

Ch. 3 Environmental Influences on Hospitality Organisation

3.1 Introduction:

The authors have divided marketing environment into macro – environment and macro – environment. The micro environment consists of factors within and close to the company that affect its ability to serve its customers, the company itself, marketing channel firms, customer markets and a broad range of publics. The macro environment consists of the larger societal forces that affect the entire micro environment, that is, demographic, economic, political, natural, technical, competitor and cultural forces. Both macro- and micro-environmental factors influence the marketing of a hospitality business.

3.2 Why Environmental Analysis?

Purpose of General Environmental Analysis

- Organizations are affected by conditions in the environment.
- Managers need to be aware of these conditions in order to
 - Take advantage of opportunities that can lead to higher profits.

3.3 The macro-environment:

The macro-environment includes political, economic, socio-cultural, technological and environmental forces, and is therefore known as the PESTE environment. In addition to this, demographic, competitor, and cultural forces also make the managers think before designing any marketing strategy.

3.3.1 Political: Examples include: Planning regulations, Licensing laws, Local, regional or national government taxes, Regulation of marketing communications, Monopolies and Restrictive Practices Act, consumer Protection Act, Labour laws. Laws related to environmental issues

3.3.2 Economic: The economic environment includes all those activities that influence the wealth and income of the population. Examples of economic influences are: the state of the economy, the structure of employment and the level of unemployment, the rate of inflation, the exchange rate.

3.3.3 Socio-cultural: The socio-cultural environment influences consumers' purchase and consumption behavior. A country's socio-cultural environment is a complex mix of its geography, climate, history, religion, and ethnic make-up.

3.3.4 Demographic changes (changes in the make-up of a population): Demography is the study of human population in terms of age, gender, density, location, race, occupation, etc. Demographic changes also make a significant impact on market demand in hospitality.

3.3.5 Technological: The technological environment in hospitality is closely associated with innovation and developments in information communications technology (ICT). The current rate of technological change is fast, and new developments are constantly altering the technological environment.

3.3.6 Environmental: Environmental factors have become more important in all parts of the world as people recognize the impact tourists have on the planet. In particular, mass tourism has become much more controversial.

3.4 The micro-environment:

The micro-environment includes internal company factors: customers, employees, suppliers and intermediaries.

3.4.1 Customers: Hospitality companies typically target a broad mix of customers, including business and leisure hotel residents, non-resident diners and drinkers. Managing the customer mix to ensure that all the different types of customers are satisfied or delighted is one of the major roles for marketing.

3.4.2 Employees: For most hospitality organizations, the local labor market is a key resource. The availability and quality of skilled employees who have been educated and can be easily trained is an important factor in delivering a quality service. Because employees interact with customers, they can have a major influence on the level of customer satisfaction.

3.4.3 Suppliers: The hospitality company's performance is dependent upon its suppliers. Suppliers are firms and individuals that provide the resources needed by the company to produce its goods and services. Trends and developments affecting suppliers can, in turn, seriously affect a company's marketing plan.

3.4.4 Intermediaries: Intermediaries are those companies who advise, influence and make bookings for customers. Some of the intermediaries are Marketing Intermediaries, Disintermediation, Financial intermediaries.

3.4.5 Competitors: The competitive environment includes different kinds of competitors: Direct competitors, Competitors offering substitute products, indirect competition.

3.4.6 Publics: The location of a hospitality premises and the size/scale of the company will determine the character of the organizations (also called publics) with which the organization interacts. These publics will include: Local government authorities, other businesses and people who live in the neighborhood (some of whom may also be customers), Community, educational, religious, social and voluntary institutions, leisure, sporting and tourism attractions, local media.

3.5 Special characteristics of services marketing

The special characteristics faced by services marketers (including of course hospitality marketers) are seasonality, intangibility, perishability, inseparability, variability, interdependence, supply exceeding demand, and high fixed costs. You can use the mnemonic SIPIVISH to remember the characteristics.

3.5.1 Seasonality and demand fluctuation: Seasonality refers to the fluctuations and demand in any given period. In hospitality operations, seasonality can occur at: Different seasons of the year, different months of the year, different times of the week, and different times of the day.

3.5.2 Intangibility: Services are described as intangible products, meaning that they cannot be experienced - heard, seen, smelt, tasted or touched – prior to being purchased.

3.5.3 Perishability: Unlike manufactured products, which can be stored in warehouses, services cannot be stored; this feature of service industries is called ‘perishability’. The difficulty for hospitality companies is how to manage their capacity (the inventory) with a fluctuating demand pattern.

3.5.4 Inseparability: Customers have to be present to consume the hospitality product and the simultaneous production and consumption of services means that hospitality employees are an important part of the hospitality product.

3.5.5 Variability: Partly as a result of inseparability, hospitality operations suffer from considerable fluctuations in the standards of delivery of the service. This is called variability, and is influenced by human factors.

3.5.6 Interdependence: Hotel accommodation sales are influenced by the consumer’s choice of other tourism products. Like, the tourist’s choice of destination, the ease and accessibility of transport to and

from the area, the image of the destination, the price, and ‘word of mouth’ comments. The generation of demand for some hospitality operations is directly connected to the demand for complementary tourism products – i.e. the demand is interdependent.

3.5.7 Supply exceeds demand: The hospitality industry is frequently described as a fragmented industry with low barriers to entry. Despite record numbers of people traveling for business and leisure purposes, the growth in hospitality capacity has not always been matched by a sufficient growth in demand. When supply exceeds demand the competitive environment becomes more intense, and price competition can affect all firms’ profitability.

3.5.8 High fixed costs: The cost structure of hospitality firms influences marketing activity. Hospitality businesses are capital, labor and energy intensive. The marketing response to seasonality and high fixed costs is to design attractively priced promotions to stimulate sales in the low season.

3.6 Responding to the Market Environment

Marketing Management cannot always affect environmental forces; in many cases, it must settle for simply watching and reacting to the environment. e.g. a company would have little success trying to influence geographic population shifts, the economic environment, or major cultural values. But whenever possible, smart marketing managers take a proactive rather than a reactive approach to the public and forces in their marketing environment.

3.7 Environmental Scanning

It is done by, determining the environmental areas that need to be monitored, determine how the information will be collected, including information frequency and who will be responsible, implement the data collection plan, analyze the data and use them in the market planning process.

3.8 Using Information about the Marketing Environment

It is never sufficient simply to collect data about the environment. Information must be reliable, timely and used in decision making. As marketing personnel, we are to make some intuitive leaps because of the creative aspects of our characters. Nevertheless, we need enough information to make reasonable decisions, enough good data so that we can let our judgments move beyond the obvious, traditional interpretations we have learned as professionals. Researchers must put less emphasis on data and more on the interpretations of those data. They must work towards turning data into useful information. Collecting data for its own value is like collecting stamps. It is a nice hobby but it does not deliver the mail.

DO NOT COPY