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Overcoming The Impotency Of Marketing

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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

Overcoming The Impotency Of Marketing

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Many accommodation businesses have discovered that their marketing activities are becoming increasingly impotent. To overcome this evolution-ary 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 marketing executive's response to the question is typically 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 for many hotels is to produce a net reduction in both margins and profitability.

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 marketing. On the basis of action this appears no longer to be accurate. Rather, the slogan now should be that since products and marketing are very similar between competitors, then the factor that makes the difference is price. Sales volumes and occupancy rates in many hotels are sluggish. If marketing cannot increase or maintain occupancy when the chips are down, is it then a luxury for the rest of the time? The hotel marketing executive responds that the sales decline merely reflects a reduc-

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 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 trill to the real business of earning profits 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 fact, the word "marketing" only began to gain popularity during the late 1960s and early 1970s when the outlook facing many accommodation businesses changed from that of a room shortage to a room surplus and when customers had to be sold because they had alternative choices. Marketing was defined as looking at the hotel or motel through the minds of customers and satisfying customer needs at a profit.

Fortunately, there were ample opportunities on which hotel sales and marketing departments could capitalize. Domestic travel markets were growing quickly; many foreign markets were clamoring for hotels; consumers were optimistic, and living standards were improving; foreign competitors were too busy building to secure a base in their home markets; new markets ranging from packaged holidays to gaming were mushrooming; and new segments such as conference and incentive travel were becoming potent forces.

It was difficult to go wrong, particularly with the access to a brand-new powerful tool — commercial TV. Marketing began to thrive in the 1970s, and like any promising youngster, it was carefully tended and grew from strength to strength. Many product changes and innovations were introduced — health spas, personal care amenities, exciting restaurant concepts, and computerized reservation services, all of which were gladly accepted by the travelling public. 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 the wrong strategy or chose none at all.

Over the 20 years that have elapsed since the early 1960s, the operating climate has become much harsher, and marketing has become a lot tougher. Few of the opportunities available to the marketer in the 1960s and 1970s remain. Marketers have not been slow to identify the factors which have made their task more difficult. First, most U.S. and Canadian markets are mature and saturation exists. Second, the U.S. and Canadian economies are growing quite slowly. Third,

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 more 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 formulas than there used to be. This means that the marketer must use the 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 blunted by constant use 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 bonanza promotion are small, assuming, of course, that they are perceived by the consumer as worth the time, energy, and difficulty involved in entering the competition — which often they are not. 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 in turn made it easier for a head regional office to control and direct a large number of geographically dispersed units, whether they are hotels, salespeople, or customers. The past recession, high inflation, oil prices, interest, and exchange rates brought into sharp focus the process of change through which

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.
- Take tactical initiatives.
- Systematically 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. This differentiation can and does take various forms. Some methods are straight-forward and obvious, others a little more subtle. The following are some well-known instances: high quality hotel coupled with excellent service — Four Seasons; strong branding — Holiday Inn; aggressive pricing — Econo-Travel; all suite hotel — Brock Hotels. 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. But more than that, often a creative leap is required to develop a product/service package, the need for which may not be readily discernable. For example, how many meeting planners realized they had a need for specialized conference

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 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.

Dominate the market and keep it needs to be qualified. 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. Having identified its key segments, it should try to dominate them, and it will succeed in doing so by taking the initiative. In the food service industry, for example, McDonald's maintains its dominance by outspending its competitors on basic research and marketing. 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 tackle 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 direction and focus for managerial effort through the company. Sometimes adherence to the basic strategy goes against the marketer's creativity and desire for novelty. For example, well known hotel chains such as Hilton, Best Western, and La Quinta have maintained the same basic strategy for many years. Of course it is natural for many energetic and well-intentioned marketers to try to take their chains in new and exciting directions. It takes a more experienced and wiser manager to be wary of these ideas. However, when a new concept has merit, it is often more appropriate to develop a new brand/concept. For example, Holiday Corporation (parent for Holiday Inns and

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 requires considerable single-minded dedication. For example, Four Seasons' 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 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 spend-thrift 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 coincidence that Sheraton has adopted many of the productivity and quality assurance disciplines initiated with its parent ITT. The type of marketing analysis necessary to improve efficiency and effectiveness 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 best achieved through applying ruthlessness and consistent pressure on specific areas of expenditure in order to assess effectiveness.

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 it 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 field 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 will be the factor which most sharply distinguishes the successful marketer of the 1980s and 1990s.

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. 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 has consistently differentiated its hotels from competing chains by stressing Bill Marriott Jr.'s individual concern for providing quality in accommodation. The ads depicting Bill Marriott Jr. are extremely effective. They capitalize on America's fascination with entrepreneurial success stories; the impersonality that afflicts a large hotel chain is overcome; and Bill Marriott Jr. comes across in a sincere, cordial, and hospitable manner—the "mein host" that travellers the world over would like to encounter.

This type of tactical planning takes advantage of flair and creativity and entrepreneurial skills. Traditional marketing has held these abilities in high esteem, and it is true to say that the opportunity to put

these talents to work is an important factor in attracting many people into marketing and sales. Unfortunately, in many organizations these virtues are seen as being incompatible with the cold, logical, and analytical approach to improving marketing productivity. But both must function together. The analytical approach provides the framework within which creativity must blossom. This may, in some cases, act as a constraint on flair, but it is no longer viable to allow creativity to function in an unbridled manner that is simply too wasteful of limited resources.

Systematic adoption of new marketing aids and techniques is already important. New marketing tools, ranging from videotext to new methods of TV, merchandising in guest rooms and lobby areas, and more efficient and cheaper methods of information processing and presentation, are on the horizon. Many of these developments will be based on the silicon chip. Already micro-electronics is being used by successful companies in a variety of forms, such as direct booking entry terminals, computerized control of major customer activity, computer terminals located in marketing departments to allow direct access into the company's data base, specific marketing applications such as pricing carried out on micro-computers within the marketing department, and many others.

Successful marketing departments review each development early on to assess how it can contribute to the pursuit of basic strategy and how it can increase marketing productivity. This, in turn, enables the company to keep its initiative in the marketplace. However, the adoption of these new tools may prove to be very difficult, if not impossible, for many hotels, not because the new tools are irrelevant to the company, but because established views, attitudes, and vested interests militate against the acceptance of any significant change. To be successful in the 1980s and 1990s, the marketer must learn to use many more tools and techniques than were needed during the 1970s and previous years.

The marketing skills required to succeed today, then, are different from those of earlier decades. Overcoming the impotency of marketing demands special skills, effort, and diligence from marketing and other hotel executives. If the six principles are adopted, then marketing will re-establish its vitality. This new type of marketing is the present state of evolution in marketing's life cycle. It is less clear cut and simplistic than its forerunner, but, then, it is concerned with a more complicated and, in many ways, a more difficult world. How long will the principle outlined above remain valid? How long will it be before marketing is superseded by another phase? It is likely to be some while before the impotency of marketing can be overcome; the six principles are designed both to cope with and contain market, economic, social, and organizational change. Indeed, the succeeding phase in the development of the marketing activity may well not be heralded until some time in the next century. This means that today's marketers must come to terms with their impotency and settle down for the duration.