

UNIVERSITY OF SWAZILAND
FACULTY OF COMMERCE
DEPARTMENT OF BUSINESS ADMINISTRATION
SUPPLEMENTARY EXAMINATION PAPER JULY 2009

TITLE OF PAPER : SERVICES MARKETING
DEGREE AND YEAR : B. COM. IV & IDE - LEVEL 6
TIME ALLOWED : THREE (3) HOURS
COURSE CODE : BA 424
INSTRUCTIONS: 1. TOTAL NUMBER OF QUESTIONS IN THIS PAPER (6)
2. SECTION A IS COMPULSORY. ANSWER ANY THREE QUESTIONS FROM SECTION B
3. THE MARKS TO BE AWARDED FOR EACH QUESTION ARE AS INDICATED ALONGSIDE THE QUESTION

NOTE: MARKS WILL BE AWARDED FOR GOOD COMMUNICATION IN ENGLISH AND FOR ORDERLY AND NEAT PRESENTATION OF WORK. FURTHER MARKS WILL BE AWARDED FOR THE USE OF RELEVANT EXAMPLES

SPECIAL REQUIREMENTS: NONE

THIS PAPER SHOULD NOT BE OPENED UNTIL PERMISSION TO DO SO HAS BEEN GRANTED BY THE INVIGILATOR.

SECTION A CASE STUDY: WESTIN HOTELS IN ASIA: GLOBAL DISTRIBUTION
Source: Hoffman, D. K. & Bateson, J. E. G. (2007), Services Marketing: Concepts, Strategies & Cases, 3rd edition.

The Westin Stamford & Plaza Hotel is a five star business, and an Incentives, Conventions and Meetings (ICM) hotel in the heart of Singapore. It opened in 1986 with over 2,000 rooms and 70,000 square feet of meeting and banquet space. The hotel had been enjoying high occupancy rates of above 80% until mid-1997, benefiting from Singapore's position as an Asian business and ICM hub. Its sister hotels, The Westin Banyan Tree in Bangkok and The Westin Philippine Plaza in Manila, were similarly blessed with high occupancies and buoyant markets just prior to June 1997. The economic crisis that hit Asia in mid-1997, however, took the wind out of the Asian markets. Business and ICM arrivals into the three countries declined by some 10% to 20%, as well as a sharp decline in average room rates. To compound things, the pre-crisis economic boom had seen a proliferation of five star hotel developments in the three cities. Travel management trends in Asia were also undergoing rapid changes. Many of the hotels' corporate clients were not local companies but multi-national corporations (MNCs), which were increasingly centralising their purchases of travel-related services at overseas corporate headquarters, giving them more bargaining power.

In view of the shrinking market conditions, intense competition, and changing travel management trends, the three Westin hotels in Asia had to critically reassess their own marketing and distribution strategies. A new opportunity presented itself in late 1997, when Westin's parent company, Starwood Hotels & Resorts Worldwide Inc., acquired ITT Corporation, which owned the Sheraton Hotels & Resorts, St. Regis Luxury Collection, Four Points Hotels, and Caesars World brands of hotels and casino. This acquisition made Starwood the largest hotel and gaming company in the world, with over 650 hotels in 73 countries employing more than 150,000 employees. Uppermost in the mind of Vice President Operations for the three Westin hotels, David Shackleton, was the need to leverage on the size and global marketing strength of Starwood, to develop new business for his hotels and gain market share from the competitors.

TRADITIONAL MARKETING AND DISTRIBUTION STRATEGIES

Up until the recent five years, local companies, local MNC offices, and local travel agents in Asia were the key decision makers, negotiating rates with the local hotels and selecting venues for corporate meetings, company incentives, company social functions, and making hotel reservations for their overseas guests. The marketing and distribution strategies of the three Westin hotels in Asia were thus predominantly focussed on the local markets, and sales team efforts were concentrated on servicing and cultivating local decision makers. Well-staffed reservation departments were also important, as direct bookings with the hotels via fax and phone were the preferred method of making reservations.

Advertising and promotional (A&P) activities, to build brand awareness and reach the end customer for the three Westin hotels, were also highly decentralised at individual properties and rarely coordinated across sister hotels. As A&P expenses can be prohibitive, individual hotels tended to target their campaigns at the local market and allocated only a limited proportion of

their budgets

to overseas advertising. Moreover, since each individual property was responsible for its own cost and revenue figures, each hotel would focus its sales and marketing efforts on selling its own rooms and facilities. There was minimal cross-selling of other Westin hotels worldwide. In other words, there was no cost effective and concerted effort by all Westin hotels in reaching out to the travellers.

TRAVEL MANAGEMENT TRENDS

However, as travel decisions are being made increasingly closer to travel dates, decisions about hotel choice and the actual reservations are made closer to the customer. The traditional approach of relying on one's local offices or travel agents takes too long. Hence, hotels that can provide their global customers easier and faster access will have a competitive edge. Local secretaries' and the individual business traveller's power to select hotels have also been diluted. The three Westin hotels in Asia saw an increasing trend of their multi-national corporate clients centralising their global hotel room rate negotiations at corporate head office, in order to reduce cost through global volume purchasing and to increase bargaining power. Corporate travellers can only select a hotel that is on the approved listing. The change in corporate travel policies and practices is a result of management's concern with their rising travel and entertainment (T&E) costs.

Corporate clients were also increasingly turning to travel management companies (TMCs) for a total travel solution. The TMCs are able to handle all airline, hotel and other travel arrangements. They use mainly global distribution systems (GDSs, global reservation systems containing extensive information on airfares, hotel rates, etc.) Such as Galileo, Sabre, and Amadeus, for hotel reservations. The Westin Stamford & Plaza in particular had seen an increase in the number of reservations coming via the GDSs. This reservation channel brings in about 27% of the hotel's transient (non-group) revenue. Even wholesale travel agents, who had traditionally booked directly via fax and phone, were increasingly turning to the use of GDS to improve efficiency and obtain instant confirmation.

On this issue, Mr. Shackleton said, "This trend of centralising travel management is not new in the United States, Europe, nor Australia, but we in Asia are just beginning to feel the impact. Many MNCs have now organised their home grounds and are extending their centralised management and purchase of travel services to their Asian offices. With the Asian economic crisis dampening demand from large traditional markets like Japan, Indonesia, Malaysia and Hong Kong, we certainly need to grow our markets out of the United States, Europe, and Australia. We need to reassess our marketing and distribution strategies in order to align ourselves with these changes and to be effective in reaching out to these decision makers overseas. Competition among the international hotel chains is very keen. Once we have been selected onto a corporate listing, the battle is far from over. We still have to incentivise the travel managers overseas to select our hotels in Asia over Hyatt, Marriot, and the Shangri-Las, who are also listed. The individual business travellers can still choose among hotels on the approved list. Another development is that meeting and conference planners increasingly need a quick

turnaround in exploring possible destinations, checking meeting space and room availability, and finally negotiating the piece of business. Our current process takes days or weeks and is becoming unacceptable to demanding clients."

STARWOOD'S GLOBAL MARKETING AND DISTRIBUTION STRATEGIES

Since Starwood's acquisition of the ITT Corporation in late 1997, a key issue had become to examine how Starwood and its individual properties, such as the Westin, could leverage on Starwood's size, geographic coverage, and brand diversity.

GLOBAL SELLING AND CROSS-SELLING

Roberta Rinker-Ludloff, Vice President of Starwood Global Sales, quoted Henry Ford, "Coming together is the beginning. Keeping together is the progress. Working together is success." Starwood's strategy had comprised of global selling, cross-selling, and improving customer service. Starwood had formed over 30 global sales offices (GSOs) around the world to manage customer relationships with key global accounts. These GSOs provided a one-stop solution to corporate travel planners, wholesalers, meeting planners, incentive houses, and mega travel organisations by addressing all accommodation issues including global room rate negotiations, corporate meetings, and events planning at any of Starwood's 650 hotels worldwide.

Besides the GSOs, each hotel had its own sales team. With over 2,000 sales managers from individual properties making sales calls and meeting clients daily, how could Starwood produce synergy and leverage on these activities? Team Hot was the answer - a new programme to harness the tremendous power of cross-selling across its 650 hotels in an efficient and automated way. Team Hot provided incentives for hotel sales and catering managers to cross-sell other resorts and hotels under the Starwood umbrella. Programme participants needed to anticipate their clients' accommodation and catering needs outside of their own hotel, and then send the lead to the relevant property(s) via the Internet. For leads that resulted in confirmed business, participants received points redeemable for airline tickets, room nights, and other rewards. Starwood aimed to generate an additional \$225 million in revenue in 1999 through Team Hot.

Overseas guests no longer wanted to make long distance calls to hotels for reservations, preferring to call a local toll-free telephone number instead. Starwood had set up nine central reservation offices (CROs) worldwide to provide one-stop total customer service for guests, including hotel reservations worldwide, enrollment and redemption of Starwood's loyalty programme, and general customer service. With the toll-free numbers, guests only needed to remember one number to book any Starwood hotel.

TECHNOLOGY AND AUTOMATION

Whether it's the individual customer, the travel agent or corporate travel planner, all prefer and are likely to stay with hotels that are easy and quick to book, provide immediate response to customer queries, and have rates that are reasonably competitive and up-to-date. Traditional booking methods via direct faxes and phone calls to the hotel were fast on the decline, as they were cumbersome and required customers to remember multiple phone and fax numbers. Meeting and conference planners increasingly needed quick turnaround and prompt servicing.

Starwood used technology and automation to improve the quality of customer service and efficiency. The emphasis was on automating reservations and information provision to the customer. Starwood's Internet capabilities were continuously upgraded, and cutting edge concepts such as electronic brochures were being pioneered and tested. Individual and corporate clients could gain instant access to information on the facilities and amenities provided by any of the 650 Starwood hotels, and could make online reservations and payment, all at a click of the mouse. Corporate clients could even book their own confidential negotiated rates through the Internet. The Internet has had great potential in creating value to both travellers and hotels. The revenue from bookings through Starwood's Web sites had increased 280% in 1998 and over \$48 million worth of meeting leads had already been received through the Web sites in the first months of 1998.

Starwood had also developed its own internal central reservation system called Starlink. Starlink contained up-to-date property information and data on rates and availability for each of the 650 hotels, and fed the information interactively to all the major global distribution systems (GDSs). Seamless interface between Starlink and the GDSs ensured that all Starwood hotel services were instantly available and up-to-date at over 400,000 travel agents worldwide.

Starwood had also enlisted the help of technology to make their mobile global sales force more responsive to corporate clients. Its corporate travel information system software enabled the global sales manager to negotiate worldwide corporate rates with clients and print/sign the contracts all in one visit. The global sales force automation software would soon allow the notebook-armed global sales managers to negotiate and close group deals all in a single day. GSOs could check hotel availability, propose pricing, explore alternative dates, negotiate the contracts, close the business deal, and immediately book guest and meeting rooms. It is a system designed to give all necessary information at a manager's fingertips and certainly to impress the client.

QUESTIONS

- a) From the case, discuss the aspects of the Starwood system that added value to the user and may result in loyalty. **(15 marks)**
- b) Even after corporate travel managers have selected and negotiated with individual hotel chains, the individual corporate traveller can still choose among the various chains listed in his/her company's directory. How can Westin and the other Starwood brands differentiate themselves from other hotel chains and make themselves the top choice of the corporate traveller? **(15 marks)**
- c) In the long term, would it be more effective for the three Westin hotels in Asia to focus their distribution strategy on intermediaries (travel agent or corporate travel managers), or should they employ multi-channel distribution strategies? Justify your answer. **(10 marks)**

SECTION B ANSWER ANY THREE QUESTIONS FROM THIS SECTION

QUESTION TWO

- a) Differentiate among the service operations system, the service delivery system, and the service marketing system **(15 marks)**.
- b) Identify key distinctions in these systems between high-contact and low-contact services **(5 marks)**.

QUESTION THREE

- a) Distinguish between the two major types of complaints **(5 marks)**
- b) With reference to Swaziland, discuss why some customers complain and others don't complain. **(15 marks)**

QUESTION FOUR

With examples from your environment, discuss the special problems of the services communications mix. **(20 marks)**

QUESTION FIVE

- a) With practical examples, distinguish between important and determinant attributes in consumer choice decisions. **(5 marks)**
- b) Discuss the principal uses of positioning in marketing management. **(15 marks)**

QUESTION SIX

- a) With practical examples, discuss the relationship between customer expectations and customer perception. **(5 marks)**
- a) Discuss the benefits of customer satisfaction to the service firm. In your discussion, show how service firms that engage in customer satisfaction surveys benefit from them. **(15 marks)**