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Kaunas hotel: Maintaining market leader position

Teaching Notes

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TEACHING NOTE

REVIEWING *HOTEL KAUNAS* MARKETING STRATEGY: HOW TO ASSESS MARKET OPPORTUNITIES MAINTAINING MARKET LEADER POSITION

1. Summary of the case

Hotel Kaunas is a four star hotel with marketing strategy oriented towards corporate clients. Kaunas city became more attractive to international tourist after the launch of direct flights to *Kaunas Airport* with European largest budget carrier *Ryanair*. How company marketing strategy should be adapted to the situation on the market? The case presents introduction to hotel services, some statistics on hotel clients according to age, nationality, and travel destination. A short summary of the competitors is given. A comprehensive analysis of the competitors is recommended as one of the tasks for students. Kaunas city attractions, most popular tourist destinations and services are presented. An overview of USA hotel loyalty programs is given (point redeem systems to get free nights or services) with statistics on their effectiveness during the past several years. A balanced scorecard as a method of business performance measurement is presented with an actual usage of the method for hotel management (analysis of the hotels in the UK).

2. Target audience

Undergraduate students. Courses: marketing and marketing analysis, strategical planning, CRM.

3. Prior learning

Principles of marketing (positioning, segmentation, SWOT analysis, etc.), client relationship management.

4. Teaching/learning objectives

The main learning objective of this case is to adjust or prepare new marketing strategy for *Hotel Kaunas* with a purpose to maintain full hotel occupancy. Students have to analyze the problems that hotel faces today, prepare customer segmentation and to take a broader view – what services or extras can be offered to maintain loyal customers?

There are four learning objectives:

1. Prepare market analysis, competitor analysis, and SWOT analysis.
2. Apply certain marketing management strategies: diversifying service portfolio, attracting new segment, increasing service quality.
3. Create hotel customer loyalty program as a tool for maintaining loyal customers emphasizing customer retention rather than attracting new customers.
4. Assessing the balanced scorecard approach as a hotel performance management tools. The process involves identifying the true drivers of success and translating

company's vision and strategy statements into an integrated set of objectives and measures that describe the long time drivers of success.

5. Teaching approach and strategy

The case can be approached from several different angles.

5.1 Diversification or the *Hotel Kaunas* service portfolio, target audiences. Students can be divided into two groups and prepare marketing strategy for the hotel. Marketing Research course students can prepare quantitative/ qualitative research, take an interview with hotel managers that can be filmed and showed in the class. An active discussion will be triggered when students will present their strategies – they can be compared, analyzing advantages and stressing that there is no one right solution to the problem and the most important is to act quickly and adjust the strategy when necessary.

Students should clearly define two customer segments: corporate clients and transient tourists that come to Kaunas city with budget carrier *Ryanair*. They should prepare separate strategies for the two customer segments with the intention to maintain maximum hotel occupancy – services, client relationship management tools and retention strategies.

Opening of the discussion:

What is the situation that hotel faces today? What are the facts? Corporate clients and transient tourists – is it possible to serve such different segments? What services do they require? What are the services that hotel offers and what new services can be suggested?

The discussion can be visualized on the board writing down the main points – for ex. what services the hotel offers, what services are needed.

Corporate clients: *What is important for corporate clients? What services do they require? What can make corporate client loyal?* Corporate clients: hotel location, 4 stars, car parking is very small, mini golf, restaurant. Corporate clients require prestige, exceptional services and attention, they are not attracted by low prices or price reductions. They tend to remember mistakes and are very demanding. Prestige clients require additional value. *What is the culture of the hotel personnel?*

Does the hotel offer personal attention for the clients? For example, according to statistics, most of the hotel clients are from Germany and Finland, however, the hotel website is in the English and Russian languages only (Russian tourists – 6 % of the clients). *How can personal attention be achieved?* For example, the hotel offers free snacks for the clients who come by *Ryanair* as flights are usually late at night. Such an initiative made an impression on hotel clients. The concept of “giving more than expected” always pays off. *What exceptional services can a hotel offer to the clients?* Students can be asked to give examples of such exceptional hotel services abroad.

Transient tourists: Kaunas city became more attractive to international tourist after launch of direct flights to *Kaunas Airport* with *Ryanair* there is a higher demand for accommodation in general. But transient tourist requires more attention and is more conscious on “value for money”. *What are specific requirements of the service quality from these segments and are they being fulfilled? How to attract, maintain and gain profits from this segment (international tourists)?*

It is important for students to learn how different the segments of the guests and priorities and services they need are. The model: low price-low value, high price-high value can be reminded. It is also important to emphasize the balance between the price and quantity:

high price services bring bigger profit; however, they are less in quantity; how many low price services should be sold to get an adequate profit? How turnover and hotel occupancy should be balanced serving such different customer segments?

5.2 Preparing customer loyalty program

Divide students into two groups and give a task to prepare hotel customer loyalty program.

How to maintain market leader positions? How to earn customer loyalty? What are customer relationships with the clients and how are they maintained? Should CRM be implemented?

Hotel Kaunas is an independent hotel that is oriented towards corporate clients; therefore loyalty program should be based not on points but exceptional services. Loyalty program based on redeeming points can be offered to the Lithuanian companies that made business agreements with the hotel for accommodation of their guests.

5.3 Competitive analysis

From this case students have to understand how important competitor analysis is – it is an essential component of corporate strategy. It is argued that most of the companies do not conduct this type of analysis systematically enough.

*What marketing strategies do competitors use?
What type of media do they use to market their services?
What is each competitor's market share?
What are each competitor's strengths and weaknesses?
What potential threats do competitors pose?
What potential opportunities do they make available? (SWOT analysis)*

Primary competitor analysis can be done by gathering primary data from the internet web sites. There is information on the services that hotels offer, loyalty programs if available.

How many hotels are chain hotels and what competitive advantages do they have? What are the advantages/disadvantages of an independent hotel? How can Hotel Kaunas differentiate itself from the competitors and keep its customers loyal?

Independent companies usually have an advantage of flexibility – they can adapt to the changing market situations more quickly than large corporations or big chains where changes are dictated by corporate managers and usually take a lot of time. A hotel that is not a part of a hotel chain is more difficult to attract foreign tourists, however *Hotel Kaunas* has receives most of its guests from Lithuanian companies, which bring their foreign guests.

5.4 New opportunity research analyzing Kaunas city as a travel destination

It will be interesting for students to discuss Kaunas city as travel destination. An intrigue will always be between the students who are born in Kaunas city and students from other regions of Lithuania.

The discussion can be triggered giving the following questions:

Hotel Kaunas is trying to get the most from the Ryanair customers, however, does everything depend on the hotel? How many Ryanair tourists stay in Kaunas city? Where do others go? How attractive is Kaunas city to the tourists? How can Hotel Kaunas encourage tourists to stay in Kaunas city?

Kaunas hotels acknowledge that most of *Ryanair* tourists leave Kaunas city as soon as they come. Most of them leave to Vilnius city. The initiative of Kaunas city businesses was to make the tourists stay in the city: old city restaurants work longer hours, free concerts and festivals are organized, etc. *How can Hotel Kaunas join this initiative and attract more clients?*

Some competitor hotels have agreements with local restaurants: restaurants offer discounts for hotel guests, hotels advertise restaurants for their customers.

Hotel Daugirdas has its own amphitheatre with a summer program – free outdoor cinema, concerts that attract locals and foreign tourists to stay in the city and even book the hotel. What can you offer for *Hotel Kaunas*, having in mind its perfect location in the central pedestrian *Laisvės Avenue*?

Kaunas City Tourist Department announces that Kaunas city attracts tourists with festivals, international events (*Kaunas Jazz, Hansa Days, Opera in Kaunas Castle, Pažaislis Festival*, etc.), nature, food and low prices. *How can this information possibly help Hotel Kaunas?*

Hotel management claims to have good relationships with Kaunas city municipality. *What are the opportunities?* Students can offer to make an agreement with Kaunas city municipality to provide accommodation for the guests of the international events on the agreed price. This will help to attract more customers and maximize hotel occupancy.

According to the research done, *Hotel Kaunas* does not provide services for the biggest segment of its guests. *What attractions can be offered for the guests in Kaunas city?*

6. Assessing the *Balanced scorecard* method for hotel performance evaluation

When management focuses on financial measures and everyday's processes, important company's drivers of success might be overlooked. Balanced scorecard performance evaluation system enables to find a unified model to measure performance of the overall company. The most difficult part of the analysis is to find the drivers of success that should be stated in quantitative terms.

Students should use the model for *Hotel Kaunas* performance analysis.

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