

IMPACT OF MARKETING MIX STRATEGIES ON PERFORMANCE OF TOURIST HOTELS IN THE EASTERN PROVINCE, SRI LANKA

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Abstract

The main aim of this study was to investigate the impact of marketing mix strategies on marketing performance of tourists hotels in the eastern province. Hotel sector became highly competitive with the increasing number of chain hotel entering the market aftermath of the war. Hence, the hotel management need to be more customer focused and have to differentiate from their competitors by making their marketing mix strategies best suit to the needs of target customers. A survey research was employed to collect primary information from 100 managerial employees working in tourist hotels in the eastern province. Convenience sampling was employed for data collection using a questionnaire with a five-point Likert scale. SPSS 20.0 was used to analyze the data. Marketing mix variables such as, product, price, place, promotion, people, process and physical evidence have positive impact on the marketing performance of tourist hotels in the eastern province while price of their offering is the most important marketing mix element that affect the marketing performance of hotels in great extent, physical evidence comes last in the rank order of marketing mix elements which influence the marketing performance of tourists hotels in the eastern province.

Keywords: Marketing mix strategies, competition, marketing performance

1. Introduction

Globalization, growth of modern transportation facilities, the rise of a leisure and entertainment culture, advanced communication systems backed by technological innovation and the development social media have, over the past years, led to a rapid rise in tourist activities (Neuts,, Romão., Leeuwen. , & Nijkamp., 2013).

The main aim of a business is to create and maintain satisfied and profitable customers. Customers are satisfied and become loyal when their needs are met.

One of the marketing philosophies called “the marketing concept” explains that achieving the organizational goals depends on determining the needs and wants of target markets and delivering the desired satisfaction better than competitors. Almost all organizations including organizations in the hospitality industry have been adopting the marketing concept. The marketing process is defined as “The process of (a) analyzing marketing opportunities (b) selecting target market (c) developing marketing mix and (d) managing the marketing effort”. Customers are at the centre of marketing process. The organization divides the total market into smaller segments, selects segments it can best serve and focuses on serving and satisfying these segments through market segmentation, targeting and positioning. It then designs a marketing mix to produce the response it wants in the target market (Thygaraju. & Venkateswarlu, 2014).

Tourism and hospitality industry has become one of the fastest growing industry in the world, generating more direct and indirect employment opportunities, income for local destinations and hotels and tax revenues for the governments. Communication is one of the most important tools to direct tourist flows to hotels and destinations. A large variety of e-tourism tools and technologies has emerged in the recent years. These tools inform potential customers about the benefits of a given destination, hotels and they also aim to create loyalty feelings as such, they became competitive tools in the tourism and hospitality industry (Neuts et al., 2013).

Increased competition among different tourist hotels which offer a wide range of products and services is a result of the growth in the tourism activities. This business environment around the globe is very competitive and calls for dedicated efforts in hotel management and marketing, required to create an attractive portfolio of tourism products and services. It's very clear that the tourism and hospitality industry is not a homogeneous industry, with much difference in tourists demand stimulus, alternative destinations, supply and supplier characteristics, ecological impacts and economic situation (Matias, Nijkamp, & Sarmiento, 2011).

2. Literature Review

Marketing is “is a process by which individuals and groups obtain what they need and want through creating, offering, and freely exchanging products and services of value with others.” (Kotler, Armstrong, Agnihotri and Haque, 2013). To become successful in marketing, firms should focus on customers. Eventhough, marketing costs are the major expenses for organisations, marketing leads to improved business performance and benefits the economy as a whole (Alzbeta and Andrej., 2014). The most studied service marketing mix, popularly referred to as the 7 P's, which has seven elements were extracted from the twelve elements. These seven elements are the product, price, place, promotion, people, process and physical evidence (Kotler et al, 2013). The framework calls upon marketers to decide on the product and its price, distribution and promotion, their people and process with physical evidence. Hameed and Zaytoonah (2014) asserted that the 7 P's can be used to meet the needs of the customer and obtain competitive advantages.

2.1 Marketing Mix Strategies

Stable and distinct market segments can be found by analyzing the information collected from the marketing research process to support marketing strategy decisions. Firm should estimate the needs and potential of each segment and the segment that the organisation can serve best and make optimal profit is to be determined as their target market. For this selected target market, differentiation decision for the product offered is to be arrived at and positioning strategy has to finalized. Multiple attributes can be used to differentiate the market offerings but position strategy calls for one or two features to be emphasized in communications so that position is associated with the company's product image whenever a potential user thinks of the product (Kotler et al, 2013). The differentiation strategy gives the opportunity for full development of the new product and where marketing has further role to play. The marketing strategy related to the product gets modified based on the product life cycle stages in which the product is, such product life cycle stages include development, introduction, growth, maturity, and decline. The marketing strategy is also influenced by the position a product obtain in the competitive market place. Such market positions are leader, challenger, follower and niche player (Antoneta et al., 2015).

According to Kotler et al., (2015) A product is anything that can be offered to a market for attention, acquisition, use, or consumption that might satisfy a need or want. Product is a key element in overall market offering. This offering becomes the basis upon which the company builds profitable customer relationship. This can be pure tangible goods, pure services, events, artist performance, experience, persons, and places in broader context. Price is the amount of money charged for a product or service or the sum of the values that customers exchange for the benefits of having or using the product or service. Price is one of the most important elements determining a firm's market share and profitability. This is the only element in the marketing mix that produces revenue and the most flexible marketing mix element. The product should be available from where firm's target consumer finds it easier to shop. This may be High Street, Mail Order or the more current option via e-commerce or an online shop. Marketing communications are the means by which firms attempt to inform, persuade, and remind Consumers directly or indirectly about the products and brands they sell. In a sense, marketing communications represent the voice of the company and its brands; they are a means by which the firm can establish a dialogue and build relationships with consumers. This marketing communication includes advertising, sales promotion, personal selling, public relations and direct marketing, in more recent times, Social Media are all key communication tools for an organisation. These tools should be used to put across the organisation's message to the correct audiences in the manner they would most like to hear, whether it be informative or appealing to their emotions. Advertising and word of mouth communications are the two major tools used by service marketers. All companies depend on the people who run them from front line sales staff to the Managing Director. Having the right people is essential because they are as much a part of business offering as the products/services that a firm offers. In service marketing, people (employees) can make or break an organization. The process of service is the way in how the service is delivered to the end user. Elements of the process that is current work activities.

Physical evidence is the last and the most important element in the extended marketing mix. Elements of physical evidence includes many which are related to interior design of the firm, equipment used, employees, and environmental hygiene.

2.2 Marketing Performance

According to Kotler et al., (2015) marketing performance requires understanding the financial and nonfinancial returns to business and society from marketing activities and programs. Top marketers are increasingly going beyond sales revenue to examine the marketing scorecard and interpret what is happening to market share, customer loss rate, customer satisfaction, product quality, and other measures. They are also considering the legal, ethical, social, and environmental effects of marketing activities and programs. For this research, Sales revenue, sales growth, customer satisfaction and profitability are included in the marketing performance as a dependent variable.

3. Statement of Problems

Marketing mix strategies of tourists hotels evidently play a crucial role in their marketing performance, yet there are very few studies on the marketing mix strategies of hotels in Sri Lanka. In Sri Lanka, especially in the eastern province, both domestic as well as international tourists are attracted by the beaches, wildlife, culture, and nature.

These tourists need accommodation, therefore, it is important to have lodging facilities such as hotels. According to Sri Lanka Tourism Development Authority, Hotel sector in Sri Lanka was heavily invested envisaging that postwar scenario would boost the market condition in Sri Lanka. The hotel accommodation capacity has been increased up to 40% in 2015 compared to 2010. However, as envisaged the investment could not bring the returns.

Most of the hotels also provide dining, entertainment and conference facilities in addition to providing accommodation to their guests. This makes them invaluable to the economy of the eastern province and to the entire country. Consequently, the country has further invited hotels of various star ratings to invest in Sri Lanka (SLTDA, 2016). These facilities are spread across the country which increase the competition in the market place.

Few researches regarding to this study were done based on Sri Lanka's hotel industry and the hotel industry in the eastern province which includes three districts namely Trincomalee, Batticaloa and Ampara. In addition, more studies are necessary to examine the impact of marketing mix strategies on the marketing performances of hotels. Therefore, this research intended to study in depth on this area based on eastern province's hotel industry.

4. Research Objectives

The main objective of this study was to assess the impact of marketing strategies of tourists' hotels on their marketing performance. Other objectives set out to achieve in this study are; to find out

how various products offered by hotels effect marketing performance, to evaluate how prices set by hotels affect their marketing performance, to assess the promotional tools used by hotels and their impact on marketing performance, to examine the ways used by hotels to provide their services affect the marketing performance of hotels, to find out how employees are prepared and participate in the process to increase the marketing performance of hotels and to investigate how hotels involve in environmentally friendly services to improve their marketing performance.

5. Research Questions

The research seeks to answer the following questions: (1) how various products offered by hotels affect the marketing performance? (2) Are the prices set by hotels for their products affordable to tourists and improve their marketing performance? (3) What promotional tools used by hotels to position themselves to improve the marketing performance? (4) How hotels makes their tourism products available and accessible to the tourists to improve their marketing performance? (5) How hotel employees are well prepared and informed to provide better hospitality to tourists visit their hotel to improve their marketing performance? (6) How hotel employees participate in the service delivery process to satisfy the tourists and contribute to the marketing performance of hotels? (7) How hotels are environmentally friendly to improve their marketing performance?

6. Significance of the Study

The findings of this study are significant to the hotels, government or policy makers, and to academicians and scholars. The findings of this study helps the hotels in the eastern province to make necessary changes in their marketing strategies to improve their marketing performance. The results help the government policy makers to make informed decisions and to make necessary changes in the policies relating to the services of hotels. Using the findings of this research, academicians and scholars can contribute further into this topic.

7. Methodology

7.1 Conceptual model and hypothesis development

Hameed and Zaytoonah (2014) stated that marketing mix strategies positively contribute to business performance in terms of financial and non-financial performances. Antoneta et al., (2015) argued that effective marketing mix strategies of a firm can increase marketing performance while Pomeroy *et al.* (2010) stated that customer retention and competitiveness are two major outcomes of marketing mix strategies of a firm. The marketing strategies should be evaluated by looking at their impact on financial and non financial performances (Suherly, 2016). Kotler et al. (2013) highlighted that location can be a competitive advantage for hospitality firms. Based on the above literature the following conceptual framework developed for this study.

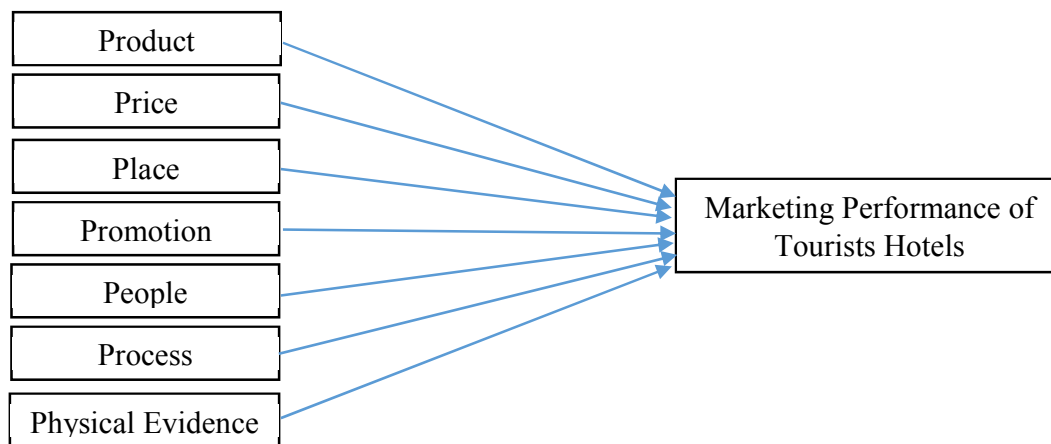


Figure 1.1: Conceptual Framework

Based on the above literature review and conceptual framework, following hypotheses were developed

H₁: There is a relationship between product and marketing performance of tourist hotels

H₂: There is a relationship between price and marketing performance of tourist hotels

H₃: There is a relationship between place and marketing performance of tourist hotels

H₄: There is a relationship between promotion and marketing performance of tourist hotels

H₅: There is a relationship between people and marketing performance of tourist hotels

H₆: There is a relationship between process and marketing performance of tourist hotels

H₇: There is a relationship between physical evidence and marketing performance of tourist hotels

7.2 Population, Sampling and Data Collection

The population refers to the entire group of people, events or things of interest that the researcher wishes to investigate. It is the group of people, events or things of interest for which the researcher wants to make inference (Sekaran & Bougie, 2013).

The study focused on tourist hotels in the eastern province. It was postulated that most of them were either in the introductory, growth or mature stage of their business life-cycle. Their managers and employees were the best sources of information on the most competitive marketing mix strategies and tactics for hotels in the area. This is because marketing is the responsibility of all employees. This study involved all managers of the hotels (resident managers, operations managers, human resource managers, business development managers, public relations managers, guest services managers, guest relations officers, marketing executives, sales managers, marketing managers, communications managers, departmental heads and supervisors) who felt that they were knowledgeable and informed enough to participate in the study.

As the population is not known in the eastern province, convenience sampling was used because it is easy to collect data. This approach is practiced because the exact number of hotels registered in the area and the number of hotels in the business operations are different. In this case the sample size was 100 respondents as they were considered to provide sufficient input to ascertain findings.

The questionnaire is the most common instrument to collect data. The researcher has chosen a self-administered questionnaire as a tool for the data collection. The questionnaire was in the form of closed-ended (or structured) questions in which respondents were asked to make the choice from a list of possible responses. Close-ended questions are also easy to administer and usually evoke rapid response (Schmidt & Hollensen, 2006). To make the study more effective and efficient, questionnaire consists of closed ended question and five point Likert scale questions.

The questionnaire had 50 items, 35 items for marketing mix strategies and 09 items for marketing performances and 06 items for demographic characteristics. Marketing mix strategies questions were categorized under product, price, place, promotion, people, process and physical evidence and the marketing performance question were categorized under sales growth, sales volume and profitability.

8. Analysis and Interpretation of Results

8.1 Overview of data analysis

The research focused on some background variables of respondents such as star rating of hotel, job title, working experience in the hotel as well as in the hotel industry, gender, age, and education level to get some insights of the sample in terms of this research.

Out of the 100 questionnaires issued, only 89 usable questionnaires were returned. Almost 97% of the respondents were males and all respondents work in non-star rated hotels. Around 23% of the respondents have more than 15 years of experience in the industry. Out of 89 respondents around 86 % of them are below 35 years old. 78 % of the respondents have higher education qualifications like diploma, higher national diploma, degree, and other postgraduate qualification while the rest are school leavers.

8.2 Correlation between Independent Variables and Dependent Variable

Correlation is the measure of strength of association between two variables. In social sciences, based on Cohen's criterion, correlation values of more than 0.3 are considered as sizable level of association.

The correlation analysis results indicated that all the independent variables such as, product, price, place, promotion, people, process and physical evidence are positively correlated with marketing performance of tourists hotels. The r between marketing performance and price is .839, marketing performance and price is .780, marketing performance and place is .710, marketing performance and promotion is .691, marketing performance and people is .694, marketing performance and

process is .815 and marketing performance and physical evidence is .849 (r values > 0.3), which means the variables have strong positive correlation between them at 1% significant level. R values of all the variables are less than 0.85. Perhaps, there is no problem of multicollinearity.

8.3 Regression Analysis

Table 1.2: Regression of coefficients for marketing performance upon marketing mix

Predictors	Beta	P	VIF
Product	.359	.000	1.712
Price	.161	.005	1.790
Place	.221	.000	1.041
Promotion	.071	.122	1.837
People	.067	.099	1.313
Process	.256	.000	1.848
Physical Evidence	.410	.000	1.260

(Source: Survey Data)

Notes: $F = 205.878$, $R^2 = 0.80$, Adjusted $R^2 = .796$. $n = 89$

Coefficient Values: Constant = .800, $X_1 = .359$, $X_2 = .161$, $X_3 = .221$, $X_4 = .071$, $X_5 = .067$, $X_6 = .256$, $X_7 = .410$

Above table depicts that out of seven marketing mix constructs, Promotion and People p-values are more than 0.05. as such Promotion and People are not significant predictors of Marketing Performance of Tourists Hotels.

The p-values for Product, Price, place, Process and Physical Evidence are less than 0.05. as such, Product, Price, Place, Process and Physical Evidence are significant predictors of Marketign Performances of Tourists Hotels.

The overall model explains the fit for the research and R^2 given above shows this aspect. This coefficient is a measure of how well the regression equation fits the data. According to the above, the R^2 is 0.80 (80 percent), hence, the regression equation apparently have a fit with the data. It can be predicted that 80% of the variance (R-square) in dependent variable has been significantly explained by the five independent variables (Product, Price, Place, Process and Physical Evidence). Here, $p = 0.000 < 0.05$ and the F value of 205.878 is significant at the 0.000 level. So the model is significant and model exists.

In the above table, the Variance Inflation Factor (VIF) values are less than 5. Hence, there is no problem of multicollinearity.

The Coefficients values indicate the most important independent variables among seven that influence most of the variance in marketing performance of tourists' hotels.

The standardised coefficient shows that the highest number in the beta is 0.410 for Physical Evidence, which is significant at the 0.000 level. This indicates that the Marketing Performance of Tourists' Hotels is influenced by physical evidence in great extent, and the Product influence Marketing Performances by 0.359. Based on the above, the following model fit regression equation is derived.

$$Y = .800 + .359 X_1 + .161 X_2 + .221X_3 + .071 X_4 + .067 X_5 + .256X_6 + .410X_7$$

Y = Marketing Performances of Tourists Hotels, X₁ = Product, X₂ = Price, X₃ = Place, X₄ = Promotion, X₅ = People, X₆ = Process and X₇ = Physical Evidence

In stepwise regression price, promotion, product and people were the significant predictors of marketing performance of tourists hotels in the eastern province. The R² Value of these four variables together 0.991 and the R² value of price alone in the stepwise regression was 0.769, hence, the price is the most important variable that determine the marketing performance of tourists hotels in the eastern province.

9. Hypotheses Testing

After the analysis of the data, hypotheses were tested to make sure the assertion in the light of the data analyzed. Hypotheses were tested and explained one by one. The most common policy in statistical hypothesis testing is to establish a significance level, denoted by α , and reject H₀ when the p – value falls below it. Here, the hypotheses were tested at 5% confidence level ($\alpha = 0.05$). P values are denoted by 'Sig.' in the following table.

Table 1.3 Hypotheses Testing

Variables	Hypothesis (Null & Alternative)	P - Value	$\alpha = 5\%$	Null Hypothesis	Alternative Hypothesis
Product	H ₀ , H ₁	.000	0.05	Reject	Accept
Price	H ₀ , H ₂	.005	0.05	Reject	Accept
Place	H ₀ , H ₃	.000	0.05	Reject	Accept
Promotion	H ₀ , H ₄	.020	0.05	Reject	Accept
People	H ₀ , H ₅	.039	0.05	Reject	Accept
Process	H ₀ , H ₆	.000	0.05	Reject	Accept
Physical Evidence	H ₀ , H ₇	.000	0.05	Reject	Accept

According to the above table, p-values of Promotion and People are higher than the α value 0.05, hence the null hypothesis were accepted and alternative hypotheses were rejected. The p-values of Product, Price, Place, Promotion, People, Process and Physical Evidence are less than the α value 0.05, therefore, the null hypothesis were rejected and alternative hypotheses were accepted.

10. Conclusion

This study was designed to see the impact of marketing mix variables of tourists hotels on their marketing performances. The literature search revealed that the marketing mix factors such as product, price, place, promotion, people, process and physical evidence have significant impact on marketing performances of tourists hotels.

Seven hypotheses were proposed to investigate the impact of marketing mix strategies on marketing performances of tourists hotels, and the results of the hypotheses tests supported all the seven hypotheses. These results provided valuable insights for understanding the impact of marketing mix variables on marketing performances.

Based on the analysis, it is found out that product, price, place, promotion, people, process and physical evidence have significant and positive impact on marketing performance of tourists hotels in the eastern province. As the finding imply, tourists hotels have to find out the best mix of marketing mix variables to improve their marketing performance.

Previous studies (Suherly et al., 2016; Antoneta et al., 2015; Michel et al., 2013; Neuts et al., 2013) were found out that marketing mix strategies have significant impact on the performances of tourists hotels including marketing performances of sales growth, market share growth and profitability.

11. Managerial Implication

Top management of the tourists hotels in the eastern province could use any form of marketing mix strategy matching the demographic profile of the tourists. However it must be noted that hotels should concentrate on using more of online and social media strategies in marketing their hotel services as part of their place online because majority of the visitors are internet users and engage in mobile marketing. The hotels should provide more incentives for tourists who organize their visits themselves as this tourists visit here mainly to appreciate nature.

Management should pay more attention to training to their employees as it is crucial element in dealing with tourists and function as a major touch point in marketing hotels services. Safety and security of the guests during their stay in the hotel is also important in attracting more tourists to the hotels. As part of their promotion mix strategy, hotel management can introduce a loyalty program to their foreign and local customers.

12. Limitations and Direction for Future Research

This study examined the impact of marketing mix elements on the marketing performances such as sale growth, sales volume and profitability. This marketing performances can be as a result of many other marketing strategy related to segmentation, targeting and positioning apart from the marketing mix strategy, therefore, further research can be carried out on other marketing strategies. In this research, the impact of marketing mix strategies on marketing performance only was tested but the marketing mix strategy may have impact on other areas of business, that need to considered in the future researches. Furthermore, this study was conducted in the eastern province, therefore a similar survey can be undertaken in tourist hotels other areas may present interesting findings.

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