

The Marketing Mix in Small Sized Hotels: A Case of Pattaya, Thailand

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Abstract—The purpose of this research is to investigate the marketing mix that is perceived to be important for the small sized hotels in Pattaya. This research provides insights through a review of the marketing activities performed by the small sized hotels. Nine owners & marketing manager of small sized hotels and resorts, all local Chonburi people, were selected for an in-depth interview. The research suggests that seven marketing mixes (e.g. Product, Price, Place, Promotion, People, Physical Evidence and Process) were commonly used by these hotels, however, three types – People, Price and Physical Evidence were considered most important by the owners.

Keywords—Marketing Mix, Marketing Tools, and Small Sized Hotels.

I. INTRODUCTION

PATTAYA city is a special administrative district, located within the area of Chonburi Province. It is regarded as a world-renown beach resort. In the past decade, many people viewed Pattaya as a place for exotic nightlife. That might be true. But now a general public perception of Pattaya has been changing as what the city really offers is far beyond beaches and entertainment. The greater Pattaya has adapted to suit the present situation by offering a wide diversity of tourist attractions to be a place for everyone. Moreover, there are a few brand new tourist places in the Greater Pattaya area like Pattaya Floating Market, Ang Sila Old Market, and Pattaya Old Town in Na Klua County, presenting traditional ways of life of the local folks [1]. Today, hundreds of thousands of visitors are drawn each year to Pattaya to windsurf, water ski, swim, sunbathe, snorkel, sail, or take trips to nearby islands. Other activities include Bungee jumping, cycling, skydiving, go-Karting, Muay Thai (Thai boxing), and Paintball. Golfers, both novice and expert, are well catered to as well, with a wide selection of golf courses around Pattaya [2], [3]. Due to the high number of expatriate foreigners in Pattaya there is also an excellent selection of authentic foreign eateries serving French, Italian, Swiss, German, Hungarian, Scandinavian, English, Indian, Arabic, Japanese, and Chinese cuisine. Drawing such a large number of diverse visitors from across the world, it's no surprise that Pattaya also boasts an incredible choice of accommodation. Those on a tight budget and those with money to spend are equally able to find rooms to suit their needs [1].

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Looking back, tourism growth in Pattaya entered a new age in 2006 with the opening of Suvarnabhumi International Airport. Despite an impact from the global financial crisis in 2008 and political events during 2009 – 2010, the beachside resort destination was resilient with visitor arrivals doubling in 2010. Additionally, at the end of October 2014, Tourism Authority of Thailand reported that 594 of mid-range and small-sized hotel in Pattaya were operating in the market. The competitive state of hotel business in Pattaya has been poised to intensity over a decade due to the growth of tourism and increase tourist demand. The shortage of resources and budgets of the small sized hotels and resorts compared with the larger and chained hotels result in many of them to going out of business [1].

To better understand this reduction of small-sized hotels, this investigation analyzes the marketing mix that is regarded as the most important factors for the survival of small hotels and resorts in Pattaya. The results of this study of successful marketing strategies may then be used to support small-scale hotels marketers enhance their performance and long-term operations.

II. LITERATURE REVIEW

The Marketing Mix concept is a fundamental idea in marketing [4], [5]. It is defined as the set of controllable tools that marketers use to determine satisfaction of its target market [4], [6]. Many scholars suggested that the traditional 4Ps may not be appropriate for the marketing of services, such as with the hotel industry [4], [6]-[9]. However, the most influential framework for a service marketing mix was proposed by [9], where the additional 3Ps (People, Physical evidence and Process) were introduced. In relation to the hotel industry, "People" would correspond to the hotel owners and staff as those who provide service to their guests. People are typically regarded as the primary factor in the hotel industry because its operation is based around a high level of interpersonal contact with its customers. In other words, the owners and staff represent the key position for influencing customers' perception of service quality.

Radisic, Perisic and Berecic [10] referred to a marketing system that drives employees to deliver satisfying products directly to their customers. They identify the notion that to succeed in the hotel industry, it is important for the business to enhance their employees' satisfaction, which in turn, will increase their guests' satisfaction. Furthermore, staff working in smaller businesses benefit from having closer contact with customers and are more flexible and responsive to change than those working in larger businesses [11]. In addition, [12]

claims that people are an important factor for small businesses because they deliver personal relationships and interpersonal communication with customers, which often provides unique selling points and competitive advantages for these businesses.

The second element in the additional framework, "Physical evidence," includes the provided environment, atmosphere, building, and layout of the hotel through which customers experience and assess the quality of service provided [8]. The final element of the 3Ps, "Process" relates to the operations and procedural methods that hotel management ensures consistent quality service. Since the customers are involved in the production of service, process can be considered more important for the service industry than it is for businesses only developing and selling physical goods [5], [13]. Therefore, their study highlights that the 7Ps framework should be broadly accepted as a generic marketing mix framework. For small business, their size will require differed objectives and management styles compared to larger business. Small businesses operate with limited financial resources, human resource constraints, lack of specialized marketing expertise and challenges with controlled growth. Larger businesses, on the other hand, tend to focus on sales maximization, increasing market share and generating profit [14].

In many cases for smaller businesses, the market decisions are largely managed and finalized by the owner/manager, therefore, the business' performance will depend solely on the owner/manager's marketing expertise and personal management style. Considerable evidence from research confirms that marketing in small to medium-sized business is different from that of large-scale business; however, previous research was mainly focused on the marketing and market activity in hotel businesses as a whole [11].

As mentioned above, it could be seen that marketing research in small hotels has been of less interest, especially in terms of how they perform marketing mix strategies.

III. METHODOLOGY

A qualitative approach was taken for this study developing an in-depth interview process of the owners of small sized hotels and resorts. Through this design, we were able to gain a better understanding and discover the unique characteristics of their marketing activities and methods. The respondents were selected from the owners and marketing managers of 268 small sized hotels and resorts in Pattaya [15]. The respondents for the In-depth interview were carefully selected based on their willingness to share their marketing experiences. Initially, a simple random sampling was utilized for the selection process. However, many of these first contacts with hotels/resorts owners expressed concern about confidentiality and the sensitivity of marketing data they must provide, so they refused to participate in the research. To overcome this problem, a snowball sampling process was employed. The first respondent was contacted and then asked to recommend the owners of others small sized hotels and resorts in Pattaya, which resulted in a total of 9 respondents (4 females and 5 males) being selected for participation. The interviews were conducted in Thai. A tape recorder was used as recording

helped to free the researcher to concentrate on the interviewees and minimized information loss [16]. Following the recommendation of [17], the interview was held in the respondents' place of business in order to encourage respondents to be more honest, reflexive, open and relaxed. All respondents were asked to explain the overall market situations of the small sized hotels and resorts in Pattaya as well as that of his/her own business. After this initial discussion, they were given a list of marketing activities and were asked to check all items that were most similar to their own market activities. Finally, they were asked to explain their performance in each of these market mix and activities.

IV. RESULTS OF DATA ANALYSIS

A. *The Current Situation and Respondents' Background'*

The interview results found that the majority of respondents felt that small sized hotels and resorts still had good opportunities to grow in this market. Even though the competition between the hotel businesses in Pattaya is getting more difficult, the lower cost of management (e.g. labor cost, land, infrastructures) is an advantage for the mid-ranges and smaller-sized hotels and businesses.

More than half of respondents indicated that they were working in family owned businesses in which family members worked on the premises. Moreover, these smaller businesses are more flexible in terms of quick response and decision-making when unpredictable circumstances occurred. The data indicated that all decision-making regarding marketing activities are made by the owners or marketing managers, who are also members of the owner's family. This deep family connection may be a weak point in terms of marketing ability an expertise.

It can be noted that all participating respondents are local Pattaya people; hence, they may have the benefit of owning their own land. Therefore, they have a competitive advantage than the larger or chained hotels in terms of initial investment costs. Over 80 percent of respondents said that they are satisfied with their businesses' performance today since they have their own targeted customers. These customers were in the mid-range to low income, including some backpackers who only care about having a room to sleep while they were on the holidays. All of these factors suggest that the future of the small sized hotels and resorts in Pattaya have a positive outlook and will be able to remain in the hotel business

B. *The Marketing Activities*

The interview data confirms that marketing activities currently undertaken by the small scale hotels and resorts can be compared to the 7Ps marketing mix concept, which is an extension of the 4Ps framework by [9]. As discussed above, the 7Ps marketing mix takes into account the intangible nature of services, resulting in the additional elements of people, physical evidence and process to the traditional marketing mix. However, it is clear that these three following factors were most important to the interviewed respondents.

1) People

The majority of respondents were in agreement that people were a significant factor for the success of their businesses. As mentioned before, the small sized hotels and resorts were family-run business; therefore, the management was authorized by themselves and/or another member of the family. More specifically, they directly serviced their guests personally. Many respondents accepted they did most of the jobs as much as they can (e.g. hotels reception, booking, cooking, and housekeeping). By being so personally involved, they can ensure that their guests will receive the best service possible. Additionally, with the size of the hotels, the easy going feeling between staff and guests were more readily established compared to experiences found in the larger or chained hotels. All respondents explained that they were considered by their guests to be more like friends instead of owners. A female respondent shared her experiences of visiting her guests 'homes overseas: —“I have visited my guest's place in Australia and stayed there for two weeks”. Another male respondent noted that “In Europe, I also stayed at my UK guest's place. We are all friends and we still keep in touch until now”.

The research also revealed that these respondents paid better attention to the service of their staff. Their employees were also personally concerned about bringing excellent service to their guests; they were trained to be polite, patient, and ready for serving their guests all the times. Although the service in the small sized hotels/resorts may not be considered to be at the same level the luxury hotels, the respondents confirmed that their guests were happy with the friendliness and informality when staying in their hotels. Not surprisingly, the guests of small sized hotels and resorts tended to be returning customers. One respondent commented that —80 percent of his guests were coming back and this is how his hotel can survive in the business. All of this confirmed that high-personal contacts, personal relationships and communication interchanges with the customer were regarded as important marketing strategies these small sized hotels and resorts. The result of this study confirmed the findings of previous research as found in [4], [10], and [12].

2) Pricing

The majority of respondents confirmed that price was another important marketing factor for their businesses. The price varied depending on the location of the hotels/resorts, which ranged from 500-800 baht per night per room for hotels/resorts which are far from the beach to over 2,000 baht for the beach hotels. Comparing with larger or chained hotels located in the same area, the price of small sized hotels and resorts is relatively inexpensive. It also found that targeted customers of small sized hotels may differ from luxury or chained hotels. These customers care only if they have a room to sleep and less about the hotel facilities. On the other hand, they chose the accommodation because of price to save their costs as they can extend the duration of stay. This finding confirms that a lower price may have an impact on guests' decision making over products or place. With limitations for

the smaller hotels in terms of size and facilities, such as restaurants, spa, parking lot and swimming pools, setting a reasonable price for the right target customers is a key marketing factor for their success. This is consistent with the study by [18] in that small sized hotels may not easily compete on facility with large competitors, but rather on reasonable prices.

3) Physical Evidence

The results indicated that although there existed a competitive limitation with land and facilities for the small sized hotels/resorts, the majority of respondents were in agreement that physical evidence was not less important than people and pricing. Some of their comments were —“The room is only the room, every hotel is the same. But the feeling of greenery, a welcome, and a relaxed ambient environment they can feel like they are staying at home are what his mum wants (Respondents)”. And —My resorts get a compliment of having lots of shady trees, cleanliness, and a pleasant place. This reminds us why we work hard on these things (Respondents). Many marketing scholars support the idea that marketing mix elements were not viewed as equally important, and some consider the product and price to be the most important [19]-[21]. These findings, from the view of respondents, show that product was not regarded as important as price, but for the marketing activities of small hotels/resorts in Pattaya. This might be the result of their different targeted customer.

V. DISCUSSIONS & SUGGESTIONS

The purpose of this study is to investigate and analyze the marketing mix elements that are regarded to be the most important factors for the small sized hotels and resorts in Pattaya. The qualitative approach presented through in-depth interviews of local owners was undertaken to shed light on the full market picture and discover the issues facing the small scale hotel and resort business. Using this approach, the researchers had the opportunity to listen directly to the hotel owners as they expressed their perceptions. The research found that each P in the service marketing mix may not be equally important in the view of respondents, and only three out of seven were regarded as the most important marketing mix: People, Pricing and Physical Evidence.

People may be important for hotels and resorts' owners in those personal relationships may be formed with customers, resulting in greater satisfaction with services and creating unique selling environments to develop returning customers. Pricing is important for hotel owners because it encourages guests' decision-making to select the smaller hotel over the larger and/or chained hotels because they may want to pay less and stay longer. Finally, our results reveal that physical evidence was regarded as another important marketing mix as owners attempt to make their guests feel at home, and they believe that their guests will come back again. This study is only an attempt to present first-hand results, thus, further research is required to broaden investigation relating to marketing plethora. This research focuses only the view of

marketing mix on the supply side and the demand side (from small hotel and resorts' users). The further research should be taken into the consideration. Ideally, the perception from both sides should be matched.

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