

E-marketing in Hospitality Industry: Foundations and Strategies

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Abstract

This article examines the way that Internet marketing strategies and practices are used in the hotel industry. Explicitly, it investigates the level at which the traditional marketing mix model which comprises five dimensions i.e. the traditional 4P's (Product, Place, Price, Promotion) and the Customer Relations (C) is used as an e-marketing strategy. A random sample of several hotels located in Cyprus was collected in order for a quantitative analysis to be conducted. Even if results illustrated that the hotel industry uses the traditional 4Ps and customer relations on their e-marketing strategies, not all dimensions were equally weighted. Therefore this study revealed that hotels implement comprehensive effective marketing strategies but at the same time it underlines that they should further explore Internet potentials in order to reach ultimate profitability.

Keywords

E-marketing, hotel industry, marketing mix, strategy, 4Ps, customer relations

I. Introduction

One of the most important promotional activities used by the tourism industry in Cyprus – but also in general – is the promotion of the tourism product on the Internet, what is namely called e-marketing. This process, i.e. the design and implementation of e-marketing, is not an easy process but it encompasses all those elements also included in traditional marketing starting from understanding customer/consumer behaviour and ending with advertising distribution.

This becomes even more complex in the field of tourism industry since, in this particular case, the customer acts within a complicated network that is difficult to understand its entirety. Apart from the factors that relate to the product (e.g. the price) there are also other factors involved, such as emotional and psychological factors, that play a significant role in the decision making process of a tourist regarding his destination, the transport means and company he shall use, the services he shall purchase etc. One of the fundamental advantages of e-marketing is that it can easily segment the market and use the customer's web experience to record the characteristics of his online behaviour (Constantinides, 2004).

In the case of the touristic sector in Cyprus e-marketing strategies can be mainly implemented via two key points: first, on a level of national policy and second, on a business level.

The first axis, that is to say, the level of national policy is mainly determined by the Cyprus Tourism Organisation (CTO), which is the official state agency responsible for the promotion of the country's tourism product. The CTO'S 2011 – 2015 Tourism Strategy (2011) refers specifically to the need of taking advantage of the digital era tools for the benefit of both the single national promotion campaign and tourism businesses.

On the other hand, the second axis i.e. hotels, follow their own promotional strategies. This is one of the study areas of this article; to examine the online strategies and tactics followed by

hotels located in Cyprus in order to promote their product to a wide and complex target group. One of the main issues analysed below is the level and expertise of the knowhow required to design and implement tourism e-marketing since this process requires expert skills and training (Gretzel, et al., 2000). This is perhaps the most crucial question in order to further analyse any strategy that may be followed by each hotel business.

II. Social Media in Tourism and Hospitality

Social media are one of the most important promotional tools for tourism since, if properly used (that is to say on the basis of a specific strategy and marketing plan) they can fulfil the customers' needs online and thus transform them into potential customers for a business. A hotel may, for example, attract customers by advertising the special features of the landscape where it is situated in the social media and attract their interest by using photographs. In addition, social media are linked to the concept of innovation since a business can use them to promote to its public its innovative suggestions and activities (Danias and Kavoura, 2013).

When, however, we are referring to social media, i.e. social networking platforms, via which we transmit our promotional message, our interest is not focused only on communicating the message by using the traditional way of sharing but also on various other tactics such as paid advertisements on these platforms in order for a business to reach its target group as widely as possible.

Kavoura (2014) describes digital advertising as a fast and low cost way for a business to reach its public either for the promotion of brands or the promotion of products and services. What is interesting about digital advertising is the element of interactivity, the online relationship that is built with the customer and the possibilities provided to the customer to participate in online advertising campaigns in various ways such as online special offers, competitions etc. Interactivity is also linked to online customer service by using various applications/tools such as online/live chat that help build a relationship with the customer, namely relationship marketing (Grönroos, 1994).

The last few years the tourists have been using social media as a market research tool. Kavoura and Stavrianea (2015) describe that tourists are eager to belong to an online travel community that will allow them to share experiences and ideas with other online members. However, these online communities cannot be found only in social media but also in several other interactive websites that provide information required by the tourists. TripAdvisor is an indicative example of a travel community where the user can find information for his destination but also comment and exchange information with other users (Miguéns, 2008).

III. Modelling e-marketing Strategies in Tourism

This study focuses on the extent at which marketing mix is used to plan the promotion of the hotel industry online. More specifically, the study is based on the traditional marketing mix– i.e. the 4P's (Product – Place-Price-Promotion) –and whether this can be

implemented to digital marketing; whether it is possible to go from traditional marketing to e-marketing and whether this can be applied to the tourism industry. At a later stage, there were many upgrades, variations and amendments of this traditional model that shall be discussed later on in this paper in order to examine how it can work in the case of digital marketing.

In order, however, to better understand marketing mix, we must first analyse how it was formed into a model upon which most promotional strategies and tactics are based. The four traditional parameters are the result of transformations of the definition of marketing that gradually led to these parameters as the basic components of the strategy planning process. In other words, the marketing mix philosophy derives from the conceptual approach to marketing. An early reference is Butler's definition (1911) that describes the concept of marketing as all the things done by the promoter for a product before the product is promoted for sale or advertisement. The fact that this definition refers to a product is important. Even though it is an old definition, its reference to a product indicates that from the very beginning the process of marketing was based primarily on the product features. Shaw's conceptual approach (1916) is also important since it adds the issue of price, referring specifically to price policies. Culliton (1948) describes marketing as a mixer of ingredients while Frey (1956) refers to product supply and the methods and tools for the promotion of supply and the product in general. The development of the definition and its relation to the marketing mix approach is established by Kenyon (1958) who refers to a mixing process and later McCarthy (1960) who clearly refers to the 4P's, namely these four axes that constitute this approach.

Marketing mix has been widely amended and transformed such as for example, the 7P's that are composed of the following elements: Product, Price, Place, Promotion, Personnel, Procedure management, Physical assets (Yasanallah and Vahid, 2012). The 4C's approach is of particular interest since its fundamental difference from the traditional 4P's is that it is more people oriented as it mainly emphasizes customer service and satisfaction and not just the direct business profit (Shahhosseini and Ardahaey, 2011).

One of the most important applications of the traditional marketing mix is its use for online promotion, that is to say when marketing mix is transformed into e-marketing. In the tourism industry, online promotion is widely used either for the direct promotion of the tourism product or the identification of tourism groups with specific features, or for market research on the needs and wants of tourists or potential tourists. Apart, however, from the promotional tactics, internet applications in tourism often reduce operational cost leading to the return of benefits to tourists and increasing reservations for tourism businesses (Buhalis, 2003).

IV. Methodology

The study used a cross-sectional survey with a representative sample of 3 star hotels and above. The questionnaire included two parts. The first part consist demographic information and other related information i.e., category of the hotel (stars), number of rooms, gross revenue expenditure on e-marketing, average full occupancy level per year, existence of a specialist on e-marketing. The second part includes 13 questions that correspond to the 5 variables of marketing mix (product, place, promotion, price and customer relations). Statements of the questionnaire were developed based on previous research of Sigala (2002) and Luck et al. (2003). Product component was represented with three questions, price with two, place with other two, promotion

with three and customer relations with three. The participants responded on five-point likert scale where 1 indicates a very low rate of use and 5 very high rate of use. Product included statements such as "The availability of product related information on-line", Price included statements such as "The availability of pricing information online, Place included statements like "The availability of booking on-line with the use of credit cards", for promotion "The use of on-line advertising" and regarding the customer relations statements such as "The provision of online customer service". The five components of the marketing mix were created by calculating the mean of the corresponding questions that refer to the respective variables.

The questionnaires were distributed via email. Due to the very low response rate personal interviews were held. The sample included 30 hotels of all categories 3 stars and above i.e.23% 5 stars, 50% 4 stars and 27% 3 stars that are located in Pafos, where in each hotel the marketing manager was requested to complete the survey. The questionnaire was written in Greek, the native language of the participants.

Table 1 presents descriptive statistics results of the study variables and the internal consistency of the current sample.

Table 1: Descriptive Statistics and Coefficient alpha

	Mean (SD)	Coefficient alpha
Product	4.66 (.27)	.61
Price	4.57 (.44)	.54
Place	5 (.00)	.77
Promotion	4.71 (.3)	.70
Customer Relations	4.33 (.72)	.74

V. Analysis

Hotel category differences in the five components of the marketing mix were tested using MANOVA. The multivariate effect was statistically significant (Wilks' $\Lambda = .25$, $F(10,48)=4.61$, $p<.05$). Follow up univariate ANOVAs were conducted for each of the marketing mix component. There was a significant main effect of the category on the Product ($F(2,27)=4.51$, $p<.05$), on the Price ($F(2,27)=21.7$, $p<.05$), on the Place ($F(2,27)=5.7$, $p<.05$), the Promotion ($F(2,27)=12.2$, $p<.05$) and on Customer Relations ($F(2,27)=20.17$, $p<.05$). Tukey's post hoc results showed significant differences between 5 stars and 3 stars hotels. Five stars hotels had higher scores on Product component ($M=4.66$, $SD=.27$) than 3 stars ($M=3.75$, $SD=.58$, $p<.05$) and 4 stars hotels ($M=4.44$, $SD=.76$) had higher scores than 3 stars ($M=3.75$, $SD=.58$, $p<.05$). No statistical significant differences were obtained on Product marketing mix component between 5 and 4 stars hotels. On the use of the Price marketing mix component 5 stars have higher mean scores ($M=4.57$, $SD=.44$) than the 3 ($M=3.43$, $SD=.56$, $p<.05$), and 4 stars ($M=4.66$, $SD=.36$) have higher scores than the 3 stars hotels ($M=3.43$, $SD=.56$, $p<.05$). No statistical significant differences exist on the 4 and 5 stars hotels regarding the Price component. The same results apply for Place, Promotion and Customer Relations. Descriptive statistics is reported on Table 2.

Table 2. Means (SD) for each marketing mix component according to hotel category

	5 stars hotels Mean (SD)	4 stars hotels Mean (SD)	3 stars hotels Mean (SD)
Product*	4.66 (.27)	4.44 (.76)	3.75 (.58)
Price *	4.57 (.44)	4.66 (.36)	3.43 (.56)
Place *	5 (.00)	4.86 (.22)	4.37 (.69)
Promotion *	4.71 (.3)	4.48(.6)	3.5 (.53)
Customer Relations *	4.33 (.72)	3.95 (.79)	2.29 (.37)

*Note: $p < .05$

Full occupancy level of rooms on average per year was described with a binary variable. Calculating the correlations between the hotel e-marketing strategies and the occupancy level of rooms there was no statistical significant correlation between the two variables ($r = .22$, $p = .23$). Hence, fully booked hotels do not necessarily associate with their e-marketing strategy.

The hypothesis that a specialist has a positive association with the full occupancy level of the hotels is supported. The phi coefficients, which is used since both variables are binary, has shown a statistical significant positive correlation between the two ($\phi = .535$, $p < .05$).

Independent sample t-tests showed that there are no statistically significant differences between hotels with specific and no specific marketing strategies regarding the use of their marketing component of product ($t(28) = 1.76$, $p = .09$) and place ($t(28) = 2.15$, $p = .12$). However, there are statistical significant differences between hotels with specific e-marketing strategies and no specific strategies on the use of price ($t(28) = 4.161$, $p < .05$), promotion ($t(28) = 3.78$, $p < .05$), and customer relations ($t(28) = 2.89$, $p < .05$) component. In all the significant results, hotels with a specific strategy have higher mean scores than the ones that do not have (see Table 3).

Table 3: Descriptive Statistics for Hotels With and without e-marketing strategies

	Hotels with specific e-marketing strategy Mean (SD)	Hotels with no specific e-marketing strategy Mean (SD)
Product	4.4 (.68)	3.75(.74)
Price *	4.48 (.54)	3.25 (.65)
Place	4.89 (.21)	4.00(.82)
Promotion *	4.44 (.56)	3.25 (.74)
Customer Relations *	3.8 (.95)	2.33(.9)

*Note: $p < .05$

Differences on the gross revenue expenditure for Internet marketing and the use of the marketing mix were obtained by using independent sample t-tests. Analysis suggested that statistical significant differences occur between hotels that spent 0-1.9% and 2-2.9% of their gross revenue. However, hotels that spent more than 3% of their gross revenue were not represented on the current sample hence they were excluded from the analysis. The analysis was conducted by using only these two categories for the marketing expenditure. No statistical significant differences occurred for the use of the product component ($t(28) = -1.75$,

$p < .05$) and the price component ($t(28) = -1.78$, $p < .05$). Differences exist on place, promotion and customer relations. Hotels with higher percentage expenditure on e-marketing strategies have higher mean scores on the use of the aforementioned components. Table 4 represents descriptive statistics results. Hotels with higher expenditure consider of great significance the place component and less important the use of customer relations.

Table 4. Descriptive Statistics on the marketing mix according to the gross revenue expenditure

	Gross revenue expenditure on e-marketing 0-1.9% Mean (SD)	Gross revenue expenditure on e-marketing 2-2.9% Mean (SD)
Product	4.21 (.73)	4.8(.3)
Price	4.22 (.7)	4.8 (.27)
Place *	4.72 (.48)	5.00(.0)
Promotion *	4.16 (.71)	4.86 (.18)
Customer Relations *	3.43 (1.04)	4.46(.6)

*Note: $p < .05$

Logistic regression was used to explore the relationship between full occupancy level as the dependent variable and independent variables the hotel category, the traditional 4Ps along with customer relations. No statistical significant results were obtained.

VI. Discussion

Marketing mix is characterized by four different but equally important variables. The results illustrated in this paper remark that the hotel industry uses the traditional 4Ps and customer relations on their e-marketing strategies. However, not all components are equally weighted. For the e-marketing strategy to outperform probably it will be required for the hotel industry to reassess their strategies. If one component out weights the other this does not necessarily imply that the strategy is not effective. It can be effective, but probably does not have superior performance or the business does not consider that each component is of equal importance on their strategy.

Due to the low response rate the results in some cases were not as expected. Also the responses of the current sample could be bias. Further research should be done with a more representative sample in order to extract more appropriate results.

It was expected that product, price, place, promotion and customer relations will have a significant impact on the average full occupancy level. However, this was not shown on the results. This can be attributed to the fact that occupancy level possibly depends on other factors that were not included in the model. In addition, the average full occupancy level as presented on the questionnaire was reported as a binary variable. Instead further research should include the annual average occupancy rate in order to confirm that actually none of the components do not have a significant impact. In addition research with financial and competitive market measures will be valuable in order to understand the effectiveness of the e-marketing strategy in the hotel industry.

Hotel category has an impact on the use of each e-marketing component. Overall the results suggested that 5 and 4 stars hotels exist in the marketplace under the same e-marketing mix components. However, 3 star hotels have significant differences with luxury hotels (4 and 5 stars). This can be justified as their target groups may differ.

As Sigala (2002) mentioned online customers are changing from product and price takers to product and price makers. Hence, as the market is very competitive it is of vital importance for specialists to take over the e-marketing strategies and have specific strategies in order to have the ultimate profitability.

The e-marketing mix as illustrated from the results is a multidimensional process and not a linear one. Belch and Belch (2003) supports that a successful marketing mix strategy is a multidimensional process; that is each of the components of the marketing mix involve a number of decision areas that should be taken in account.

Furthermore, the applications of the traditional and e-marketing mix totally differ. This is mainly due to the different type and wide range of audiences that each of the approach is addressed to (Belch and Belch, 2003). For example, hotel prices and offers would be promoted differently in the domestic market through the traditional marketing rather than the international market through the e-marketing as each market has different characteristics and features.

Traditional marketing mix and e-marketing mix have differences on the tactics that products/services are promoted. These differences that appear on the use of each of the e-marketing mix component can be attributed to the different business goals.

The marketing mix either in the traditional or online form (e-marketing mix) is a powerful tool in designing the products of the tourism industry. Small and big players of the market should explore further Internet potentials in order to unlock missed opportunities, innovate their products and reach ultimate profitability.

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