Marketing planning: A key to successful business performance in the hospitality industry

MARINA PERIŠIĆ PRODAN, PhD
Faculty of Tourism and Hospitality Management, Opatija
University of Rijeka
Primorska 42, P.P. 97, 51410 Opatija
CROATIA
marinap@fthm.hr http://www.fthm.uniri.hr

DINA LONČARIĆ, PhD
Faculty of Tourism and Hospitality Management, Opatija
University of Rijeka
Primorska 42, P.P. 97, 51410 Opatija
CROATIA
dina.loncaric@fthm.hr http://www.fthm.uniri.hr

IVANA RIBARIĆ, M.A.
Faculty of Tourism and Hospitality Management, Opatija
University of Rijeka
Primorska 42, p.p. 97, 51410 Opatija
CROATIA
ivana.ribaric@fthm.hr http://www.fthm.uniri.hr

Abstract: In contemporary business conditions marketing planning should be the basis of marketing management process in the hospitality industry. Nowadays, all hotel companies, regardless of their size should be marketing-oriented and apply the principles of marketing planning. The aim of this paper is to investigate the level of adoption of marketing planning of hotel companies in two developed Croatian counties. The purpose of this paper is to confirm that marketing planning determines business performance of hotel companies. Empirical research proved that there is a statistically significant relationship between marketing planning and business performance of hotel companies. The obtained results are indicative for marketing managers of hotel companies who strive to improve their own operation in order to contribute to the quality of the hotel product and thus to respond to the contemporary market demands.

Key Words: marketing planning, business performance, hospitality industry, Croatia

1 Introduction
Marketing planning tries to control the future business situation of hotel companies by defining the appropriate objectives and determining the most efficient means to implement them. Due to constant changes in the market, as well as in their environment, the hotel companies cannot operate without clearly defined marketing objectives and an established marketing plan. Through marketing planning the marketing management of hotel companies can determine the needs, wants and demands of existing and potential guests, assess future events and promptly respond to changes in the market.

Referring to the business operation of hotel companies up to now, implementation of marketing strategies has often been based on the intuitive inspiration, rather than on the systematic research and planning. As a consequence, there is an insufficient focus on the customer - the guest, a hotel offer exclusively based on traditional hotel services and uncoordinated marketing activities.

Although the studies of foreign authors suggest a direct effect of marketing planning on business performance [1, 2, 3], the studies of the domestic
authors show that the mentioned topics have not been thoroughly investigated, especially not in the field of the hotel industry. In fact, companies in Croatia, which in the last two decades have undergone the transition have to a lesser extent applied the marketing concept and process of marketing planning. Namely, former studies have shown that in the late nineties of the 20th century the Croatian companies insufficiently applied marketing concept [4]. Recent studies indicate that in most small and medium-sized companies marketing planning is not performed, so that the insufficient marketing efforts put in attracting and retaining customers are evident [5, 6]. Due to this fact, the aim of this paper is to examine the degree of adoption of the process of marketing planning in hotel companies in the most developed Croatian counties that represent the benchmark to other counties, and to identify the problems in the implementation of the process of marketing planning. Furthermore, the purpose of this study is to prove that all the activities of marketing planning process positively affect the business performance of the hotel companies.

The paper is divided into five parts. Following the introduction, the second part explains the importance of marketing planning in hotel companies. The third part explains the methodology of research, followed by the discussion of research results. Conclusion presents the synthesis of the entire paper by emphasizing its theoretical background and application of the established findings.

2 The importance of marketing planning in the hotel industry

The business concept of hotel industry is focused on needs and expectations of the final consumer, the buyer of his product and the user of his services, that is the guest. For a successful performance in an increasingly demanding tourist market, the hotel should be market-oriented, and special attention should be paid to the wants, needs and expectations of each individual guest. Through a properly targeted marketing concept, which generates a high level of quality products and services, the hotel will achieve the appropriate image in the market. Application of marketing concepts in hotel companies will determine their long-term market performance, whereby marketing planning plays a significant role.

2.1 Concept and features of marketing planning

The long-term strategic reflection on the future with a primary focus on achieving long-term visions and strategic objectives is particularly significant in contemporary business conditions. Strategic marketing planning presents "the process of developing a long-term (three to five or more years ahead) plans for marketing [7, p.61]", i.e. strategic marketing planning relates to the long-term planning at the functional level and results in a strategic marketing plan, which stems from the strategic plan of a business entity as its integral part.

Strategic marketing plan "lays out the target markets and the firm's value proposition, based on an analysis of the best market opportunities [8, pp. 36-37]". Tactical marketing plan "focuses on implementing the broad strategies established in the strategic marketing plan [9, p.161]".

Marketing plan is a starting point for planning all activities of hotel companies. It enables marketing managers to identify the needs, wants and demands of existing and potential guests, to assess the future events and to respond promptly to market changes. The elaboration of the content of the marketing plan and of the items that will be included in the written document depends on the needs of each hotel company individually. However, marketing plan, in principle, consists of several key components: defining the business mission and vision, analysis and forecasting (portfolio analysis, competitor analysis, segmentation), setting marketing goals and objectives, shaping marketing strategy (targeting and positioning), implementation of marketing activities (tactics and action plans, resource requirements), control of marketing activities and communicating the plan [10].

Successful planning is based on the understanding of reality. In fact, through research the information is gained and it serves as a guideline for hotel marketing management in setting marketing objectives and choosing the appropriate marketing strategies aimed at achieving the set goals. Based on pieces of information about the hotel operation performed in the past period, strengths and weaknesses, opportunities and constraints that will affect the business in the future, attitudes of existing and potential hotel guests, their needs, the identification of market opportunities, etc., marketing management creates the content of the marketing plan that includes all details about business or operation of the hotel company.
2.2 Marketing planning and business performance

Supported by a systematic study of marketing planning in the nineties of the 20th century, McDonald [1] presents the essential premise that companies that carry out the entire process of marketing planning have a greater potential for success than other companies operating in the same environment and same competitive conditions. However, Dev [11] stated that many hotel companies have made the process of developing a marketing plan rather complex, instead of being simple and flexible in order to ensure a successful performance of the changes in the environment that affect the change in marketing. Chae and Hill [12] determine the degree of the impact on the formalization of marketing planning through the identification of internal and external factors that affect the process of marketing planning at the company. Furthermore, Pulendran, Speed and Widing [13] studied the relationship between marketing planning, market orientation (as a series of activities related to the marketing concept in business) and their impact on business performance. They have found out that high quality marketing planning can lead to performance benefits, but as antecedent to a market orientation, rather than as an independent activity.

Furthermore, Philips and Moutinho [14] developed the so-called indicators of marketing planning as a mean for measuring the effectiveness of marketing in the hotel industry. By studying the relationship between marketing planning and performance Philips, Davies and Moutinho state that "the issue is not whether strategic marketing planning affects performance, but rather what marketing capabilities are required to enhance performance [15, p.159]". Through studying the relationship between planning and performance at the level of a hotel unit, Philips [2] concludes that an efficient planning process (with four key characteristics: thoroughness, sophistication, participation and formality) is associated with a higher level of business performance.

Studies into corporate performance have tended to use a variety of different measures of success, which can be classified into one of two groups: financial and non-financial [14]. "Financial performance refers to a measure of how well a firm uses assets from its primary mode of business to generate revenues [16, p.41]". Financial performance can be: profit, turnover, return of investment, return on capital employed etc. "Non-financial performance is a long-term operational objective that emphasizes the importance of increasing customer loyalty, attracting new customers, and enhancing the image and reputation of a firm [17, p.42]". In his research Taghian [3] proved that there is a significant relationship between marketing planning and financial and non-financial performance - the results showed a strong association between marketing planning and the two performance indicators used in the study - the (perceived) change in market share and the (perceived) change in the overall organizational performance.

Considering the above mentioned, the following hypothesis has been set: Marketing planning is positively and significantly related to business performance of the hotel company. The following section describes the methods applied in the paper.

3 Methodology

In order to prove the set hypothesis the research was carried out on a sample of hotel companies in Croatia by using the survey method.

In the following part of the paper methods and the research instrument as well as the data about research sample will be described and explained in detail.

3.1 Research instrument

In this study the survey method was used. The research instrument was a structured questionnaire consisting of three parts. The first set of questions was related to the implementation of marketing planning. The respondents were offered a total of 19 items and were asked to rate them with grades from 1 to 5, whereby number 1 marked the absolute disagreement, and number 5 absolute agreement. The scale is designed and adapted in accordance with previous studies of the authors Vorhies and Morgan [18], Ngo and O'Cass [19], Moutinho [20], Philips and Moutinho [14], and Taghian [3]. Besides, we added seven new items (2, 8, 9, 10, 11, 16 and 18). Another set of questions referred to the collection of data on business performance of hotel companies. Ten items measuring performance were based on those used by Chen, Tsou and Huang [16]. These were subjective, self-assessment measures [13] using a five point Likert scale (from strongly disagree to strongly agree). Respondents were asked to rate the extent of achieving the financial (actual profit, profit and sales targets) and non-financial (increasing the rate of capacity utilization, customer loyalty, attracting new guests, a good image)
objectives of performance, or if they improved the business performance (efficiency, productivity, profitability).

The last part of the questionnaire contained identificational questions about hotel companies. The results were analyzed by using the software package SPSS (Statistical Package for the Social Sciences). The data were analyzed by using the method of descriptive statistics, correlation and regression analysis.

### 3.2 Research sample

The research was conducted by examining the managers responsible for planning and implementation of marketing activities in hotel companies in the most developed tourist regions in Croatia (Primorje-Gorski Kotar county and Istria county). The research included all hotel companies operating in both selected counties, and in accordance with the list of categorized tourist facilities of the Croatian Ministry of Tourism (as at 17th February 2015). According to the mentioned list it was found out that a total of 128 hotel companies operate in these counties [21]. The research was performed in the period from 10th March 2015 to 10th April 2015. A total of 64 questionnaires was collected. Out of the total number of collected questionnaires, 2 were not included in the sample because they were incomplete, so that the total number of correctly filled out questionnaires was 62, which represents a rate of return in amount of 48%. Due to this fact, the pattern of the surveyed hotel companies can be considered as very satisfactory.

With regard to the status of the company, in a sample of 62 hotel companies, 66.1% are limited liability companies, and 33.9% are joint-stock companies. Marketing activities are usually carried out in the marketing department (38.7%), while in 37.1% cases marketing department as a separate organizational unit does not exist. Among respondents the majority were sales department managers (35.5%), with a university degree (69.4%), and females (56.5%).

### 4 Research results

Table 1 shows the results of the descriptive analysis for the process of marketing planning. As shown in the following table, the average grades for the variables from the construct "marketing planning" range from 3.29 to 4.32.

<table>
<thead>
<tr>
<th>Item</th>
<th>Mean</th>
<th>SD*</th>
<th>Mode</th>
<th>CA**</th>
</tr>
</thead>
<tbody>
<tr>
<td>We carry out the process of marketing planning</td>
<td>4.05</td>
<td>1.108</td>
<td>5</td>
<td>-1.145</td>
</tr>
<tr>
<td>There is a clearly defined mission of a business operation</td>
<td>4.06</td>
<td>1.129</td>
<td>5</td>
<td>-1.331</td>
</tr>
<tr>
<td>Information on the target market segments is collected</td>
<td>3.98</td>
<td>1.032</td>
<td>4</td>
<td>-1.169</td>
</tr>
<tr>
<td>Information on competition is collected</td>
<td>4.08</td>
<td>1.060</td>
<td>4</td>
<td>-1.444</td>
</tr>
<tr>
<td>Information on changes in the macro environment is collected</td>
<td>3.69</td>
<td>1.154</td>
<td>4</td>
<td>-0.889</td>
</tr>
<tr>
<td>We carry out the SWOT analysis</td>
<td>3.40</td>
<td>1.373</td>
<td>5</td>
<td>-0.420</td>
</tr>
<tr>
<td>Set marketing objectives can be quantified (are measurable) and controlled</td>
<td>3.39</td>
<td>1.246</td>
<td>4</td>
<td>-0.417</td>
</tr>
<tr>
<td>In defining a strategic approach we deeper penetrate the already existing market with existing products (penetration strategy)</td>
<td>3.73</td>
<td>1.190</td>
<td>4</td>
<td>-0.832</td>
</tr>
<tr>
<td>In defining a strategic approach we expand into new markets (market development strategy)</td>
<td>3.77</td>
<td>1.093</td>
<td>4</td>
<td>-0.856</td>
</tr>
<tr>
<td>In defining a strategic approach in the existing market, we offer new products (product development strategy)</td>
<td>3.87</td>
<td>1.016</td>
<td>4</td>
<td>-0.993</td>
</tr>
<tr>
<td>In defining a strategic approach we develop new products for new markets (diversification strategy)</td>
<td>3.73</td>
<td>1.133</td>
<td>4</td>
<td>-0.690</td>
</tr>
<tr>
<td>Special attention is paid to the level of quality of hotel services</td>
<td>4.32</td>
<td>0.988</td>
<td>5</td>
<td>-2.067</td>
</tr>
</tbody>
</table>
Table 2 Results of descriptive analysis

<table>
<thead>
<tr>
<th>Variable</th>
<th>Mean</th>
<th>SD*</th>
<th>CA**</th>
</tr>
</thead>
<tbody>
<tr>
<td>Marketing planning</td>
<td>3.75</td>
<td>0.72</td>
<td>-0.86</td>
</tr>
<tr>
<td>Business performance</td>
<td>3.84</td>
<td>0.93</td>
<td>-1.28</td>
</tr>
</tbody>
</table>

* SD – Standard deviation  
** CA – Coefficient of assymetry

In the table above a negative asymmetry of observed variables can be observed. However, the coefficient of asymmetry for the variable "marketing planning" is within the limits of acceptability for the normal distribution (located in the interval from -1 to +1). The variable "business performance" shows a slightly asymmetrical distribution. Referring to the above mentioned, the variables satisfy the requirement of normality, so that in order to test the hypotheses, the Pearson's correlation coefficient will be used.

Correlation analysis showed significant and positive relationship between marketing planning and business performance ($r = 0.676; p <0.01$). The value of correlation coefficients indicates that a higher level of marketing planning has a positive effect on the business performance of the hotel companies. Considering the fact that the links among the observed variables have a set direction and that they are statistically significant, it is possible to accept the set hypothesis.

In order to determine the extent to which marketing planning can predict business performance, a regression analysis was carried out. Through this method a linear regression model will be tested. The model tests a causal relationship between marketing planning and business performance. The mathematical form of the model is:

$$Y_1 = a + bX \quad (1)$$

where  
$Y_1$ – is a dependent variable "business performance"  
$a$ – is a constant member
$b$ – is a regression coefficient  
$X$ – an independent variable "marketing planning".

The results are shown in the following table.

Table 3 Results of regression analysis for variables "marketing planning" and "business performance"

<table>
<thead>
<tr>
<th>Indicators</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Correlation coefficient $R$</td>
<td>0.676</td>
</tr>
<tr>
<td>Coefficient of determination $R^2$</td>
<td>0.457</td>
</tr>
<tr>
<td>$F$ ratio</td>
<td>50.399</td>
</tr>
<tr>
<td>Sig.</td>
<td>0.000</td>
</tr>
<tr>
<td>Independent variable</td>
<td>B</td>
</tr>
<tr>
<td>Constant</td>
<td>0.569</td>
</tr>
<tr>
<td>Marketing planning</td>
<td>0.873</td>
</tr>
</tbody>
</table>

Remark: Dependent variable - business performance; B - unstandardized coefficient; Beta – standardized coefficient.

It is visible from the above table that the correlation coefficient ($r = 0.676$) shows a medium strong and positive relationship between marketing planning and business performance. According to the coefficient of determination ($R^2 = 0.457$), the variables in the model share 45.7% of the common factors. This means that 45.7% of the variance (pieces of information) in the variable "business performance" can be predicted through the variable "marketing planning". In addition, the results are statistically significant ($F = 50.399$, $p <0.01$). Unstandardized coefficient $B$ shows that the increase in the results in the marketing planning for one point is associated with an average increase of results in business performance for 0.873 points. On the contrary, the reduction of results in marketing planning for one grade affects the average reduction of results in business efficiency for almost one grade (more precisely, for 0.873 grade). The value of beta coefficient indicates the relative importance of the independent variable (and coincides with the correlation coefficient). Based on t-test the conclusion can be made that the impact of marketing planning on business performance is significant ($p <0.01$).

Tested regression model can be written as follows:

$$Y_1 = 0.569 + 0.873X$$ (2)

5 Conclusion

Based on the empirical research of hotel companies it can be concluded that they carry out the process of marketing planning whereby special attention is paid to the quality of hotel services and strengthening the brand image of the hotel company. In defining a strategic approach hotel companies most often use the strategy of product development, while in the context of development of the marketing mix the adjustment of price policy of hotel companies to different market segments, as well as insufficient funding for the promotion of hotel services, and the insufficient use of benchmarking in the whole process of marketing planning is highlighted.

The results of this research showed that there is a statistically significant relationship between marketing planning and business performance of a hotel companies and that it is a statistically proved phenomenon, respectively. This means that companies with better marketing planning will realize more efficient business performance, which indicates the acceptance of the related hypothesis. This is in accordance with the findings in a prior studies carried out by Philips [2], Taghian [3] and Pulendran, Speed and Widing [13] and represents additional evidence on the connection between marketing planning and business performance.

On the basis of this research it is possible to make suggestions to the management of hotel companies. The management should be focused on long-term strategic thinking, highlighting a long-term vision and strategic objectives of the hotel company, which will be achieved by implementing strategic marketing plans. Management of hotel companies should employ various marketing activities, in form of the optimal combination of marketing mix elements in order to continuously improve their own offer. Thus, management should innovate the existing and develop the new products, whereby shaping of a quality hotel product is of utmost significance. Management of hotel company being able to ensure the consistency of the quality of all the individual components of their product, in terms of achieving the quality of all tangible and intangible attributes will realize the competitive advantage of a hotel company.

In reviewing the results of this study a few facts can be estimated as limiting. The research was carried out in the hotel companies in Croatia in just two coastal counties, which presents a narrower, actually regional character of the research. In this sense, the obtained results can be applied exclusively to hotel companies and destinations.
whose tourist products are based on the characteristic offer of these destinations which is leisure tourism. Furthermore, the limitation of this study lies in the fact that business performance was determined by using the subjective assessment of the respondents. Although such an approach was also applied in other studies, it is proposed to use the objective financial and other performance indicators in future studies.

Regarding the spatial coverage of the study it would be necessary in addition to hotel companies in coastal destinations to cover the hotel companies of other Croatian destinations, since these destinations represent an untapped potential, i.e. new development opportunities in terms of the development of selective forms of tourism, and also of a selective hotel offer. Although the methodology used for this study was the adequate one in terms of its needs, in order to get a more detailed insight into the cause-and-effect relationship between the investigated variables, it would also be necessary to apply other methods characteristic for such studies. The performed study may represent a quality guideline for future studies.

References:
