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# Marketing Approaches to Human Resources Management In the Hospitality Industry

## **Abstract**

Now that baby boomers are older and pursuing more career-oriented jobs, managers of the hospitality industry are experiencing the effects of the pre- sent labor crisis; they now know that those vacant hourly jobs are going to be tough to fill with quality personnel. The companies able to attract quality personnel by offering employees what they need and want will be the successful ones in the next decade. The authors explain how the labor crisis is currently affecting the hospitality industry and make suggestions about how firms may survive the "labor crash" of the 1990s with the application of marketing technology to human resource management.

## **Keywords**

C. Joseph Rainero Jr., Kye-Sung Chon, Marketing Approaches to Human Resources Management in the Hospitality Industry, Managerial attitudes, Job Applications, Personnel

# Marketing Approaches to Human Resources Management in the Hospitality Industry

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*Now that baby boomers are older and pursuing more career-oriented jobs, managers of the hospitality industry are experiencing the effects of the present labor crisis; they now know that those vacant hourly jobs are going to be tough to fill with quality personnel. The companies able to attract quality personnel by offering employees what they need and want will be the successful ones in the next decade. The authors explain how the labor crisis is currently affecting the hospitality industry and make suggestions about how firms may survive the "labor crash" of the 1990s with the application of marketing technology to human resource management.*

"The most important thing in this business is taking care of your employees—that is, making them feel important and valuable," stated Hervey Feldman, president and CEO of Embassy Suites.<sup>1</sup> Feldman's view seems to be the prevailing managerial sentiment in the hospitality industry today, due largely to the recent awareness of the shift in the labor supply.<sup>2</sup> Feldman's view is an outlook that was uncommon to the hospitality industry during the past decade. Managers of the past were driven with goals of profit maximization, cost minimization, and guest satisfaction. None of these goals are inferior to Feldman's goal, but without facing the reality that he acknowledges, the past decade's managers dug their own graves with high turnover, failure to realize true customer-contact quality service, the use of meaningless performance evaluations, and the non-utilization of marketing research through front-line employee feedback.

During the past decade, managers in the hospitality industry had stacks of completed applications for nearly every position, and if a vacancy occurred, many people were eagerly waiting to fill the opening. This surplus of available hourly labor resulted in a negative cycle, which still continues to plague the industry. In the first phase of the negative cycle, the labor surplus caused managers to change their attitudes and behaviors toward hourly employees. Managers demonstrated the attitude that hourly employees should consider themselves lucky, and if it weren't for the company, they wouldn't have jobs. Managers acted as

though hourly employees were inherently bad, and that they turned over at a high rate due to their own deficiencies. Secondly, managers believed that since hourly workers turned over at a high rate, using extensive training procedures was a waste of time and money.

The cycle progresses further as untrained employees are frustrated with managers demanding the highest quality service, and yet neglecting the training necessary to perform up to the standards. Frustrated employees then leave with a negative perception of the industry and never attempt to enter the hospitality workforce again, retain the feelings of frustration and become a burden to the customer, or display negative emotions in the form of undesirable behaviors which result in dismissal.

Recently managers like Feldman have noticed the overwhelming stacks of applications decreasing drastically. Reasons for the decline in the supply of labor are no mystery. In fact, sources have documented six shifts in the civilian labor force, all of which have direct effects on the hospitality industry: the shortage of young employees, the middle-age bulge, the increasing professional role of women, the increased employment of older workers, changing work schedules, and a significant influx of illegal aliens and immigrants.<sup>3</sup>

With several new demographic shifts in the workforce, employers are faced with new employee needs. Examples include child care for working mothers, flexible hours for older workers, and education for immigrants. A shortage of young workers along with an increase in older consumers will also have a major impact on the hospitality industry. Employers must apply the principles of marketing to human resource management in order to fill the vacant positions and compete for the decreasing number of applicants who are qualified to fill those jobs.

### **Marketing Aids in Human Resource Management**

Before applying marketing to human resource management, managers must first understand the principles involved in both areas of management. Human resource management principles include staffing, development, employee relations, compensation, and evaluation. Human resources management objectives must be tailored to help managers achieve human resource and organizational objectives.<sup>4</sup> The objectives of marketing management must also be designed to help the organization achieve its mission statement. The principles of marketing include segmentation, positioning, price, promotion, place, product, and marketing research.

In marketing management, the firm attempts to determine its target market's needs and then design a plan to fulfill those needs. Since marketing was founded on the basic theories of supply and demand, it can be applied appropriately to human resource management, which obviously must face the components of supply and demand in the labor market.

Once the mission statement is clearly stated, both the marketing and the personnel departments have direction for helping the organization achieve its long-term goal. If the company is aware of its mission

statement, both departments should collaborate and decide their objectives and goals. If the company has announced that it will be expanding at a rate of, for example, one store per month, the personnel department must determine the number of employees needed in each area, at each store. The marketing department can then determine the labor target market of that geographic area for each position.

With the information concerning the target markets, the marketing department can position the job to be filled in a way that will best suit the population of that target market, as well as the organization. A strategy will be devised for each element of the marketing mix, or the "four P's," which include product, price, place, and promotion. The marketing department can determine what benefits, hours, responsibilities, working conditions and other job (product) related factors will best suit the target market's needs and wants. The best salary or wage (price) for the position is also very important to match the target market with the right marketing mix. The way people filling those jobs will receive their benefits, be promoted up through the organization, and take orders from someone of higher authority are all important aspects of the distribution of the marketing mix. The various labor markets (place) make up the different channels for employers to seek employees to fill vacancies. Finally, the positions and their predetermined features must be advertised, publicized, and sold through a well-designed promotional mix. The plans and budgets to reach the target market having been determined, they now can be put into action and later be monitored with feedback systems.

### **Fast-food Restaurant Illustrates Approach**

A fast-food restaurant will serve to illustrate the marketing approach to human resource management. The steps for this restaurant in incorporating marketing in its human resource area will follow the steps of the strategic marketing process. The first stage will be to define the hospitality business's uniqueness; for the human resource manager this will mean determining the characteristics of the perfect employee for the business. In the fast food business some of these qualities might be energetic, team worker, friendly, desire to serve, dependable, and honest. The qualities of the personnel of the operation will make up the image, differentiation, and benefits of the restaurant.

During the next phase, the human resource department will need to analyze its internal and external environments. In environmental scanning the restaurant will need to look at the existing competition for the limited number of potential employees in the labor pool. The human resource department should observe the present strategy, future decisions, strengths and weaknesses, and barriers for those existing competitors. Basically, any other business which could employ individuals with the same qualities as the fast food restaurant would be a competitor. Potential competitors should be analyzed in areas of entry barriers, potential to enter, desire to enter, and ability to enter. Suppliers of "goods" which would be used to attract and retain an employee, i.e., insurance companies and restaurant managers, should be analyzed by

determining their qualifications, negotiation ability, and dependability. The "buyers" of this product, or the potential employees, found in the existing labor market should be studied to show the favorableness of the demographic mix, their needs and wants, the existing demand for employment in the fast food business, and the market growth potential. Also "substitute products," or other types of employment that the labor market might seek and their likely trends, should be observed.

The personnel department of the fast-food restaurant must then analyze its own strengths and weaknesses. Areas to be observed include every aspect of the human resource function, i.e., recruiting, hiring training, compensation, etc. Analysis should also cover the qualities of the jobs that are available at the restaurant.

### **Strengths of Company and Personnel Must be Matched**

Once the external opportunities and threats and internal strengths and weaknesses have been documented, the personnel department can begin matching their strengths with opportunities to formulate goals that will take advantage of the position of the restaurant company in its environment. Similarly, the human resource managers will want to formulate goals based on the match of their own weaknesses and environmental threats to avoid any potential negative effects of those threats. If the restaurant firm has found that the labor pool contains a growing abundance of unemployed elderly and that many of the positions in the restaurant would be appropriate matches for elderly workers, then the restaurant would want to set a goal of employing 20 percent more elderly employees in the next two years. Likewise, the restaurant might want to set a goal of reducing turnover by 25 percent in the next year because of the labor shortage and their own weakness in recruiting.

Having determined acceptable, measurable, and flexible goals, the human resource department should then select the appropriate target labor markets. To attract, motivate, and retain employees from the selected labor markets, market research should be conducted to determine what qualities, benefits, and characteristics each labor market seeks in a job. Positioning, or matching the marketing mix of the fast food employment with the needs, wants, and expectations of the labor market, will determine the characteristics of the four P's: product, price, place, and promotion. If the target labor market happens to be the elderly, then the marketing mix might be a product mix of limited physical work, social atmosphere with other seniors, and open lines of communication; a price mix of full insurance benefits, paid vacations, and recognition/incentive programs; a place mix of part-time, flex-time, and job concentration; and a promotion mix of advertisements in senior magazines, contacts with local senior organizations and national associations, and an employee referral system.

The strategies to attract and retain the proposed labor markets will then be implemented using budgets and emphasizing the culture and structure which matches the programs to be implemented. Finally programs should be monitored constantly to provide the basis for continued strategic development.<sup>5</sup>

It may seem hard to believe that any company would actually go to

the time and expense of using the marketing department to become so involved in the process of personnel administration. However, the results of applying marketing to human resource management speak for themselves. Already companies who have applied some of the principles of marketing to human resource management have found new markets for hard-to-fill positions through marketing research, cut turnover by determining and meeting employees' needs, and attracted the most desirable applicants to fill certain positions through promotion. To many companies the application of marketing to human resource management is a necessity. The staffing administrator for General Dynamics Convair division explains: "We're competing with everyone else out there for the qualified applicants."<sup>6</sup>

Surprisingly, hospitality organizations may be using marketing principles in their personnel departments without even knowing it, just to compete with other organizations for people to fill vacant positions. In *Personnel Journal*, Elizabeth S. Palkowitz writes, "Over the course of the last decade the increasingly competitive market has made it necessary for personnel professionals to view the recruitment function as a marketing strategy rather than simply a mechanism for placing help wanted ads."<sup>7</sup> A nationwide survey of top recruitment advertising agencies found that 58 percent of the fast food industry used recruitment advertising.<sup>8</sup> Respondents agree that an emphasis should be placed on the application of marketing to human resource management: "Companies will have to involve their overall marketing strategy and include human resources."<sup>9</sup> Respondents also feel that the extra costs of applying marketing are well worth it: "More money will have to be allocated for more active, image building campaigns rather than reactive classified ads in the Sunday newspaper."<sup>10</sup>

Several fast food companies including McDonald's, Kentucky Fried Chicken, and Pizza Hut have used market research to determine the availability of young workers to fill positions. As DeMicco and Reid assert, aggressive recruitment and retention strategies may not be sufficient as the labor crisis worsens.<sup>11</sup> Companies will be forced to use more deliberate marketing techniques in order to compete for the declining numbers in the labor pool.

### **Marketing Programs Target Elderly Workers**

As with the leading fast food organizations, marketing job positions as products to the older workers provides the industry with an alternative. "Older workers learn fast, perform well, and remain stable on the job."<sup>12</sup> McDonald's McMasters program and Kentucky Fried Chicken's "The Colonel's Tradition" have been two successful programs for hiring elderly employees, due to the marketing orientation which accompanies each. The programs establish compensation, fringe benefits, and flexible hours because these were found to be the needs of the older workers. Older workers have been found to be more successfully trained with personal attention;<sup>13</sup> therefore, McDonald's McMasters program emphasizes personal training for new McMasters recruits.<sup>14</sup> The process McDonald's went through to determine the best method to train employ-

ees incorporated many marketing related principles, and was obviously successful with a 71 percent retention rate.<sup>15</sup> For many companies, the extra costs associated with 15-20 hours per week of training may seem to be unnecessary, but DeMicco noted in his article that McDonald's shares the cost of training and administering the program with a government agency.<sup>16</sup>

Managerial level jobs are not immune to the need for the emphasis of marketing principles applied to human resource management. As McCleary and Weaver state, "Hospitality firms spend millions of dollars recruiting and competing for graduates from the various hotel and restaurant programs around the country . . . the offer that most closely matches the needs and wants of the recruit will be the one he or she accepts."<sup>17</sup> McCleary's and Weaver's article attempts to determine what the needs and wants are of today's college graduates who plan to go into the hospitality industry. The study indicated that the top three variables relating to job selection were a chance for promotion and growth, interesting work, and a chance for increasing responsibility.<sup>18</sup> Thus, to attract the graduates, hospitality firms will have to match graduates' needs and wants with what they offer in the managerial positions; matching those needs and wants with what the job is offering exemplifies the application of marketing to human resource management.

### **Marketing Can Improve Service**

For hospitality firms, an application of marketing to human resource management may be the answer to many labor problems, and it may also remedy a problem typically considered as marketing related. One problem which by nature is considered personnel related is a result of the high degree of human contact between the front-line employee and the customer, also called the constant customer-firm interface. In the service industry, the customer-firm interface is high. There is a growing interest that suggests that this interface is so high that the employee could be considered part of the product in a marketing sense.<sup>19</sup> Because of this high interface, the employee greatly influences customer satisfaction or dissatisfaction. A hospitality firm may believe that it is marketing and selling one product while, in actuality, it is marketing and selling a completely different one.

To illustrate the conflict of interest which results when a company is unaware of the importance of marketing its employees, a restaurant will serve as an example. If a restaurant manager thinks the restaurant is providing friendly service with good food at an affordable price to travelers, yet its wait staff (those who maintain the high customer-firm interface) are rude and hurried, then that restaurant is not selling the product which it is attempting to market. This problem is sometimes considered personnel related in nature since many managers blame the rude behavior on the employee. Regardless of its nature, the problem is not personnel related; it is a marketing problem. If the marketing department establishes a marketing mix but does not follow up with the intended product, then the department has proved to be useless.

There is a growing interest in regarding front line employees as part of the product in a marketing sense. For the marketing department to be successful in its goals, the organization as a whole must be successful. For the organization to succeed, it must adopt a marketing orientation.

According to Haywood, the importance of adopting a marketing orientation inside the organization is greater for the hospitality industry. "Service is an outcome between a physical environment and/or facilitating goods, the service personnel, and the customer. Therefore, there is more or less a simultaneous production/consumption of the service."<sup>20</sup>

When an organization strives to provide quality customer service, the marketing department must set its objectives to market quality service. The service encounter must be given special attention because the ultimate success of any business in the service industry depends on the quality of the service provided. "Employee needs and problems in service encounters need to be balanced against the needs and expectations of customers."<sup>21</sup> If the needs of the customer are to be balanced with the needs of the employee to achieve a higher degree of quality service, then obviously an application or emphasis of marketing in human resource management is necessary.

The intangibility of the product, the constant customer-firm interface, and the emphasis placed on quality service in the hospitality industry all suggest new insights into the problems of managing service capacity and point to the need to integrate the functions of marketing and operations in services. If service is derived from the interactions of customers with the service facilities and with service contact personnel, then the different functional departments (marketing, personnel, operations, etc.) are forced to be interdependent.<sup>22</sup> Some refer to this as the service management triangle, where each department depends on another for accomplishing its own objectives.

To accomplish quality service and overall organizational effectiveness, firms in the hospitality industry may adopt the concepts of the service management triangle and determine exact training to make employees aware of their roles as part of the product. Employers might also consider participative management, so the employee may produce and receive feedback, and ensure a positive and service-minded climate in the organization.<sup>23</sup>

The hospitality industry has been proud to boast slogans like, "People working for people." With the imposing labor crisis and the increased awareness of the essential ingredients involved in providing people with quality service, the hospitality industry will be faced with the task of attracting quality personnel, training them to provide the desired product, retaining them, and using them to aid in the marketing process. To fill the necessary service positions, companies in the hospitality industry must apply marketing to human resource management.

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