

Accommodation

Key concepts

The main concepts covered in the chapter are:

- Types of accommodation
- The influence of different forms of ownership on marketing objectives
- The service element of the accommodation product
- Different forms of competition in the accommodation business.

Introduction

The idea of providing somewhere for tourists to sleep is simple, but the ways in which the industry provides for this need are myriad. There are many different types of accommodation which are usually categorised on the basis of whether they are fully serviced, partly serviced or nonserviced. The following short, selective list of different types of accommodation will illustrate the diversity of accommodation types that exist:

- resort complexes
- hotels
- motels
- 'bed and breakfast' establishments
- state-owned historic hotels such as the Paradores of Spain and the Poussadas of Portugal
- youth hostels
- holiday centres and villages

- clubs and institutions
- inns, auberges and tavernas
- farmhouses
- cruise liners and ferries
- narrow boats and canal boats
- buses and coaches which can be converted for sleeping
- sleeper trains
- horse-drawn carriages
- schools with residential facilities that are available during school vacations such as the Edda Hotels of Iceland
- university and college halls of residence that are available during vacations
- timeshare developments
- campsites
- caravans both touring and static
- self-catering cottages, villas, apartments or gîtes
- privately owned second homes which are available for rent for part of the year
- homes that were used by workers but are now available for use by tourists such as the former fishermen's shelters on Rorbus of the Lofoten Islands in Norway
- mountain huts and refuges.

Even within some of these categories there are some major differences. In the private hotel sector, for example, there is a world of difference between a château hotel in the French countryside, a family-owned hotel in the suburbs of an industrial city and a high-rise hotel chain next to a beach.

Let us begin by looking at the question of *ownership* which is a complex matter in the accommodation sector, yet it is important for it influences the marketing objectives which are set for the relevant accommodation unit. A few examples will illustrate this point as follows:

- The major privately owned hotel chains set out to maximise the profits of their individual properties.
- The state-owned hotels such as the Poussadas and Paradores of Portugal and Spain respectively are designed to help conserve historic buildings while encouraging tourism to the regions in which they are located.
- Farm-based accommodation may be used as a way of supplementing the farmer's income so that the farm can remain financially viable.
- Voluntary-sector-owned accommodation, such as many youth hostels have social objectives such as making it possible for people on limited incomes to visit the countryside and encouraging youth tourism.

A vital issue in accommodation marketing is the *location* of the accommodation establishment which determines the likely level of business a unit will receive and which target market it will serve. Accommodation locations include:

- city and town centres
- suburbs of towns and cities
- major road junctions and roadside sites
- villages
- open countryside
- mountains
- coastal areas.

A unique, scenically attractive location can justify the charging of a premium price.

Location will also dictate the pattern of demand an accommodation unit will experience over a week and over a year. For example, a city-centre hotel will probably be busier on weekdays than at the weekend due to its reliance on business travellers. Likewise, coastal hotels are likely to enjoy higher occupancy rates in the summer than in the winter. In the first case, the main aim of marketing activity may well be to create more weekend business, while the latter establishments may well wish to attract more business in the off-peak season.

The *service element* of the accommodation product is important in the accommodation sector in two contrasting ways as follows:

1. In those properties where a very high level of personal service is used to differentiate it from its competitors and to justify a higher price. This is particularly true of grand old hotels such as the Dorchester and Claridges in London and the George V and Crillon in Paris, for instance.
2. In those units where little or no service is offered which is reflected in lower prices as their operation requires less labour. This is part of the thinking behind self-catering accommodation and the rise of budget motels like the French 'Formule 1' brand.

While service is usually provided by paid and trained staff, in some forms of accommodation much of the attraction to the tourist is that the service is not 'professional' as such. Hence the 'bed and breakfasts' of Britain are popular, because the 'hosts' deliver personalised attention rather than a professional standardised type of service.

The *pricing* of accommodation is influenced by a number of factors including:

- location
- facilities in the unit and in the bedroom
- level of service offered
- time of the year and day of the week.

Discounting may be used to achieve many marketing objectives, with discounts being given for a number of different reasons such as:

- to attract volume business such as conferences and coach groups;
- to reward regular customers;
- to encourage people to use the hotel at quieter times.

Last-minute discounting is a common phenomenon because once the night comes, the room no longer has any value. Therefore, hoteliers reduce prices dramatically once the evening arrives because they would rather receive some income for the room which they can set against their costs rather than nothing. They always hope that a guest may then spend elsewhere in the hotel, such as the bar and the restaurant.

Accommodation prices vary dramatically across Europe. Sometimes, a similar type of hotel might cost four, five or six times more in one European city than another. The factors that influence these price differentials include:

- the level of economic development in the country, which is usually reflected in land prices and labour costs, for example;
- the level of demand, both domestic and international, that is present in the area, region or country;
- state price controls in some countries such as Greece;
- differences between countries in terms of corporate taxation policies.

The main *distribution channels* for most accommodation establishments is still the travel agent. However, for large hotel chains, their own computer reservations systems are usually their main distribution mode. On the other hand, many small units often rely on local tourist offices in their home area. Accommodation is often also distributed via tour operators who function as wholesalers. Finally, in some cases, where accommodation units rely on 'passing trade' – people see the unit, like it, and make a spontaneous decision to purchase its product.

Most accommodation establishments have limited budgets for *promotion*, with the majority of it being spent on simple promotional brochures. Their advertising is also usually limited to the brochures produced by local destination-marketing agencies or national accommodation guides. It is the larger accommodation providers, such as the transnational hotel chains, that do spend considerable sums of money on advertising.

Because of the diversity of accommodation types, it is difficult to make generalisations about the *accommodation market*. However, we will endeavour to offer some comments which are relevant particularly in relation to hotels.

- The different target markets serviced by a unit have different needs which determine the types of facilities the unit must offer. For example, business travellers usually require single rooms, increasingly with features such as desks, fax machines and facilities for the use of portable computers. On the other hand, families look for rooms with two double beds and plenty of space, together with the availability of children's menus and baby-minding facilities.
- To be successful, hotels need to develop a mix of customers that allows them to maintain their occupancy at all times of the week and year. Conferences and individual business people are the preferred weekday market while families and coach groups are looked to at the weekends.
- The nature of a unit's market can vary from the summer to the winter. An Austrian mountain resort hotel, for instance, will be used primarily by walkers on individually planned holidays and coach parties in the summer, and by skiers in the winter.
- As it is heavily dependent on business tourism as well as leisure tourism, the hotel market is greatly influenced by the economic state of particular countries. Thus, given the dramatic differences in national economies, it is not surprising that there are great variations in national hotel markets across the world at any one time.

Competition is generally very strong in the accommodation sector. There are two main types of competition, namely:

1. that between different types of accommodation such as hotel versus villas in Mediterranean resorts like Benidorm and Albufeira;
2. that between different units which are all of a particular type of accommodation, such as major hotel chains within a city centre.

Price has traditionally been the way in which accommodation operators have sought to achieve competitive advantage. Other methods can include the following:

- offering facilities for particular types of customer such as families and women business travellers;
- the development of in-house leisure facilities;
- in-bedroom services such as satellite television;
- the growth of niche services such as the recent development of the stylish boutique hotels that target a particular market.

There are two particularly interesting forms of competition faced by some commercial accommodation establishments as follows:

1. Those people who offer accommodation, wholly or partly as a 'hobby' rather than a commercial business. This is true of many people living in large houses who rent out one or two rooms. They often deliver an excellent service and provide large bedrooms at a low price, with which larger commercial hotels cannot easily compete.
2. The phenomenon of 'visiting friends and relatives' (VFR) where people stay away from home as tourists at the homes of friends or relatives, free of charge. However, this is not really competition as most of these people would not travel in the first place to the location in question if they did not have friends or relatives there.

Accommodation units are often *marketed by other organisations* apart from themselves because they are part of the product offered by other organisations. This usually relates to one of two different types of organisation, namely:

1. Destination-marketing agencies for whom the stock of accommodation available in their area is a crucial part of their offering as a destination. Accommodation is usually promoted through the brochures produced by the destination-marketing agency.
2. Tour operators who feature and promote accommodation units in their brochures to encourage their prospective clients to purchase the holiday based in the accommodation unit which is being offered by the tour operator.

Consortia play a growing role in accommodation marketing. Three types of consortia that are particularly relevant to accommodation marketing are as follows:

1. marketing consortia which provide marketing expertise for their members such as Relais et Châteaux;
2. reservation systems which provide a central reservations service for their members, which was the origin of the UTELL organisation;
3. so-called 'referral consortia' which are often links between hotels and airlines where one would recommend the other to its customers – Golden Tulip Worldwide Hotels was an early example of such a consortium.

In some countries there are state-backed or state-controlled consortia designed to function as marketing consortia for particular types of accommodation. Gîtes de France in France is an example of such an organisation.

Accommodation corporations, particularly the major hotel chains, have in recent years started increasingly to use three modern types of *growth strategy* as a way of expanding at a relatively low capital cost.

1. *Franchising* is where the organisation or franchiser generally owns the brand name and sets a range of specifications which franchisees must follow. The franchiser usually offers the franchisee a range of support services such as IT systems and marketing advice, together with training and purchasing. The franchisee can be an individual or a company, and they pay the franchiser fees based on room turnover, as well as providing all or part of the capital required to buy or build the unit.
2. *Management contracts* involve accommodation corporations taking contracts to manage, rather than own, particular accommodation units. Their fee tends to have two components, a basic fee and a share of operating profits. Sometimes the contractor will take a minority equity stake in the unit in question. In Europe, a number of hotel chains are involved in management contracting such as Bass plc in the UK.

3. *Leasing* is where an accommodation corporation pays rent to the unit's owners and then keeps the rest of the hotel's profit for itself. This system has proved particularly popular with UK-based companies, including Stakis and Ladbroke, in the past.

Conclusion

We can see from the above discussion that accommodation marketing is a diverse field due to the many very different types of accommodation that exist, and the different types of individuals and organisations that offer accommodation.

Discussion points and essay questions

1. Discuss the main issues involved in pricing within the accommodation sector.
2. Evaluate the concept of competition within the accommodation sector and outline the different forms of competition that exist.
3. Explain the role of consortia within the field of accommodation marketing.

Exercise

Choose an accommodation establishment which you are able to visit. For your chosen establishment you should produce a report evaluating the quality of product it offers in relation to the following criteria:

- location
- facilities
- service
- value for money.