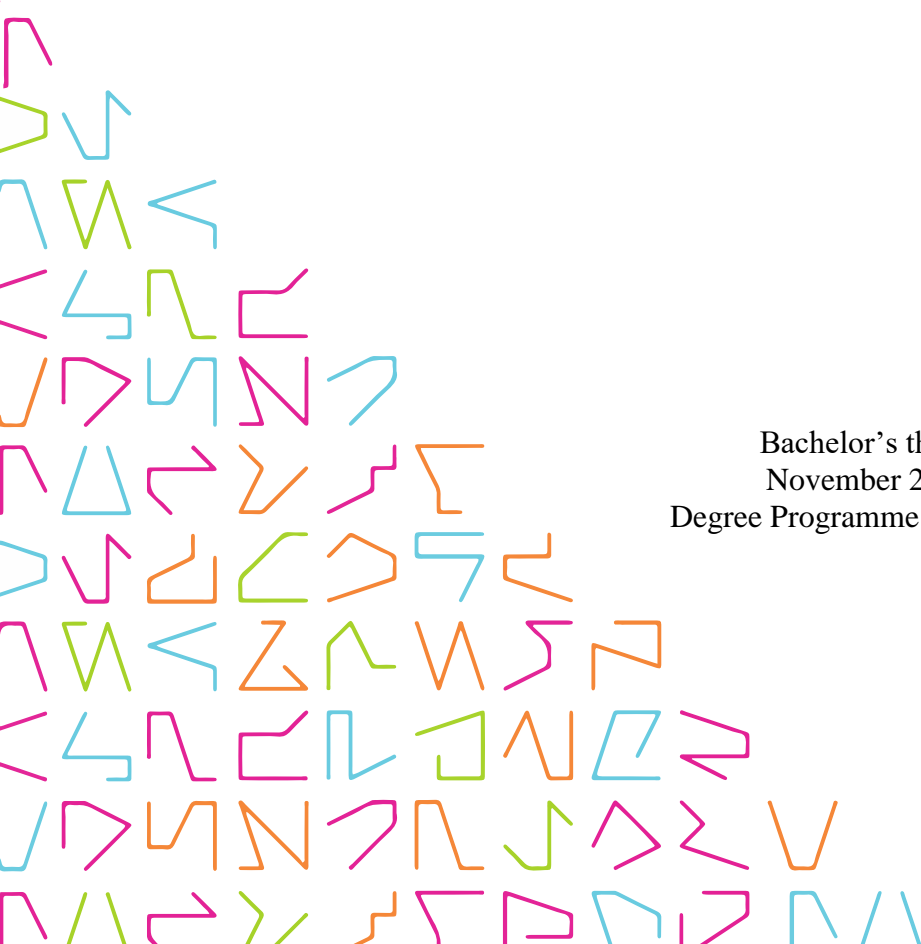


# **INCREASING SALES IN A HOTEL LOBBY SHOP**

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## **ABSTRACT**

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Small shops and café areas connected to a hotel's lobby have become increasingly popular within the hospitality industry. The customers have become more accustomed to spending time within the hotel premises and not only in their hotel room. Cumulus Koskikatu hotel, located in the Tampere city center, also opened their own hotel lobby shop as an addition to the hotel operations in the autumn of 2014 after the renovation of the hotel lobby area. As the hotel lobby shop is still a relatively new addition to the hotel operations, very little research has been done in the terms of how to make it as profitable as possible and what kind of effects it has on the hotel reception employees who are responsible for the daily operations of the hotel lobby shop. The main purpose of the research was to develop ideas and methods which can help the hotel to increase the sales at the hotel lobby shop sector in the future.

The research was focused on the current status of the hotel lobby shop and the effects it has had on the reception employees so far. Quantitative research was conducted in order to determine the shop's current status on each product sector and the potential alteration it could make in the product selection in the future. In order to collect qualitative data, a research was done and a survey was conducted among the reception employees. The data were used as a source of information in order to propose new external and internal marketing approaches for the hotel lobby shop.

The results of the research suggests that one of the biggest obstacles for the lobby shop has been the small amount of marketing which has been done so far. At the same time many of the respondents stated that at the moment operating the hotel lobby shop causes too much extra work and stress to the employees.

The findings of the research indicate that instead of making big alterations to the product selection of the shop, the management should be advised to pay closer attention and to put more resources into the marketing of the shop. With simple additions to the marketing strategy, the hotel lobby shop will be able to reach more customers and bring in more income to the hotel. Not only is the external marketing of the shop important, but the management of the hotel is also advised to direct more resources to the internal marketing of the company and possibly hire more employees in order to divide the existing workload. Also, by developing an improved tangible rewarding system the employees of the reception can become more motivated and work more productively and enjoy their work.

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Key words: marketing, advertising, sales, sales motivation, customer service

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## 1 INTRODUCTION

The small shops and café areas located in the hotel's lobby area have become an important source of income for hotels worldwide. In the hospitality industry today's customers have become more accustomed to spending a longer amount of time outside their hotel room exploring the hotel premises. The customers have started to take the advantage of the hotel's lobby areas and other facilities of the hotel, and transformed them into meeting places in which to spend time with their travel companions. Therefore the hotel operators should prepare not only to provide the customers with high standard hotel rooms, but to offer a wide range of extra services as well. With the changing trends and behaviors of the customers, the Cumulus Koskikatu hotel in Tampere also felt the need to pay a closer attention to its approximately one year old hotel lobby shop operations, which have been operating in its current state since the fall 2014.

As the hotel lobby shop is a relatively new concept and addition to the hotel operations, very little research has been made in order to determine the actual effects the lobby shop operations have on the hotel's operations and which aspects of the operations could be improved in order to deliver better results. Not only does the hotel management wish to increase the sales of the hotel lobby shop, but also determine how the operations of the shop affects the employees of the hotel working at the reception. Thus the author determined it to be more important and beneficial to concentrate the research on the employees' point of view, instead of collecting data from the customers. While completing a five months practical training at the hotel and the lobby shop in question, the author was able to develop a tangible perspective of the shop operations from the employees' point of view and to discover some aspects to be taken look at more rigorously.

The objective of the research was to collect quantitative data by taking a closer look of the shop's operations so far, and to collect qualitative data by studying the effects to the overall operations of the hotel and its employees. One of the data collection methods was to conduct a survey among the receptionists of the hotel concerning the hotel shop's operations. These researches aimed to discover the future potential of the shop's operations and to propose improvement ideas for the shop's operations in the future. These results could be later applied in shop operations and in developing the standards and manuals the shop operates by.

## 2 THEORETICAL FRAMEWORK

The purpose of the theoretical framework is to explain the theories and concepts later used in the thesis. The theoretical framework gives a simple explanation of the theories used in the thesis. These theories will be explained in the later chapters in detail and utilized to display the hotel lobby shop's operations and potential improvement ideas in order to increase the sales at the hotel lobby shop.

### 2.1 Product

Kotler, Bowen and Makens (2014) define a product as “anything that can be offered to a market for attention, acquisition, use, or consumption that might satisfy a want or need. It includes physical objects, service, places, organizations, and ideas.” In hospitality business the managers should think about the product in four levels. (Kotler, Bowen & Makens 2014, 239, 241–242):

***Core product:*** What is the buyer really buying? Marketers need to recognize the core benefits of every product and sell these benefits to the customers instead of merely selling the features.

***Facilitating product:*** Services or goods which must be present for the guest to use the core product. Important aspect of facilitating product is the accessibility.

***Supporting product:*** Extra product offered in order to add value to the core product and help differentiate it from the competitors.

***Augmented product:*** Includes accessibility, atmosphere, customer interaction with the service organization, customer participation, and customers' interaction with each other.

### 2.2 Marketing and marketing communications

“Marketing is the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large.” (American Marketing Association 2014) It is the process which results in strong customer relationships that capture value from the customers in return.

American Marketing Association (2014) defines marketing research as a function which links the customer, consumer and the public to the marketer through information (American Marketing Association 2014). The purpose of marketing research in a hospitality industry is to provide a road map for all marketing activities of the company, ensure that marketing activities are in agreement with the company's strategic plan, to force marketing managers to review and think through objectively all the steps in the marketing process, assist in the budgeting process in order to match resources with marketing objectives, and to create a process in order to monitor actual against expected results. In order for the company to be successful in its marketing and to receive wanted results, the marketing needs to be well planned and organized in order for it to reach the wanted audience. (Kotler, Bowen & Makens 2014, 543.)

### **Marketing communications**

“Marketing communications are the means by which firms attempt to inform, persuade, and remind consumers, directly or indirectly, about the products and brands they sell.” (Kotler & Keller 2015, 580.) Marketing communications has several forms in which it can be done, and each company can choose the forms which best suit their operations. These forms include the following:

- Advertising
- Sales promotion
- Events and experiences
- Public relations and publicity
- Direct marketing
- Interactive marketing
- Word-of-mouth marketing
- Personal selling

### 2.3 Market segmentation

Market segmentation refers to subdividing a market according to some commonality, similarity, or kinship. The purpose of segmentation is to concentrate marketing energy and force on the market segments in order to gain competitive advantage within the segment. Companies need to acknowledge the fact that they cannot serve all customers the same way, and receive the same results, which is why concentrating the company's marketing on limited selection of segments is crucial in order for the company to be successful. A good marketing segmentation also helps the company to save time and resources. (Kotler, Bowen & Makens 2014, 15; Thomas 2009)

### 2.4 Micro and macro environment

A company's marketing environment consists of factors and forces outside of marketing which affect the company's ability to develop and maintain successful relationships with its target customers (figure 1). These marketing environments offer both threats and opportunities for the company.

The microenvironment consists of the factors close to the company which affect its ability to serve its customers, the company itself, marketing channel firms, customer markets and a broad range of publics. These factors include; the company, suppliers, market intermediates, customers, and publics. These factors combine to make up the company's value delivery system. (Kotler, Bowen & Makens 2014, 90–91.)

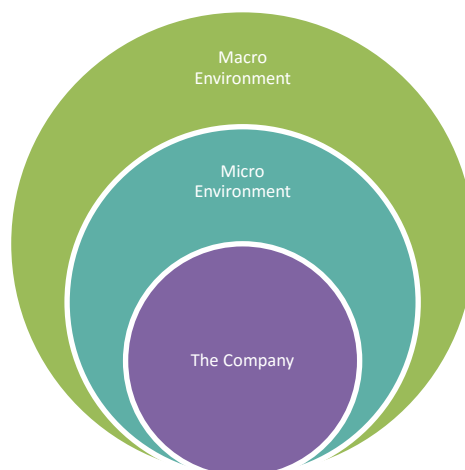


FIGURE 1. Marketing environment



The company and all of the other factors from micro environment act in a bigger macro environment of forces which pose threats and shape opportunities to the company (figure 1). Company has seven major forces in the macro environment which include competitive, demographic, economic, natural, technological, political, and cultural forces. (Kotler, Bowen & Makens 2014, 97–110.)

## **2.5 Customer service**

Robert W. Lucas (2015) describes customer service as follows, “customer service is the ability of knowledgeable, capable, and enthusiastic employees to deliver products and services to their internal and external customers in a manner that satisfies identified and unidentified needs and ultimately results in positive word-of-mouth publicity and return business.” He continues to describe a customer-focused organization as a company which spends energy and effort on satisfying customers by first identifying customer needs and establishing policies, procedures, and management systems in order to support excellency in customer service. (Lucas 2015, 6–7.)

### **3 HOTEL AND HOTEL LOBBY SHOP**

#### **3.1 Definition of a hotel and hotel receptionist**

The Business Dictionary (2015) defines a hotel as follows;

A hotel is a commercial establishment providing lodging, meals, and other guest services. In general, to be called a hotel, an establishment must have a minimum of six letting bedrooms, at least three of which must have attached (ensuite) private bathroom facilities. Although hotels are classified into 'Star' categories (1-Star to 5-Star), there is no standard method of assigning these ratings, and compliance with customary requirements is voluntary. (Business Dictionary 2015)

Lucas (2015) describes a hotel receptionist and the functions performed by the receptionists:

Employees performing this function in the organization have the primary role of meeting, greeting, and offering initial assistance to customers and visitors – these frontline service representatives are the standard bearer for an organization and should be adequately trained and empowered to assist those with whom they come into contact. (Lucas 2015, 35.)

#### **3.2 Cumulus Koskikatu Tampere hotel**

The Cumulus Koskikatu Tampere hotel is located in the heart of the Tampere city right next to the Tammerkoski rapids and the popular park and children's playground located right next to it. Most of the city's attractions, shopping and business services are within a walking distance and therefore the hotel is popular among leisure travelers and business travelers alike (Katajamäki 2015).

On top of the basic hotel accommodation services, the hotel also has six conference rooms which provide a comfortable conference setting for as many as 150 people. The hotel has nearly 300 hotel rooms and a specialized "pillow menu" in each room for the customers' comfort. The customers can choose from different room types; small double rooms, twin rooms with or without extra beds, superior rooms with bigger beds and better view, and superior rooms with private sauna and balcony facing the Tampere rapids. The hotel also has its own garage for 30 cars and outdoor parking for about 15 cars. The

customers can also enjoy the hotel's gym, sauna and pool, and the hotel restaurant Hu-viretki which also provides a delicious breakfast every morning for the hotel guests.

### **3.3 Cumulus Koskikatu Tampere hotel lobby shop**

The hotel lobby shop was first opened at the hotel lobby in the autumn of 2014 after the renovation of the reception area. In the lobby shop the customers are able to buy almost everything they might need during their stay at the hotel, from sandwiches and coffee to all sorts of cosmetic products. Due to low minibar usage, the minibars in standard rooms have been empty since the opening of the hotel lobby shop and the customers have been advised to buy snacks and beverages in the lobby shop instead. (Katajamäki & Matomäki 2015.)

#### **Shop operations and the Finnish legislation**

The customers are able to purchase alcohol beverages in the lobby shop and therefore as stated by the alcohol laws in Finland "Serving alcohol beverages on the premises may only be carried on by the person whom the licensing authority has granted a serving licence." (The Alcohol Act, 1994, 7) All the receptionists at the hotel must have the requested licences in order to sell alcohol beverages at the shop. The hotel lobby shop also sells unpackaged food such as croissants, pastries and hot dogs. Therefore, as stated by the Finnish Food Safety Authority Evira:

Employees must have a Hygiene Passport if they in their work handle unpackaged easily perishable foods. – – Cafeterias, restaurants, institutional kitchens, various kiosks, fast-food restaurants, food stores, for example, and also many factories manufacturing foods are work places where the employees are required to have Hygiene Passports. (Evira 2015)

### **3.4 Hotel lobby shop sales**

The detailed information of the hotel lobby shop sales cannot be presented in the thesis due to confidentiality reasons. Detailed information of the sales history can be found in the appendix 1.

### 3.4.1 New product launch process

In order for the company to successfully launch a new product the company first needs to go through strong new-product planning and set up a systematic and customer-driven development process. This process has eight major steps. (figure 2; Kotler, Bowen & Makens 2014, 253–260.)

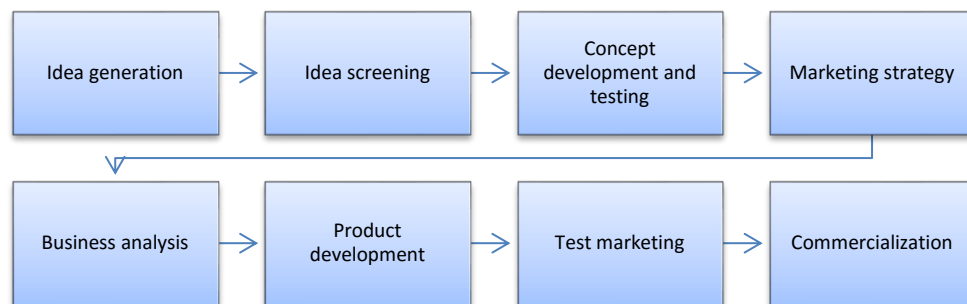


FIGURE 2. New product development

**Idea generation:** There are usually hundreds of ideas generated inside the company. Sources for new product ideas can include internal sources and external sources such as customers, competitors, distributors and suppliers.

**Idea screening:** The purpose of idea screening is to find the good ideas and drop the bad ideas as soon as possible. The company will want to continue with the products which have the greatest potential to increase the sales.

**Concept development and testing:** A product concept is a detailed version of the product idea stated in meaningful consumer terms. Concept testing occurs within a group of target consumers and can be presented through word or picture descriptions.

**Marketing strategy:** To design an initial marketing strategy in order to introduce the product into the market.

**Business analysis:** Evaluating the business attractiveness of the idea. It involves a review of the sales, costs, and profit projections in order to see if they satisfy the company's objectives.

**Product development:** The company develops one or more physical versions of the product.

**Test marketing:** The product and the marketing program are introduced to realistic market setting. The company can learn the faults and disadvantages of the product and marketing program before introducing it to the bigger audience.

**Commercialization:** If the company is satisfied with the new product it will be commercialized. Now the company needs to decide when is the best time to launch it, in how wide area it should be marketed, to whom it should be marketed to, and develop an action plan for introducing the product into the selected markets.

### 3.4.2 Product life-cycle

After launching a new product the company wants the product to have a long and lucrative life. The product is not expected to sell forever and companies want earn enough profit in order to compensate for the effort and risk. The product's life-cycle has five stages (figure 3; Kotler, Bowen & Makens 2014, 261–265):

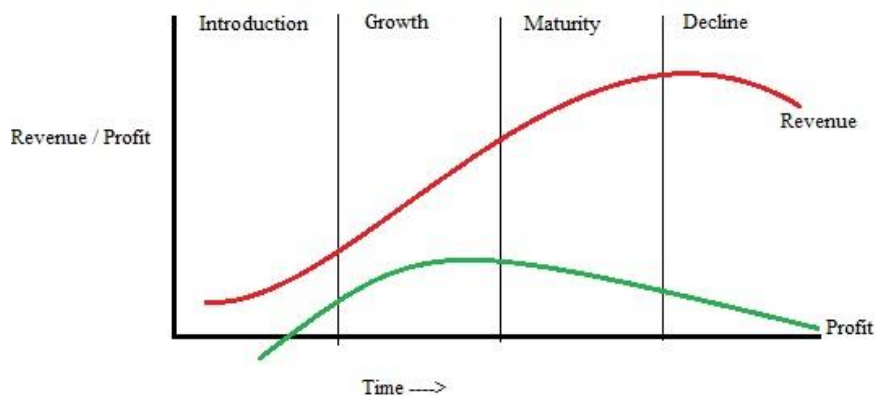


FIGURE 3. Product life cycle

**Product development:** Company finds and develops a new product idea. During the development stage the sales of the product are zero and the company's investments costs increase.

**Introduction:** Slow sales growth of the product. The profits are nonexistent because of the heavy expenses of product introduction.

***Growth:*** Rapid market acceptance and increasing profits.

***Maturity:*** Slowdown of sales as the product has achieved acceptance by most of its potential buyers. Profit levels decline as marketing of the product is being outlaid.

***Decline:*** Sales fall off quickly and profits drop.

### **3.4.3 Product deletion**

Most products will become obsolete and they need to be replaced with new ones. If a product has lost its profitability it is important to terminate it instead of continuing to pour time and resources into reviving it. When a product no longer seems profitable a deletion analysis is used to determine whether the product should be deleted. In the deletion analysis there are three options (Kotler, Bowen & Makens 2014, 265–266):

***Phase out:*** Enables the product to be removed in an orderly fashion.

***Run out:*** Is used when sales for the product are low and costs exceed revenues.

***Drop it immediately:*** Chosen when a product may cause harm or complaints.

## **3.5 Products of the hotel lobby shop**

The hotel lobby shop has a wide selection of products (appendix 2) from cosmetics to sweets and alcohol beverages. As Katajamäki (2015) explains, the product selection is being monitored by the reception's shift managers, who also have the main responsibility to order more products from the suppliers. They also have the decision power to delete the products which they see irrelevant or which they have noticed not to sell as well as it was hoped. The addition of new products or deleting of products is being discussed with the hotel's manager before final decision making whenever the shift managers feel the need to get support for their decisions. The shift managers are free to make smaller product changes to the product collection without having to consult the hotel manager beforehand. (Katajamäki 2015.)

The product deletions are made according to the situation. For example, before changing into a different kind of candy selection, the ideal scenario is that the old candies are being sold out before changing them into different ones. A new selection of products is

being delivered from the product supplier within one week from the ordering date, which makes it comfortable for the shift managers to make product changes in a rather short amount of time. (Katajamäki & Matomäki 2015.)

## 4 SERVICES MARKETING

The definition of marketing has been described earlier in the chapter 2. Marketing process can be presented in five steps model (figure 4). In the first four steps the companies work to understand customers, create customer value, and build strong customer relationships. The final step of the model is in which the company reaps the rewards of creating superior customer value. By creating value for customers, in return the companies are rewarded in the form of sales, profits and long term customer equity. (American Marketing Association 2014; Kotler, Bowen & Makens 2014, 11.)

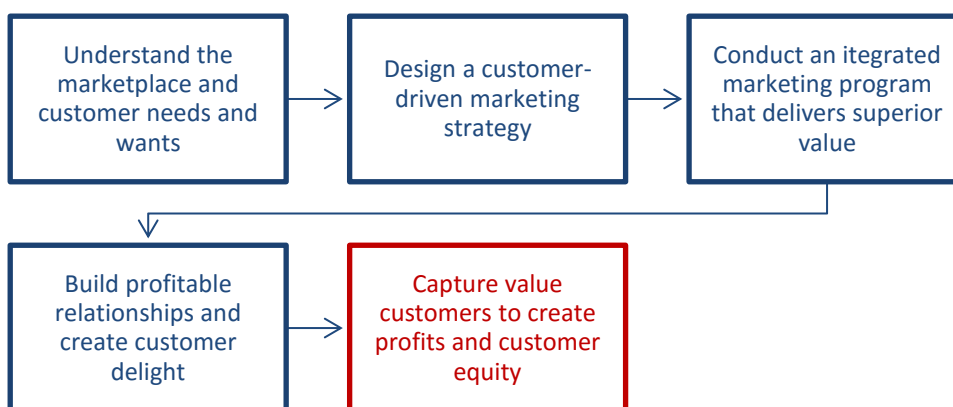


FIGURE 4. Marketing process

American Marketing Association (2014) defines marketing research as a function which links the customer, consumer and the public to the marketer through information. This information is then used to identify and define the marketing opportunities and problems. With the information the company is able to generate, refine and evaluate marketing actions, monitor marketing performance and improve understanding of marketing process. “Marketing research specifies the information required to address these issues, designs the method for collecting information, manages and implements the data collection process, analyzes the results, and communicates the findings and their implications.” (American Marketing Association 2014.) A company can conduct marketing research by employing its own researchers or hire outside researchers. The priorities of marketing research in hospitality business should be market segmentation and sizing, concept development and product testing, price-sensitivity assessment, advertising and promotion assessment, market tracking, and customer satisfaction. The marketing research process can be illustrated in four steps model (figure 5), which includes defining the problem and research objectives, developing the research plan, implementing the



research plan, and interpreting and reporting the findings. (Kotler, Bowen & Makens 2014, 129–132.)

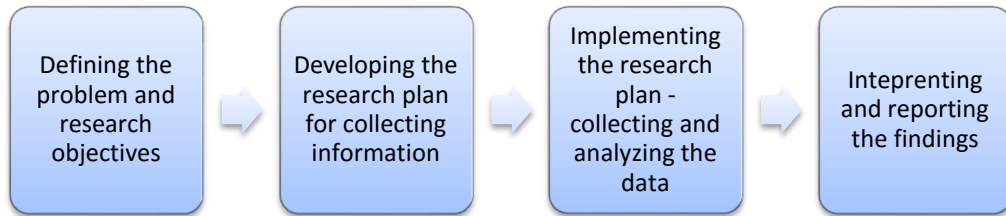


FIGURE 5. Marketing research process

#### 4.1 Understanding the market place and customer needs

In the first step of the five step marketing model (figure 4), the companies need to understand the customer needs and wants, and the market place within which the company operates.

**Customer needs:** A state of deprivation. Basic physical needs for food, clothing, warmth, safety, and social needs such as need for belonging, affection, fun and relaxation, esteem needs such as prestige, recognition and fame, individual needs for knowledge and self-expression.

**Customer wants:** Form which human needs take as they are shaped by culture and individual personality, form of expressing needs, described in objectives which will satisfy the needs.

**Customer demands:** when wants are backed by buying power, they become demands. Customers choose the products which produce the most satisfaction for their money. (Kotler, Bowen & Makens 2014, 12.)

**Market offerings**

“Customer needs and wants are fulfilled through a market offering: a product that is some combination of tangible, service, information, or experiential product components.” The word *product* is often associated with tangible products or something which has physical properties. Intangible products include customer service and experiences which are more important in services marketing than tangible products. (Kotler, Bowen & Makens 2014, 13.)

**Customer value**

The customer value is the difference between the benefits which the customer gains from owning and using a product and the cost of obtaining the product. “Cost can be both monetary and nonmonetary. One of the biggest nonmonetary costs for hospitality customer, is time.” (Kotler, Bowen & Makens 2014, 13.)

**Customer expectations**

Customer expectations are based on past buying experiences, the opinions of friends and family, the market information, and other factors. If the expectations are set too low, this may satisfy those who buy it, but may fail to attract new customers. If the expectations are set too high, the customers will be disappointed. Good companies aim to satisfy their customers by promising only what they can deliver, and surprise the customers by delivering more than they were expecting. (Kotler, Bowen & Makens 2014, 13–14.)

**Market**

Market is a set of actual and potential buyers of the product. They all share a need or want which can be satisfied through purchase. The purpose of marketing is to manage markets in order to bring about profitable customer sales relationships. Product development, research, communication, distribution, pricing and service are the core marketing activities. (Kotler, Bowen & Makens 2014, 14.)

**4.2 The role of hotel receptionists**

Service is the manner in which the employees treat the customers and each other as they deliver the company’s deliverables. The receptionists, along with other employees of

the hotel, perform as service providers to the customers accommodating at the hotel throughout their visit. The receptionists are the ones the customers will turn to whenever they have a question or request concerning their visit at the hotel. Therefore the role of the receptionist is extremely important to the customers in many aspects. Lucas (2015) emphasises the importance of frontline service providers by stating that “people who perform direct customer support functions are some of the most crucial in an organization.” He continues by explaining that these people are often viewed as the face of the organization, and they are the ones receiving the compliments, information and complaints concerning the products or services. (Lucas 2015, 37, 51.)

The service and quality of the service should not be underestimated by the employees of the hotel. As Lucas (2015) states, “Most customers expect that if they pay a fair dollar, in return they will receive a quality product or service. If their expectations are not met, customers simply call or visit a competing company where they can receive what they think they paid for.” He continues to encourage companies to acknowledge the need for better-trained and better-educated customer service professionals. An appropriate training of employees help them to know what exactly is expected from them and how they can fulfil those expectations. (Lucas 2015, 30, 31, 65.)

Not only do service professionals need to up-to-date product information in order to beat the top of their game when interacting with customers, they also need to be abreast of current organizational policies and procedures, what the competitor offers, and the latest techniques in customer service and satisfaction. Companies recognize that if they do not meet the service expectations of customers, they lose business and revenue. (Lucas 2015, 30.)

In order to provide the best possible service, all of the customers should be treated as individuals, as stated by Pine and Gilmore, “Services are intangible activities customized to the individual request of known customers.” Each customer should be distinguished as an individual with individual needs, and should be provided with services which meet his or her individual needs and requirements. “Clients generally value the benefits of service more highly than the goods required to provide them.” (Pine & Gilmore 2011, 12.)

A professional customer service employee identifies his or her main task to be the one listening actively, and gathering enough information in order to make a decision on

what course of action should be taken next in order to provide the customer with the best possible service available. In order for this to be accomplished the employee is required to have polite and professional demeanour, and effective and efficient answers to questions or solutions to the problems. (Lucas 2015, 51.) The customers often want some things to be done for them such as searching for information concerning a local event or recommendation for a good restaurant to dine at. Instead of doing it themselves they want someone else to do these things for them. (Pine & Gilmore 2011, 12.)

The most important tool for service providers is to be able to communicate in positive manner when interacting with the customers. Employees should think out every single step of the interaction starting from the first greeting to the closing statement even before actually coming into contact with the customer. Lucas (2015) created an acronym to help service providers to prepare themselves to provide the best possible customer service. Using PLAN acronym as a guide, it can help the employees to improve their customer service skills. (Lucas 2015, 96.)

Prepare for positive interactions.

Let your customer know they are important.

Address your customer's expectations positively.

Nurture a continuing relationship.

#### **4.2.1 Adding experiences into customer service**

With the growing competition in the hospitality and customer service businesses, in order to deliver the best possible customer service, doing only the necessary tasks is not enough. The customer needs to be surprised in a positive way and the service should be delivered in a way which creates positive feelings and memories, which create experiences.

Experiences have necessarily emerged to create new value. Such experience offerings occur whenever a company intentionally uses services as the stage and the goods as props to engage an individual – – Each experience derives from the interaction between the staged event and the individual's prior state of mind and being. (Pine & Gilmore 2011, 17.)

The memory of a good experience lingers in the individual's mind affecting the individual's state of mind for a long time. This can however be a challenge as individuals are known to forget the consistently good service while instead remembering the mishaps and poor service. (Pine & Gilmore 2011, 107.) According to Lucas (2015) in order to be successful in the service industry one needs to take ownership of the roles and responsibilities given to him or her, and show commitment to doing the best they can every single day spent at work. He continues to emphasise the employees' behavioural consequences not only at work but outside workplace as well by saying "What you do or say around others in any environment sends a powerful message about you, your level of professionalism, and your organization." (Lucas 2015, 47.)

Everyone can detect the difference between a receptionist who merely takes names and calls out parties, and the one who graciously greets each visitor and performs otherwise identical tasks with intentional style and colour. The encounter at the lobby, however brief, affects the guest and sets a particular tone for the entire meeting or visit that follows. – – The inspired receptionist greets visitors in order to welcome them to a place where great things happen. (Pine & Gilmore 2011, 176–177.)

#### **4.2.2 Customizing customer service**

Lucas (2015) emphasises the importance of recognising the customer as an individual human being instead of treating all of the customers in the same manner. A good service provider also lets the customers know they are being recognised as individuals and their time, effort, patience, trust, and business is being appreciated. In order to deliver quality service effectively, one needs to deal with the human beings before one can deal with their needs and problems. (Lucas 2015, 99.)

Instead of serving every customer with the same basic ways by asking the exactly same questions in exactly same tone and manner, a good customer service professional treats each customer as an individual (Pine & Gilmore 2011, 107). At the hotel lobby shop, instead of just stating the total amount to a customer purchasing a cup of coffee, one can ask questions such as "would you like to have something to eat with your coffee?" or "would you like some sugar/milk with it?" Instead of simply thanking the customer for transacting at the shop with a simple "Thank you" a little more customized greeting could be to wish the customer a nice day or "Enjoy your coffee", or handing over a nap-

kin for the customer who did not realise to take one for himself or herself before entering the counter. With these small additional questions and greetings, mundane greetings can be turned into engaging encounters (Pine & Gilmore 2011, 28), and potentially bring extra sales to the shop as well. After all, in order to increase the sales one needs to sell more.

“Customizing a service can be sure route to staging a positive experience and – – companies should use it to create customer-unique value, the portal through which experiences reach individual customers.” When a company manages to provide such customer-unique value in a customers’ mind it becomes a valuable memory which differentiates the company and its service from the rest of the similar companies, which provide routine transactions that are unlikely stay in a customer’s mind as a positive memory. What companies need to remember is that customization is not the same thing as variety. (Pine & Gilmore 2011, 108.)

Variety means producing and distributing product choices to outlets in the hope that some customers will come along and buy them. Customization, on the other hand, means producing in response to a particular customer’s desires – – Customers do not want choice: they just want exactly what they want. (Pine & Gilmore 2011, 117.)

By giving too many options and varieties the customers will become confused and frustrated. Therefore it is crucial to try to study and find out what the customer truly wants, what he or she is after, and the kind of answer the customer wants to hear. (Pine & Gilmore 2011, 117, 242.)

### **4.3 Employee behaviour**

Even though not many people acknowledge it, but especially in customer service professions, work is theatre. Professionals working in customer service professions alter their behaviour according to the work situation and convincingly portray real life drama of doing. The employees in such professions act and behave very differently when compared to the way they act and behave outside working hours with their family and friends. Especially when employees work in front of customers an act of theatre occurs. The hotel receptionists routinely perform acts of theatre when they serve the arriving customers checking into the hotel and guide them to the nearest elevator leading to their

hotel room. At the lobby shop the employees straighten and organize the merchandise on a shelf when they find time to do that from their other tasks. (Pine & Gilmore 2011, 157–158, 162.) Therefore employees need to be extremely careful and aware of the actions and behaviour they display to their customers offstage when they think that no one is watching them.

The customers are observing the employee behaviour even when the employees are not interacting with them directly, as these are the actions that induce the customers to start buying. The customers are of course the primary audience for the business, but even with the absence of customers it is highly likely that someone is watching. It might be a co-worker or supervisor. This however does not mean the way you behave is less important. (Pine & Gilmore 2011, 159, 162.) When the employees acknowledge the fact that they are continuously being observed by someone they can act according to the situation. Goffman (1954) recognised different levels of awareness of how people appear to others from one moment to the next.

Some are oblivious to everything, while others simply don't care what others think of them. Yet others, as means to other end, manipulate their expressions in order to create certain impressions in other people – – The incapability of the ordinary individual to formulate in advance the movements of his eyes and body does not mean that he will not express himself through these devices in a way that is dramatized and pre-formed in his repertoire of actions. In short, we all act better than we know how. (Goffman 1954, 163–164, 284; Pine & Gilmore 2011, 163.)

The employees must understand the impact their behaviour has on customers in order to take full advantage of it when performing services to the customers.

#### **4.3.1 Listening**

The skill of listening is an active learned process, which service providers must take advantage of in order to provide the best possible customer service. Often the needs of a customer are not communicated directly but through inferences, indirect comments, or nonverbal signals. “A skilled listener will pick up on a customer's words and these cues or nuances and conduct follow up questioning or probe deeper to determine the real need.” The service provider should eliminate distractions and send positive verbal and nonverbal responses, and actively focus on what the customer is saying in order to make

the customer feel more comfortable and to form a meaningful dialogue between the service provider and the customer, by turning off noisy equipment and facing the person with a smile and direct eye contact while responding in a positive manner. (Lucas 2015, 169, 187.)

#### **4.3.2 Body language and nonverbal communication**

The employees need to prepare themselves beforehand and possess the right set of mind in order to perform the role the customers expect to see. In order to stage memorable service experiences the employees need to build a right kind of personalised character of their own. The absence of such character often results in service workers who seem to perform like an automated machine. For the receptionists to carry out such personalised characters they need to pay attention to few specific aspects of their behaviour. Their body language such as posture, gestures, eye contact and other expressions such as smile sends a powerfully positive message. The props such as computers and check in forms, and formal and appropriate clothing such as homogeneous work uniforms display professionalism and trustworthiness. (Pine & Gilmore 2011, 171–172.)

Lucas (2015) emphasises the further importance of the outer appearance of the service providers, as they are often viewed as the face of the organization. Out of these characteristics of a professional, in service professions the body language and nonverbal communication often play the biggest role in delivering high quality customer service. The way the employees present themselves physically and in their manner of dress send a message of either professionalism or indifference. Even if the employees are able to deliver attentive, quality service, the customer will form an opinion on the employees, and the whole company, within 30 seconds based on the employees' appearance and the workplace. Lucas (2015) highlights how "It is crucial to be able to distinguish between what is appropriate for the workplace and what is inappropriate for business setting." Appropriate outer appearance helps to protect a positive and professional image. (Lucas 2015, 139–141.)

Pine and Gilmore (2011) explain more about the effects of body language, and how the service personnel who allows their bad mood show to the customers and fail to perform, their character suggest realness and sincerity in the absolutely wrong way which is often



seen as rudeness. Therefore even if you are having a bad day or dealing with an extremely difficult customer “workers must act as they are cheerful – – and act as they don’t mind” (Pine & Gilmore 2011, 175). The service providers who manage to keep a smile on their face and cheerful attitude even through the most difficult situations and demanding customers are the ones which the customers will remember when they encounter again. “Their intention-filled work spills over into passion for their character, caring for their company and empathy for the customer.” (Pine & Gilmore 2011, 179.)

According to Katajamäki (2015) especially during the busy seasons the receptionists often work as a pair or a group of three. In order to deliver the best possible quality of customer service the receptionists need to work together as a team supporting each other instead of performing individually. Therefore the receptionists need to “Create their own performing characters, with the provision that their characterizations contribute positively to the total effort.” (Pine & Gilmore 2011, 213.)

Service providers also need to be careful of not to irritate the customers with their behaviour unknowingly. So called pet peeves a customer may have, may cause a customer relationship breakdown if the service provider is not aware of them. Therefore service providers should take the necessary cautions and change their behaviour in order to protect the customer relationship. Lucas (2015) has listed a few examples of typical behaviours which service providers may exhibit, which may irritate the customer (Lucas 2015, 97):

- Disinterest in serving.
- Excessive wait times.
- Unprofessional service provider appearance in the customer’s opinion.
- Lack of cleanness.
- Abruptly putting someone on the telephone without permission.
- Failing to answer telephone within four rings.
- Eating or chewing while dealing with a customer.
- Lack of knowledge or authority.
- Poor quality of service.
- Condescension, making the customer feel inferior.
- Rudeness or overfamiliarity, using first names without permission.

### 4.3.3 Culture and stereotypes

As the customer bases of all hospitality businesses have become more global and culturally diverse, the service providers need to be culturally aware of the possible differences in nonverbal behaviours between different cultures and ethnicities (Hunter 2014; Lucas 2015, 151). Lucas continues “The reality of multicultural customer service environment further challenges your ability to deal with behaviours.” (Lucas 2015, 221.) As professor Hunter (2014) emphasises, some nonverbal habits and behaviours we display in daily basis may come out as offensive to someone from different culture. For example shaking hands and looking at the other person directly in the eyes while greeting is something most people from western societies consider as normal behaviour. However such behaviour can be seen as insulting and threatening in other cultures. Therefore all service providers need to be culturally aware and educated in certain triggering behaviours which may compromise the customer relationship and bring discomfort to the customer (Hunter 2014.)

Customers from different cultures may also often have different values as well which are based on the deeply held beliefs of a culture or subculture.

They [culture] drive thinking and actions and are so powerful that they have served as the basis for arguments, conflicts, and wars for hundreds of years – – The key to service success is to be open-minded and accept that someone else has different belief system that determines his or her needs. (Lucas 2015, 281.)

At the same time the service providers may face another challenge when communicating with multicultural customers. Hunter (2014) explains the usage of stereotypes in everyday life. Humans have the tendency to form stereotypes about new cultures they have not become so familiar yet. These stereotypes are acting as sort of a defence mechanism to understand the unknown. However these stereotypes are often far from the reality. Therefore service providers should consciously guard themselves from forming stereotypes when interacting with others. (Hunter 2014; Lucas 2015, 226.)

After the employees have been well educated on different verbal and nonverbal behaviour which each culture values, they can take these actions into consideration when for example greeting the customer. By using the greetings typical to the culture, the service provider demonstrates sensitivity and respect to the customer and the culture the cus-

tomer is from. This kind of actions can create an instant bond between the customer and the service provider resulting in a positive relationship in the future as well. (Lucas 2015, 284.)

#### 4.4 Service breakdown

Service breakdown occurs whenever the product or service fails to meet the customer's expectations. The product or service may function exactly as it should, but if the customer perceived it should function differently, a breakdown occurs. When a product or service provided does not meet the customer's wants or needs or it does not live to advertised promises or standards, dissatisfaction and frustration may result. In these cases a service provider needs to come up with a solution to the problem by first identifying the problem and determining whether the problem should be solved in some way. The six-step problem solving model (figure 6) can be used as a tool in order to determine how the problem should be resolved.

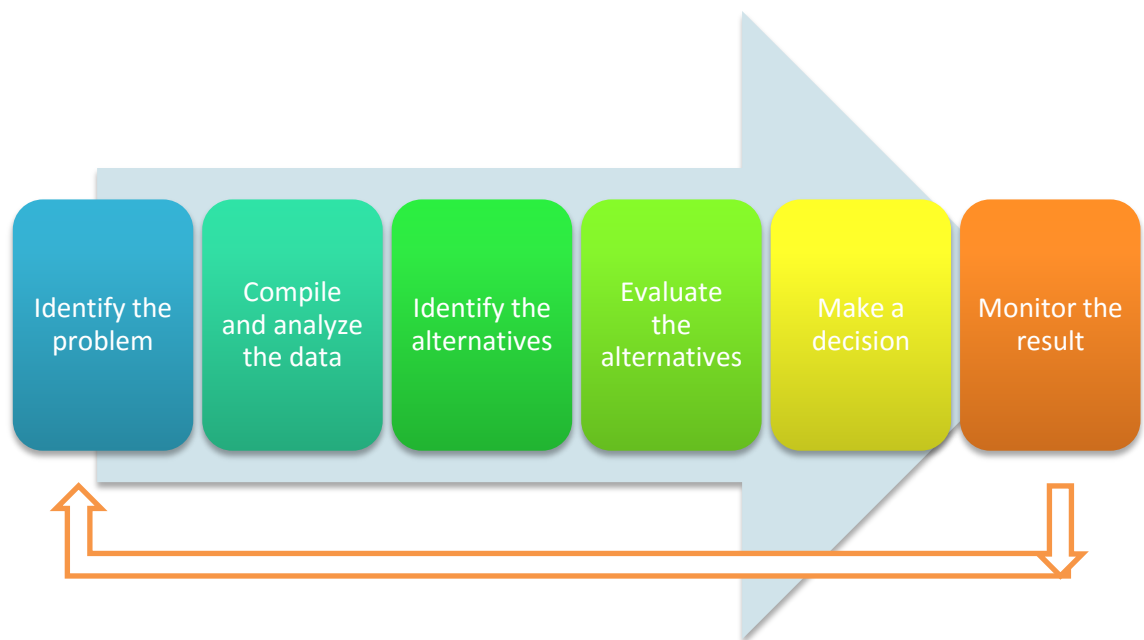


FIGURE 6. Problem solving model

***Identify the problem;*** Learn the nature and the scope of the issue being faced, learn as much about the issue as possible.

***Compile and analyze the data;*** In order to effectively determine a course of action, collect as much information as possible and form thorough understanding of the issue. Collect information from as many sources as possible.

***Identify the alternatives;*** Look out for the best interests of the customer and your organization, think outside the box for the best possible alternatives. Do not opt for convenience at the risk of customer satisfaction.

***Evaluate the alternatives;*** Look at your alternatives or possible options. Look for alternatives in order to prevent similar problems to occur again.

***Make a decision;*** Make a decision on what the next course of action will be. Ask for the customer's opinion as well.

***Monitor the results;*** do not assume that the customer is satisfied, especially if negotiation occurred.

If the customer is not satisfied or additional needs are present, start over from step one. (Lucas 2015, 234, 258–261; Shin 2014.)

#### **4.5 The five-gap model of service quality**

The five-gap model of service quality is a model which a company can use to define service quality as meeting customers' expectations. As the developers of the model Parasuraman, Zeithaml and Berry say "Knowing what customers expect is the first and possibly the most crucial step in delivering service quality. – – Providing service that customers perceive as excellent requires that a firm knows what customers expect." (Parasuraman, Zeithaml & Berry 1985, 44; Kotler, Bowen & Makens 2014, 573.)

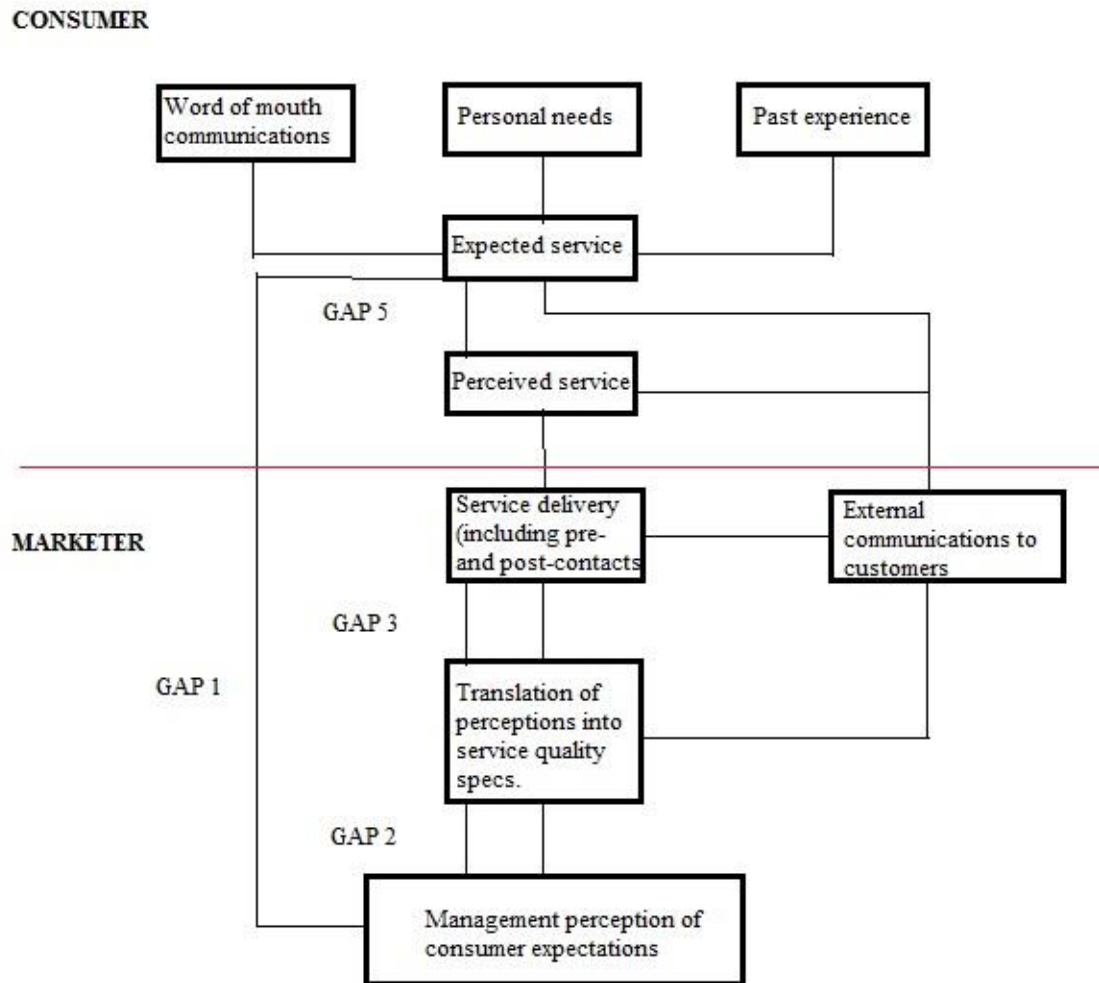


FIGURE 7. Five-gap model of service quality

### **Gap 1: Consumer expectations versus management perception**

The first gap of the five gap model exists, when the management of the company does not understand what the customer wants. Many companies conduct initial studies in order to find out what their target market wants, but later become internally focused and oblivious to the fact that customers' needs have changed. When the need of the customers change but the product does not, the marketing mix has become less attractive to the target market which makes the first gap increase. (Kotler, Bowen & Makens 2014, 573.)

### **Gap 2: Management perception versus service quality specifications**

The second gap occurs when the managers know what the customers want but are unable or unwilling to develop systems which will deliver it. The causes for the gap can be inadequate commitment to service quality, lack of perception of feasibility, inadequate task standardization, or the absence of goal setting. Some companies are only looking

for short term profits and do not invest in people or equipment, which causes service quality problems. “Translating customer needs into service specifications is critical to service quality.” Management has to show its support through measurement of results, communication, and rewarding employees in order to provide superior customer service. (Kotler, Bowen & Makens 2014, 574–575.)

### **Gap 3: Service quality specifications versus service delivery**

The third gap occurs when management understands what needs to be delivered and the appropriate specifications have been developed, but the employees of the company are unable to or unwilling to deliver the service. This gap occurs most frequently during the moment of trust when the customers are interacting with the employees. If the employees do not act accordingly or do not offer solutions to the customers’ problems, the customers may perceive a problem with the functional quality of the service. This can occur when the management does not pay enough attention to the details of their employees’ work. Therefore it is important for the managers to occasionally inspect the quality of the service delivery and show their appreciation to the work the employees are doing. The service quality errors occurring in gap three can be minimized with a good internal marketing program. Errors at this gap can also occur when the employees are overworked. This can be caused by understaffing of the business, or if an employee is required to work a double shift in order to replace another employee who failed to arrive at the work place. These can cause fatigue and the lack of enthusiasm to solve the customers’ problems. (Kotler, Bowen & Makens 2014, 575.)

### **Gap 4: Service delivery versus external communications**

The fourth gap occurs when a company promises in its external communications something that it can’t actually deliver. If the company lifts the customers’ expectations too high in its marketing campaign but fails to deliver the promised service for some reason, the company will have to face dissatisfied customers who may not be interested in doing business with this specific company again. However sometimes these service errors may be caused by factors of which the company has no power over. One example is a skiing resort which suffers from unexpected weather phenomenon. Another cause of increasing the gap is the lack of consistency. For example differing policies concerning the membership programs within a hotel chain may result in confused and dissatisfied customers. (Kotler, Bowen & Makens 2014, 575–576.)

**Gap 5: Expected service versus perceived service**

The last gap of the five-gap model is a function of the other gaps. When any of the other gaps of the model increases, so does the last gap. The last gap represents the difference between expected quality, which is what the customer expects to receive from the company, and perceived quality, which is the quality the customer perceives to receive from the company. If the customer receives anything less than he or she expected, the customer will be dissatisfied. (Kotler, Bowen & Makens 2014, 575.)

## 5 MARKET SEGMENTATION, TARGETING, MARKET DIFFERENTIATION AND POSITIONING

A marketing strategy is the marketing logic by which the company hopes to create customer value and achieve profitable customer relationships. The company needs to decide which customers it will serve and how it will be able to serve them in the best possible way. (Kotler, Bowen & Makens 2014, 13, 72.)

### 5.1 Market segmentation and targeting

A company must accept the fact that it will not be able to serve all customers the same way. Therefore the companies must determine which customer segments offer best opportunities to the company and recognize their own limitations to serve customers. That is why many of the companies have retreated from trying to appeal to all customers at the market place, and instead have decided to move towards target marketing. Companies often look for broad classes of buyers as they include buyers with different product needs and buying responses. Customer segments are often defined by geographic, demographic, psychographic, and behavioral factors. (Kotler, Bowen & Makens 2014, 15, 73, 209–218.)

**Geographic:** Nations, states, regions, countries, cities; pays attention to geographic differences in customer preferences.

**Demographic:** Age, life cycle, gender, income, occupation, education, religion, race, nationality.

**Psychographic:** Social class, lifestyle, personality characteristics.

**Behavioral:** Knowledge, attitude, and use or response to the product.

Market targeting means evaluating each market segment's attractiveness and then selecting the segments to enter. "The company should target segments in which it can profitably generate the greatest customer value and sustain it over time." If the company has limited resources it can choose to enter only one or selected special segments or so called market niches. Companies often use multiple segmentation bases and try to identify smaller better-defined target groups. (Kotler, Bowen & Makens 2014, 73, 209, 218.)



## 5.2 Market segmentation and selecting market segments at the hotel lobby shop

After the company has evaluated the different segments, the company needs to choose which and how many segments it wants to serve. The company can adopt one of the three market coverage strategies:

***Undifferentiated marketing:*** A company ignores market segment differentiation and decides to go after the entire market with one market offer. Instead of concentrating on the differences in the needs of customers, the company chooses to focus on what is common with all of the customers. The purpose of the marketing plan is to reach the greatest number of customers. This kind of mass distribution and mass advertising will create a superior image in the minds of the consumers.

***Differentiated marketing:*** A company targets several market segments and designs separate offer for each of them. Differentiated marketing usually produces more total sales than undifferentiated marketing. One example of differentiated marketing is the French hotel brand Accor which operates several different hotel brands with each of them a specified target market, which includes five star hotels, resorts, limited service hotels and two star hotels.

***Concentrated marketing:*** Instead of going for a small share of large markets, the company goes for a large share of one or a few small markets. This market coverage strategy is especially appealing to small companies with limited resources. With a well-chosen segment, a company can earn a high rate of return on investment. (Kotler, Bowen & Makens 2014, 220–222.)

### Market segmentation at the hotel lobby shop

According to Katajamäki and Matomäki (2015) the target customer segment of the hotel lobby shop is mainly the hotel's visiting customers. Therefore the segmentation of the lobby shop follows the same line as the hotel. Katajamäki and Matomäki (2015) continue to explain that the market segments differ according to the season. During the summer season the hotel aims to attract more families with children which can be also seen in the increasing sales of products directed to children such as ice creams and toys during the summer season (appendix 2). Rest of the year the hotel is more popular among business travelers and conference guests, which can be seen in the increasing amount of conference room bookings and single travelers. (Katajamäki & Matomäki 2015.)

### **5.3 Market differentiation and positioning**

The company decides how it will differentiate its market offerings for each targeted segment it has chosen, and what positions it wants to occupy. Differentiation of a product can be done based on physical attributes, service, personnel, location, or image. A product positioning means the place the product occupies in the customer's mind related to the competitor's product. The company should aim to position their product to occupy a clear, distinctive and desirable place relative to the competitor's product. A good product positioning gives the company an advantage in its target market. (Kotler, Bowen & Makens 2014, 73, 222–223.)

The company can offer better customer value by cheaper price than the competitor, or offer more benefits in order to justify higher price. A company can choose to position its product based on specific product attributes. However, the company needs to be careful when choosing the attributes it wants to promote, as not all attributes are good ones. A smart marketer adds an emotional appeal to the promotion instead of unemotional facts of the product. (Kotler, Bowen & Makens 2014, 73, 222–223.)

#### **Market differentiation and positioning at the hotel lobby shop**

Just like with the market segmentation, the lobby shop is highly affected by the hotel's standards and operations. The hotel advertises itself as a hotel located in the center of the city giving it an advantage among the business travelers searching for an accommodation near the city center with a close distance to desired locations. The product selection at the lobby shop is also directed to those who wish to purchase something fast and comfortably without having to leave the hotel premises, which adds value to the product with an emotional appeal. (Katajamäki & Matomäki 2015.)

## 6 MARKETING MIX AND MARKETING COMMUNICATIONS

The Cumulus hotel lobby shop has a rather small marketing and advertising strategy as for now. Therefore the most important method of increasing the sales of the hotel lobby shop is to develop a sufficient advertising strategy in order to attract more customers. The world famous marketing models such as the 7 Ps and 4 Cs will be used later in this chapter as an analyzing method in order to determine the marketing communications being used at the lobby shop.

### 6.1 Advertising

Advertising is a means of communication with the users of a product or service. Advertisements are messages paid for by those who send them and are intended to inform or influence people who receive them, as defined by the Advertising Association (2015).

Advertising is always present, though people may not be aware of it. In today's world, advertising uses every possible media to get its message through. It does this via television, print (newspapers, magazines, journals etc.), radio, press, internet, direct selling, hoardings, mailers, contests, sponsorships, posters, clothes, events, colours, sounds, visuals and even people (endorsements) (Bennett, Coleman 2015).

#### 6.1.1 Print and outdoor advertising

“Print and outdoor advertisements relay information to consumers through physical means. Print advertisements are ads placed in publications, such as newspapers, newsletters and magazines.” Outdoor advertisements can be billboards, signs and posters. “Direct mail is another physical advertising tool that involves mailing printed materials such as leaflets and catalogs directly to consumers.” These advertisements can direct consumers to other advertising channels, including company websites and social media platforms (Hamel 2015).

Printed and outdoor advertisements are currently the most used form of advertisements for the hotel lobby shop. As Katajamäki and Matomäki (2015) explain, the different

products and campaigns of the lobby shop are advertised in printed posters located within the hotel premises. Most of these advertisements are placed in close distance to the actual lobby shop and the hotel elevators.

In order to boost its advertisement strategy, the hotel could create specialized printed advertisements such as small catalogues or leaflets which could be located at the hotel rooms where the customers could find them easily. The hotel already has placed the restaurant menus in the hotel rooms, so it would be easy to add the lobby shop catalogues in the hotel rooms as well. Further advertisement development ideas can be found later in the SWOT analysis in chapter 12.

### **6.1.2 TV and radio**

“Television and radio are two traditional advertising tools that do not require the delivery of information in a physical form. TV and radio ads can potentially reach millions of consumers simultaneously.” (Hamel 2015)

The hotel and the lobby shop have taken very little, if any, advantage of television and radio advertisements. One of the reasons for this can be the high cost of traditional television advertisements, which can become an unexpectedly big burden financially for any company (Shin 2014).

However if the hotel does decide to add television or radio advertising into their advertisement strategy it would be very important to add at least a short clip of the hotel lobby shop as well. This way the hotel can introduce all of its different features to the public instead of concentrating only in the obvious features such as the hotel rooms and different facilities such as the sauna and swimming pool or the conference rooms.

### **6.1.3 Telemarketing**

“Telemarketing is a means of advertising over the phone. Phone marketing engages consumers directly and requires their full attention, which can make it an effective advertising method, but some consumers consider phone advertising an annoyance.” (Hamel 2015)

The customers of the hotel are able to make room reservations and inquiries by calling the hotel reception. The hotel in the other hand rarely reaches out to the customers by using the telephone, which is totally understandable as it is not the nature of hotel business. However, as the customers reach out to the hotel in order to make a room reservation, the customers often ask about the different facilities of the hotel as well such as the swimming pool and restaurant. In order to boost the marketing and sales of the lobby shop the receptionists should be encouraged to mention the lobby shop as well at the same time as they advertise the other features of the hotel.

#### **6.1.4 Web and social media**

“Web and social media advertisements communicate with consumers through the internet. Web advertisements can take many forms, from text and banner ads on websites to full TV-style commercials aired before or during video content.” Another way to market through internet is to communicate with the customers through email. However customers don't always appreciate this unsolicited contact. “Social media marketing is the use of social networking and community websites such as Facebook, Twitter and Google+ to advertise and interact with consumers.” (Hamel 2015.)

Many of the companies have already realized the importance and benefits of online marketing especially in social media. According to Yasmin Bendror (2014) from Business 2 Community, 86% of marketers stated in 2014 social media as important for their businesses, and 89% of them stated that the number one benefit from using social media as a marketing tool was the increasing exposure of the company to the consumers. Other benefits of social media marketing are increased traffic, developed loyal customers, generated leads, improved search rankings, increasing business partnerships, reduced marketing expenses, increased sales, and marketplace insight. She continues to promote the importance of YouTube presence as well; “YouTube reaches more adults than any cable network – – the number of people who watch television has fallen behind the number of people who watch YouTube on a regular basis.” The popularity of internet videos has surpassed the traditional television, and many companies have already taken the advantage of this new trend within their customers. Releasing advertisements on YouTube is also significantly cheaper than producing television advertisements, which makes it a good advertisement option even for smaller companies with smaller resources. (Bendror 2014; Shin 2014.)

The hotel and the hotel lobby shop have rather small social media presence at the moment, which is one of the aspects the company should definitely pay a closer attention to when planning the company's future marketing strategies. The hotel does have a Facebook page, but there has been very little activity other than the customer feedbacks which the customers have submitted to the page. At the moment the hotel does not have strong YouTube presence either, and all of the videos about the hotel which can be found in YouTube have been posted by the customers. As a conclusion, the customers who have visited the hotel have promoted the hotel on social media more than the hotel itself. Professor Bendle (2014) encourages all companies to take advantage of social media presence not only to directly market the company's products and services, but to communicate with the customers as well. Setting up and maintaining the company's social media requires very small financial resources but acts as a useful tool to market and communicate between the company and its customers. (Bendle 2014.)

## **6.2 Integrated marketing plan and marketing mix**

After a company has identified the needs and wants of the customers and its target market, the next step for the company is to design an integrated marketing plan which will deliver the intended value to the target customers. In order to deliver its value proposition, the company needs to create a need-satisfying offer, and decide how it will make the offer available to the target customers. The company needs to communicate with the target customers and persuade them of the offer's merits. As each customer is different, the communications program needs to be developed for specific segments, and even for different individuals. Integrated marketing communications tie together all the company's messages and images. All of its advertisements will have the same image, look and feel, which makes the marketing plan look well planned. Different media forms play unique roles in attracting and persuading customers. Each of these roles must be carefully coordinated under the overall marketing communications plan. The marketer needs to find out what influences each communication experience will have at different stages of the buying process. (Kotler, Bowen & Makens 2014, 74, 365–366.)

The marketing mix is the set of controllable, tactical marketing tools which the company uses in order to produce the response it wants in the target market. "An effective marketing program blends all of the marketing mix elements into an integrated market-

ing program designed to achieve the company's marketing objectives by delivering value to customers." (Kotler, Bowen & Makens 2014, 74.)

The term "marketing-mix," was first introduced by Neil Borden, the president of the American Marketing Association in 1953. It refers to the set of actions, or tactics, that a company uses to promote its brand or product in the market. It's still used today to make important decisions that lead to the execution of a marketing plan (van Vliet 2013).

### 6.3 4 Ps and 7 Ps of marketing

#### McCarthy's 4 Ps

Jerome McCarthy's 4Ps marketing model is the world's most famous product marketing models. The four Ps gives a picture of a product and price mix of an organization, in combination with a promotion plan in order to approach and serve customers on the basis of well-considered distribution and customer contact channels. (Kotler, Kartajaya & Setiawan 2010, 25–27.) "The 4Ps offer marketing managers focus areas with respect to objectives and the resources to achieve those objectives." (van Vliet 2013)

- **Product** - The product should fit the task consumers want it for, it should work and it should be what the consumers are expecting to get.
- **Place** – The product should be available from where your target consumer finds it easiest to shop.
- **Price** – The product should always be seen as representing good value for money. This does not necessarily mean it should be the cheapest available; one of the main tenets of the marketing concept is that customers are usually happy to pay a little more for something that works really well for them.
- **Promotion** – Advertising, PR, Sales Promotion, Personal Selling and, in more recent times, Social Media are all key communication tools for an organisation. These tools should be used to put across the organisation's message to the correct audiences in the manner they would most like to hear, whether it be informative or appealing to their emotions. (Professional Academy 2015)

#### Booms and Bitner's 7 Ps

The 7 Ps model, which is also known as the services marketing mix, goes beyond the four basic marketing principles for product marketing (Kotler & Keller 2015, 49).

Bernard H. Booms and Mary J. Bitner's insight in relation to physical products and services led to an extension of the traditional marketing mix. In addition to the four traditional factors, three important factors were added: People, Process and Physical Evidence, that make the services marketing mix. (van Vliet 2013)



FIGURE 8. 7 P's marketing mix

- **People** – All companies are reliant on the people who run them from front line Sales staff to the Managing Director. Having the right people is essential because they are as much a part of your business offering as the products/services you are offering.
- **Processes** – The delivery of your service is usually done with the customer present so how the service is delivered is once again part of what the consumer is paying for.
- **Physical Evidence** – Almost all services include some physical elements even if the bulk of what the consumer is paying for is intangible – – even if the material is not physically printed (in the case of PDF's) they are still receiving a “physical product”. (Professional Academy 2015)

#### 6.4 Marketing of the hotel lobby shop

At the moment the hotel lobby shop has quite a minimal marketing strategy. The marketing of the lobby shop is operated by and is the responsibility of the hotel receptionists. The marketing of the lobby shop is concentrated in the lobby shop area and within the hotel premises. As the current marketing of the lobby shop is quite minimal, im-



provement suggestions concerning the marketing of the lobby shop are discussed more in detail later in chapter 12.

The details of the hotel lobby shop's marketing strategies cannot be presented in the thesis due to confidentiality reasons. The information concerning the lobby shops 7P's can be found in the appendix 5.

## 6.5 4 Cs of marketing

Koichi Shimizu created the Four Cs in 1973, as a second marketing mix as an addition to the four Ps, which include commodity, cost, channel and communication. The four C's model is often seen as a more relevant one especially in service industry than the original four P's model. "With the publication of the book "Integrated Marketing Communications" in 1993, Robert F. Lauterborn created a second Four Cs model, which includes consumer, cost, convenience and communication." (Hamilton 2015)



FIGURE 9. Lauterborn's 4 C's marketing mix

- **Consumer** - The first C focuses on finding out the customer needs by soliciting feedback and testing markets, as opposed to just releasing a product. Instead of ascribing to the "build it and they will come" theory, businesses must find out what the customer wants and then provide it.
- **Cost** - Cost involves finding out what sacrifices a customer must make in order to purchase a product. Companies focused on the cost part of their business model must determine how flexible their prices are and at what point their customers will go to another product. A product located closer to the consumer would be priced higher, as the customer has a lower personal cost to obtain that product.
- **Convenience** - The goal of the third C is to make purchasing goods or services as convenient as possible for the consumer. With the rapid growth in e-commerce, goods must be available sooner to the consumer, as opposed to just being available. Businesses that practice convenience offer consumers more payment choices and delivery options when they buy a product.

- **Communication** - Promoting a product via traditional media channels is still a pathway to business success, but communicating with customers to discover how to improve service is essential. Businesses make sure to learn from their customers, an experience that provides an increased opportunity for branding and repeat business. (Hamilton 2015)

The details of the hotel lobby shop's marketing strategies are not presented in the thesis due to confidentiality reasons. The information concerning the lobby shops 4C's can be found in the appendix 5.

## **7 CUSTOMER BEHAVIOUR**

### **7.1 Customer service and customer's role in customer service**

Robert W. Lucas describes customer service as “The ability of knowledgeable, capable, and enthusiastic employees to deliver products and services to their internal and external customers in a manner that satisfies identified and unidentified needs and ultimately results in positive word-of-mouth publicity and return business.” A customer-focused organization is an organization which spends energy and effort in satisfying customers by first identifying customers' needs and establishing policies, procedures, and management systems in order to support excellent customer service. (Lucas 2015, 6, 7.)

#### **Customer's role in customer service**

“The central component in a customer-focused environment is the customer (figure 10). All aspects of the service organization revolve around that crucial entity. Without the customer, there is no need for any organization to exist.” Within a customer-focused organization there needs to be a continuing consciousness of the need to provide enthusiastic and exceptional customer service. This includes both external and internal customers of the organization. The service culture in every organization focuses on serving and satisfying the customer (Kotler, Bowen & Makens 2014, 73; Lucas 2015, 32.)

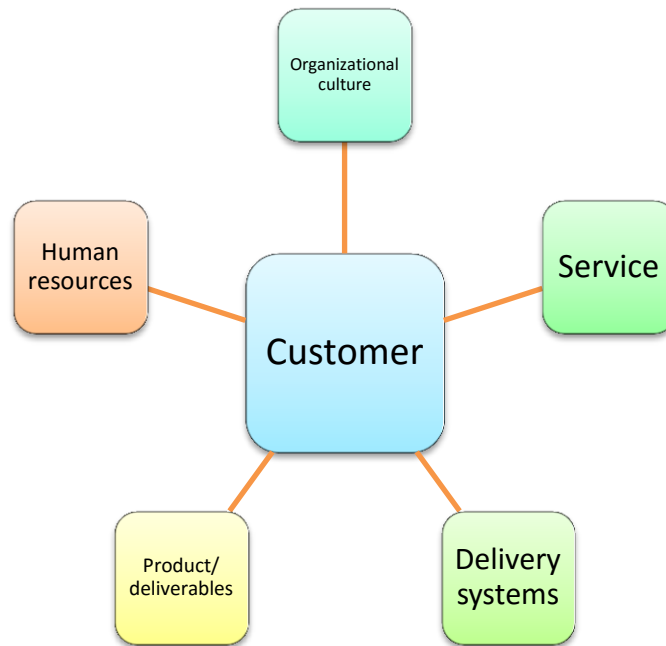


FIGURE 10. Components of a customer-focused environment

External customers are the people outside the organization who purchase the products or services. This group includes vendors, suppliers, and others not from the organization. Internal customers are the people within the organization who either require support and service, or provide information or products, and services to service providers. The group includes peers, co-workers, bosses and other people from other areas of the organization. (Lucas 2015, 32.)

## 7.2 Buying decision process

Buyer decision process consists of five different stages (figure 11). With more routine purchases the customers often skip or reverse some of the process stages called an automatic response loop, which is the marketers dream situation with the customer. When faced with a new and more complex purchase decision, the customer often needs to have a little bit more consideration before purchasing the product. (Kotler, Bowen & Makens 2014, 174.)



FIGURE 11. Buying decision process

***Need recognition:*** Buyer recognizes the problem or need, which can be triggered by internal stimuli. The buyer has learned from previous experience how to cope with this need and is motivated towards the objects he or she knows will satisfy it. Marketers must determine the factors and situations which trigger this recognition in the customer, what kind of needs or problems led them to purchase the product, what caused these needs, and what led them to choose this particular product.

***Information search:*** If the customer's drive is strong and the satisfying product is easily accessible, the customer is more likely to buy it right away at that moment. If not, the customer may store the need and search for more information. Responses and information from personal resources have more impact than advertising as they are perceived to be more valuable.

***Evaluation of alternatives:*** Each customer sees a product as bundle of attributes such as quality of service, location, price, or brand image. Each customer considers different attributes as relevant, and most attention is paid to the attributes connected to the customer's needs. Each customer views each attribute and its importance differently and these views are often affected by previous experiences and attitudes of others who have used the product. Customer's decision is also effected by unexpected situations which may occur while evaluating the product which may affect the purchase decision.

***Purchase decision:*** After evaluating the product, the customer will form purchasing intention based on the evaluation process.

***Post-purchase behavior:*** The customer will be satisfied or dissatisfied after purchasing the product, and will engage in post-purchase actions. Whether the customer is satisfied with the product or not, is based on the expectations the customer had concerning the

product before doing the purchase decision. If the customer's expectations are not met, the dissatisfied customer might return the product or complain to the company and ask for compensation, or decide not to purchase the product again and discourage purchases by family and friends as well. (LaBarbera & Mazursky 1983, 309–404; Kotler, Bowen & Makens 2014, 174–178.)

### 7.3 Customer behavior

The hospitality industry has become a very competitive marketplace with an increasing numbers of hotels around the world. Because of the continuously increasing number of competitors, researchers of companies and universities are constantly studying the relationship between marketing stimuli and customer responses. The model of buyer behavior (figure 12) shows how the marketing and other stimuli enter the customer's so called black box, and produces certain responses. In order to succeed in marketing, the marketers have to find out what exactly is in the customer's black box which ultimately affects the customer's response to the marketing stimuli. (Kotler, Bowen & Makens 2014, 158–159.)

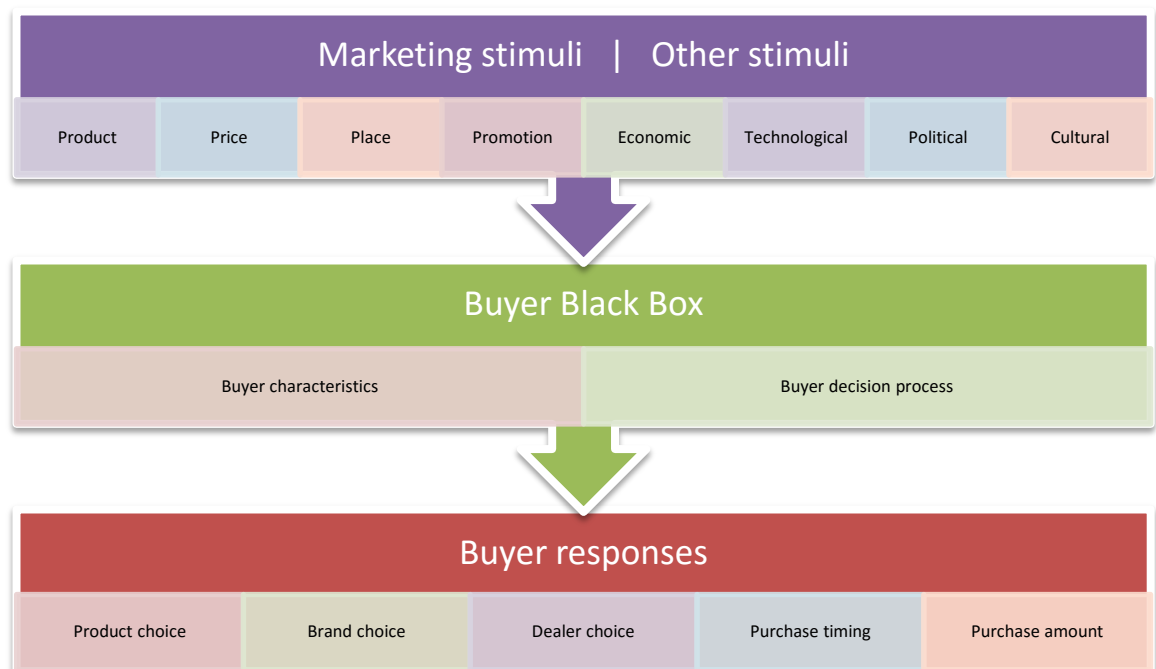


FIGURE 12. Model of buyer behavior

The marketing stimuli consist of the four P's of marketing, and other stimuli which include the major forces and events in the buyer's environment. All these stimuli will enter the buyer's black box in which they are turned into a set of observable buyer responses. The black box consists of two parts; the buyer's characteristics which influence how the buyer perceives and reacts to the stimuli and the buyer's decision process itself which affects the outcomes. Consumer purchases are strongly influenced by the cultural, social, personal, and psychological characteristics, which cannot be controlled by the marketer. However, these factors need to be taken into account when planning the company's marketing strategy. (Kotler, Bowen & Makens 2014, 158–159.)

## **8 MICRO AND MACRO ENVIRONMENT OF THE COMPANY**

A company's marketing environment consists of factors and forces outside of marketing which affect the company's ability to develop and maintain successful relationships with its target customers. These marketing environments offer both threats and opportunities for the company.

### **8.1 Micro environment**

#### **The company**

In each company different departments of the company need to work in harmony with the same goals and principles in order for the company to deliver positive results and to be successful in business. All departments need to be able to communicate with each other in order to be up to date and maintain the harmony within the company and maintain good relationships inside the company. (Kotler, Bowen & Makens 2014, 91.)

The hotel lobby shop also needs to work in close contact not only with the customers it serves, but with the other departments of the hotel as well. The lobby shop is currently operated by the hotel's receptionists who have the responsibility to be up to date on all aspects of the hotel operations in order to be able to respond to the guests' possible inquiries concerning their stay at the hotel. Maintaining good personal relationships between all the hotel's employees ensures a smooth and pleasant working environment for the employees and helps them to enjoy their work more, which will appear in their attitudes towards to customers as well.

#### **Existing competitors**

Competitors are included in both micro and macro environment. Existing competitors should be observed closely by the company. Each company has a broad range of existing competitors, and a successful company needs to be able to serve its customers better than their competitors would. Companies need to adapt not only to the changes of their target market behavior, but also to the strategies of their competitors which are serving the same target market. (Kotler, Bowen & Makens 2014, 93.)



As discussed more in detail in the chapter 12, the hotel lobby shop also has a wide range of existing competitors, not only the nearby hotels in the area where the hotel is located, but also the nearby stores which provide similar products at cheaper price level. These competitors pose a serious threat and competition to the hotel lobby shop which has rather limited resources.

### **Suppliers**

Suppliers are the firms and individuals which provide the needed resources for the company in order for the company to be able to provide its services and goods. Changing trends and developments which affect the suppliers will also have an effect on the company's operations. (Kotler, Bowen & Makens 2014, 93–94.)

The hotel lobby shop is also highly dependent on the operations of the suppliers it receives its goods from. If the supplier does not deliver the goods needed, the lobby shop has a limited amount of alternatives it can turn to.

### **Marketing intermediaries**

Marketing intermediaries help the company to promote, sell, and distribute its goods to the final buyers. These include travel agents, online travel agencies, hotel representatives, marketing service agencies such as public relations agencies and advertising agencies, and financial intermediaries such as banks, credit companies, insurance companies etc. (Kotler, Bowen & Makens 2014, 94–95.)

### **Customers**

A hospitality company such as the hotel where the lobby shop is located has five general types on customer markets. The consumer market includes individuals and households who purchase hospitality services for leisure activities, and gatherings such as weddings or funerals. Business markets purchase services to facilitate their business, such as individual rooms for business travelers or conference facilities. Resellers such as tour operators purchase hospitality services in order to resell them. Government markets consist of government agencies which purchase services similarly to the business markets. International markets consist of buyers from other countries, which include consumers, businesses, resellers, and governments. (Kotler, Bowen & Makens 2014, 95–96.)

These markets and customers arriving at the hotel form the main customer base for the hotel lobby shop as well. Therefore the changes of trends and developments within these markets have an influence on the sales and operations of the hotel lobby shop as well.

### **Publics**

“A public is any group that has an actual or potential interest or impact on an organization’s ability to achieve its objectives.” (Kotler, Bowen & Makens 2014, 96)

- Financial publics influence the company’s ability to obtain funds.
- Media publics carry news, features, and editorial opinions.
- Government publics, such as legal issues and legislations affect the hotel’s operations.
- Citizen-action publics, such as consumer organizations, environmental groups or minority groups may question the hotel’s operations.
- Local politics include neighborhood residents and community organizations.
- General public’s attitudes towards the company’s products and activities have an effect on its buying.
- Internal publics include workers, managers, and board of directors.

## **8.2 Macro environment**

### **Competitors**

In the hospitality industry competitors are included in both micro and macro environments. The future competitor’s entrance into the market is difficult to predict and can have a big effect on the existing businesses. “Two forces that affect the competition are the ability of companies to enter and exit markets. Entry barriers prevent companies from getting into a business, and barriers to exit prevent them from leaving.” Hotels usually have higher barriers to entry the market as opening a hotel requires big investments. The time period from planning to the actual opening of the hotel can take more than four years. If the planning process of opening a new hotel begins during a upswing of an economic cycle, by the time the hotel is ready to open the economic situation may have turned down which leaves the new hotel to struggle to find enough customers while new competitors enter the market as well. The competitive environment in the

hospitality industry is unpredictable, which is why it can be included into macro environment as well. (Porter 1980; Bush 1985, 1; Kotler, Bowen & Makens 2014, 97.)

### **Demographic environment**

Demographic environment includes human populations in terms of size, density, location, age, gender, race, occupation, and other statistics. The changes in world demographics have a big effect on businesses, and marketers need to pay a close attention to the changing trends and developments in their markets. They need to pay attention to changing age and gender structures, geographic population changes, educational characteristics, and population diversity. Different age groups such as the Baby Boomers, Generation X and Millennials share different values and follow different trends, which affect their purchasing behavior as customers. Increasing diversity doesn't only mean diversity in customers' cultures and ethics, but hospitality industries need to be prepared for the growing need for services for disabled and older customers as well. The companies need to design their premises and customize their services in order to meet specialized needs of the customers as well. (Kotler, Bowen & Makens 2014, 98–103.)

### **Economic environment**

The economic environment consists of factors which affect the customers' purchasing power and spending patterns, such as level in income, and the global economy. As discussed more in detail in the chapter 12, the changes in the economics, and especially the economic recession in the 2000s has had a big effect in the world population's spending patterns. (Kotler, Bowen & Makens 2014, 103.)

### **Natural environment**

The natural environment consists of the natural resources which are needed as inputs by the companies or which are affected by the company's activities, such as growing shortage of raw materials, increased pollution, and increasing government intervention in natural resources management. More and more people have become aware of the negative affects humans have on the natural environment around the world, and have become more interested in environmentally sustainable solutions in their daily lives. (Kotler, Bowen & Makens 2014, 104–105.)

The hospitality companies should not only take the environmental issues into consideration in their company's operations, but the changing trend of the customers' awareness

and attitudes towards environmental issues as well. The growing trend of sustainable tourism gives a new opportunity and incentive for the hospitality companies to alter their operations in order to become more sustainable, and therefore more attractive to the customers who are interested in environmental issues and looking for more sustainable options in tourism.

### **Technological environment**

Technological environment has become one of the biggest forces affecting hospitality companies' fate. The access to Internet on a daily basis with several technological gadgets has created a brand new need of different services for the customers in the hospitality industry as well. The customers expect to be able to book their hotel rooms through online reservation systems or applications instead of using the more traditional phone reservation systems which were more common few years ago. (Kotler, Bowen & Makens 2014, 105–106.)

The hospitality companies need to stay up to date on different technological developments not only in the reservation systems but on the changes in developing payment methods as well. For example, along with the continuing development of gadgets such as smartphones and tablets, the technology companies such as Apple, Samsung and Google have developed an alternative for the traditional credit card paying methods. The so called mobile wallets allow smartphone users to pay their purchases by using their smartphones with the supported credit card machines. Reisinger (2015) explains, "Mobile wallet technology uses near-field communication chips in smartphones to let users make payments remotely." The smart phone users can store their credit card information on their mobile wallets, which creates a unique identifier code. This code is then sent to from the smartphone to the receiver. This kind of payment method has become growingly popular and is even seen as a more secure way of using credit cards as the customers do not have to share their credit card number with the merchant. (Reisinger 2015.) As the customer base of hospitality industries become more and more accustomed to use technological advancements such as mobile wallets, the companies need to be able to follow these technological trends as well as the customers' changing purchasing methods.

**Political environment**

The political environment consists of laws, government agencies, and pressure groups which influence and limit the activities of many companies and organizations. Different legislations and regulations affect businesses in different ways; they protect the companies from each other, government legislations and regulations protect the customers from unfair business practices and societies from unrestrained business behavior. All business executives must be aware of the different laws and regulations affecting the business operations and the laws protecting the competitors, customers, and society. (Kotler, Bowen & Makens 2014, 106–107.)

The lobby shop's operations, as well as the hotel's operations, are highly effected by the European Union regulations. As mentioned earlier in chapter three, the employees of the hotel need to be permitted and certified to handle food products and serve alcohol beverages in order to work at the lobby shop.

**Cultural environment**

The cultural environment includes institutions and other forces which affect the society's basic values, perceptions, and behavior. The cultural environment of the employees and the customers' culture have a major effect in the operations of a hotel and the service quality. Cultural factors shape the expectations and values and behavior of the customers which the hotel employees need to be aware of in order to be able to deliver high quality customer service in every situation and to every customer. (Kotler, Bowen & Makens 2014, 109–110.)

## **9 CUSTOMER RELATIONSHIP MANAGEMENT**

### **9.1 Building profitable customer relationships**

A company should be careful not to become greedy and try to create strong customer relationships with everyone. Some customers are bad customers in one way or another, and should not be valued as much as good customers. A company should select their customers with whom they wish to build stronger customer relationships. These customers are the ones whose needs the company believes to be able to meet better than the needs of anyone else. A company can add customer value to its products by using three value-building tools. The first one is to add financial benefits to the customer relationships. Service providers can offer upgraded services to their frequent customers. However, these kind of services can be easily imitated by competitors, and therefore fail to differentiate the company's offer. The second option is to add social and financial benefits, which means the company personnel should work in order to increase their social bonds with their customers by learning the individual customer's needs and wants and customize and individualize the product according to those needs. The third option is to build strong customer relationships by adding structural ties, as well as social and financial benefits. Structural changes can be difficult to implement, but at the same time they are more difficult for the competitors to imitate, which creates competitive advantage to the company. (Kotler, Bowen & Makens 2014, 20, 22; Berry & Parasuraman 1991, 136–142.)

### **9.2 Customer relationship management**

Customer relationship management (CRM) is possibly one of the most important concepts of modern marketing. CRM enables companies to provide excellent customer service with the effective use of individualized information. Companies can customize their market offerings, services, programs, messages and amenities based on the information they have about their valued customers. With this information companies can manage the customers touch points, which are the occasions in which the customer encounters the brand and product. For a hotel these occasions include check in and check out, room service, business service and the facilities within the hotel such as the restaurant, the gym, or the hotel lobby shop. CRM is the overall process of building and main-

taining profitable customer relationships by delivering superior customer service and value. (Kotler, Bowen & Makens 2014, 21–22.)

### **9.3 Capturing value from customers, customer loyalty and retention**

The last step of the five step marketing model which was introduced earlier in chapter 4, aims to capture value in return in the form of current and future sales, market share, and profit. When a company succeeds to create superior customer value, the company creates highly satisfied customers who stay loyal and bring more sales to the company.

#### **Customer loyalty and retention**

A customer whose expectations of the product have been met, and who is satisfied with all aspects of the product is more likely to stay loyal to the product and brand. These loyal customers are more likely to talk to their friends and acquaintances favourably about the company and its products. However, even a little dissatisfaction towards the product may create an enormous drop in loyalty. Losing a customer means more than just losing one sale. By losing one customer the company loses the sales which that one customer could have brought to the company during his or her lifetime, which is called lifetime value (LTV) of a customer. (Kotler, Bowen & Makens 2014, 24–25; Shin 2014.)

Kotler, Bowen and Makens (2014) emphasize the importance of customer's loyalty and customer equity. "Customer equity is the total combined customer LTVs of all of the company's current and potential customers – – it is the measure of the future value of the company's customer base." The more the company has loyal customers, the higher the customer equity is. The best way for the company to increase the customer equity is to provide the customers with high quality products which will result in high customer satisfaction which in turn creates more loyal customers. (Kotler, Bowen & Makens 2014, 25, 27.)

## **10 HUMAN RESOURCES MANAGEMENT**

### **10.1 Organizational culture and human resources**

Organizational culture is what the customer experiences when interacting with the service providers.

Culture includes the dynamic nature of the organization – – the values and beliefs that are important to the organization and its employees. – – The experiences, attitudes, and norms cherished and upheld by employees and teams within the organization set the tone for the manner in which service is delivered and how service providers interact with both internal and external customers. (Lucas 2015, 33–34.)

#### **Human resources**

In order to make the culture work, the organization needs to take great care in recruiting, selecting, training, and retraining qualified people. In order to identify employees work potential and skills, knowledge and attitudes, each potential future employee is put through a screening process. Organizations rely on all employees to provide excellent customer service. (Lucas 2015, 34.)

### **10.2 Deliverables and delivery systems**

A deliverable can be a tangible item manufactured or distributed by the company. If the customers receive what they perceive as quality product or service, they will most likely be happy. However, if the customers feel that they have been sold an inferior service which does not meet the expectations they will most likely be dissatisfied and may take their business elsewhere. (Lucas 2015, 37.)

#### **Delivery systems**

The delivery system is the methods which the organization uses in order to provide services and products to its customers. The organization needs to take into consideration the following factors when deciding on the delivery systems to be used: industry stand-



ards, customer expectations, capabilities, costs, and current and projected requirements. (Lucas 2015, 37.)

### **10.3 Internal marketing, employee rewarding and motivation**

Marketing, especially in the hospitality industry, must be embraced by all employees and cannot be left to marketing or sales department alone. It has to become part of the philosophy of the company and the marketing activities should be carried out by all employees. (Kotler, Bowen & Makens 2014, 274.)

Richard Normann (1984) developed a term to describe the importance of employee commitment's effect on service quality, a moment of truth, which occurs when employees and customers have contact. What happens between the employee and the customer is no longer influenced by the company, but it is the skills, motivation, and tools which the company's representative has, and the expectations and behavior of the customer together, which creates the service delivery process. Kotler, Bowen and Makens (2014) continue by emphasizing the importance of employee commitment and behavior. "When employee and customer interact, a careless mistake by the employee or an unanticipated request by a customer may result in dissatisfied customer." (Normann 1984, 33; Kotler, Bowen & Makens 2014, 274.)

As the employees can be viewed as part of the product a hospitality industry provides, the managers must make sure that the employees of the company know their product and believe the product to be good value. They must be excited about the company and the products they sell to the customers in order for the customers to become excited about the product as well. The purpose of external marketing is to bring new customers, but the effort the company puts in external marketing becomes useless if the employees do not perform to the customers' expectations. (Kotler, Bowen & Makens 2014, 274–275.)

Internal marketing ensures that all the employees of the company experience the business and understand its various activities and campaigns in an environment which supports customer consciousness. A company with a good internal marketing takes great interest in the service culture of the company. (George & Grönroos 1991, 85–100.) As

Kotler, Bowen and Makens (2014) explain, service culture is a culture which supports customer service through policies, procedures, reward systems, and actions. “Developing a customer oriented organization requires a commitment from management of both time and financial resources.” If the company does not pay enough attention to the service culture and does not encourage the employees to act on their own, embracing the empowerment the company has provided them, the company can be faced with several dissatisfied customers. Organizational culture provides a pattern of shared values and beliefs which give the members of the organization meaning, which provides them with the rules for behavior in the organization. (Davis 1985; Kotler, Bowen & Makens 2014, 276.) Tyler (1987) explains how employees are often bound by policies and regulations set by the company, which may not always make sense in the customer service perspective. If the employees feel restricted, they become insecure about making decisions outside the rules and regulations set by the company, and often seek the approval from their supervisors, which may cause a situation where the customers need to wait for an answer to their question for too long. In a company with a good service culture the employees know what to do, and do it. When the employees know what they are doing and feel confident to make decisions on their own, the customers receive quick responses and solutions to their problems. (Tyler 1987, 107; Kotler, Bowen & Makens 2014, 276–277.)

### **Employee rewarding and motivation**

In order to sustain a good service culture, the company’s human resources policies must create a system which rewards and recognizes employees and managers who provide good customer service. As professors Sturman and Way (2008) state, “If you want to improve employee performance ensure that the employees accurately perceive the practices, procedures, and behaviors that are rewarded, supported, and expected of them by the company.” According to Bell and Zemke (1992), the best way to create customer-oriented employees is to seek out ways to catch them serving the customers, and reward and recognize them for making the effort to do so (Bell & Zemke 1992, 169; Sturman & Way 2008; Kotler, Bowen & Makens 2014, 287.)

The company needs to determine the components of the compensation it is ready to reward the employees with. It can be a fixed amount such as salary, or a variable amount

such as commission, bonuses or profit sharing, or fringe benefits such as paid vacation, sickness or accident benefits or pensions. The importance of monetary rewards should not be underestimated and minimized as the employees are required to work long hours, experience stress, and often give up family experiences for the sake of their career. The companies can also motivate their employees by providing different supplementary motivators to their employees. The companies can sponsor sales contests in order to spur the employees to a special selling effort above what would normally be expected. In some cases the managers can offer a vacation at sister properties of the company for those who have won the sales contest. (Kotler, Bowen & Makens 2014, 460–461.)

## 11 SURVEY

A survey was conducted among the employees of the Cumulus Koskikatu hotel in order to discover their own personal opinions concerning the overall operations of the hotel lobby shop. The survey was directed to the employees working at the reception, as they have the main responsibility of the overall operations of the lobby shop. The survey was divided into three sections in order to make it easier to understand and to categorize by topic. The employees of the hotel reception were allowed to submit their answers online and without sharing any of their personal information, which made it more comfortable for them to participate without having to worry about having their answers published with their personal information included. The survey was done in English, even though it is not the main working language of the employees of the hotel. However, the employees are expected to have good communicating skills in English as well. Therefore the idea of doing the survey in English was approved by the general manager of the hotel as well.

The three main topics of the survey were the current state and product variety of the lobby shop, the need for a shop manager, and selling motivation. The purpose of the first section was to discover whether the receptionists were pleased with the current state of the lobby shop and its operations and the variety of the products on sale at the moment. The questionnaire also included open answer questions in which the respondents were able to state their own opinion on the product variety, and the changes they'd wish to make if given the opportunity.

The purpose of the second topic of the survey, which came from the hotel itself, was to determine whether the reception needed a so called shop manager. By appointing a shop manager the main responsibility of the shop operations would be distributed to one or two people. Another purpose of the questionnaire survey was to research how motivated the receptionists would be to take on the responsibility of the shop manager, and what kind of factors would motivate them to do so. The employees were given an opportunity to state their own opinions on what would be the main tasks of the shop manager.

The last topic of the survey concerned the selling motivation of the receptionists. The purpose of this section was to discover what kind of factors have an effect on the moti-

vation levels of the receptionists and how the hotel management could improve their operations in order to motivate the receptionists to increase the sales of the lobby shop.

The hotel receptionists were given an open schedule to complete the survey, and the opportunity to ask questions concerning the survey if needed. Within two weeks all receptionists of the hotel had submitted their answers and no extra questions were needed.

## 11.1 The questionnaire questions

### Current state of the shop and product variety

1. What do you think about the current variety of products on sale at the shop?
  - Too big variety, some products should be removed
  - It's fine as it is now, no changes needed
  - Too small variety, there should be more different products
  
2. What do you think about having more seasonal products at the shop? Such as swimsuits in the summer, hats, beanies and mittens during the winter, ice hockey merchandise during the ice hockey season etc.
  - Yes, I think it's a good idea
  - No, I think it's unnecessary and confusing
  
3. What products would you like to remove or add to the shop?
  -
  
4. What is the biggest problem at the lobby shop right now? (You can choose more than one option)
  - Price of the products
  - Causes too much extra work
  - Not enough different products for sale
  - Too much products for sale
  - The outlook and the design of the shop doesn't look good
  - Something else, what:\_\_\_\_\_
  
5. Do you think that the lobby shop is a necessary addition to the reception?

- Yes, I think it is necessary
- No, we should get rid of it completely

6. Do you think it would be a good idea to hire extra help during the busy seasons?
- Yes, I think we need summer employee to work at the lobby shop during the summer season
  - Yes, we need someone to work at the lobby shop all year round
  - No, we don't need extra help

### **“Shop manager”**

7. Do you believe it would be a good idea to appoint one or two people to have the main responsibility of the shop operations, so called “shop manager”?
- Yes
  - No
8. What should be the main tasks of the “shop manager”?
- 
9. Would you be willing to take this responsibility as a “shop manager”?
- Yes, I think I should do it
  - No, I think someone else should do it
10. Would you feel more motivated to take in the responsibilities of a “shop manager” if you got some kind of financial benefit from it, for example a higher salary?
- No, that doesn't affect my decision
  - Yes, I would feel more motivated

### **Selling motivation**

11. In your opinion, do the lobby shop operations cause too much extra work for the receptionists at the moment?
- Yes
  - No

12. What would motivate you to sell more at the lobby shop?

-

13. Do you think a “selling competition” between the receptionists could be a good motivation for the receptionists to sell more at the lobby shop?

- Yes

- No

14. Do you think a “selling competition” between the Cumulus hotels in Tampere could be a good motivation for the receptionists to sell more at the lobby shop?

- Yes

- No

15. Do you think you would feel more motivated to sell more if you personally benefit from it? (ex. best seller gets a bonus or other benefit at the end of the month)

- Yes

- No

16. Do you think it would be a good idea to have personalized profiles at the lobby shop cashier, which would make it easier to keep track on individual sales data?

- Yes

- No

17. Do you think that too much competition between the receptionists will cause harm within the working community?

- Yes

- No

## **11.2 The results of the survey and survey result analysis**

The detailed results of the survey and the survey results analysis are not presented in the thesis due to confidentiality reasons. The results can be found in the appendix 6 and 7.

## 12 SWOT ANALYSIS

### 12.1 Definition of a SWOT analysis

“S.W.O.T. is an acronym that stands for strengths, weaknesses, opportunities, and threats. A SWOT analysis is an organized list of the business’s greatest strengths, weaknesses, opportunities, and threats.” (Berry 2015) The company can use the SWOT analysis as a tool not only concerning the overall operations of the company, but in marketing as well in order to find attractive opportunities and to identify environmental threats the company may have. The company should also analyze the strengths and weaknesses and current and possible marketing actions and operations it should pursue in the future. While examining the pattern of strengths and weaknesses the company does not have to correct all of its weaknesses or gloat in its strengths. The bigger question the company should consider is whether it should limit itself to those opportunities which it now possesses or should it consider better opportunities. (Kotler, Bowen & Makens 2014, 75.)

Tim Berry (2015) introduces the aspects the company should consider when using a SWOT analysis as a tool:

#### **Strengths (internal, positive factors)**

Strengths describe the positive attributes, tangible and intangible, internal to the organization. These are within the company’s control

#### **Weaknesses (internal, negative factors)**

Weaknesses are aspects of the business that detract from the value it offers or places it at a competitive disadvantage. The company needs to enhance these areas in order to compete with its best competitor.

#### **Opportunities (external, positive factors)**

Opportunities are external attractive factors that represent reasons the business is likely to prosper.



**Threats (external, negative factors)**

Threats include external factors beyond a company's control that could place its strategy, or the business itself, at risk. The company has no control over these, but it may benefit by having contingency plans to address them if they occur.

**12.2 SWOT analysis of the hotel lobby shop**

The SWOT analysis of the hotel lobby shop is not presented in the thesis due to confidentiality reasons. The SWOT analysis of the hotel lobby shop can be found in the appendix 8.

### 13 DISCUSSION

The purpose of the thesis was to research how Cumulus Koskikatu hotel could increase the sales at the hotel lobby shop and what kind of affect the hotel lobby shop has on the overall operations of the hotel. The research focused on developing the marketing strategies the hotel could use in order to increase the sales, and on discovering the effects of the hotel lobby shop's operations from the employees' point of view. The purpose of the research was to develop ideas how the sales numbers could be increased without causing extra work to the employees. Both qualitative and quantitative data collected from the research could be used when developing and determining the standards and the manual the shop operates by.

The thesis answered to the research questions and provides valuable information to the hotel management, which can be used when planning the future operations of the hotel and the hotel lobby shop. The thesis can also work as a communication tool between the hotel management and the reception employees, as the employees were allowed to state their own opinions and development proposals concerning the lobby shop's operations. A future research could be conducted from the customer's point of view by gathering a sufficient amount of customer feedback concerning the lobby shop. This can become a useful method in order to gather information concerning the changing needs and expectations of the customers. This research could also be useful in order to gather more detailed information concerning the product selection of the shop and possible additions and modifications concerning it.

Even though the hotel lobby shop has been operating for merely a year, it has already shown its importance as a part of the hotel operations as an important source of extra income to the hotel. In order for the lobby shop to operate in its full potential, more emphasis needs to be placed not only on the sales but the advertising and marketing of the shop and its products and services. Even the best product becomes less valuable without a good marketing strategy. With small changes and additions to the lobby shop's marketing strategy the shop can gain more visibility and attract more paying customers. Not only does the lobby shop itself need an improved marketing strategy, but the importance of internal marketing within the company needs to be upgraded as well. In order for the hotel lobby shop to increase its sales, the employees operating the shop need to be

properly motivated and encouraged to work towards that goal. By appointing a person to carry the main responsibility of the shop's operations, motivating the employees in a form of a sales competition with a tangible rewarding system, and by possibly hiring more employees in order to divide the existing workload, the sales of the lobby shop can be increased without causing the employees to receive extra stress or work extra hours.

The information presented in the thesis is mainly based on theoretical information that may not work in the anticipated way in practise. This information can be used as a basis when developing the shop operations, but at the same time it needs to be viewed as a development suggestion and not as an actual development plan. The thesis also aims to help the management to understand the hotel lobby shop's operations not only from the financial point of view, but also from the employees' point of view as well. When taking part in the survey which is included in the thesis the employees of the hotel reception were able to state their own opinions concerning the lobby shop operations. Many of the development suggestions are also based on the information gathered though the survey and not only on the theoretical information collected from several sources.

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## **APPENDICES**

Appendix 1. Cumulus Koskikatu hotel lobby shop sales history analysis

Appendix 2. Monthly product sales 2015

Appendix 3. Product sales 1.10.14 - 31.8.15

Appendix 4. List of products with the lowest sales numbers

Appendix 5. 7P's and 4C's of the hotel lobby shop

Appendix 6. Survey answers

Appendix 7. The survey result analysis

Appendix 8. SWOT analysis of the hotel lobby shop

Appendix 9. Product spoilage 1.10.14 - 31.8.15