

# Competitive marketing strategies of selected hotels: an exploratory study

D.J. Petzer, T.F.J. Steyn &  
P.G. Mostert

## ABSTRACT

Organisations continually seek new ways to acquire, retain and increase business, since the cost of losing customers is rising. Service organisations such as hotels need to put in place competitive marketing strategies to improve their competitiveness and thus retain customers. Once demand is created, a hotel needs to manage this demand as well as its capacity to deliver.

This study investigates the importance that hotels attach to executing competitive marketing strategies, as well as managing supply and demand. The study also determines whether or not hotels of different size and ownership type differ in their view of the importance of carrying out these functions.

An interviewer-administered in-office survey was used to collect data from hotel managers in Gauteng.

Hotel managers across the board consider all competitive marketing strategies as important. Significant correlations exist, however, between the importance attached to certain competitive marketing strategies and the size of hotel – as well as the hotel ownership type.

**Key words:** competitive marketing strategy, hotel, services marketing, competitive advantage, sustainable competitive advantage, positioning, service life cycle, supply, demand, capacity

---

Prof. Petzer and Prof. Mostert are Associate Professors in the School of Business Management at the North-West University, Potchefstroom. Prof. Steyn is Associate Professor in the Department of Management, School of Business at Cameron University, Lawton, Oklahoma, USA. E-mail: daniel.petzer@buseco.monash.edu.

## INTRODUCTION

In most developed countries, about 80% of the workforce is employed in the service sector. Service sector industries include education, retailing, tourism and hospitality, medical and hospital services, as well as communications and construction services (McColl, Callaghan & Palmer 1998: 43). By the early 2000s, it was estimated that services already accounted for 72% of the gross domestic product (GDP) of developed economies, and 52% of the GDP of developing economies (Hill 2007: 245). The hospitality industry was expected to grow by 6.2% and the tourism industry by 4.1% in 2007 (*Economist* Intelligence Unit 2005: 107–110). The hospitality industry has grown phenomenally since 2001 and has been driven by both leisure and business demand (Kloppers 2005: 28). Tourism in South Africa contributes about 5% to the GDP (Dikeni 2001: 519) and can thus help to raise the national income, the level of employment, the balance of payments and foreign exchange rates. Hotels differ in style and size, some having up to 800 bedrooms. There are full-service establishments and medium-sized business-class hotels, while others do business in the budget sector. Finally, there are the small country inns (McManus 2000: 131). Hotels accounted for 37% of total accommodation sales in South Africa in 2004 (Euromonitor International 2005).

Organisations continually seek new ways to acquire, retain and increase business, because the cost of losing customers is rising. Service is an important factor in retaining clients. The role of service is more important than ever, and is expected to become even more critical with time (Choi & Chu 2001: 289). Hotels that have the ability to attract, satisfy and thus retain customers are more likely to survive than hotels that do not do so.

Successful customer retention allows the hotel to build relationships with its customers (Reichheld & Sasser 1990: 105–108; Hoffman, Kelley & Chung 2003: 334).

Kurtz and Clow (1998: 380–381 & 403) are of the opinion that, irrespective of the efforts of service organisations to introduce competitive strategies to attract customers and efficiently manage the supply of services they offer, customers do not always purchase from the same organisation – nor do they always remain loyal.

The objective of this study is to establish the views of hotel management about the importance of competitive strategies and managing supply and demand. Differences in these views between the management of differently owned hotels, and of different sizes of hotel, will be determined.

## THEORETICAL BACKGROUND

The theoretical background to this study focuses on the competitive marketing strategies that hotels could utilise in order to attract customers. It also looks at the strategies that hotels could implement to manage the supply of, and demand for, services.

### Competitive marketing strategies

It is said that organisations in the tourism industry have been slow in adopting the principles of marketing, even though these would enable them to improve their performance and customer retention (Appiah-Adu, Fyal & Singh 2000: 96 & 109). For a service organisation such as a hotel to acquire customers, it is important that marketing strategies be deployed to improve its own ability to compete with other hotels, gain a competitive advantage and thus retain a greater number of customers (Anderson & Vincze 2000: 76; Chaharbaghi & Lynch 1999: 49; Hill & Jones 2002: 123; Hitt, Ireland & Hoskisson 2001: 5; Kurtz & Clow 1998: 308; Ma 1999: 259 & 261; Passemaid & Kleiner 2000: 12).

#### *Competitive advantage and sustainable competitive advantage*

Competitive advantage can be viewed as the value an organisation is able to create to differentiate itself from its competitors (Dubé & Renaghan 1999: 28–33). The value that is created by an organisation is measured by the price customers are willing to pay for its particular service (Passemaid & Kleiner 2000: 112). If customers perceive the service as producing the required benefits, they will purchase that service, and, more importantly, will continue to do so over time (Wood 2004: 59).

Hitt et al. (2001: 5) view competitive advantage, and sustainable competitive advantage, as more or less synonymous. The authors define it as ‘something’ that occurs when an organisation puts a value-creating strategy in place. This should be a strategy whose benefits cannot be copied, or which would simply be too expensive to copy.

Anderson and Vincze (2000: 76) define sustainable competitive advantage as the ability to be successful over time. Success is based on the organisation’s ability to rely on the skills and assets it owns. According to Chaharbaghi and Lynch (1999: 49), sustainable competitive advantage meets current competitive needs without harming the ability of the organisation to meet its future needs. Sustainable competitive advantage has three different ‘orientations’. The first is a conservation-orientation, which is rooted in the idea that no organisation has unlimited resources. The

second orientation is needs-based since the economic activity of the organisation is concerned with the needs of its customers. Finally, it is future-oriented, or focused on the long-term enhancement of resources to gain advantage.

Aaker (2001: 134) considers that four factors are needed to create a sustainable competitive advantage: firstly, the product strategy, the positioning strategy and the production strategy with which the organisation competes; secondly, the assets and capabilities of the organisation that form the basis for competition; thirdly, the markets where the organisation competes; and, lastly, the competition with which the organisation has to contend.

Kim and Oh (2004: 66) are of the opinion that the competitive advantage of an organisation is the result of the resources that the organisation has developed internally. As with all organisations, hotels differ in terms of the resources that they possess or have access to. The competitive advantage that a hotel possesses depends, thus, on how the hotel develops and employs its resources. A chain of hotels might, for example, gain competitive advantage through a flawless reservations system developed for the chain. Given the current business landscape, it is necessary for organisations to keep ahead of competitors by utilising strategies of differentiation. Differentiation is accomplished through gaining – and sustaining – competitive advantage (Colgate 1998: 80). Branding seems to be the only sustainable differentiating strategy that hotels might use. A sustainable differentiating strategy requires the hotel to bond emotionally with customers and focus on building long-term relationships with them. Hotels might accomplish sustainable differentiation by continually providing consistent brand messages (Cai & Hobson 2004: 206–207).

McDonald (2002: 460) states that even though an organisation is able to gain a competitive advantage, it is easy for a competitor to match that organisation and draw alongside it. Mazzarol and Soutar (1999: 290 & 292) propose that the organisation can sustain its competitive advantage only if barriers to imitation are put in place. These barriers prohibit competitors from copying the organisation. If competitors are unable to copy an organisation, its competitive advantage may well become sustainable in the long run.

### *Positioning*

Positioning is an important strategy that an organisation might utilise to create, and sustain, competitive advantage (Anderson & Vincze 2000: 209; Belch & Belch 2004: 51; Cravens, Lamb & Crittenden 2002: 8; Lovelock 2001: 200; Palmer 2001: 177). Once a service organisation has identified its target market, the next step is to clearly position its service offering. The organisation should first of all identify the basis on

which it wants to compete, and then position its services in a clear and unique way (Meek, Meek & Ensor 2001: 169).

It is important to establish the different positioning criteria along which service offerings can be positioned. These criteria include (Aaker & Shansby 1982, cited in Belch & Belch 2004: 52–54; Trout 1995, cited in Kotler, Brown, Adam & Armstrong 2004: 365; Clow & Baack 2001: 130; Wind 1982, cited in Palmer 2001: 179–180):

- *Specific product or service attributes.* A hotel promotes to business travellers the fact, for example, that it is located in the heart of a financial centre.
- *Benefits or needs.* A hotel decides to focus on specific services offered to the business segment. These services might include, for example, Internet access and document delivery.
- *Usage occasions.* A hotel positions itself to conference organisers as ideally suited for hosting conferences.
- *User categories.* A hotel positions itself as meeting the needs of business customers rather than individual customers.
- *Positioning by competitor.* A hotel positions itself as having better facilities than those of all other hotels in a particular area.
- *Positioning by product class.* A hotel positions itself as a ‘conference’ hotel rather than as a ‘leisure’ hotel.
- *Positioning by price and quality.* A hotel might position its brand at the high end of the market as a premium hotel, or at a more competitive price at the lower end of the market.
- *Positioning by cultural or national symbols.* A hotel could tie itself to a cultural symbol, for example, Sun International’s Table Bay Hotel in Cape Town associates itself with Table Mountain and Table Bay, which are South African landmarks.

To sustain competitive advantage and suitably position an offering for the duration of its existence, it is crucial for the organisation to identify the phase of the service life cycle in which the offering finds itself. The placement of the offering in the service life cycle will determine the marketing strategies that are appropriate to addressing the challenges of the phase in question.

### *Service life cycle*

The hotel needs to proactively manage the service mix it is offering, by applying a suitable selection of strategies. For example, a hotel finding its service offering in the growth phase of its service life cycle will focus on getting customers to prefer its brand to the brands of competitors.

A hotel that is able to compete successfully in its industry through (1) the creation of a sustainable competitive advantage for its service offering, and (2) positioning its service offering successfully in relation to its competitors throughout the life cycle of that offering, will eventually retain customers. Such a hotel should ensure that it has the necessary systems and strategies in place to manage the demand for its offering. In addition to managing demand, the hotel needs to manage its capacity, or ability to supply the demand made by its customers.

## Managing supply and demand

Klassen and Rohleder (2002: 527) view demand management as “an attempt to shift demand”, while capacity or supply management is seen as “a response to demand”. Since services are perishable, managing demand and capacity (or supply) is critical in the hospitality industry (Kotler, Bowen & Maken 2003: 59).

Demand and supply do not always match. The supply of services by a hotel may exceed the demand from customers in quiet times; demand from customers may exceed the ability of the hotel to supply the required services during peak times. When supply exceeds demand, a hotel is left with unused resources: rooms, restaurant seating and conference facilities, among other things. When demand exceeds supply – and there are no rooms or restaurant seating available – the hotel may have no other option than to turn potential customers away (Kurtz & Clow 1998: 345).

In a properly designed and managed service organisation, the capacity of the facility, the supporting equipment and the service personnel should all be in balance with one another – and with demand for the services offered. Operations should be designed in such a way as to limit the chances that a bottleneck might occur in the system. This is not always attainable: demand levels fluctuate unpredictably in the hotel industry. It is also difficult to minimise bottlenecks, since the time and effort it takes to personally serve individual customers varies greatly (Adenso-Díaz, Conzález-Torre & García 2002: 286; Klassen & Rohleder 2002: 527; Lovelock 2001: 401).

### *Management of customer demand*

The fact that a service organisation such as a hotel cannot store its services is not problematic – but only when demand is steady and foreseeable. In reality, service organisations such as hotels experience demand that varies significantly. This variation can take a number of forms (Kandampully 2000: 12; Palmer 2001: 389):

- *Daily variation.* The demand levels vary according to time of day: a hotel restaurant is busier during meal times than during the rest of the day.
- *Weekly variation.* A hotel located in a scenic area away from a city is busier over weekends than during the week.
- *Seasonal variation.* A resort hotel's occupancy is higher during holidays than during out-of-season periods.
- *Cyclical variation.* The demand for hotel accommodation varies according to the economic conditions in the country or region where the hotel is located.
- *Unpredictable variation.* Demand for hotel accommodation can decrease sharply when a terrorist attack or natural disaster occurs in proximity to the hotel.

In a situation of under-demand, or oversupply, the organisation could seek greater diffusion into the market by proactively contacting customers – or it could reposition service offerings. It might offer different and alternative services, including complimentary and convenience services (such as meals included in room rates, or valet parking). It could increase advertising, or offer discounts or lower prices, or follow segments whose demands change according to season. It could also initiate marketing programmes targeted at particular segments, or use idle employees as 'walking advertisements', or market services under exchange agreements (Palmer 2001: 391; Shemwell & Cronin 1994: 16; Sill 1991: 81).

### *Management of service capacity*

Armistead and Clark (1994: 6–7) state that capacity management aims to bring potential output (based on available resources) in line with actual output. Lovelock (2001: 395–396) proposes several strategies to manage capacity. These involve stretching and shrinking capacity, chasing demand, as well as bringing about flexible capacity (Lovelock 2001: 395–395). In some instances, capacity may be elastic. This means, for example, that opportunities may exist to accept extra business when the organisation is already busy. A hotel could stretch capacity by accommodating more than its capacity during peak demand periods. This could be done by turning a room suited for double occupancy into a room to accommodate a family.

The second strategy – chasing demand – involves altering capacity to suit changes in demand. The service organisation may schedule for downtime during periods of low demand, use temporary staff instead of permanent staff, or lease or share facilities or equipment that are not being used. Alternatively, employees could be multi-skilled to perform a wider variety of tasks (Lovelock 2001: 395–396). A hotel may also decide to use the extra time to train its employees, or allow employees to practise the skills that they have acquired. The hotel could also spend the extra time

implementing new work schedules, retrenching staff, conducting subcontracting work for other suppliers, or offering free services to charities and other such organisations (Kurtz & Clow 1998: 354; Shemwell & Cronin 1994: 16; Palmer 2001: 393).

During periods of high demand, a hotel's restaurant may, for example, offer early dinners and late suppers so as to accommodate all guests in the dining room, though at different times, during the evening. A hotel may decide to hire temporary staff and equipment, add temporary facilities, or use equipment and staff only where most urgently needed. It might also increase the number of staff, let staff work longer hours (overtime), or multi-skill staff to enable them to perform a wider variety of tasks. It could also turn away new customers and focus only on frequent guests, or, finally, outsource work to other organisations (Kurtz & Clow 1998: 349–355; Lovelock 2001: 395–396; Palmer 2001: 392–393; Shemwell & Cronin 1994: 16).

The last option available is to design capacity to be flexible (Lovelock 2001: 395–396). A hotel might build rooms with connecting doors. The hotel could, in such a scenario, configure the rooms as two separate bedrooms, or as one bedroom with a separate lounge – depending on demand. Sill (1991: 78) is of the opinion that the objective of a flexible capacity strategy is to promptly respond to demand at different levels. The key to a flexible capacity strategy is the ability to service high levels of demand, yet still keep overhead costs down. This is achieved by avoiding excessive capacity (Sill 1991: 78).

## PROBLEM STATEMENT, OBJECTIVES AND RESEARCH HYPOTHESES

In the extant literature on the subject, no study could be found examining the correlation of the size of hotel (small, medium or large) or the ownership type of the hotel (group or branded, or private/owner-managed) to managerial attitudes towards competitive marketing strategies and managing supply and demand. The main objective of the study is, therefore, to establish how hotels in Gauteng view and execute competitive marketing strategies and manage the supply and demand of guests.

The following null hypotheses arise out of the literature discussion:

H<sub>0</sub>1: Hotel size is not significant in managerial perceptions of the importance of competitive marketing strategies that competitors find difficult to imitate.

For further refinement, the first hypothesis can be subdivided into the following:

H<sub>0</sub>1<sub>a</sub>: Hotel size is not significant in managerial perceptions of the importance of creating value for guests that competitors find difficult to imitate.



- H<sub>o1<sub>b</sub></sub>: Hotel size is not significant in managerial perceptions of the importance of sustaining value for guests that competitors find difficult to imitate.
- H<sub>o1<sub>c</sub></sub>: Hotel size is not significant in managerial perceptions of the importance of creating a unique positioning for the hotel.
- H<sub>o1<sub>d</sub></sub>: Hotel size is not significant in managerial perceptions of the importance of changing the existing positioning strategy of the hotel to improve its appeal to guests.
- H<sub>o1<sub>e</sub></sub>: Hotel size is not significant in managerial perceptions of the importance of managing the hotel's offerings, as demand for these changes from time to time.
- H<sub>o2</sub>: Ownership type of the hotel is not significant in managerial perceptions of the importance of competitive marketing strategies for guests that competitors find difficult to imitate.

For further refinement, the second hypothesis can be subdivided into the following:

- H<sub>o2<sub>a</sub></sub>: Ownership type of the hotel is not significant in managerial perceptions of the importance of creating value for guests that competitors find difficult to imitate.
- H<sub>o2<sub>b</sub></sub>: Ownership type of the hotel is not significant in managerial perceptions of the importance of sustaining value for guests that competitors find difficult to imitate.
- H<sub>o2<sub>c</sub></sub>: Ownership type of the hotel is not significant in managerial perceptions of the importance of creating a unique positioning for the hotel.
- H<sub>o2<sub>d</sub></sub>: Ownership type of the hotel is not significant in managerial perceptions of the importance of changing the existing positioning strategy of the hotel to improve its appeal to guests.
- H<sub>o2<sub>e</sub></sub>: Ownership type of the hotel is not significant in managerial perceptions of the importance of managing the hotel's offerings, as demand for these changes from time to time.
- H<sub>o3</sub>: The size of the hotel is not associated with managerial perceptions of the importance of managing guests' demand for products and services in an attempt to change demand.
- H<sub>o4</sub>: The ownership type of the hotel is not associated with managerial perceptions of the importance of managing guests' demand for products and services in an attempt to change demand.
- H<sub>o5</sub>: The size of the hotel is not associated with managerial perceptions of the importance of managing the ability of the hotel to supply products and services in response to guest demand.

- H<sub>0</sub>6: The ownership type of the hotel is not associated with managerial perceptions of the importance of managing the ability of the hotel to supply products and services in response to guest demand.
- H<sub>0</sub>7: The size of the hotel is not associated with managerial perceptions of its importance in maximising revenue through manipulating room rates in response to expected demand.
- H<sub>0</sub>8: The ownership type of the hotel is not associated with managerial perceptions of the importance of maximising revenue through manipulating room rates in response to expected demand.

## RESEARCH METHODOLOGY

An interviewer-administered, in-office survey was used to collect data from hotel managers in Gauteng. A questionnaire was designed based on ideas gleaned in the literature study. It contained structured and unstructured questions, and was pre-tested among hotel managers (general and marketing managers) before it was fielded.

The questionnaire consists of several sections. The first section introduces the questionnaire and poses a number of screening questions. The next section determines the composition of the hotel's guests. The third section measures the importance of competitive marketing strategies being utilised and the management of supply and demand at the hotel. The last section of the questionnaire deals with demographic and general questions.

A multiple-item, unlabelled five-point scale was used to measure management perceptions. Multiple-item scales involve gauging a number of statements linked to a specific object (Aaker, Kumar & Day 2004: 293). An unlabelled scaled response format was used for the multiple-item scale, and only the endpoints of the scale were identified (Burns & Bush 2000: 306). A score of 3 is the middle-value of the scale. A score of higher than 3 leans towards 'very important', while a score of less than 3 towards being 'not important at all'. A mean score of more than 3.00 for an activity or strategy is regarded as indicative that respondents consider it to be important.

A representative sample of 125 hotels was drawn from the population under study (the target population contains 182 hotels). A probability sampling technique – stratified sampling – was used to draw a sample from the population. The population was separated into different strata according to the ownership type and size of the hotel. Ownership of hotels is either 'group or branded', or 'private or owner-managed'. Hotels with 50 or fewer rooms were classified as 'small', hotels with 51 to 150 rooms were classified as 'medium', and hotels with 151 or more rooms were classified as 'large'. A sample was then selected from the different strata

using systematic sampling. Drop-down substitution was used to compensate for non-response error. According to Burns and Bush (2000: 411), this method can be used when a researcher employs systematic sampling. In this study, drop-down substitution entailed contacting the next hotel manager on the list immediately following the name of the hotel manager who had refused to respond. It goes without saying that the substitution could not be up for interviewing on the original sampling list.

In order to determine whether a significant association existed between the mean responses of the two groups (group or branded, as opposed to private/owner-managed hotels), Fisher's Exact Test was used. A Phi coefficient was computed in order to signify the strength of the associations between the variables. In order to determine whether a significant association existed between the mean responses of more than two groups, the Pearson Chi Square Test was conducted. Cramer's V coefficient was computed to signify the strength of the association between the variables (SPSS 2003: 309–310, 377–381 & 465).

## RESULTS

### Sample profile

The population of the hotels in Gauteng was 182, and a sample of 125 hotels was selected. Fifty-five of these hotels (44% of the sample) made up the final, realised sample. Large hotels constituted 18%, medium hotels 51% and small hotels 31% of the sample. Group or branded hotels numbered 39 (71% of the sample), and there were 16 private or owner-managed hotels (29%). Seventy per cent of the respondents were general managers, while the rest were assistant general managers, marketing managers, operations managers and personal assistants. Respondents had been in their current position for periods of between ten weeks and 15 years, with a mean of 4.04 years. Participants also indicated that their hotels had been in existence from anywhere between two and 60 years, with a mean of 12.83 years.

### Reliability

Cronbach's alpha was used to determine the reliability of the measurement set. The measure ranges from 0 to 1. A value of 1 indicates perfect reliability, and the value 0.70 is considered to be the lower level of acceptability (Hair, Anderson, Tatham & Black 1998: 118). The Cronbach's alpha for the measurement sets is 0.794. This indicates that the measurement set used in the study is reliable.

## Competitive marketing strategies

### *Hypothesis 1: Hotel size and competitive marketing strategies*

Respondents had to provide feedback on the importance attributed to a number of marketing strategies in their hotels' efforts to be competitive. They had to rate these strategies and activities on a scale from 1 to 5, where 1 was 'not important at all' and 5 was 'very important'. As already stated, a mean score of more than 3.00 for an activity or strategy is regarded as indicative that respondents consider it to be important.

Table 1 provides the overall results for the sample and contains the mean and standard deviation for each competitive marketing strategy, as well as the statistical measures to determine the significance of these data.

**Table 1:** The importance of competitive marketing strategies for different sizes and types of hotel ( $N = 55$ )

| Strategy  | Mean | Std dev. | Fischer's Exact Test (p-value) (type of hotel) | Phi coefficient (type of hotel) | Pearson Chi Square (p-value) (size of hotel) | Cramer's V coefficient (size of hotel) |
|---|------|----------|--|---------------------------------|--|--|
| Create value for guests that competitors find difficult to imitate                    | 4.48 | 0.874    | 0.542  | 0.097                           | 0.515  | 0.154                                  |
| Sustain value for guests that competitors find difficult to imitate                   | 4.46 | 0.785    | 1.000  | 0.000                           | 0.844  | 0.078                                  |
| Create a unique positioning strategy for the hotel                                    | 4.32 | 0.789    | 0.768  | 0.079                           | 0.681  | 0.117                                  |
| Change the existing positioning strategy of the hotel to improve its appeal to guests | 3.64 | 1.151    | 0.047*   | 0.300                           | 0.330  | 0.199                                  |
| Manage the hotel's offerings, as demand for these changes over time                   | 4.25 | 0.837    | 0.149  | 0.204                           | 0.049*                                       | 0.329                                  |

\* Significant association

From Table 1, it can be seen that the competitive marketing strategy ‘Create value for guests that competitors find difficult to imitate’ was deemed to be the most important marketing strategy in the hotels’ efforts to be competitive. This was closely followed by ‘Sustain value for guests that competitors find difficult to imitate’. ‘Change the existing positioning strategy of the hotel to improve its appeal to guests’ obtained the lowest mean score of 3.64 (although this was still an important consideration to managers). It is noteworthy that the mean scores for all activities are above 3.00. The main finding is that hotel managers considered all competitive marketing strategies important in their hotels’ efforts to be competitive.

The size of the hotels (small, medium, large) was cross-tabulated with the mean importance assigned to each competitive marketing strategy, and significance testing was performed using the Pearson Chi Square Test. Cramer’s V coefficient was also computed to signify the strength of the association between the variables – a value of between 0.00 and 1.00 is given (Diamantopoulos & Schlegelmilch 1997: 199–201; Tustin, Ligthelm, Martins & Van Wyk 2005: 635; SPSS 2003: 309–310). The results are presented in Table 1.

For the first four competitive marketing strategies (hypotheses  $1_a$  to  $1_d$ ), the Pearson Chi Square Test for significant association indicates p-values of 0.515, 0.844, 0.681 and 0.330. This indicates support for the null hypothesis that size is not associated with the perceived importance of: creating value for guests that competitors find difficult to imitate; sustaining value for guests that competitors find difficult to imitate; creating a unique positioning strategy; and changing the existing positioning strategy of the hotel to improve its appeal to guests. Cramer’s V coefficient indicates a minor association between these strategies and the size of the hotel. The null hypotheses can therefore not be rejected. The main finding here is that there is no significant association between the perceived importance of competitive marketing strategies, and the size of the hotel (hypotheses  $1_a$  to  $1_d$ ).

For the null hypothesis  $1_e$ , the Pearson Chi Square Test for significant association indicates a p-value of 0.049 (see Table 1). This indicates no support for the null hypothesis that size is not associated with the perceived importance of managing the hotel’s offerings, as demand for these changes from time to time. The null hypothesis can therefore be rejected. The size of a hotel (small, medium, large) is thus significantly associated with the importance that the hotel gives to managing its offerings, as demand for these changes from time to time. The larger a hotel, the more important this competitive marketing strategy is perceived to be. A Cramer’s V coefficient of 0.329 indicates that a medium-strength association exists between the two factors in question. The main finding here is that there is a significant association (of medium strength) between the perceived importance of managing

the hotel's offerings, as demand for these changes from time to time, and the size of the hotel (hypothesis 1<sub>c</sub>).

### *Hypothesis 2: Hotel ownership type and competitive marketing strategies*

In order to determine whether or not there is a relationship between hotel type and the perceived importance of competitive marketing strategies, a test of association was conducted. Fisher's Exact Test was used to determine whether a significant association exists between the variables in the cross-tabulations presented in Table 1. A Phi coefficient was also computed to signify the strength of the association between the variables (Diamantopoulos & Schlegelmilch 1997: 178 & 199–201; SPSS 2003: 309–310, 377–381 & 465). The results are presented in Table 1.

For the first three competitive marketing strategies (hypotheses 2<sub>a</sub> to 2<sub>c</sub>), Fisher's Exact Test for significant association indicates p-values of 0.542, 1.000 and 0.079. This indicates support for the null hypothesis that hotel ownership type is not associated with: the perceived importance of creating value for guests that competitors find difficult to imitate; sustaining value for guests that competitors find difficult to imitate; and creating a unique positioning strategy. The Phi coefficients indicate a negligible association between the factors. The null hypotheses can therefore not be rejected. The main finding here is that there is no significant association between the perceived importance of these competitive marketing strategies, and the type of ownership of the hotel (hypotheses 2<sub>a</sub> to 2<sub>c</sub>).

For the fourth competitive marketing strategy, Fisher's Exact Test for significant association indicates a p-value of 0.047 (see Table 1). This indicates no support for hypothesis 2<sub>d</sub> that hotel ownership type is not associated with changing the existing positioning strategy of the hotel to improve its appeal to guests. The null hypothesis can therefore be rejected. Hotel type (group or branded as opposed to private or owner-managed) is significantly associated with the perceived importance of changing the existing positioning strategies of the hotel to improve its appeal to guests. A Phi coefficient of 0.300 indicates a medium-strength association between the two factors under consideration. The main finding here is that there is a significant association (of medium strength) between the perceived importance of changing the existing positioning strategy of the hotel to improve its appeal to guests, and type of hotel ownership. The management of private or owner-managed hotels feel that this is very important, whilst those of group-owned hotels feel that it is not important (hypothesis 2<sub>d</sub>). For the fifth competitive marketing strategy, Fisher's Exact Test for significant association indicates a p-value of 0.149. This indicates support for the null hypothesis that hotel type is not associated with the perceived importance of

managing the hotel's offerings, as demand for these changes from time to time. The null hypothesis can therefore not be rejected. The Phi coefficient of 0.204 indicates a small association between the two factors under consideration. The main finding here is that there is no significant association between the perceived importance of managing the hotel's offerings, as demand for these changes from time to time, and type of hotel ownership (hypothesis 2).

## Managing supply and demand

Respondents were asked to indicate how important a number of activities were in their hotels' efforts to manage supply and demand. Table 2 provides the overall results for the realised sample.

**Table 2:** The perceived importance of activities to manage supply and demand

| Activity   | Mean | Std dev. | Fischer's Exact Test (p-value) (type of hotel) | Phi coefficient (type of hotel) | Chi Square Test (p-value) (size of hotel) | Cramer's V coefficient (size of hotel) |
|--|------|----------|--|---------------------------------|---|--|
| Manage guests' demand for products and services in an attempt to change demand (for example, charging higher room rates in peak periods, offering special discount in periods of low demand and using a reservations system) | 3.95 | 1.29     | 0.558  | 0.102                           | 0.085                                     | 0.297                                  |
| Manage the hotel's ability to supply products and services in response to guest demand (for example, turning double rooms into family rooms and hiring extra staff during periods of high demand)                            | 3.88 | 1.28     | 0.018*   | 0.331                           | 0.599                                     | 0.135                                  |
| Maximise revenue through manipulating room rates in response to expected demand (for example, adjusting prices according to levels of demand expected)   | 3.59 | 1.45     | 1.000  | 0.023                           | 0.284                                     | 0.212                                  |

‘Manage guests’ demand for products and services in an attempt to change demand’ obtained the highest mean score of 3.95 and ‘Maximise revenue through manipulating room rates in response to expected demand’ obtained the lowest mean score (3.59). All activities obtained a mean score greater than 3.00. The main finding here is that hotels regard supply and demand management activities as important in their efforts to manage supply and demand.

The size of hotel (small, medium, large) was cross-tabulated with the mean importance assigned to each activity associated with the management of supply and demand. The results indicate whether or not a significant association exists between these two variables.

### *Hypothesis 3: Hotel size and demand management*

The null hypothesis  $H_0$ 3 was tested using the Pearson Chi Square Test to indicate whether or not significant associations exist between size of hotel and managerial perceptions of the importance of managing guests’ demand for products and services in an attempt to change demand. The results are presented in Table 2.

A p-value of 0.085 was calculated. A Cramer’s V coefficient of 0.297 indicates a small association between the two variables in question (Tustin et al. 2005: 635; SPSS 2003: 309–310; Diamantopoulos & Schlegelmilch 1997: 199–201). This indicates support for the null hypothesis that hotel size is not associated with the perceived importance of managing guests’ demand for products and services in an attempt to change demand. The null hypothesis can therefore not be rejected. The size of a hotel is thus not significantly associated with the importance it gives to managing guests’ demand for products and services in an attempt to change demand (hypothesis 3).

The importance assigned to each activity associated with the management of supply and demand was cross-tabulated with the differently owned hotels – group or branded, as opposed to private or owner-managed. The results show where significant associations exist between the cross-tabulated variables.

Fisher’s Exact Test was used to determine whether or not significant associations exist between hotel ownership type and the importance respondents assign to activities associated with the management of supply and demand. A Phi coefficient was also computed to signify the strength of the association between the variables (Diamantopoulos & Schlegelmilch 1997: 199–201; SPSS 2003: 309–310). The results are reflected in Table 2.



***Hypothesis 4: Hotel ownership type and demand management***

For the association between hotel ownership type and perceptions about the importance of managing guests' demand for products and services in an attempt to change demand, Fisher's Exact Test indicates a p-value of 0.558. This supports the null hypothesis that hotel ownership type is not associated with the perceived importance of managing guests' demand for products and services in an attempt to change demand. A Phi coefficient of 0.102 indicates a small association between the two variables in question. The main finding here is that there is no significant association between the perceived importance of managing guests' demand for products and services, in an attempt to change demand, and the ownership type of the hotel (hypothesis 4).

***Hypothesis 5: Hotel size and supply management***

In Table 2, the Pearson Chi Square Test for significant association between the size of hotel and the importance given to managing the hotel's ability to supply products and services in response to guest demand (hypothesis 5) shows a p-value of 0.599. A Cramer's V coefficient of 0.135 indicates a small association between the two factors under consideration. This indicates support for the null hypothesis. The main finding here is that there is no significant association between the importance given to managing the hotel's ability to supply products and services in response to guest demand, and the size of the hotel (hypothesis 5).

***Hypothesis 6: Hotel ownership type and supply management***

For the association between hotel ownership type and perceptions about the importance of managing the hotel's ability to supply products and services in response to guest demand, Fisher's Exact Test indicates a p-value of 0.018 (see Table 2). The null hypothesis can therefore be rejected. A Phi coefficient of 0.331 indicates a medium association between the two variables in question. Management of private or owner-managed hotels tend to see such activity as very important, while those of group-owned hotels feel it is not important. The main finding here is that there is a significant association (of medium strength) between the importance the hotel gives to managing its ability to supply products and services in response to guest demand, and hotel ownership type (hypothesis 6).

***Hypothesis 7: Hotel size and revenue maximisation***

Hypothesis 7 used the Pearson Chi Square Test to determine whether or not there is a significant association between size of hotel and the importance given to maximising

revenue through manipulating room rates in response to expected demand (see Table 2). The p-value is 0.284. A Cramer's V coefficient of 0.212 indicates a small association between the two factors under consideration. This provides support for the null hypothesis that hotel size is not associated with the importance it gives to maximising revenue through manipulating room rates in response to expected demand. The null hypothesis can therefore not be rejected. The size of the hotel is thus not significantly associated with the importance it gives to maximising revenue through manipulating room rates in response to expected demand (hypothesis 7).

### *Hypothesis 8: Hotel ownership type and revenue maximisation*

For the association between hotel ownership type and the importance attributed to maximising revenue through manipulating room rates in response to expected demand, Fisher's Exact Test indicates a p-value of 1.000. This indicates support for the null hypothesis that hotel ownership type is not associated with the importance it attributes to maximising revenue through manipulating room rates in response to expected demand. The null hypothesis can therefore not be rejected. A Phi coefficient of 0.023 indicates a negligible association between the two factors in question. The main finding here is that there is no significant association between the importance given to maximising revenue through manipulating room rates in response to expected demand and hotel ownership type (hypothesis 8).

## **MANAGERIAL IMPLICATIONS AND RECOMMENDATIONS**

It was found that, across the board, competitive marketing strategies are considered important in a hotel's efforts to be competitive. The implication of this finding is that hotels in Gauteng should develop their positioning and reposition service offerings competitively, as well as manage their service offerings proactively throughout their life cycles.

Significant associations exist between the perceived importance of managing the hotel's offerings, as demand for these changes from time to time, and size of hotel. This marketing strategy is perceived to be more important for larger hotels than for smaller hotels. The implication is that in order for a hotel in Gauteng to successfully manage demand and supply of its services, it needs to consider a number of strategies: it could manage the demand of guests for service offerings, or it could manage service capacity or supply, or, indeed, it could advantageously manage fixed capacity.

Another finding is that there is a significant association (of medium strength) between the perceived importance of changing existing positioning strategies of

the hotel to improve its appeal to guests, and type of hotel ownership. Private or owner-managed hotels regard this as very important, while group-owned hotels do not. The realised sample consisted of 40 group or branded hotels and 16 private or owner-managed hotels, ten of which were also small hotels. It could be argued that private or owner-managed hotels are generally smaller and therefore more sensitive and flexible in changing their existing positioning strategies.

It was also found that there is a significant association (of medium strength) between the importance the hotel gives to managing its ability to supply products and services in response to guest demand, and hotel ownership type. Private or owner-managed hotels regard this as very important, while group-owned hotels do not consider it to be as important. Group or branded hotels should be made aware of this perception, and thus be in a position to consider rethinking their implementation of such an important strategy.

## LIMITATIONS AND FUTURE RESEARCH

The study was confined to hotels in Gauteng, South Africa: its representativity for the whole of South Africa cannot be claimed, and any generalisations from the research to other geographic regions should be treated with caution. It is recommended that a further study be carried out using the same methodology but encompassing all the provinces in South Africa. It is further suggested that the grading of hotels be incorporated as a variable to establish whether there are differences between hotels of different sizes, and ownership type within the different gradings of hotels.

## CONCLUDING REMARKS

It is to be hoped that the findings of this study will add to the relatively limited research on services marketing in the hospitality industry, and specifically to research in the hotel sector that focuses on the different sizes of hotel as well as on their ownership type.

Sixteen null hypotheses were formulated, and the findings show that 13 of these were supported, indicating no significant association between variables and the size of hotel or its ownership type.

The noteworthy findings are that larger hotels perceive it as more important than smaller and medium-sized hotels that the hotel's offerings be managed, as demand for these changes from time to time. Moreover, private or owner-managed hotels view the idea of changing their existing positioning strategy to improve their appeal to guests as more important than do group-owned hotels. Thus, private or owner-managed hotels regards competitive strategies as very important, while

group-owned hotels consider these as being of lesser importance. It is hoped that the findings of this study will add to the relatively limited research on marketing in the hospitality industry, especially for hotels of different sizes and ownership types.

## REFERENCES

- Aaker, D.A. 2001. *Developing Business Strategies*, 6th ed. Canada: John Wiley & Sons.
- Aaker, D.A., Kumar, V. & Day G.S. 2004. *Marketing Research*, 8th ed. United States of America: John Wiley & Sons.
- Adenso-Díaz, B., Conzález-Torre, P. & García, V. 2002. 'A capacity management model in service industries', *International Journal of Service Industry Management*, 13(3): 286–302.
- Anderson, C.H. & Vincze, J.W. 2000. *Strategic Marketing Management: Meeting the Global Challenge*. Boston: Houghton Mifflin Company.
- Appiah-Adu, K., Fyal, A. & Singh, S. 2000. 'Marketing culture and customer retention in the tourism industry', *Service Industries Journal*, 20(2): 95–113.
- Armistead, C.G. & Clark, G. 1994. 'The "coping" capacity management strategy in services and the influence on quality performance', *International Journal of Service Industry Management*, 5(2): 5–22.
- Belch, G.E. & Belch, M.A. 2004. *Advertising and Promotion: an Integrated Marketing Communications Perspective*, 6th ed., international ed. New York: McGraw-Hill Irwin.
- Burns, A.C. & Bush, R.F. 2000. *Marketing Research*, 3rd ed. Upper Saddle River, NJ: Prentice Hall.
- Cai, L.A. & Hobson, J.S.P. 2004. 'Making hotel brands work in a competitive environment', *Journal of Vacation Marketing*, 10(3):197–208.
- Chaharbaghi, K. & Lynch, R. 1999. 'Sustainable competitive advantage: towards a dynamic resource-based strategy', *Management Decision*, 37(1): 45–50.
- Choi, T.Y. & Chu, R. 2001. 'Determinants of hotel guests' satisfaction and repeat patronage in the Hong Kong hotel industry', *International Journal of Hospitality Management*, 20(3): 277–297.
- Clow, K.E. & Baack, D. 2001. *Integrated Advertising, Promotion, and Marketing Communications*. Upper Saddle River, NJ: Prentice Hall.
- Colgate, M. 1998. 'Creating sustainable competitive advantage through marketing information system technology: a triangulation methodology within the banking industry', *International Journal of Bank Marketing*, 16(2): 80–89.
- Cravens, D.W., Lamb, C.W. (Jr) & Crittenden, V.L. 2002. *Strategic Marketing Management: Cases*, international ed. Boston: McGraw-Hill Irwin.
- Diamantopoulos, A. & Schlegelmilch, B.B. 1997. *Taking the Fear out of Data Analysis*. London: Dryden Press.
- Dikeni, S. (ed.). 2001. *South Africa Yearbook 2001/02*, 8th ed. Pretoria: South African Communication Service.

- Dubé, L. & Renaghan, L.M. 1999. 'Sustaining competitive advantage', *Cornell Hotel and Restaurant Administration Quarterly*, 40(6): 27–33.
- Economist Intelligence Unit. 2005. *The World in Figures: Industries*. London: The Economist Newspaper Ltd.
- Euromonitor International. 2005. Travel and tourism in South Africa. [Online] Available at: [www.euromonitor.com](http://www.euromonitor.com). Accessed: 19 September 2005.
- Hair, J.F. (Jr), Anderson, R.E, Tatham, R.L. & Black, W.C. 1998. *Multivariate Data Analysis*, 5th ed. Upper Saddle River, NJ: Prentice-Hall.
- Hill, C.W.L. 2007 *International Business: Competing in the Global Marketplace*, 6th ed. Boston: McGraw-Hill.
- Hill, C.W.L. & Jones, P. 2002. *Strategic Management: an Integrated Approach*, 5th ed. Boston: Houghton Mifflin Company.
- Hitt, M.A., Ireland, R.D. & Hoskisson, R.E. 2001. *Strategic Management: Competitiveness and Globalization*, 4th ed. Australia: South-Western College Publishing.
- Hoffman, K.D., Kelley, S.W. & Chung, B.C. 2003. 'A CIT investigation of servicescape failures and associated recovery strategies', *Journal of Services Marketing*, 17(4): 322–340.
- Kandampully, J. 2000. 'The impact of demand fluctuation on the quality of service: a tourism industry example', *Managing Service Quality*, 10(1): 10–18.
- Kim, B.Y. & Oh, H. 2004. 'How do hotel firms obtain a competitive advantage?' *International Journal of Contemporary Hospitality Management*, 16(1): 65–71.
- Klassen, K.J. & Rohleder, T.R. 2002. 'Demand and capacity management decisions in services: how they impact on one another', *International Journal of Operations Management*, 22(5): 527–548.
- Kloppers, E. 2005. 'Wêreldbekersokker katalisator vir groei in toerime na SA', *Beeld*, 28 July, 28.
- Kotler, P., Bowen, J. & Maken, J. 2003. *Marketing for Hospitality and Tourism*, 3rd ed. Upper Saddle River, NJ: Prentice Hall, Pearson Education International.
- Kotler, P., Brown, L., Adam, S. & Armstrong, G. 2004. *Marketing*, 6th ed. Frenchs Forest, New South Wales: Pearson Prentice Hall.
- Kurtz, D.L. & Clow, K.E. 1998. *Services Marketing*. New York: John Wiley & Sons.
- Lovelock, C. 2001. *Services Marketing: People, Technology, Strategy*. 4th ed. Upper Saddle River, NJ: Prentice Hall.
- Ma, H. 1999. 'Creation and pre-emption for competitive advantage', *Management Decision*, 37(3): 259–266.
- Mazzarol, T. & Soutar, G.N. 1999. 'Sustainable competitive advantage for educational institutions: a suggested model', *International Journal of Educational Management*, 13(6): 287–300.
- McColl, R., Callaghan, B. & Palmer, A. 1998. *Services Marketing: a Managerial Perspective*. Sydney: Irwin/McGraw-Hill.
- McDonald, M. 2002. *Marketing Plans: How to Prepare Them, How to Use Them*, 5th ed. Oxford: Butterworth Heinemann.

- McManus, G. 2000. 'The hotel industry', In Jordaan, M.J.S. (ed.), *Career Guide: Tourism in South Africa*. Bloemfontein: Tekskor.
- Meek, H., Meek, R. & Ensor, J. 2001. *Strategic Marketing Management: Planning and Control*. Oxford: Butterworth Heinemann.
- Palmer, A. 2001. *Principles of Services Marketing*, 3rd ed. Singapore: McGraw-Hill.
- Passemard, D. & Kleiner, B.H. 2000. 'Competitive advantage in global industries', *Management Research News*, 23(7/8): 111–117.
- Reichheld, F. & Sasser, W. 1990. 'Zero defections: quality comes to service', *Harvard Business Review*, September/October: 105–111.
- SPSS. 2003. *SPSS Base 12.0 User's Guide*. Chicago, Illinois: SPSS Inc.
- Shemwell, D.J. (Jr) & Cronin, J.J. (Jr). 1994. 'Services marketing strategies for coping with demand/supply imbalances', *Journal of Services Marketing*, 8(4): 14–24.
- Sill, B.T. 1991. 'Capacity management: making your service delivery more productive', *Cornell Hotel and Restaurant Administration Quarterly*, 31(4): 77–87.
- Tustin, D.H., Ligthelm, A.A., Martins, J.H. & Van Wyk, J de H. 2005. *Marketing Research in Practice*. Pretoria: Unisa Press.
- Wood, R. 2004. 'Delivering customer value generates positive business results: a position paper', *Futurics*, 28(1/2): 59–64.