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A STUDY ON SALES PROMOTIONAL ACTIVITIES OF HOSPITALITY INDUSTRY WITH SPECIAL REFERENCE TO CHENNAI MARKET



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ABSTRACT:-

This paper explores the promotional activities of Hospitality Industry particularly with reference towards Chennai market. Chennai is a place where a group of Business and leisure tourists arrive daily, hence it has been selected as a sample area. The need for sales promotion activities is vast and varied. A Hotel may offer high quality services at a reasonable price with attractive package, but still it may not attract the customers. Hotels might have spent a lot on advertising and have good sales force. Still the product may not sell by itself. Here lies the importance of sales promotion. This article focuses on promotional activities of the hotels in Chennai and the facts they are lacking.

KEY NOTES: Sales promotion, Promotional activities, Hospitality, customers, promotional schemes and measures

INTRODUCTION

According to American marketing association(1960), sales promotion were those marketing activities, other than personal selling, advertising, and publicity, that stimulate consumer purchasing and dealer effectiveness, such as displays, shows and exhibitions, demonstrations, and various nonrecurring selling efforts not in the ordinary routine.

Sales promotion makes use of direct mail, catalogues, house organs, trade shows, sales contests and other dealer aids. Its purpose is to increase the desire of salesman, distributors, and dealers to sell a certain brand and to make customers more eager to buy that brand. (Albert Frey; 1998).

Sales promotion is also referred to as direct inducement. This means that it accomplishes certain specific marketing objectives by motivating and stimulating sales organizations, distributors and dealers, and consumers.

An analysis of advertising age data (Bowman 1974) suggested that sales promotion expenditures increased at an average rate of 9.5 percent per annum between 1964 and 1974. This growth rates was almost twice that of advertising. This is a complete reversal of the conclusions of a 1958 study that estimated total advertising expenditures to be four times those for sales promotion (Spratten, 1962).

The change has also involved service industries, including banks, insurance companies, fast-food restaurants and the airlines. The underlying causes for this growth have been discussed in an earlier study (Strange, 1975). They include an increased willingness by senior management to accept sales promotion techniques as "legitimate," the appointment of sales promotion specialists to aid planning, and the expanded use of the product manager system with its pressure for short-term results.

A vice-president of marketing at the American can company reflected this view when he concluded

reflected this view when he concluded that “sales promotion is the added reason to buy...when the added reason to buy drowns out the basic reason to buy to this extent, branded goods selling is in serious trouble(Weber, 1973).

Literature Review:

Many studies explain the promotion practices of different products. Hence, there is a need to review a few works in this direction.

Rajan Varadharajan (1986) has focused on horizontal cooperative promotion, an area that has remained largely unexplored. First, a framework for its classification was proposed. Next, a number of issues pertaining to promotion, one of the most extensively used forms of horizontal cooperative promotion, were explored. The article was concluded with a brief discussion on directions for future research.

Winner (1986) investigated the nature of reference price effects on brand choice through a linear probability model whereby the probability of purchase for a brand was a function of the observed price and the difference between the observed price and reference price. He found that the model predicted probability of purchase better than standard demand models that incorporated only observed brand prices.

In a study, Latin and Bucklin (1989) found that consumers from reference points of price and promotion on consumer choice behavior, found that consumers from reference points for both price and promotional activity. These reference points are based on consumer's previous exposure to prices and promotions and affect subsequent patterns of brand choice. The authors stated that too much price discounting would blur the distinction between the promotional price and the regular price of the product, thus lowering consumer reference price for the product.

Krishna. et.al (1991) has opined that the current decision on brand and purchase quantity depends on the executed time until the next price reduction and the expected size of future reductions. In spite of the importance of expected deal price to a consumer's decisions, relatively little empirical work has been reported on these topics. They investigated several aspects of consumer perceptions of deal frequency and deal prices, by stating recall on deal frequency and sale price in higher for consumers with larger family sizes and those who read weekly times for items on sale, devote a higher percentage of product class purchases to the brand, and purchase the package size more frequently. It is lower than older buyers.

Gupta and Cooper (1992) found that consumer's perceptions of discounts were typically lesser than the advertised price discounts (i.e. consumers discounted price discounts).The authors found that consumers did not change their intentions to buy unless the promotional discount was above a threshold level of 15% of purchase price. They also found a discount saturation point located at 40%of the purchase price, above which the effect of discounts on consumer's purchase intention was minimal. The results of the study suggested a S shaped response of consumer response to price discounts.

Ranjiv Grover and Srinivasan V. (1992) have evaluated the multiple effects of retail promotions on brand loyal and brand switching segments. They have found that the market can be characterized by brand loyal segments, each of which buys mostly their favorite brand, and switching segments, each of which switches mainly among different brands of the same type; store shares are related significantly to promotional attractiveness of the product category has significant current and lagged effects on category volume, and the logged effects resulting from consumer purchase acceleration and stock up last longer for brand loyal segments than for switching segments.

Ailawadi and Neslin (1998) found that when a primary demand expansion occurs, promotion induced increase in purchase quantities does not significantly extend the time till the next purchase in the category occurs, thus indicating that there has been an increase in consumption. They also found that promotions induced consumers to buy more and consume faster. They found that promotion induced inventory temporarily increase consumption to a greater extent for yoghurt than for ketchup.

Padmanabhan (1999) reported cross category differences in primary demand effects of promotion. He found that categories such as bacon, salted snacks, soft drinks and yoghurt exhibited primary demand expansions as a result of promotion while bathroom tissues, coffee, detergent and paper towels exhibited stockpiling only.

Ravichandran (2001) stated that the crucial goals of packaging include providing product awareness, getting image formation, highlighting incentives of purchase and to determine positioning of a product. Product package communicates about the cost of a product, quality and functions.

Moorthi YLR.(2003) has studied the promotion, which is an effective tool to boost the top line in a short term, and many companies frequently take recourse to these promotions, lessons from some companies which have been able to crack the code of effective promotions.

Rameshkumar S. (2005) has expressed that regional dailies and magazines(in various language) are also important media vehicles for both regional and national brands in consumables.

METHODOLOGY:

The questionnaire designed was the survey instrument. The questionnaire was developed by emphasizing the issues from prior studies conducted by King and Garry(1996) and Karatepe(2006).

A descriptive study was conducted among the sample hotels regarding sales promotions. A sample of 250 was based on a convenient sample and questionnaires were distributed to selected hotels in Chennai.

The objectives framed for the study is stated below:

- To examine the promotional tool attracts guests towards the hotel.
- To determine the sources of promotional information to visit the hotel by the guests.
- To determine the factors motivated the guest to visit the hotel.
- To determine the opinion of guest's towards the future preference of promotional activities.

RESULTS AND DISCUSSION:

Various variables considered to study the objectives of the study were analyzed by finding the frequency and the percentage of each variable. On the basis of higher or lesser percentage of the agreement in the form of results for different objectives were analyzed and interpretation was done. The results of all the objectives are mentioned below.

LIST OF TABLES AND CHARTS

Table 1: Sources of information for the visit towards the hotel:

Information	No of Respondent	Percentage (%)
Advertisement	40	16.0
Word of mouth	45	18.0
Sales promotion	57	22.8
Publicity	32	12.8
Others	76	30.4
Total	250	100

Interpretation:

From the above table, it infers that 16% of the respondents visited through advertisement, 18% of the respondent's came through word of mouth, 22.8% of the respondent's visited for sales promotion, and 12.8% of the respondent's came through publicity and remaining 30.4% of them heard from others.

Table 2: Factors motivated the respondent’s to visit/stay:

Factors	No of Respondent	Percentage (%)
Brand image	30	12.0
Price	67	26.8
Schemes	70	28.0
Visited by others	55	22.0
Location & facilities	28	11.2
Total	250	100

Interpretation:

From the above table, it infers that 12% of the respondent’s visited for image, 26.8% of the respondent’s visited for price, 28% of the respondent’s visited for attractive schemes, 22% of the respondent’s visited by influence of others and remaining 11.2% of the respondent’s visited because of transport, location and facilities.

**Table 3: Relation between Motivational factors and price
Chi-Square Tests**

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	36.900 ^a	16	.002
Likelihood Ratio	34.678	16	.004
Linear-by-Linear Association	1.306	1	.253
N of Valid Cases	250		

a.6 cells (24.0%) have expected count less than 5. The minimum expected count is 2.27.

Inference:

If sig 0 . 05 we accept the null hypothesis. The calculated P Value is greater than 0.05, hence it is concluded that there is no significant difference between motivational factors and price.

**Table 4: Relation between Promotional activities and Price
Chi-Square Tests**

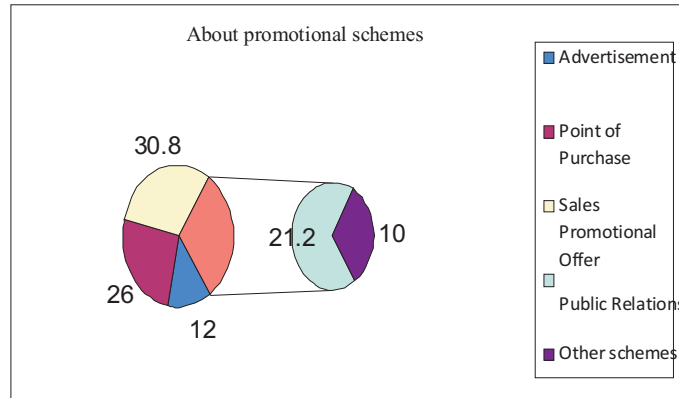
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	41.636 ^a	16	.000
Likelihood Ratio	46.286	16	.000
Linear-by-Linear Association	.511	1	.475
N of Valid Cases	250		

a. 6 cells (24.0%) have expected count less than 5. The minimum expected count is 3.46.

Inference:

If sig 0 . 05 we accept the null hypothesis. The calculated P Value is greater than 0.05, hence it is concluded that there is no significant difference between promotional activities and price.

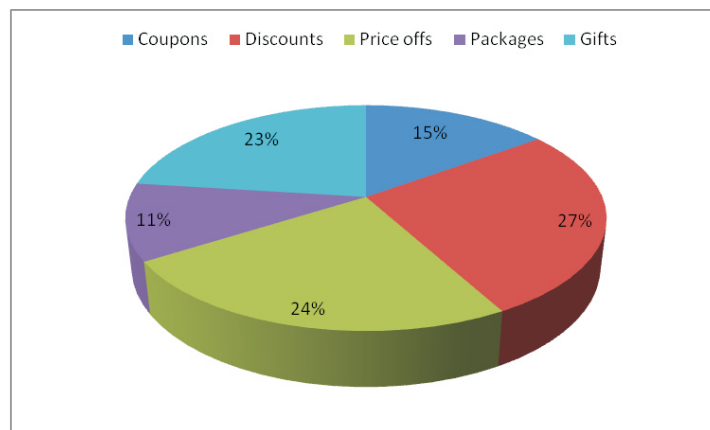
Chart 1: Showing the sources of information about the promotional schemes



Interpretation:

From the above table, it infers that 12% of the respondent’s known through advertisement, 26% of the respondent’s known through point of purchase, 30.8% of the respondent’s known through sales promotional offers, 21.2% of the respondent’s known through public relation and remaining 10% of them known through other schemes.

Chart 2: Sales promotion of the hotel



Interpretation:

From the above table, it infers that 15% of the respondent’s opined that coupons are appealing, 27% of them opined discounts, 24% of them opined price offs, 11% of them opined packages and remaining 23% of them opined gifts.

FINDINGS, SUGGESTIONS AND CONCLUSION

FINDINGS OF THE STUDY:

- 16 % of the respondents visited hotel through advertisement, 18 % of the respondents visited through word-of –mouth, 22.8% of the respondents visited through sales promotion, 12.8% of them visited through publicity and remaining 30.4% of them visited through others.
- 19% of the guests visit influenced by friends and relatives, 29% of them visit influenced by present user, 30 % of them visit influenced through sales promotional schemes and 22% of them visit influenced through others.
- 12% of the respondents are motivated hotel for brand image, 26.8% of the guests are motivated by price, 28% of them are motivated through schemes, 22% of them are motivated through others and remaining 11.2% of the respondents are motivated through location and facilities.
- 12% of the respondents opined advertisement as a tool for promotion, 26 % of them opined for point of purchase, 30.8% of them opined towards sales promotional schemes, 21.2% of them opined towards public

relations and remaining 10% of them opined towards other schemes.

- 19% of the respondents opined magazines as a effective advertisement tool, 19% of the respondents opined towards e-mail, 23% of the respondents opined media, 21% of them opined hoardings and 18% of them opined for posters.
- 24% of the respondents preferred coupons as a sales promotion, 17% of them preferred discounts, 17% of them preferred price-offs, 13% of them preferred packages and 29% of them preferred gifts.
- Most of the guests opined that media would be a powerful advertising tool for promoting business.
- Most of the guest's opined that discounts would be better way of inducing the customer and also it helps to increase sales.
- Guests suggested for the hotels to use any innovative promotional strategies like package base, purpose base etc for future development.

SUGGESTIONS & RECOMMENDATIONS:

- Increase in price, will reduce promotion of the hotel business.
- The hotel has to concentrate on other promotional activities like establishing central reservation systems, travel agencies to increase sales of the hotel.
- The hotel has to offer sales promotional gradually to get retention of the customers.
- Guests opined that the hotel should pay more attention towards advertisement.
- The hotel should improve certain efforts on quality and service towards guests.
- Marketing division of the hotel should coin a new strategy to keep tracking of the guests.
- Increase in sales promotional activities, will induce guests towards the hotel.
- In order to strengthen the economy of the hotel, they should concentrate on services rendered towards the guests.
- The study reveals that sales manager and sales man usually approach the prospective guests to highlight the features of their hotels.
- It is identified from the study that certain group of guests is not convinced through promotional activities of the hotel.

CONCLUSION:

Promotional activity is about having a positive impact on the lives of guests, engaging the hearts, minds, and souls, about sharing their enthusiasm and passion for making a positive difference in the world. The results suggest that progressive strategies including advertisement, sales promotion, word of mouth, pricing, and other schemes are positively related to perceptual measures of hotels in promotional activities. Thus, promotion will be important tool to increase sales and retention of customer too.

No research is perfect and there is always room for improvement. These results have to be taken cautiously. Although promotional activities of the hotels are more desirable and our results are generally consistent with the findings of studies. Second, the study covers a small geographic area and can be extended to other segments.

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