is much broader than that of the traditional concept of the USP (unique selling proposition). To establish differentiation, a careful analysis must be made of the total organization's strengths and weaknesses. The more that clear and distinctive advantages can be developed and publicized, the greater the likelihood that the hotel will be differentiated in the minds of the target market.

Differentiation requires careful consideration of the market's needs and wants. The market must be segmented into groups which have different needs and wants. This segmentation is then used to develop a product/service package which is tailored to the needs of each segment.

In conclusion, marketing has been inexorably travelling since its birth. The hopeful child of the early 1960s became the enthusiastic, arrogant youth of the mid-1960s and early 1970s and the confident, secure young person of the late 1970s and early 1980s. In the mid to late 1980s with menopause an imminent prospect, the time has come to review, rethink, and redirect marketing activity, if it is not to fall into increasing impotence.
centers such as Harrison Conference Services, or before the conceptualization of timesharing, how many vacationers dreamed of being able to own a resort condominium?

This does not mean that market research should be completely discarded. It can be of use when reviewing an established product/service package. By conducting a competitor comparison survey, a company can establish the purchasing criteria which are important to customers when considering choosing a particular hotel; the company can then find out how each of the main competitors rate in the customer's mind against each of the criteria. From this information, only a small step is needed for a company to identify the elements of its product/service package on which it should concentrate.

In all the examples referred to, the nature of the differentiation arose from a deliberate management decision. These companies acquired a degree of leverage that enabled them to earn high profits and returns on capital even in declining markets. Naturally, these are not the only elements that distinguish the companies from their competitors, but they are the most significant, stable, and lasting ones.

Without the scale and resources of companies like McDonald's, smaller organizations need to take a different approach. One method which has proved successful is to target segments that are too small or insufficiently active to interest the major firms. For example, in the resort hotel business, resorts such as the Canyon Ranch in Tucson are focusing entirely on upscale America's preoccupation with nutrition and physical fitness; other resorts such as the Sonesta Beach Hotels in Bermuda are building existing spas into exclusive hotel facilities.

As previously mentioned, companies like Harrison Conference Services specialize in catering to the specialized meeting/seminar/educational needs of a more sophisticated conference market.

Relentless pursuit of the basic strategy is necessary to capitalize on strategic strengths. Clear, unambiguous strategy provides a common competitive advantage to the company. Sometimes adherence to the basic strategy is essential to the continued success of the business. However, when a new concept has merit, it is often more appropriate to develop a new brand.

For example, Holiday Corporation gained market share in the specialty travel market by investing heavily in new and exciting directions. It also focused on new and exciting directions for its existing product lines. These strategies enabled the company to differentiate itself from its competitors and to earn high profits and returns on capital in declining markets.
Casinos) has developed separate brand names for each of its lodging concepts—Embassy Suites Grenada, Hampton Inns (budget), Holiday Inn Crown Plaza (full service), Residence Inn (suite), Harrahs (casino), and Holiday Inns.

The differentiation strategy, although simple in concept, is often much more difficult to apply in practice and, therefore, will require considerable single-minded dedication. For example, Four Season's strategy of high quality and first-class service requires a level of organization, training, and systems support which is expensive and far from easy to maintain. Management's dedication to the strategy and its implementation even forced the sale of a hotel property that attracted the wrong market segment and was considered too large to achieve the level of quality desired.

Many diversifications, entries into new markets, and forward or backward integrations which have been embarked upon over the last 20 years owed their failure to lack of deep commitment to and understanding of strategies and objectives by the management involved. These companies had well-conceived, sometimes elaborate plans, but they were not backed by the level of investment, managerial resources, and drive needed to make them a reality.

Ruthless analysis to increase marketing productivity is more important than ever. The old maxim that 50 percent of advertising is wasted, but no one knows which 50 percent, was catnip to the spendthrift marketer of the 1970s. To the tighter, fitter marketer of the 1980s, it is anathema. Continuous increases in marketing productivity are as vital as gains in restaurant and housekeeping productivity. It is no longer acceptable to apply ruthless productivity measures to marketing activity, nor is it sufficient to merely audit the function and determine if certain quantitative measures are meeting expectations. Experience indicates that audits carried out at lengthy intervals are not relevant to the real function of the marketing manager. In order to improve marketing productivity, it is necessary to improve expenditure discipline and consolidate pressures on specific areas of expenditure in order to assess the effectiveness of marketing activity. But, as excellent theories and applications of ruthless productivity measures are not dependent on follow-through to their natural conclusions, they are more likely to attract the attention of the marketing manager of the 1990s, if the auditor is able to convince him that the market cannot be achieved at the present price paid.

The type of marketing audit necessary to improve marketing productivity differs substantially from the traditional "marketing audit" held in such high esteem by many consultants and academics. Such audits, based on pages and pages of checklist questions, are often meaningless and sterile in practice. Experience dictates that audits carried out at lengthy intervals are not relevant to the real function of marketing management. Improving marketing productivity does not depend on or follow from a wide-ranging one-time analysis of all aspects of marketing, but is based on ruthless expenditure discipline and ruthless productivity measures.

For instance, most marketing managers, when asked, will readily suggest that the main objectives of marketing in their organization are to help produce a profit and generate traffic. Few, however, will have established the direct links between the amount and type of marketing effort and results in terms of profit, traffic, and expenditures. At an even more basic level, confusion will often exist on the definition of profit: Is it short, medium, or long-term profit, and is profitability return on capital employed or return on assets?
One area which frequently proves futile is an in-depth examination of the consumer buying process. This analysis makes it possible to identify the level, type, and frequency of contact needed to help the buyer through the process, and it often results in the adoption of new marketing methods. For example, one hotel virtually stopped operating a very expensive local sales force and replaced it with a carefully trained, well-motivated, and tightly controlled telephone sales force. This change in activity resulted in much lower selling costs, with zero loss in sales in the short term and increasing bookings in the longer term.

Another area which often yields substantial productivity increases after ruthless analysis is identification of that part of the customer base which contributes the bulk of the sales. For example, a major resort in West Virginia has identified in considerable detail, and with a remarkable degree of accuracy, the net profit it earns or fails to earn from its major convention groups and corporate accounts. In turn, it has sharpened its marketing and sales efforts toward the customers who generate the highest daily expenditures, thereby significantly increasing profitability and eliminating a great deal of waste costs and efforts.

Marketing management in successful hotel chains such as Marriott tends to be markedly more analytical and number conscious than among counterparts in the rest of the industry. This means not only that the marketers feel as comfortable with figures as their financial colleagues, but that they are also able to obtain vital insights into the true meaning of the information. The development of this analytical ability and skills is essential. Successful hotel chains act; unsuccessful ones react. The tactics are a hive of frantic activity. Fire-fighting is the normal way of life in such organizations. By contrast, successful firms plan and execute their tactical marketing activity with careful timing and precision so as to create the maximum impact.

The type of tactical activity which should be set in motion follows from the basic company strategies discussed earlier. More than that, however, the tactician takes advantage of opportunities which appear at the time for example, the Marriott advertising campaign which appeared at the same time as a new market sector developed in the area. More than that, the tactician takes advantage of flair and entrepreneurship and imaginative, creative, and original thinking and execution so as to create the maximum impact with careful timing and precision so as to create the maximum impact.
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