

***COMMERCIAL SHORT HOLIDAY
BREAKS IN SCOTLAND :
AN ANALYSIS OF MARKET
STRUCTURE, SUPPLIER
STRATEGIES AND PERFORMANCE***

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A thesis submitted in partial fulfilment of the requirements of Napier University for the degree of Doctorate of Philosophy.

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SYNOPSIS

Hospitality and tourism environments are widely regarded as complex and dynamic in nature. This combined with the need for commercial organisations to improve performance places considerable emphasis on the need for approaches to understanding market and organisation dynamics.

This research proposes an approach to analysing and understanding the dimensions of markets and the interface with organisations to allow optimum performance. It uses the commercial short holiday break (CSHB) market in Scotland as a contextual base, and reflects an industrial economics approach which encompasses identification of market structure, competitive strategies and company performance, to explore activity in the area and propose approaches to analysing dynamic and complex markets.

Commercial short holiday breaks (CSHB) are widely recognised as a growth market for hotels. What is often not documented is that such growth is at the expense of other market sectors, fuelling mature market conditions and requiring increasingly sophisticated marketing strategies to gain and sustain market share and thus improve performance.

To date, little has been published on how hotel companies compete in CSHB markets or what performance differences result as a consequence of different strategies and market conditions. Therefore through an extensive literature review (of the limited data available) and the construction of a database of hotel groups containing the 30 largest hotel groups operating in Scotland, an indication of the market structure was formed. To confirm initial findings and provide more detailed data on strategies adopted in the market, structured telephone interviews were conducted with key suppliers. The interviews revealed strategic groups with two main categories of strategy : predator strategies for gaining market share and secondly defender strategies for protecting market share. To establish how strategy affects corporate performance, further interviews were conducted at the corporate level and then in recognition of the multi-site nature of hotel operations, interviews were also conducted at unit level for six key short break providing companies. The findings indicate that there are bilateral “associations” between the market structure, the strategy adopted and the resulting performance. Having constructed a model based upon the findings, it appears to be the case that results hold true between both the corporate (industry) relationships and the unit (market) level relationships, making the model a significant contribution to knowledge.

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DECLARATION

While registered as a candidate for the degree for which submission is hereby made I have not been a registered candidate for another award of any degree awarding body. No material contained within this thesis has been used in any submission for an academic award.

A handwritten signature in black ink, appearing to read 'David A Edgar', with a stylized flourish at the end.

David A Edgar
NAPIER UNIVERSITY

May 1997

CONTENTS

	<u>Page</u>
Synopsis	i
Acknowledgements	ii
Declaration	iii
Contents	iv
List of Tables	viii
List of Figures	x
List of Appendices	xiv
Glossary	xv
Thesis Structure	1

PART I : METHODOLOGY

Chapter 1	Research Methodology and Research Design	6
1.1	Research Overview	
1.2	Litertaure Review- Strategic Management Research	
1.3	The Industry Context	
1.4	Research Approach	
1.5	Research Aims and Objectives	
1.6	Methods Adopted	
1.7	Chapter Summary	

PART II : THE HOSPITALITY ENVIRONMENT 1980-1991

Chapter 2	Tourism in the UK	60
2.1	Introduction	
2.2	Nature of Tourism Service	
2.3	The Tourism Mix	
2.4	Statistical Problems	
2.5	Nature of Tourism Demand	
2.6	Nature of Tourism Supply	
2.7	Chapter Summary	
Chapter 3	The Hotel Industry in the UK	81
3.1	Introduction	
3.2	The Value of the Hotel Industry	
3.3	Nature of the Hotel Industry	

3.4	Hotel Industry Demand		
3.5	Hotel Industry Supply		
3.6	Changes in the Hotel Industry		
3.7	The Scotland Perspective		
3.8	Chapter Summary		
Chapter 4	The Nature of Hotel Units	.....	105
4.1	Introduction		
4.2	The Industry - Market Gap		
4.3	Hotel Units - The Price Approach		
4.4	The Role of Yield Management : A Decision Tool		
4.5	Alternative Yield Methods		
4.6	Chapter Summary		
Chapter 5	Short Breaks - A Logical Progression	.....	129
5.1	Introduction		
5.2	Defining Short Breaks		
5.3	The Short Break Market : An Attractive Progression		
5.4	The Short Break Market : An Evolution		
5.5	The Size of the Short Break Market		
5.6	The Value of the Short Break Market		
5.7	Short Breaks and Hotel Accommodation		
5.8	The Growth of Short Breaks		
5.9	Short Breaks : A Segmented Market		
5.10	The Short Break Market Structure		
5.11	The Future for Short Breaks		
5.12	Chapter Summary		
 <i>PART III : IMPLEMENTING METHODS</i>			
Chapter 6	Implementing Research Methods	.....	156
6.1	Introduction		
6.2	Research Questions		
6.3	Research Objectives		
6.4	Definition of Commercial Short Holiday Breaks		
6.5	Research Methods		
6.6	Implementing the Research Framework		
6.7	Chapter Summary		

PART IV : FINDINGS AND ANALYSIS

Chapter 7	Structure of CSHB Markets	175
7.1	Introduction	
7.2	Theoretical Foundations	
7.3	The CSHB Market Macro Structure in Scotland	
7.4	The CSHB Market Micro Structure : Hotel Sample	
7.5	Key CSHB Market Structure Variable for Hotel Groups (Scotland)	
7.6	Chapter Summary	
Chapter 8	CSHB Strategies and Competitive Advantage	217
8.1	Introduction	
8.2	Theoretical Foundations	
8.3	Competitive Advantage and CSHB Strategy : An Overview	
8.4	CSHB Strategies Adopted	
8.5	Strategic Groups and Strategic Space	
8.6	CSHB Strategy - Structure Relationships	
8.7	Chapter Summary	
Chapter 9	Performance in the CSHB Market	260
9.1	Introduction	
9.2	Theoretical Foundations	
9.3	Measures of Performance	
9.4	Hotel Group Financial Performance	
9.5	Hotel Group Non-Financial Performance	
9.6	Summary of Performance Measures	
9.7	Chapter Summary	

PART V : CONCLUSIONS AND CRITIQUE

Chapter 10	Summary Discussion : Developing a CSHB Performance Model - a Contribution to Knowledge	275
10.1	Introduction	
10.2	The Structure-Strategy-Performance Analysis Framework	
10.3	The Structure-Strategy-Performance Analysis Framework Applied : Industry Level	
10.4	The Structure-Strategy-Performance Analysis Framework Applied : CSHB Market Level	
10.5	Desire to Move in Strategic Space	
10.6	Model of Enhanced CSHB Performance	
10.7	Summary of Contributions to Knowledge	
10.8	Chapter Summary	

Chapter 11	Methodology Critique and Further Research	.....	319
11.1	Introduction		
11.2	Critical Review of Methodology		
11.3	Areas for Further Research		
11.4	Chapter Summary		
Bibliography		.....	338
Appendices		.....	349

LIST OF TABLES

Page

PART I : METHODOLOGY

Chapter 1 Research Methodology and Research Design (None)

PART II : THE HOSPITALITY ENVIRONMENT

Chapter 2 Tourism in the UK

2.5.1a	Volume and Value of UK Tourism Segments 1991	68
--------	--	----

Chapter 3 The Hotel Industry

3.4a	Hotel Revenues by Market Source 1991	85
3.4b	UK Hotel Groups Plc Segment Mix 1991	86
3.5a	Structure of UK Hotel Industry 1991	90
3.5b	UK Hotels Over Three Star Market Level 1991	90
3.5c	Hotel Groups in the UK 1991	90
3.5.2a	Level of Service - Hotel Groups Plc 1993/4	92
3.5.3a	Ten Largest Hotel Groups in the UK 1991	93
3.7.1a	Breakdown of Market Segment Spend % 1991	96
3.7.2a	Registered Hotels in Scotland 1991	97
3.7.2b	Ten Largest Hotel Groups Operating in Scotland 1991	98

Chapter 4 The Nature of Hotel Units

4.3.5a	Cost Comparisons UK - Scotland 1991/2	116
4.5.1a	Sales Volume - Price Cut relationships	120

Chapter 5 Short Breaks - A Logical Progression (None)

PART III : IMPLEMENTING METHODS

Chapter 6 Implementing the Research Methods

6.5.2a	Database Sample : Hotel Groups Operating in Scotland 1991	159
6.5.2b	Sample of 20 Hotel Groups Operating in Scotland 1991	159
6.5.2c	Changes in Database Sample of 20	160

6.5.2d	Regional Divisions of Scotland	161
6.5.4a	Interview Response Rate	163
6.5.4b	Changes in Phase I Sample	164

PART IV : FINDINGS AND ANALYSIS

Chapter 7 Structure of CSHB Markets

7.4.3a	Ranking of Day When CSHB are Available	195
7.5.1a	Hotel Groups UK CSHB Market Scope 1991	209
7.5.2a	Size of Hotel Groups by Concentration Ratios - Scotland 1991	210
7.5.3a	No. Sources of Competitive Advantage - Hotel Groups 1991	211

Chapter 8 CSHB Strategies and Competitive Advantage

8.3.2a	Summary of Hotel Group Prime CSHB Strategies	224
8.4a	CSHB Prime Strategies	228
8.4.2a	Value of CSHB Commission 1991	235
8.4.2b	Number of CSHB Brands and Segments - Hotel Groups 1991	236
8.4.3a	Prime Strategies Summarised	243
8.5a	Prime Strategies of Hotel Groups	245
8.6.1a	Legend of Hotel Group Codes	247

Chapter 9 Performance in the CSHB Market

9.4.1a	Industry Level Performance	266
9.4.2a	Market Level Performance	267
9.5a	Competitive Identity	268
9.6a	Performance Measures	269

PART V : CONCLUSIONS AND CRITIQUE

Chapter 10 Summary Discussion : Developing a CSHB Performance Model - a Contribution to Knowledge

10.3a	Summary of Hotel Group Structure, Strategy, Performance	278
10.3.1a	Summary of Industry Performance Strategies	295
10.4a	Summary of Hotel Group Structure, Strategy, CSHB Market Performance	298

Chapter 11 Methodology Critique and Further Research

(None)

LIST OF FIGURES

Page

PART I : METHODOLOGY

Chapter 1 Research Foundations and Design

1.2.1a	The Four Stages in the Evolution of Strategic Planning	7
1.2.1b	Philips' Four Phases of Strategic Management	8
1.2.1c	Summary of Evolution of Strategic Management	11
1.2.1c	Summary of Evolution of Strategic Management (Cont..)	12
1.2.1d	Evolution of Strategic Management Research	14
1.2.2a	Paradigms of Strategic Management Research	16
1.2.2b	Paradigms of Strategic Thought	17
1.2.3a	Research in Hospitality Strategic Management	19
1.2.3a	Research in Hospitality Strategic Management (Cont..)	20
1.4.1a	General Research Approach	24
1.6a	Research Methods	31
1.6.1a	Market Analysis and Segmentation Model	34
1.6.1b	Initial Research Model - Stage I	34
1.6.1c	Industrial Economics Approach	35
1.6.1d	Developing Research Framework - Stage 2	36
1.6.1e	Developed Research Framework - End result	37
1.6.2a	Interview Phases	38

PART II : THE HOSPITALITY ENVIRONMENT

Chapter 2 Tourism in the UK

2.2a	Intangibility - Simultaneity Continuum	61
2.3a	Tourism Core and Peripheral Needs	62
2.5.1a	Inbound International Tourism Trips and Nights 1981-1991	67
2.5.1b	Inbound International Tourism Spend 1981-1991	67
2.5.2a	Inbound International Tourism - Scotland 1981-1991	71
2.5.2b	Inbound International Tourism Spend - Scotland 1981-1991	72
2.5.3a/b	Breakdown of Tourism Spend UK and Scotland 1991	73

Chapter 3 The Hotel Industry

3.3.1a	The Concept of Hospitality Groups	82
3.4a	Hotel Demand Sales Mix 1991	87
3.4b	Demand for Hotels Plc 1980-2000	88
3.5.2a	Hotel Group Affiliations 1991/2	91
3.7.2a	Hotel Occupancy in Scotland 1981-1991	99

Chapter 4 The Nature of Hotel Units

4.3.1a	Pricing Decision Framework	106
4.3.1b	Demand Curve	107
4.3.1c	Price Elasticity of Tourism Demand	108
4.3.3a	Cost Dynamics - Fixed Costs	111
4.3.3b	Cost Dynamics - Stepped and Gradual Fixed Costs	112
4.3.3c	Cost Dynamics - Variable Costs	112
4.3.3d	Cost Dynamics - Break Even	113
4.3.4a	Hotel Cost Relationships	113
4.3.4b	Departmental Contributions	114
4.5.1a	Maximising Revenues from Existing Demand	120

Chapter 5 Short Breaks - A Logical Progression

5.5.1a	Breakdown of Scotland and UK Tourism Trips 1991	134
5.5.1b	Breakdown of Tourism Trips in Commercial Accommodation	134
5.5.2a	Breakdown of Scotland and UK Tourism Nights 1991	135
5.5.2b	Breakdown of Tourism Nights in Commercial Accommodation	135
5.6.1a	Breakdown of Tourism Spend : Type of Accommodation - UK	136
5.6.1b	Breakdown of Tourism Spend : Accommodation - Scotland	137
5.7a	Short Break Spend per Trip by Type of Accommodation 1991	138
5.7b	Short Break Spend per Night by Type of Accommodation 1991	139
5.8.1a	Growth of UK Short Holiday Market 1980 - 1991	140
5.8.1b	Growth in Spend of UK Short Holiday Market 1980 - 1991	141
5.8.1c	Growth in Spend per Trip / Night of Short Holidays 1983 - 1991	141
5.8.2a	The UK Holiday Market Trips and Nights 1980 - 1991	142
5.8.2b	UK Domestic Holiday Spend 1983 - 1991	143
5.9a	Components of a Short Break	144
5.10a	Industry Structure Model	146
5.10b	UK Short Break Market Structure	147

PART III : IMPLEMENTING METHODS

Chapter 6 Implementing Research Methods

6.5.3a	Map of Scotland Division	161
6.5.3b	Phase I Questionnaire Sample	164
6.5.3c	Questionnaire Sample by Location	166
6.5.3d	Questionnaire Sample by Hotel Group	167
6.5.3e	Questionnaire Sample by Rooms in Primary Locations	167
6.5.3f	Questionnaire Sample by Rooms in Secondary Locations	168
6.5.3g	Questionnaire Sample by Rooms in Tertiary Locations	168
6.6a	Research Framework	170

PART IV : FINDINGS AND ANALYSIS

Chapter 7 Structure of CSHB Markets

7.3.1a	CSHB Industry Structure	177
7.3.1b	CSHB Market Structure - Hotel Groups	178
7.3.3a	CSHB Distribution Channels	184
7.4.1a	Hotel Markets Targeted 1991	186
7.4.1b	Average Split of Hotel Market Supply Occupancy 1991	186
7.4.1c	Expanded Hotel Markets Targeted 1991	187
7.4.2a	Hotel Group Ownership Structure in Scotland 1991	188
7.4.2b	Market Share of Hotel Units in Scotland 1991	189
7.4.2c	Market Share of CSHB Revenue in Scotland 1991	189
7.4.2d	Hotel Group Sample Rooms and Units by Location - Scotland 1991	190
7.4.2e	Hotel Group Sample Market Level - Scotland 1991	191
7.4.2f	Hotel Group Sample Market Level by Location - Scotland 1991	191
7.4.2g	Average CSHB Tariff by Location - Scotland 1991	192
7.4.3a	Why CSHBs are Offered by Hotel Groups 1991/2	193
7.4.3b	Number of Months CSHBs are Available 1991/2	194
7.4.3c	Supply and Demand for CSHBs 1991	194
7.4.4a	CSHB Markets Targeted 1991/2	196
7.4.4b	CSHB Markets Identified as Greatest Growth Areas 1991/2	197
7.4.4c	CSHB Markets Identified as Greatest Future Potential 1991/2	198
7.4.4d	Hotel Group Identified Need for Change 1991 - 2000	199
7.4.5a	Contribution of CSHBs 1991	200
7.4.5b	Price Sensitivity of CSHB Markets	202
7.4.5c	Department Revenue Generation - CSHBs 1991/2	202
7.4.6a	Identified CSHB Competitors 1991	203
7.4.6b	Identified Hotel Group Competition 1991	204
7.4.6c	Identified Barriers to CSHB Market Entry 1991/2	205
7.4.7a	Involvement in the CSHB Market	206
7.4.7b	Organisation Linkages - Hotel Groups, CSHB Market 1991/2	207
7.4.7c	Importance of Linkages to Hotel Groups	208

Chapter 8 CSHB Strategies and Competitive Advantage

8.3.1a	Areas of Competitive Advantage - Hotel Groups 1991/2	221
8.3.1b	No. Sources of Competitive Advantage - Hotel Groups Scotland	222
8.3.2a	CSHB Marketing Strategies Adopted 1991/2	223
8.3.2b	Benefits of High Perceived Quality	224
8.3.3a	Value Chain Linkages	225
8.3.3b	Managing Complexity	226
8.4.1a	Setting Prices in the CSHB Market 1991/2	229
8.4.1b	CSHB After sales Activities by Hotel Groups 1991/2	230
8.4.2a	CSHB Distribution Channels	231
8.4.2b	Importance of Distribution Channels	231
8.4.2c	No. CSHB Distribution Channels Used by Hotel Groups Scotland	232
8.4.2d	Methods of Allocating CSHB Hotel Group Brochures	233

8.4.2e	Short Break Operators Brochure Usage 1991/2	234
8.4.2f	Value CSHB Commission and Market Segments - Scotland 1991	235
8.4.2g	CSHB Theme Supply, Demand and Revenue Generation - Scotland	238
8.4.2h	Importance of CSHB Package Components 1991/2	239
8.4.2i	Brochure Production Budget of Hotel Groups - Scotland 1991	241
8.4.3a	CSHB Strategies and Market Complexity	242
8.6.1a	Market Scope - CSHB Strategy	247
8.6.2a	Group Size - CSHB Strategy	248
8.6.3a	Sources of Competitive Advantage - CSHB Strategy	249

Chapter 9 Performance in the CSHB Market

(None)

PART V : CONCLUSIONS AND CRITIQUE

Chapter 10 Summary Discussion : Developing a CSHB Performance Model - a Contribution to Knowledge

10.2.4a	Relationship Between Structure, Strategy and Performance	276
10.3.1a	Structure - Strategy - ROCE	279
10.3.2a	Structure - Strategy - Gearing	285
10.3.3a	Structure - Strategy - Profitability	290
10.3.5a	Determinants of Strategic Capability	296
10.4.1a	Structure - Strategy - CSHB Revenue	300
10.4.2a	Structure - Strategy - Peer Competitive Identity	305
10.6a	Model of Enhanced CSHB Performance - Strategic Space	309

Chapter 11 Methodology Critique and Further Research

(None)

LIST OF APPENDICES

	PAGE
Appendix I Profile of Hotel Group Sample	352
Appendix II Phase I Questionnaire Sample	362
Appendix III Phase II Questionnaire Sample	379
Appendix IV Phase III Questionnaire Sample	385
Appendix V Testing the Model : A Multi-Site Unit Perspective	397

GLOSSARY

ATB - Area Tourist Board

BTS - British Travel Survey (to 1989)

Competitive Advantage - The means of providing "added value" by one organisation over others.

CSHB - Commercial short holiday break(s) (as per research definition)

CSO - Central Statistics Office

FAME - Financial Analysis Made Easy CD-ROM package.

GDP - Gross Domestic Product

Gearing - Level of debt to equity ratio of organisations

Goldenrail - Short Break Operator company

HCTC - Hotel and Catering Training Council

IPS - International Passenger Survey

PAIT - Profit After Interest and Tax

Rack Rate - Published hotel bedroom rate, including VAT and service charge.

Rainbow - Short Break Operator company

ROCE - Return on Capital Employed

SBO - Short Break Operator

Superbreaks - Short Break Operator company

UK Hotels Plc - UK Hotel Companies quoted on the stock exchange.

UKTS - United Kingdom Tourism Survey (From 1989)

VFR - Visiting Friends and Relatives

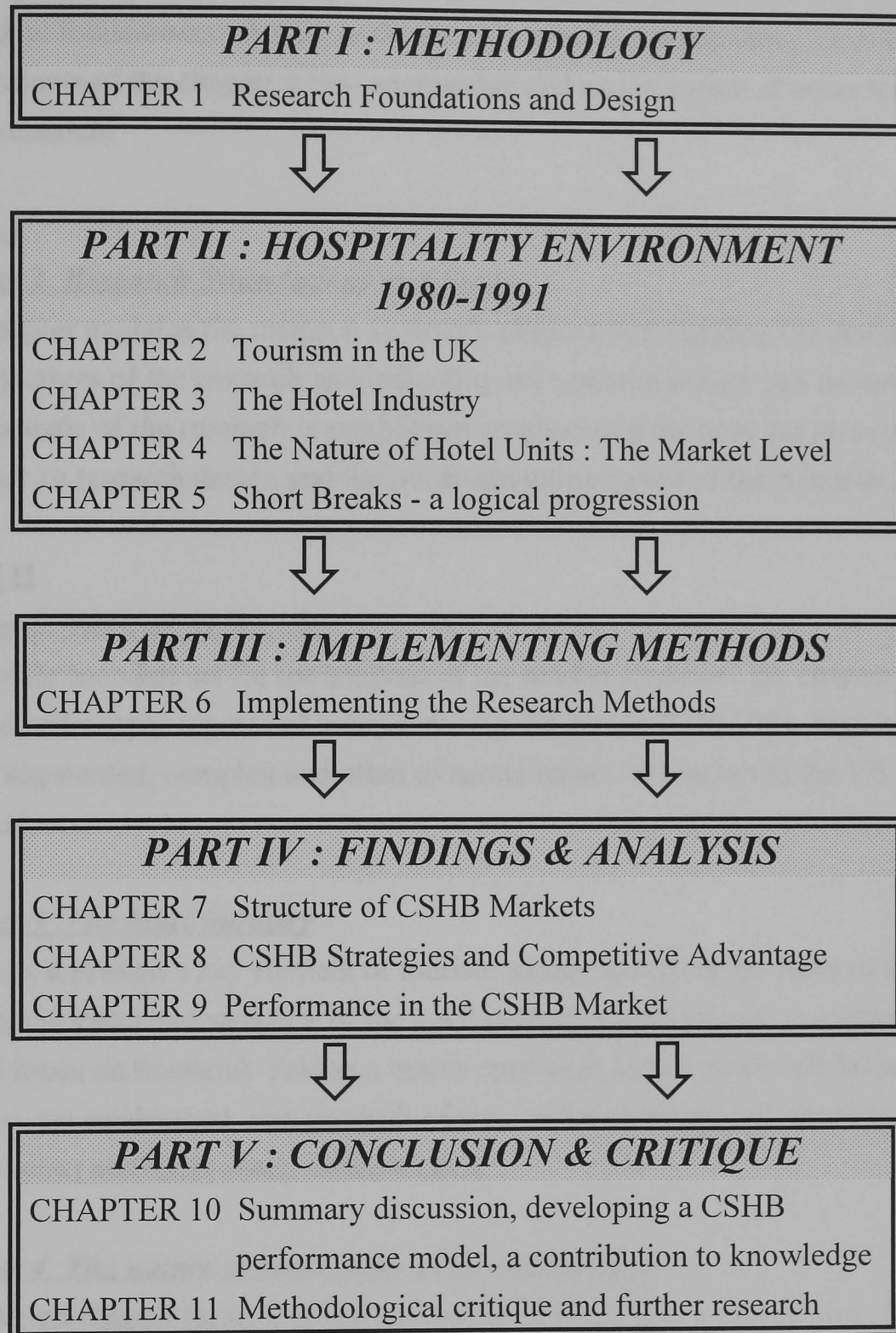
THESIS STRUCTURE

I) THESIS STRUCTURE

The thesis is organised in five parts, reflecting the achievement of the identified aims and objectives of the research. **Part I** explains the research approach and methodology. **Part II** provides an overview of the hospitality and hotel environment identifying the research problem, and justifying the focus of the research on hotels, Scotland and the short break market. **Part III** explains how the methodology was implemented. **Part IV** presents the findings of the research and provides an analysis of those findings, and **Part V** forms the conclusion and contributions to knowledge, as well as providing a critique of the research methodology and highlighting areas warranting further research.

The chapters within each of the five parts are shown in figure 1, overleaf.

Figure 1 Thesis Structure



N.B CSHB = Commercial Short Holiday Breaks

OUTLINE OF CHAPTERS

The chapters have a number of common elements. Each provides an overview of the theoretical foundations relevant to the specific area of investigation, a summary of the key elements of the chapter where appropriate and an indication of areas for potential future research.

PART I

Chapter 1 Research Foundations and Design

This chapter explains the research approach adopted, highlighting the general aims and objectives of the research and indicating the research design and methods used. The rationale of the research is established emphasising the need for an evolving approach to research design and the multi-discipline nature of the research.

PART II

Chapter 2 Tourism in the UK

To provide foundations for the analysis of the market structure, the chapter establishes demand and supply aspects of tourism during the period 1980-1991, highlighting the highly segmented, complex and often dynamic nature of tourism in the UK and Scotland.

Chapter 3 The hotel industry

As hotels represent a key element of tourism supply and form the basis of the research sample, the value and structure of the hotel industry in the UK are examined, with a special focus on Scotland. Taking a macro approach, key elements of the industry structure are established with particular focus on the changing nature of ownership; product mix; and hotel group concentration.

Chapter 4 The nature of hotel units : The market level

Building on chapter three, through an understanding of the nature of micro hotel operations, and in particular a focus on pricing; profitability; costing; and yield management, the key issues facing individual hotel units are established. A number of alternative solutions are offered and the conditions facilitating short breaks clarified.

Chapter 5 Short breaks - a logical progression

By defining short breaks and examining their growth in value and market share at both industry and hotel level, this chapter shows that short breaks result from the nature of hotel unit structures. The changing characteristics of short breaks are

established from demand and supply perspectives and an indication of the highly segmented nature of the market is established through a model of industry structure. The culmination of growth and value of the market, and the identifiable lack of market knowledge form the basis behind the rationale for research in the area - identifying the research problem.

PART III

Chapter 6 Implementing the Research Methods

Having identified the evolution of the research design and methods adopted in Part I, and the background to the research area in Part II, this chapter establishes how the methods were implemented, explaining the focus on hotel groups in Scotland. The implementation of the initial segmentation model and industrial economics approach are explained. A sequential approach is adopted representing chronological developments and reflecting the maturation of the research process.

PART IV

Chapter 7 Structure of CSHB markets

Through primary and secondary research, and adopting a supply and demand side approach, the structure of the Commercial Short Holiday Break (CSHB) market in Scotland is established. This involves determining consumer profiles (demand), industry (supply) developments and structural variables, and their implications on structure - strategy relationships.

Chapter 8 CSHB strategies and competitive advantage

This chapter identifies the main forms of competition in the CSHB market before focusing on the most prominent strategies used to gain market share in Scotland and highlighting areas of competitive advantage through the concept of strategic groups and strategy - structure linkages. Through introducing the concept of strategic groups and establishing hotel group dominance, the highly monopolistic competition conditions of the market are established and foundations laid for further analysis.

Chapter 9 Performance in the CSHB market

Corporate level performance is examined in terms of financial and non-financial measures and linked to the strategy adopted by the organisation.

Unit level performance is explored in Appendix V where the performance enhancement model is tested and comparisons drawn between unit (market) - corporate (industry) level operations.

PART V

Chapter 10 Summary discussion, developing a CSHB performance model, a contribution to knowledge

The relationships between market structure-strategy-performance are established within the context of CSHBs in Scotland. Areas of key contribution to knowledge are highlighted and the potential for further research developments explained.

Based upon the findings of the research and the work of previous chapters, a CSHB performance model is constructed and explained.

Chapter 11 Methodological critique and further research

The methodology adopted is critically evaluated in light of research experiences and findings and industry developments. Alternative approaches and refinements to the research are suggested, and areas of further research are highlighted.

Before focusing on the nature of the research problem, the first chapter provides a grounding for the research, establishing the rationale of approach, context of research and initial methods adopted, before later chapters identify the research problem, apply the research design and methods and draw conclusions from the findings.

PART I

METHODOLOGY

PAGE

CHAPTER 1

**RESEARCH METHODOLOGY
AND RESEARCH DESIGN 6**

CHAPTER ONE

RESEARCH METHODOLOGY AND RESEARCH DESIGN

1.1 RESEARCH OVERVIEW

Short break markets have grown rapidly in size, value and sophistication since the 1960's. They are now a valuable market to Scottish tourism in terms of contribution to hotel fixed costs, reduced seasonality, and high supplementary spend. In 1990, they accounted for £87.5M, 70% of all short holiday spend (United Kingdom Tourism Survey - UKTS 1991).

The research explores the nature and strategic development of Commercial Short Holiday Breaks (CSHB) within Scottish tourism. In particular it aims to analyse the marketing strategies employed by major companies in the field, through an examination of market segmentation, corporate and unit level activities, and linkages between market structure, competitive strategies and company performance.

This chapter describes the research methodology, providing a literature review of developments in the field of strategic management, determining the context of the research, research approach, aims and objectives and methods adopted, before Part II details the research question and Part III provides details of how the methods were implemented.

1.2 LITERATURE REVIEW - STRATEGIC MANAGEMENT RESEARCH

The purpose of this section is to determine how the study of strategic management has evolved and relate this to current approaches used in hospitality strategic management. The process is intended to identify where this research can contribute towards the body of knowledge in strategic management.

As strategic management research focuses on the relationship among strategy, environment, leadership/organisation, and performance (Summer et al 1990), and each of the four constructs are multidimensional, the conceptual challenge and complexity of research in the area is considerable.

1.2.1 Strategic Management Research : The State Of The Art

“The field of strategic management has emerged from being a pre-theoretic case study based capstone integrative course, into a reasonably distinct subdiscipline in management studies. A substantial body of knowledge has accumulated over the past two decades which directly or indirectly addresses issues related to strategy formulation and implementation in organisations. The future of strategic management as a viable academic subdiscipline will depend on the scientific quality and practical usefulness of research that is generated in the field” (Shrivastava 1987).

Gluck et al (1980) identify that the modern origins of ‘strategic management’ can be traced back to the 1960s and has come through four discernible stages of its evolution up to the 1980s. Each stage has been underpinned by a distinctive value system while reflecting contemporary views as to the primary role of forward planning in organisations (see Figure 1.2.1a).

Figure 1.2.1a. The Four Stages in the Evolution of Strategic Planning Systems

	Phase 1 Basic financial planning	Phase 2 Forecast-based planning	Phase 3 Externally-orientated planning	Phase 4 Strategic management
Dominant priority	Operational control	More effective planning for growth	Increasing response to markets and competition	Orchestration of resources to create competitive advantage
Main features	Annual budget Functional focus	Environmental medium term forecasts Static resource allocation	Competitive analysis Evaluation of strategy alternatives dynamic resource allocation	Strategically chosen planning framework Creative, flexible planning processes supportive value system
Value system	Meet the budget	Predict the future	Think strategically	Create the future

Source: F.W. Gluck, S.P. Kaufman, A.S. Walleck, ‘Strategic management for competitive advantage’, *Harvard Business Review*, July-August 1980, pp.154-61.

This view of the nature of the evolution of strategic management is reflected by Philips (1994) who similarly sees the evolution of strategic management consisting of four distinct similar phases (Figure 1.2.1b) : (i) budgetary control where the key

purpose of the organisation revolves around setting and meeting budgets; (ii) long-range planning which introduces an element of forecasting and future predication; (iii) strategic planning where-by the implications of alternative courses of action are considered thus resulting in a degree of strategic thinking; and (iv) strategic management where-by managers seek through their current actions to alter and create the future.

Figure 1.2.1b : Philips' (1994) Four Phases of Strategic Management Evolution



Source: Philips, P (1994) “An empirical investigation of the strategic planning of the corporate hotel sector in South Wales”, unpublished conference proceedings, Council for Hospitality Management Education (CHME) Third Research Conference, Napier University, Edinburgh

The evolution of strategic management therefore represents a shift from an early focus on medium and long-term planning through quantitative budgetary means : a corporate plan providing the necessary financial targets.

Over time, firms recognised that these budgetary exercises had little influence on their operating decisions and thus the fashion for this type of financial planning receded. While many companies still continue a formal planning cycle, few now allocate the same time, prominence or resources to it. Indeed, Kay (1993) argues that it is modern developments in mathematics which have demonstrated what most practical businessmen long suspected : attempts to forecast the position of a firm for more than a short period ahead are fundamentally useless.

From the early 1980's however, corporate executives were exhorted to “start with the market” in setting strategy (Verdin & Williamson 1994). This second stage involved market comparison on the basis of relative “attractiveness” to a company, with forces like buyer and supplier power, threat of entry and substitution, and degree of competitive rivalry analysed to help decide whether particular markets and businesses should be a part of the corporate portfolio. Plans to exploit potential drivers of cost

advantage like scale and sources of differentiation e.g. quality, became the focus of strategic direction.

Recognition of weaknesses in this approach led to a third stage of study. Major weaknesses related to the use of systematised analysis of existing markets, applying similar tools to particular markets leading to similar conclusions by all players about how to compete. Profitless “me too” strategies could emerge. The third stage therefore looked beyond standard formulae applied to existing markets, emphasising ideas like “strategic intent” and “expeditionary marketing”. Articulation on strategy based on futuristic market visions came into vogue. However, in the 1990’s (stage 4) research in the area is moving away from the external regulation and influences upon organisations towards a focus in self assessment of the firms distinctive capabilities.

This evolution in the study of strategic management reflects the growth in interest and research effort and the changing perceptions of the strategy problem over time. This is reflected in figure 1.2.1c which provides a comprehensive review of the development of strategic management research and practice.

Figure 1.2.1c highlights the key issues and authors influencing the evolution of strategic management research to the current form it adopts today, from its birth in the 1960s representing a focus on budgetary control and forecasting, with associated issues reflecting (i) enhancing the efficiency of administrative processes and (ii) organisation structure. The 1970s represented a transitional stage where strategic management became more recognised academically and building the “science” base of the field. The result was the development of contingency and scenario building techniques. As such, modelling and case study approaches to research became *a la mode* with greater awareness of technological and logistical developments forming the focus of research.

The 1980s represent a further development stage. The increasing internationalisation and globalisation of industry, markets and competition resulted in a greater focus upon environmental issues. This, combined with its developing rigour and the use of

multi-disciplinary approaches, resulted in a greater degree of economic theory and increased sophistication and rigour of methods. Throughout this period, the positioning school of strategy became increasingly prominent with the belief that different market structures may offer a range of lucrative rewards if the strategy is appropriate. This basic concept evolved fundamentally from the industrial economics school and the industrial organisation disciplines - the industrial economics paradigm. Such developments facilitated theory building in what was a relatively under-theorised field.

The 1990s have witnessed a maturation of the strategic management field with a greater awareness of the internal capabilities of organisations and the increasing globalisation of markets. While many principles developed through theory building in the 1980s remain prominent, the nature of research has become focused upon the organisations resources and capabilities. The questions of why some organisations perform more effectively than others is still addressed but from a micro as opposed to macro perspective.

Figure 1.2.1c : Summary of the Evolution of Strategic Management

Y E A R	S T A G E	KEY ISSUES IN THE STRATEGY PROCESS				KEY AUTHORS	THEMES OF STUDY AND RESEARCH	
		BACKGROUND DEVELOPMENTS	MAIN STRATEGY PERSPECTIVES	ASSESSING ENVIRONMENT	FORMULATION			IMPLEMENTATION
1960s	Birth	Tremendous ferment in organisations. Universalistic principles and maxims of administration were being overthrown in favour of concepts of contingent design. Late 1960's development of consultancy firms, experience curve concept, and entrepreneurial responsibility.	Corporate planning Primary aim is to assess market share and scale economies. (Economies of scale)	Budgetary control and forecasting. Describing the future.	Development of strategies for growth.	Multidivisional structures. Centralised control. Mechanistic and routinised Rigid processes. (Due to diversification issues in the organisation).	March & Simon (1958), Cyert & March (1963), Burns & Stalker (1961), Woodward (1965), Thompson (1967), Lawrence & Lorsch (1967), Chandler (1962), Ansoff (1965), Andrews (1965), Brandenburg & Gilmore (1962), Anthony (1965), Argenti (1980), Argenti (1968), Argenti (1965), Ansoff (1969), BCG (1968).	Administrative structures supporting growth. Strategy distinct from structure. Concepts of distinctive competence and notion of an uncertain environment to which management and the firm had to adopt - limited research in the area - mechanistic, e.g. SWOTs. Exploration of the meaning of strategy.
1970s	Transition	Growth in acceptance and scientific nature of field. Economic turmoil e.g.. high inflation, increasing international competition, oil embargo, floating exchange rates, (Western economies) Hostile , increasingly international environment. Rise in Japanese competition. Lack of prominence of long-range planning and strategic planning. Extrapolation of history and cadres of professional plans failed to lead to innovation, adoption to change or survive. Plans and goals defined in competitive terms - a need for strategic tools / analysis. Maturation of consultancy and diversified firms.	Diversification / Portfolio planning (Economies of scale)	Develop scenario building and develop technology. Concerned with market and macroeconomic environment. Underplayed competition and competitors behaviour.	Refinement of 1960's developments i.e. growth with greater emphasis on product portfolios and market position	Refinement of 1960's developments with focus on performance criteria	Lindblom (1959), Mintzberg & Waters (1978), Hatten & Schendel (1977), Hatten, Schendel & Cooper (1978), Wrigley (1970), Channon (1973), Pavon (1972), Thanheiser (1972), Pooley-Dias (1972), Rumelt (1974), McNulty (1977), Grat & King (1979), Mintzberg (1973), Day (1977), Hedley (1977), Levitt (1965), Rink & Swan (1979), BCG (1972), Yelle (1979), Buzzell et al (1974), Buzzell et al (1975), Wright (1974), Mintzberg (1979), Knight (1976), Williamson (1975), Miles & Snow (1978), Child (1974), Child (1975).	First works offered a set of constructs and propositions about how strategies formed and how they affected performance. Case study approaches with little proactive analysis. Development of systematic observation, deductive analysis and modelling. Careful empirical testing. Dichotomies developed which were descriptive of the strategy process. Observation of decision-making gave rise to subtle conceptions of processes. Notion that strategy in addition to environment matters, so that a "better" strategy, relative to competitors, was associated with better performance.

Figure 1.2.1c : Summary of the Evolution of Strategic Management (Continued)

Y E A R	S T A G E	KEY ISSUES IN THE STRATEGY PROCESS				KEY AUTHORS	THEMES OF STUDY AND RESEARCH	
		BACKGROUND DEVELOPMENTS	MAIN STRATEGY PERSPECTIVES	ASSESSING ENVIRONMENT	FORMULATION			IMPLEMENTATION
1980s	D e v e l o p m e n t	Globalisation and development of multi-nationals. New outlets for research emerged e.g.. strategic management journal. Theoretical developments occurred in related disciplines.	Concentration on core business / Develop less analytical more people oriented approaches (Economies of scope)	Globalisation and focus on simple statement of environmental nature.	Realisation that unrelated diversification adds little value, resulting in a focus on core products / markets e.g. sticking to the knitting. Still a focus on critical mass but alternatives to scale economies e.g. scope. Strategies for competitiveness and renewal (low growth but sustainability).	Generally, focus on decentralisation. Flattening organisation structures. Organic and unstructured management approaches relevant to more rapid change e.g. Chaos theory principles.	Quinn (1980), Porter (1980), Porter (1985), Prahalad (1975), Doz (1976), Bartlett (1979), Ghoshal (1986), Kanter (1983), Pettigrew (1985), Porter (1981), Porter (1979), Rothschild (1979a), Rothschild (1979b), Peters Waterman (1982), Prahalad & Bettis (1986), Crosby (1979), Buzzell & Gale (1987), Pearce (1983), Galbraith & Schendel (1983), Campbell & Yeung (1990), Ohmae (1985), Bartlett & Ghoshal (1986), Bartlett & Ghoshal (1989), Korman (1984), White (1986), Prahalad & Hamel (1985), Levitt (1983), Mintzberg (1983), Goold & Campbell (1987)	Dramatic increase in the use of economic theory and sophistication of methods. Refining the field. Further research on strategy process. More global research. Focus on differentiation.
1990s	M a t u r i t y	New priorities : - deregulation - new information - manufacturing / industrial technology - globalisation of competition - unprecedented level of dynamism and volatility throughout international economy	Core competencies / Holistic and information approaches (Economies of expertise)	Analysing Internationalisation, dynamism and volatility of the environment.	Founded on value creation, sustainability, outsourcing and focus on distinctive capabilities.	Refinement of 1980's concepts with further attention to cognitive dimensions.	Kay (1993), Ghemawat (1991), Hamel et al (1989), Hamel & Heene (1994), Hamel & Prahalad (1989), Hamel & Prahalad (1991), Hay & Williamson (1991), Hay et al (1993), Lewis (1990), Lorange (1992), Prahalad & Hamel (1990), Stalk et al (1992), Williamson & Verdin (1992), Campbell et al (1995).	Competing on own capabilities Horizontal co-ordination of activities Vertical control Supplier and allies synergy

Source : D.A.Edgar, Literature Review

The shifts in strategic management focus therefore appear to have evolved from :

- changes in the operating environment of firms
- shifts in the economy base from manufacturing to service economies
- flattening organisation structures
- shifts towards responsibility and entrepreneurship

Environments of the 1990's are widely regarded as more turbulent, unpredictable and dynamic than previous decades (Ansoff 1991, 1994, Jain 1993, Feltenstein 1992, Cummings 1993). As such, different environmental challenges will require different strategic responses and, as a consequence, different planning approaches. Strategic planning therefore requires greater flexibility than previously envisaged. Making strategic planning flexible has been a central theme in the transmutation of strategic planning into its present variety, forming a platform for current debate e.g. Mintzberg (1994) argues that flexible strategic planning is an oxymoron, whilst Ansoff views it as essential to future development.

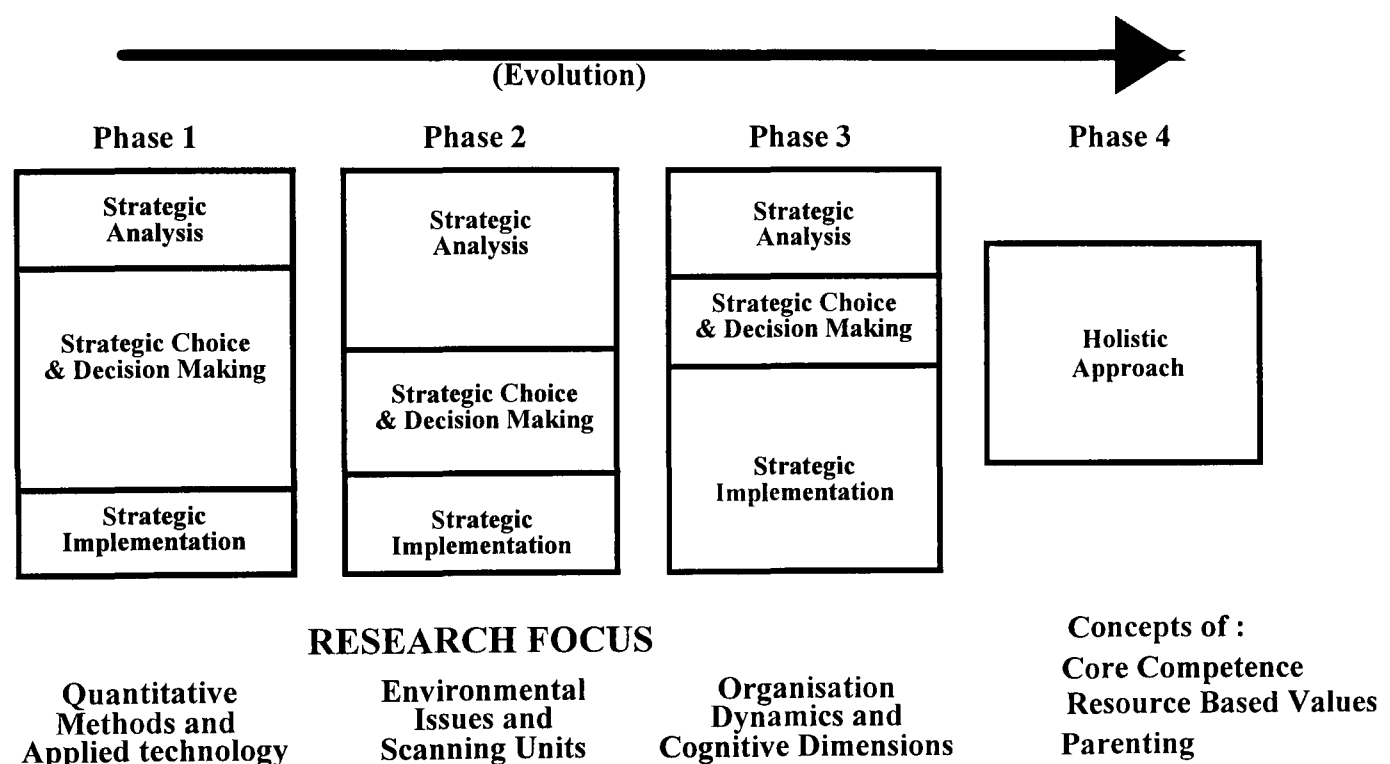
While Gluck et al (1980) and Philips (1994) identified four phases to evolution, it may be more useful to consider the evolution of strategic thinking as a shift in research emphasis. Such an approach is suggested in figure 1.2.1d. This shows the shift in emphasis of research in the strategy field based upon the commonly accepted interrelated and interacting components of strategic planning - strategic analysis, choice/decision making, and implementation (Morden 1993), and changes in research themes as identified in figure 1.2.1c.

In parallel with earlier stages of strategic management evolution, the research focus was essentially quantitative in nature with particular application to the strategic decision making element of the process and reflecting a focus on budgeting and planning. The research focus shifts in line with the general evolution of strategic thinking to be more environmentally aware and as such provides greater focus on strategic analysis. In phase 3, the cognitive elements of strategy come to the fore,

essentially representing research into the strategy implementation process while the current stage of thinking represents a more holistic approach to understanding and research in strategic thinking.

The overall result has been a shift from product oriented approaches to a more holistic understanding of the nature of strategic management research (see figure 1.2.1d), perhaps representing a shift from manufacturing bases to service oriented organisations.

Figure 1.2.1d : An Evolution Of Strategic Management By Shifting Research Emphasis



Source : Edgar, D.A; Taylor, S (1996) "Hospitality strategic research : From slipstream to mainstream", CHME Research Conference, Nottingham Trent University, Nottingham, April

While recognising that the issues identified are not exclusive, the figure illustrates how the emphasis of research has shifted over time and therefore highlights developments in the field : it reinforces the shift away from strategy and strategic planning frameworks, which have proven inappropriate or impractical (Campbell, Goold & Alexander 1995, Fahey & King 1977, Stubbart 1982, Mintzberg 1994), to approaches based on the organisation's core competence i.e. resource based capabilities (Hamel & Prahalad 1990) and organisation purpose. Indeed, Bartlett and Ghoshal (1994) assert that "*purpose - not strategy - is the reason an organisation exists. It's definition and articulation must be top management's first responsibility*".

In line with such shifts of emphasis, the research approaches have *softened* to be more qualitative in nature focusing more on such elements as cognitive issues (Dutton, Fahey, Narayanan 1983, Huff 1990, Mason & Mitroff 1981, Porac & Thomas 1990) away from an interest in strategy content (Hambrick 1983a, Jauch, Osborn & Glueck 1980, Miller & Friesen 1983), strategy process and environment (Mintzberg 1973, Miller & Friesen 1978, 1984, Grinyer, Al-Bazzaz & Ardekani 1980), or even broad dimensions of strategy (Miller 1986, Hambrick 1983b, Dess & Davis 1984).

These shifts in emphasis and approach have resulted in greater interest in research focusing on the internal cognitive issues of organisations such as concepts of organisation vision (Larwood et al 1995) and comparisons of international and inter-cultural dimensions of strategy (Houlden 1995, Earley & Singh 1995), the former emphasising :

"... while there are some detailed cultural differences in the way that strategies are developed in different countries, strategic planning is at a similar stage of development in most industrialised countries" (Houlden 1995).

As such, the evolution of strategic management will influence and be influenced by the context of the research and the paradigms of strategic management. The implication of such developments are that developments in strategic management research and application of strategic management principles will vary by context, purpose and orientation. Hence, when applying strategic management research to the hospitality industry and markets it is necessary to determine the evident paradigms of strategic thought to allow a more holistic understanding of strategic contributions to the hospitality industry, and identification of most appropriate paradigms relative to the research approach.

1.2.2 Paradigms Of Strategic Management Research

Paradigms of strategic management research reflect the stages of evolution and a shift from quantitative/objective to qualitative/subjective perspectives of organisational development. The implications of such developments are that the exploration of topics per se are not adequate enough to advance knowledge in a “contextual field such as hospitality” and that an awareness of the underlying paradigms is of considerably more value.

Joyce and Woods (1996) express the paradigms of strategic management research as shifting from modernist to new modernist schools. This shift is shown in figure 1.2.2a.

Figure 1.2.2a : Paradigms of Strategic Management Research

DIMENSIONS	MODERNIST	POSTMODERNIST	NEW MODERNIST
Top management role	Decision-making elite	Back successful initiatives by lower levels of managers	Responsible for intellectual leadership
Successful change	Programmable	Discoverable	Based on foresight and experiment
Expectations about those at lower levels	To be committed to proposals and to implement strategic plan	To show diversity, difference and spontaneity/empowerment	To have their own agendas, but agendas that can be included in overall strategy
Attitude to planning	Planning is core activity	Proactive planning is impossible	Planning is emergent
Attitude to chance events	Need to plan for flexibility	Require chaotic action in response	Chance events can be opportunities
Organisational requirements	Operational management to be shaped by strategy	Anti-hierarchy, culture support for informality	Organisational readiness, commitment and competence, which have to be developed

Source : Joyce, P; Woods, A (1996) “Essential strategic management : From modernism to pragmatism”, Butterworth Heinemann, Oxford.

As the paradigm shifts, the school of thought reflects the need for greater flexibility, attention to cognitive dynamics and a need to develop sustainability in strategy development. Such developments are not universal in nature and different researchers with different contexts are represented at different stages of the paradigms. The result is a range of paradigms in existence with varying participation from researchers depending upon the context of their study.

Mintzberg (1994) represents this process (and fragmented nature) by establishing two key paradigms of strategic thought, one which is prescriptive in nature - where strategy researchers seek the proper ways of making strategy, and one which is descriptive which seeks to explore alternative approaches to strategy.

The paradigms of thought identified by Mintzberg are shown in figure 1.2.2b, categorised as prescriptive or descriptive and establishing the premise for each school.

Figure 1.2.2b : Paradigms of Strategic Thought - Prescriptive Or Descriptive

	PARADIGM	VIEW OF PROCESS	PREMISE
PRESCRIPTIVE	Design	Conceptual	Strategy is controlled conscious process of thought. Kept simple and informal. CEO takes lead.
	Planning	Formal	Strategy is controlled, conscious and formalised elaborated process. Decomposed into distinct steps delineated by checklists and supported by techniques.
	Positioning	Analytical	Focus on context rather than process of strategy
DESCRIPTIVE	Cognitive	Mental	What happens in a human head that tries to cope with strategy
	Entrepreneurial	Visionary	Strategy is the visionary process of a strong leader
	Learning	Emergent	Strategy emerges in a process of collective learning
	Political	Power	Focuses on conflict and the exploitation of power in the strategy process
	Cultural	Ideological	Considers the collective, co-operative dimension of the process
	Environmental	Passive	Strategy making as a passive response to external forces
	Configurational	Episodic	Pulls all the other schools into the contexts of specific episodes in the process

Source : Adapted from Mintzberg, H (1994) "The rise and fall of strategic planning", Prentice Hall, New York

While considerable degrees of current strategic management research focuses on the descriptive approaches to research, usually adopting small samples and case study approaches, major industry based research lies in the prescriptive school and in particular the positioning paradigm (Porter 1980). While the emphasis of such work

may be positioning school based, many writers delve into the other paradigms to allow greater understanding of concepts and issues. This raises a case for developing general frameworks of analysis founded on one school e.g. positioning through structure-conduct-performance and testing such frameworks from adapting principles from another school, perhaps core-competence issues e.g. building theory from a prescriptive manner and developing and refining the theory in a descriptive manner. This research attempts to do this through developing an industry based theory at company level and testing and developing the theory from the unit perspective. As such, a multi-paradigm approach to the research process is adopted. The research identifies a need to adopt such mixed approaches to allow analysis of the dynamics of the industry founded on a “positioning” platform within an industry context.

While this section has explored the generic strategic management research to date, the next section provides an analysis of the nature of strategic management research in the hospitality industry context and determines the stage of evolution of strategic management in this context. The boundaries of the research are established and areas of potential contribution to mainstream and hospitality context fields are established.

1.2.3 Strategic Management Research In Hospitality

The nature of hospitality strategic management can be seen to be under-researched, and under-theorised, while delineation of research and developments in strategic management are relatively clear. The explanation for this may, in part, lie in the recency of strategic management focus in the hospitality field (Wren 1987), resulting in research lagging behind the mainstream field by some two generations (Edgar & Taylor 1996). Some researchers into hospitality strategic management have therefore called for a more mainstream approach (Taylor & Edgar 1995) by suggesting that research be pursued from a more interdisciplinary basis than hitherto and that a broader range of methodological approaches be adopted. Identifying the need to build and borrow theory to allow research into hospitality operations is critical.

To resolve such problems some writers have articulated a case for a contextual approach to the study of hospitality management (Dann 1991, Wood 1983). While such a contextual approach is an advance it is not a solution. The fact remains that the field must be developed and matured. This can only be achieved through theorising at industry level and testing and refining such theory. As such, researchers in the hospitality field have been overly concerned with contextualising concepts and not advancing the mainstream thinking of the core discipline - strategic management. This case is exemplified by the key writers in the hospitality strategic management field, which while limited in number, are relatively active. The authors listed are not intended to be an exhaustive list or comprehensive summary of all works - they are indicative of the *key stone* authors.

Figure 1.2.3a shows the key writers and areas of contribution from a hospitality strategy research perspective.

Figure 1.2.3a : Research in Hospitality Strategic Management

AUTHOR	CONTENT
Braithwaite (1992)	Application of value chain to travel experience
Chandrasekar & Dev (1989)	Technology and structure in the lodging industry
Dann (1991)	Strategy and managerial work in hotels
DeNoble & Olsen (1982)	Determined managerial perspective of environment in food service sector
DeNoble & Olsen (1986)	Volatility of food service industry environment
Dev & Brown (1990)	Strategy - structure and performance in US lodging industry
Dev & Klein (1993)	Strategic alliances in the hotel industry
Dev & Olsen (1989)	Co-alignment of strategy with environmental influences
Goold & Campbell (1987)	Strategy making process
Hamill (1993)	Competitive strategies in the world airline industry
Hatten (1974)	Strategic models in brewing industry
Holloway & King (1979)	Alternative approaches to strategy
Kwansa et al (1986)	Environmental scanning and trend analysis
Nanus & Lundberg (1988)	Strategic planning process
Nebel & Schaffer (1993)	Hotel strategic planning at the business level in the USA
Olsen & DeNoble (1981)	Explored impact of environment on strategic planning
Olsen (1980)	Environmental scanning in context of hospitality industry
Olsen (1993)	International growth strategies of US hotel companies
Philips (1994)	Evolution and application of strategic management in hotels
Pinto & Olsen (1987)	Focus on information needs for capital investment decisions
Schaffer (1984)	Strategy, organisation structure and success in the lodging industry

Figure 1.2.3a : Research in Hospitality Strategic Management (Continued)

AUTHOR	CONTENT
Schaffer (1986)	Structure and strategy in hospitality industry
Schaffer (1987)	Competitive strategies in the lodging industry
Slattery & Clark (1988)	Major variables in the corporate structure of hotel groups
Slattery & Olsen (1984)	Conceptual integration of individual perception, organisation perception and the environment to the hospitality industry
Teare & Boer (1991)	Collection of writing on elements of strategy
Teare & Olsen (1992)	Collection of writings on elements of strategy
Tse & Olsen (1988)	Impact of strategy and structure on the organisational performance of restaurant firms
Tse (1988)	Defining corporate strengths and weaknesses
Tse (1991)	Organisation structure and financial performance
Vierich & Calver (1991)	Hotels and the leisure sector product differentiation
West & Anthony (1990)	Strategic group membership and environmental scanning in food service industry
West & Olsen (1988)	Extent of environmental scanning and performance differences
West & Olsen (1989)	Incorporated environmental scanning into strategic management process of restaurant firms
West (1990)	Environmental scanning, strategy and performance

Source : D.A.Edgar, Literature Review

From figure 1.2.3a a number of issues become immediately apparent. The majority of hospitality industry strategic management research focuses upon the nature of the environment and environmental scanning essentially from a systems approach to understanding organisation dynamics, or upon the process and determination of the need and value of strategy. Such materials tend to be US industry oriented and, when paralleled with mainstream research, represent the 1970s form of research paradigm. Thus strategic management research in hospitality is some two decades behind mainstream generic research in the field. A plausible explanation put forward for the lack of work in the service sector, and the resulting lack of maturity or currency in the field. Because manufacturing has been the dominant economic force of the last century, most managers have been educated through experience and/or formal education to think about strategic management in product oriented terms (Thomas 1978). As the hospitality industry matures, more awareness of strategic management will become apparent (Nanus & Lundberg 1988).

The increasingly complex nature of the product-service amalgam which hospitality organisations provide indicates a greater need for tools and techniques designed to help their management and thus focuses upon the need to develop theoretical models

of market and organisation developments. Therefore for firms in the maturing hospitality industry to survive and grow, they will have to depend upon their ability to strategically align themselves with the dynamics of the industry and select appropriate strategies to create defensible competitive positions. Thus it is necessary to develop strategic approaches and strategic management research into developing markets and industries.

From this perspective the positioning school of strategy provides major opportunities to develop and theories an under-theorised hospitality field. Following the development of theory from a positioning perspective allows a unit analysis to test and develop theory from a competence dimension.

This conclusion assumes that the greater the level of understanding of hospitality strategic management the greater will be the potential for contributions to both a mainstream understanding of strategy and the position of hospitality strategic management within the discipline. Framing hospitality strategic management research within a contextual setting therefore facilitates an approach to the research that attempts to bridge the philosophies of positioning and core competencies through multiple methods and industry context as a tool, thus building a theory of dynamic market analysis.

The development of such an approach implies a framework for the research based on the foundations of the positioning school or the industrial economics paradigm. The implications and issues associated with such an approach will be addressed later (see chapter 11).

The next section considers the industry context of hospitality and consequent implications on developments on hospitality research in general and the specific research of this work.

1.3 THE INDUSTRY CONTEXT

The competitive environment of the tourism industry is widely recognised as being complex, dynamic and highly segmented (Daft 1989). Growth and competition in the industry imply that market share is no longer assured. This results in suppliers competing directly with one another in the same locations in an industry that has often relied upon location as a core source of competitive advantage (Dev 1990).

As hospitality and tourism suppliers are dependant upon their environments for resources (Aldrich 1979, Pfeffer & Salancik 1978) they often attempt to manage their inter-dependency to gain and maintain market share, by developing and maintaining appropriate strategies (Thompson 1967, Hoffer & Schendel 1978). Suppliers therefore often use product differentiation marketing together with strategies that target growth in new markets, high value for money, or develop new brands (Olsen 1993). Implications flowing from such market approaches on hotels are considerable.

From the supply perspective key issues of globalisation, oversupply (Kelly 1994, Hennessey 1992, Salomon 1992), rationalisation (Scarpa 1993), plummeting property prices (Rushmore 1994), recession (Garter 1991, Arbel & Woods 1991) and the need for greater flexibility and cost awareness have resulted in a highly dynamic and competitive market. This, combined with an emphasis on suppliers adopting and implementing strategies and techniques that optimise their specific situation (Cravens & Shipp 1991) either through demand strategies i.e. product development and extending product life cycles (Brown 1990, Davis 1989) or through supply strategies i.e. a better understanding of return on investment philosophies (Feiretag 1992, Rock 1992) the importance of marginal and contribution pricing, (Arenberg 1991) has resulted in distinct structural changes. Such changes include a more widespread use of alternative ownership patterns including franchising (Lyons 1991, Seid 1992) and management contracting (Eyster 1993), highly segmented markets, elements of protectionism, and a wide range of strategies for various markets, culminating in a highly complex supplier environment.

From the demand perspective, social and demographic changes combined with greater exposure to markets and the likelihood of more experienced consumers influences the demand for hospitality and tourism services in the UK (Stone 1990, Teare 1989), making consumers more aware; discerning; and demanding. The manager must therefore capitalise upon the differences in the customer population by using a segmentation and targeting system (Crawford-Welch 1990) to identify unique

customer segments (Lyons 1993) within the capabilities of the organisation (Berry et al 1991, Lancaster & Ratchford 1990). This results in a wide range of niche segments targeted by a range of suppliers, causing a hospitality and tourism industry that is highly segmented, highly fragmented, dynamic and complex.

While the issues highlighted in this section are examined in detail and further focused in terms of the UK short break market in later sections, the general implications upon the research and the context within which the research is placed implies a need for a degree of flexibility and multi or inter-disciplinarity (Taylor & Edgar 1995). As such, an evolving and inter-related approach to the research is required. The next section extends this theme to determine the research approach adopted.

1.4 RESEARCH APPROACH

This research deals with the strategic behaviour of hotels : in particular behaviour in relation to a development of one hotel market segment - Commercial Short Holiday Breaks. It explores corporate activity, and the relationship between the decision making centre of hotel organisations, the effectiveness of strategic decisions and the geographically dispersed nature of its hotel units. The research approach is determined at two levels. Firstly the overall research approach, secondly the discipline specific research approach.

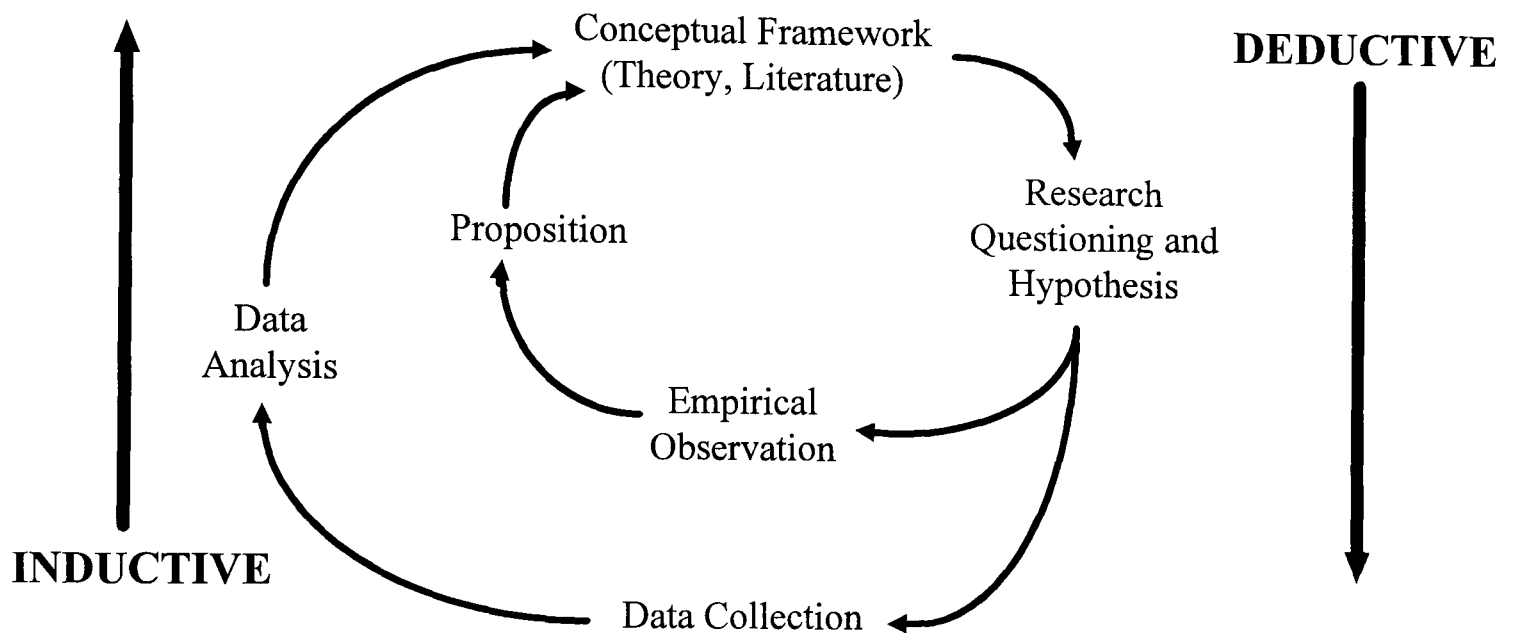
1.4.1 General Research Approach

Blaxter et al (1996) identifies common viewpoints on the nature of research. They postulate that research is either :

- presented as a fixed, linear series of stages, with a clear start and end, typified by what may be termed traditional scientific research;
- a more complicated presentation of a linear view, allowing for slightly different routes to be taken through the process at particular stages;
- or a cyclical process, analogous to the more general process of learning.

It is the cyclical process (figure 1.4.1a) that this research adopts as its general approach. This is adopted through the necessity to construct, adapt and test theory as the research has progressed.

Figure 1.4.1a : General Research Approach



Source : Blaxter et al (1996)

The implementation of the research approach is inductive in nature as research in the field of hospitality management is very under theorised, placing particular constraints on progress of research in the area, requiring theory to be borrowed from other disciplines and placing a premium upon research which helps to build theory.

This research is inductive in nature, facilitating the need to build, test and refine theory in an under-theorised field. The inductive nature of the research requires a greater emphasis on (but not exclusive) the use of qualitative techniques. In support, the research adopts a balance between the two dichotomies model of hospitality research (Taylor & Edgar 1996) developed from work by Hunt (1976, 1991) and Myers et al (1970). This model suggest research to be either positive in nature (how firms actually behave) or normative in nature (how firms should behave) at either macro (industry level) or micro (firm) levels. This research adopts emphasises the positive - macro dimension to build theory and applies the normative dimension in

drawing conclusions as to strategic direction of hotel companies. Finally, to test theory, a micro dimension is adopted applying the theory that has been constructed. This research therefore provides an analysis at all levels by exploring how firms behave at the industry level and constructing a theory of how firms should behave at industry level before testing this theory at firm level.

In fully appreciating the research approach it is useful to refer to work by Bilton et al (1986) who identifies four aspects of investigation and understanding.

Ontology (concern with being) and **epistemology** (concerned with knowing) are determined as “reality” being constituted of phenomena which can be causally linked and provide a degree of meaningful association. While empirical evidence is sought and the elements of the resulting phenomena are observable, the qualitative nature of the inductive approach implies that the empirical results (in essence deductive) may be difficult to observe and certainly the research process and results will not be exactly replicable.

The **methodology** adopted can be viewed on three levels. (i) The logic of discovery - discovery is through observational constructs that allow construction of a hypothesis about causal relationships between variables. This hypothesis emerges in latter sections of the research, representing the evolving nature of the research design. (ii) The logic of validation - the research seeks to understand the dynamics of competition within the market through using quantitative and qualitative evidence and techniques, followed by constructing a hypothesis and then testing the hypothesis at unit level. (iii) Logic of explanation - causal relations are established and explained in attempts at forming meaningful intelligible descriptions of how organisations interact with their competitive environment and markets.

Methods. The methods adopted reflect the balance of qualitative and quantitative techniques and the need to use multiple sources of data (Todd 1979). Semi-structured telephone and personal interviews are used, constructing empirically based databases

and constructing a theoretical framework to allow understanding of strategic and market dynamics. Methods are discussed in more detail in section 1.6.

While this section has explored the general philosophy behind the research approach, the next section focuses upon specific research approaches employed in hospitality research.

1.4.2 Hospitality Research Approach

Van Doren et al (1994) in exploring the maturity and nature of tourism research established that “despite the global volume and economic aspects of tourism, the research literature relating to this field of study presents a relatively brief and disjointed history. Before the 1970s, there was little cohesive presentation of tourism research”. These researchers identify that in recent years there has been considerable debate as to the maturity of tourism as an academic discipline. A focal point of such discussion concerns the extent and development of tourism research literature.

Sheldon (1991) refers to tourism as a maturing field of study and cites research as important for extending knowledge of the tourism phenomena, and by contributing to the field academic stature - an important consideration for a maturing field.

Hospitality management research on the other hand despite considerable progress having made in recent years, in terms of both quantity and quality of research, the field has yet to reach a state of maturity (Taylor & Edgar 1996) yet this is still an area of contention (Litteljohn 1990). As a result, sources of hospitality research are varied and of differing standards with a clear need for developing industry relevant approaches and construction of theoretical models borrowed and adopted from other disciplines. The stance generally adopted is that hospitality research is essentially the scholarship of integration (Shaw & Nightingale 1995). This reflects its interdisciplinary or multidisciplinary base and the scholarship of application or, as reflected in much current hospitality research, what might be described as the scholarship of contextualisation or “the hospitality paradigm” (Jones 1996).

The previous section established that as hospitality organisations become more exposed to environmental change - specifically intensifying international competition, rapid technological changes, globalization, and shorter product life cycles - they are forced to adapt and respond (Thompson 1967) through the formulation and implementation of strategies.

It has been suggested that such adaptation often requires a focus on environmental scanning (Olsen 1980, O'Connell & Zimmerman 1979, Dev & Olsen 1989, West & Olsen 1989); organisation flexibility; market dynamics (Peters 1987); coping with demand/supply disequilibrium (Bhide 1986) e.g. seasonality. These types of forces, combined with the effects of a more concentrated industry structure ensure that organisations face more complex, dynamic and competitive environments (Slattery & Olsen 1984, Terpstra 1985). The result is a need for high quality information to allow decision-making, as opposed to a reliance on a traditional business rationale (Buchholz 1982). To allow this, a flexible approach to research must be adopted, which highlights the relevance of theory and illustrates its value through application to industry (Slattery 1983, Reuland et al 1985). These requirements mean that researching in hospitality may require the application of methodologies not yet used in hospitality and, more radically, the development of new ones.

In seeking such an approach it is useful to refer to the work of Litteljohn (1990). Litteljohn identifies three paradigms for hospitality research : the **natural and physical sciences** approach - researching tangible elements of hospitality utilising a specific established discipline base (e.g. production elements, design). The other two approaches deal more with developing industry relevant approaches from social science traditions of management theory. The **hospitality management** approach which builds on conditions which define hospitality situations encouraging an interdisciplinary approach yet focusing on the characteristics of hospitality provision; a particular problem is identified and analysed within a particular industry setting. The emphasis is on the operation and as necessary environmental influences.

The **hospitality studies** approach shares the intention of the second but is less prescriptive - it emphasises a need for evaluation within an industrial setting founded

on relevance to industry in light of changing environments, and by utilising a range of sociological disciplines as and when appropriate, it draws on social sciences for methodologies to reflect the nature of the problem of the investigation.

The approach adopted in this research project is the **hospitality studies** approach. This allows a strategic level analysis of the industry through exploration of corporate activity in relation to performance, marketing, and environmental fit (Slattery 1983, Nailon 1982).

This research however extends the approach to reflect a shift from the traditional evolutionary and historic base, often associated with industrial organisation type research (Jacobson 1992) to a more dynamic industry and environment related approach. This is achieved by applying Austrian economic principles of process as opposed to static interaction, combined with Industrial Economics essentially through introducing a multi-site market perspective to the research. The approach recognises the disequilibrium in market conditions, heterogeneity in profitability and performance, and acknowledges the existence of "unobservable success factors" such as invisible assets (Itami & Roehl 1987) which are likely to have a lasting impact on performance (Winter 1987, Reed & DeFillippi 1990) but are difficult if not impossible to analyse.

As demand and the evolutionary aspects of the market are deemed to be of background importance, the research provides an overview of each in the introductory chapters before undertaking the supply side analysis comprising industrial economics, market segmentation theory, and multi-site/corporate dimensions.

It is the author's view that such an approach to theory building, and the resulting findings and model testing contribute significantly to the advancement of knowledge in the field of hospitality and strategic management research, and expose areas for further research. In addition, the research will contribute to a much discussed but little researched area of hospitality - the dynamics between resource allocators (the centre) and hotel units, in this case within a marketing, planning and financial performance setting.

1.5 RESEARCH AIMS AND OBJECTIVES

A review of available literature and analysis of market structure revealed that despite the considerable value of the short break market to Scotland and the UK. Little was known of the nature of short break provision and nothing known of the nature of corporate activity or related performance in the market.

Therefore, the aims of the research are to :

analyse the nature and methods of provision of Commercial Short Holiday Breaks (CSHBs) in Scotland, with particular emphasis on the strategic dimensions of corporate ventures and resulting performance, and to provide a model for enhancing performance at corporate and unit level.

To achieve the aims the research encompasses the following objectives. To :

- (i) determine the underlying nature of the tourism industry in the UK and Scotland;
- (ii) determine the general underlying structure of the hotel industry in Scotland, relative to the cost structure of hotels and market segmentation;
- (iii) establish the nature of growth and value of CSHBs;
- (iv) provide a demand profile of short break takers;
- (v) identify and analyse the competitive strategies employed by CSHB suppliers using an Industrial Economics framework (F.M Scherer 1980);
- (vi) assess major strategies with regard to providing and distributing CSHBs in segmented markets;
- (vii) evaluate the linkages occurring between CSHB strategies adopted and performance, exposing areas of competitive advantage and suggesting a model for enhancing performance at corporate (industry) and unit (market) levels.

While these are the aims and objectives of the research, the next section determines how these will be achieved by providing an outline of the methods adopted.

1.6 METHODS ADOPTED

This section provides an overview of the research methods used, providing a definition of commercial short holiday breaks, and a summary of each method used. Details of implementing the methods are found in Chapter 6.

The main approach used combines principles of Industrial Economics with writings on strategic management, in particular, concepts of strategic groups, to identify potential areas of enhanced performance and to allow further analysis of such areas. Adopting an Industrial Economics approach necessitates an understanding of the CSHB market structure, dynamics of strategies adopted and identification of resulting performance. The methodology therefore provides an integrative and multi-disciplinary framework applied to the CSHB market in Scotland.

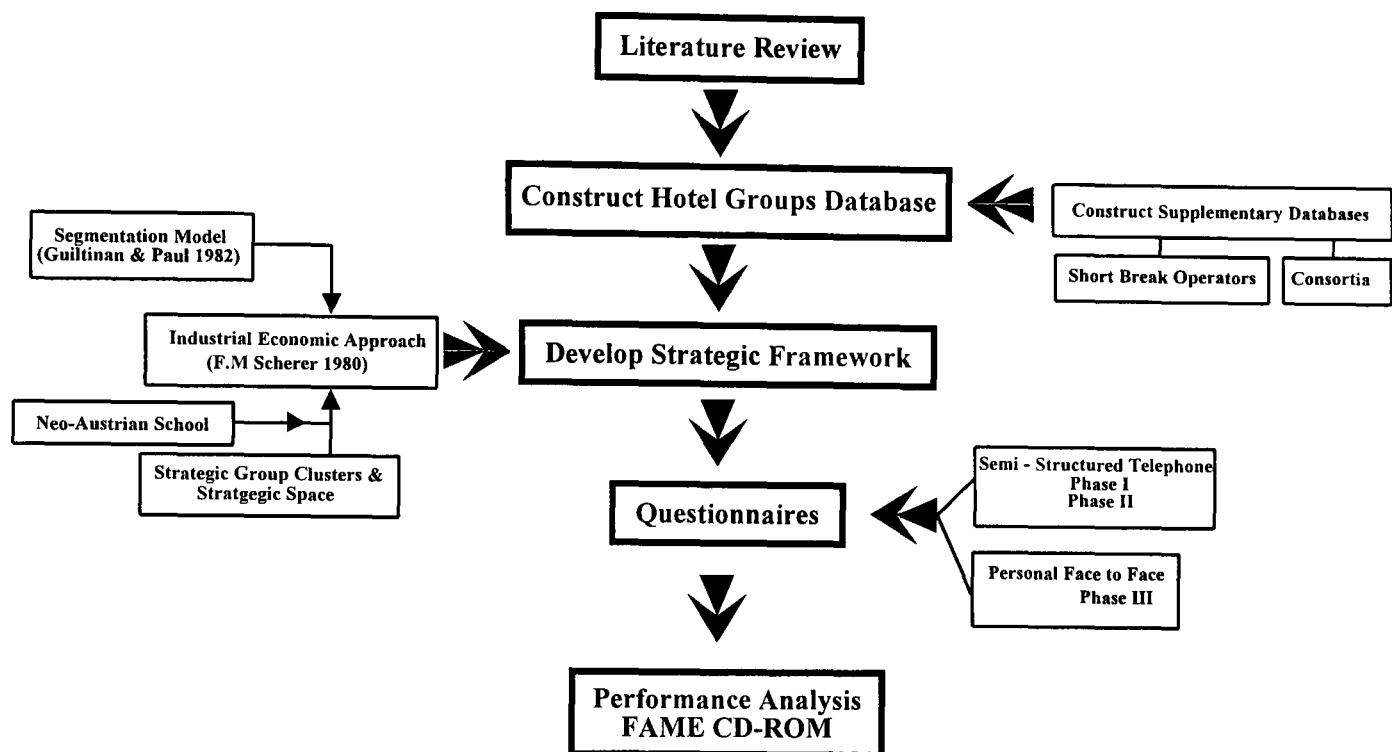
As the research concentrates on commercial centred activities, and for reasons established in Chapter 5, Commercial Short Holiday Breaks (CSHB) are defined as :

Hotel packages of one to three nights which for a single price together with accommodation include one or more of the following : meals; transport; entertainment; or a programme of activities.

This definition allows use of secondary sources (UKTS 1991) for Scottish market background, and primary sources for more detail of supplier provision. As hotels account for 78% of all spend in the CSHB market in Scotland (UKTS 1991) compared to other forms of accommodation, and as the definition is compatible with that of the E.C. Package Travel Directive (1992) definition, it is suitable for the purposes of the research.

The initial research is based on an analysis of the structure of the industry and development of the market through an appraisal of market segmentation theory and current supplier strategies. Figure 1.6a shows the development of methods used.

Figure 1.6a : Research Methods



Due to the limited literature available in the area of CSHB supply, a product based analysis was adopted thus encompassing two initial approaches :

- development of a framework to analyse the strategic dimensions of the market
- creation of a database of hotel groups to allow strategic analysis.

These initial approaches were later supported by two phases of semi-structured telephone interviews with key executives in major CSHB supplier companies at industry/corporate level. In addition, personal face to face interviews (Phase III) with general managers at unit/market level were conducted. This method provided unit level data and confirmed and extended existing research findings and assumptions.

To determine the relationship between the CSHB market structure, supplier strategies and performance, a strategic framework was developed, based upon F.M Scherer's (1980) Structure-Conduct-Performance (S-C-P) approach to industrial economics, combined with the concept of strategic group clusters (Porter 1976, 1979, Caves & Porter 1977) and strategic space (Edgar et al 1994a).

Each method shown in figure 1.6a is summarised below including the evolution of the research framework.

1.6.1 Information Sources and Frameworks

(i) Literature Review

The review of literature on CSHB revealed little systematic study on the subject. Most coverage was in the form of newspaper and trade press articles, conference papers, government publications, and industrial research documents. Therefore, to provide information, a database was constructed from primary data drawn from company literature, group brochures and company accounts. To simplify the complex nature of the research, a general literature review of strategic management literature was provided at the start of the thesis with relevant literature being determined at the commencement of each specific section.

(ii) Hotel Groups Database

A computerised database was constructed containing the 30 largest hotel groups in Scotland determined by room capacity (1991), geographical, price, size and grading variables. This allowed estimates of CSHB value in financial terms to be established across a range of variables.

Scotland was divided into seven regions for CSHB analysis. Boundaries were determined by Area Tourist Board (ATB) coverage. The division enabled location differences in CSHB provision throughout Scotland to be explored more fully by accommodating differing demand patterns, (i.e. seasonality) supplier environments (i.e. Industry structure), and allowing cross comparisons to be made of companies, regions, and CSHB market segments.

(iii) Supplementary Databases

The initial database was later supported by two other databases.

- Short Break Operators (SBOs) database, containing financial and portfolio information on specialist SBO companies e.g. Rainbow, analysed by the seven regions of Scotland.
- Consortia database, providing data specifically related to CSHB accommodation offered by consortia e.g. Best Western, in the UK and Scotland.

The primary purpose of these databases was to allow cross-referencing where required, and provide a competitive dimension to supplier analysis.

In addition, continual environmental scanning (Wet & Olsen 1989) took place to track company/environmental changes, recognising the dynamic nature of environments.

(iv) The Research Framework

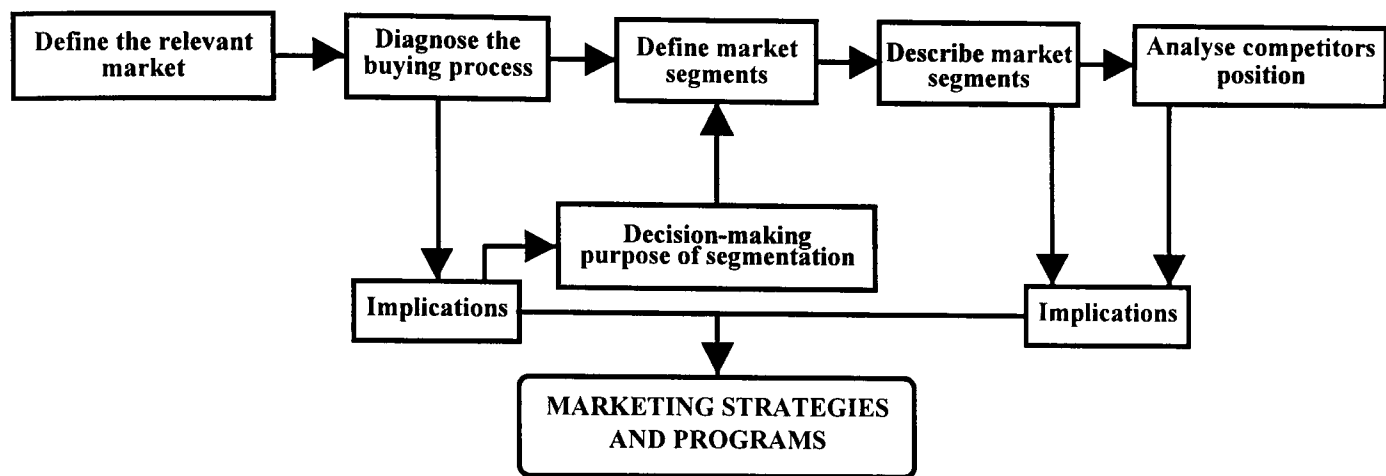
The research framework implemented represents an evolutionary development of the research process.

Having established the highly segmented nature of the tourism, hotel, and CSHB markets, the research programme sought to establish a suitable research framework that would accommodate the segmented nature of demand while providing a supply perspective. It was therefore necessary to establish a framework that was not only suitable to the research programme but had a high degree of usefulness (Shrivastava 1987, Camerer 1985) making contribution to both industry and academic knowledge.

Having evaluated a wide range of approaches and models it was found that most were econometric, (Morley 1991, Witt & Witt 1990) statistical or quantitative in nature (Grazer & Stiff 1987, Archer 1978, Barry & O'Hagan 1972, Papadopoulos & Witt 1985, Reid & Anderleck 1989, Pfeifer & Bodily 1990, Downey & Ireland 1979, Martin & Witt 1989) or demand oriented (Uysal & Crompton 1984, Jafari 1987), with no inclusion of important CSHB market variables such as segmentation or marketing dimensions (Witt & Martin 1987). As such, none were suited specifically to the nature of the research. It thus became evident that a multi-variant and inter-disciplinary approach (Belk 1986, Holbrook 1987, Riddick, DeShriver, Weissinger 1984, Lutz 1987) was required essentially mixing qualitative and quantitative approaches (Jick 1979, Silverman 1985) and evolving and developing the framework as the research progressed (Stokes & Miller 1975, McLellan 1980, Kidder & Judd 1986, Babbie 1989). Such a framework reflected the inductive nature of the research and allowed an under-theorised field to develop contextually based theories. What was required was a framework that combined the nature of services (Bitran & Lojo 1993) and hospitality and tourism research (Ritchie & Goeldner 1987, Veal 1992, Litteljohn 1990) with the nature of marketing and strategic management - specifically - industrial organisations research (West & Olsen 1989, Chandrasekar & Dev 1989, Anderson 1986, Bagozzi 1984, Hudson & Ozanne 1988).

Initial literature surveys pointed to the value of using a market segmentation model to analyse CSHB markets; the Gultinan and Paul market analysis and segmentation model (1982) combines qualitative and quantitative data into a framework compatible with supplier strategy analysis, shown in figure 1.6.1a.

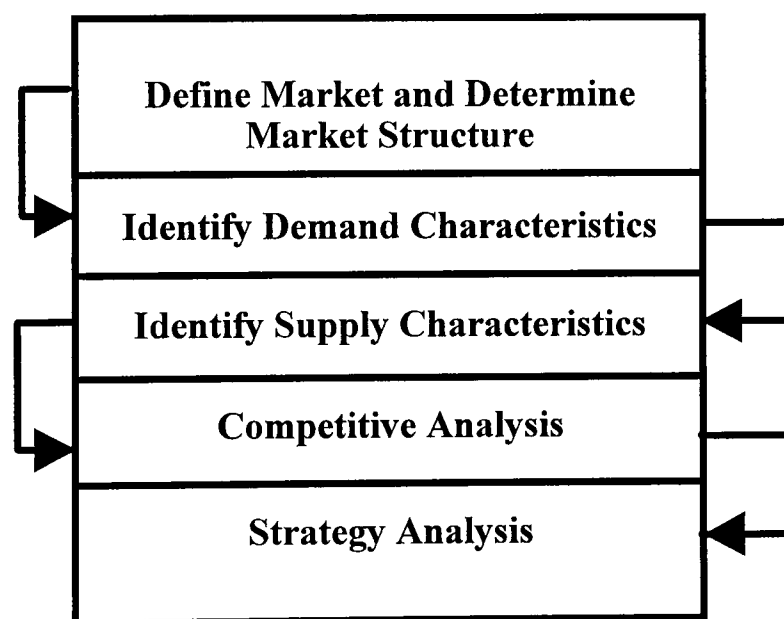
Figure 1.6.1a : Market Analysis and Segmentation Model



Source : Gultinan & Paul (1982)

For the research needs, the Gultinan and Paul model provided a starting point from which to begin analysis, forcing the need for definitions to be established, thus reducing the complexity of the market. Using the Gultinan and Paul model as a guide, the initial research model was constructed as shown in figure 1.6.1b.

Figure 1.6.1b : Initial Research Model - Stage 1

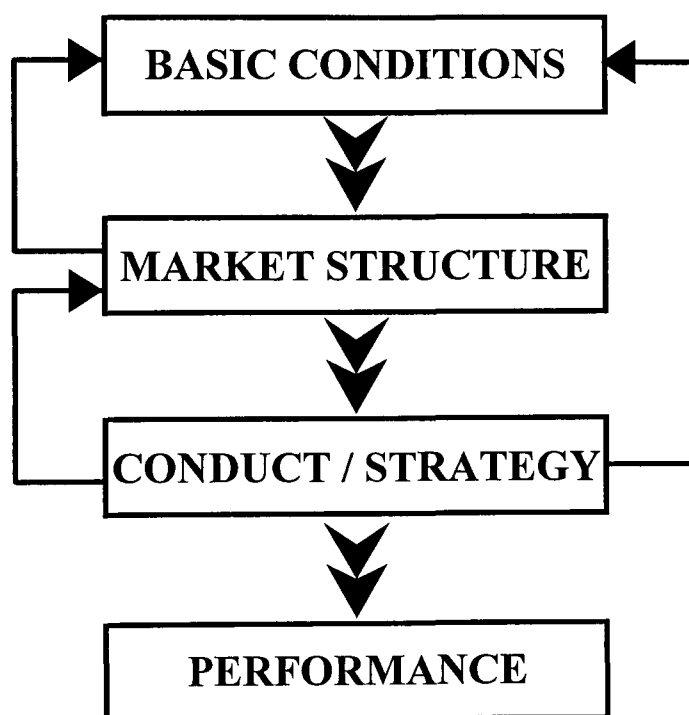


This model shows the key areas of analysis to be (i) market definition, and structure, (ii) demand characteristics, (iii) supply characteristics, (iv) competitive analysis, and (v) strategy analysis.

The model was satisfactory for the initial stages of the research, providing definitions and background data on market nature and company strategy. It also revealed the likely differences in performance between companies. However, it did not allow the relationship between variables to be explored fully to establish why strategies differed between companies or what effect this had upon performance. The model therefore required a performance dimension to be incorporated.

Adding an achieved performance dimension to the segmentation model, developed the model into a sub-component of an industrial economics approach (Scherer 1980) to market and company analysis. Scherer's industrial economics approach is shown in figure 1.6.1c.

Figure 1.6.1c : Industrial Economics Approach



Source : Scherer (1980)

The industrial economics approach has been adopted in a range of manufacturing and service industries with relative success (Hannan 1991, Klopper & Graddy 1990, Worthington 1989) yet to date has not been fully utilised in the hospitality and tourism industry.

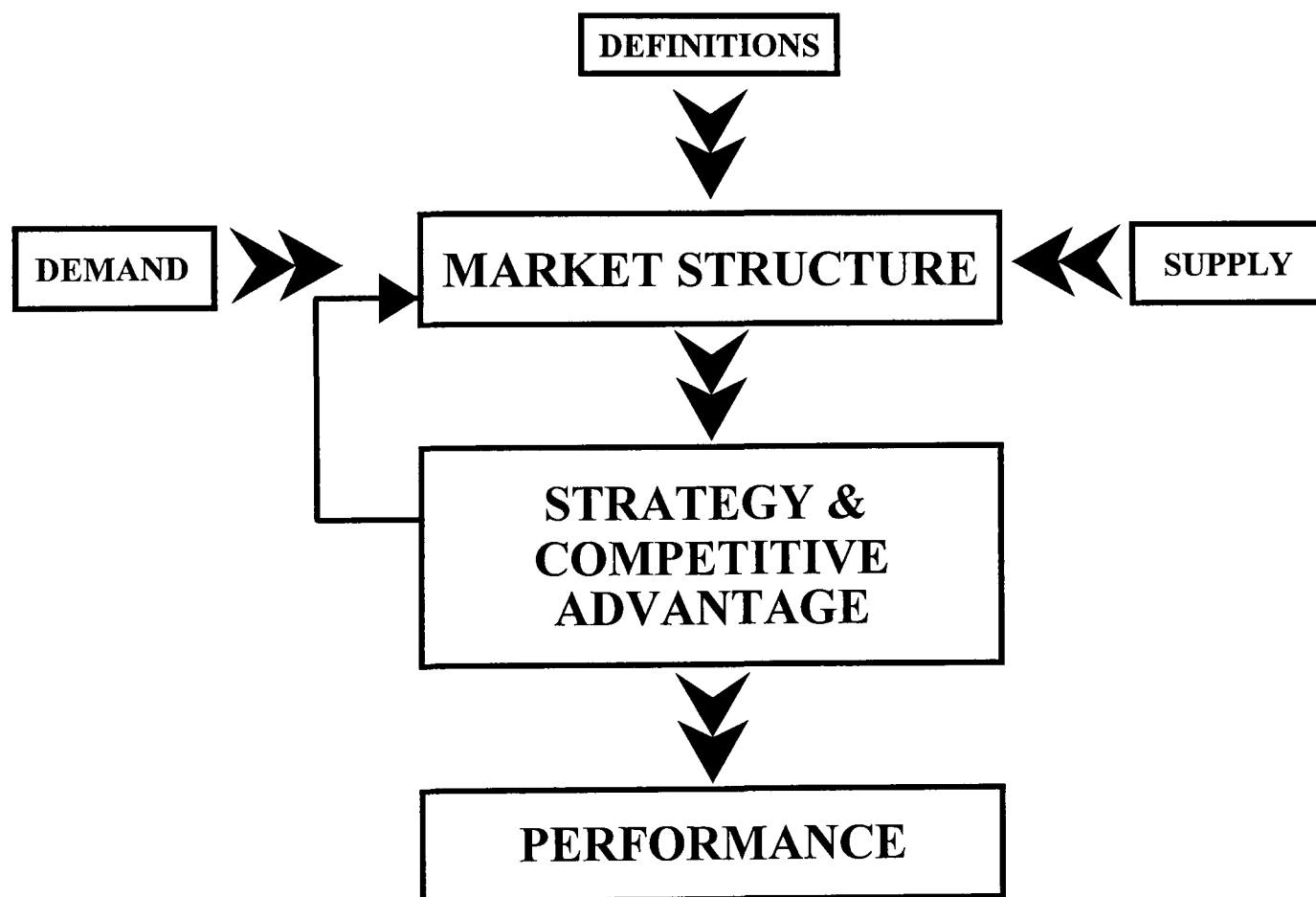
To counteract any major criticism that this model lacks flexibility, which in a dynamic market such as hospitality and tourism can be detrimental, it must be remembered that through the previous adaptation of the segmentation model which established

relevant background factors, a more Neo-Austrian approach (Reekie 1989, Jacobson 1992, Kirzner 1976, Stata 1989) develops.

Thus the methodology and underlying research rationale provides the necessary grounding, placed within a process type framework, and permits the flexibility inherent in the situation researched.

It can be seen that the initial work undertaken, through adopting a segmentation theory approach has been encompassed within Scherer's model as shown in figure 1.6.1d.

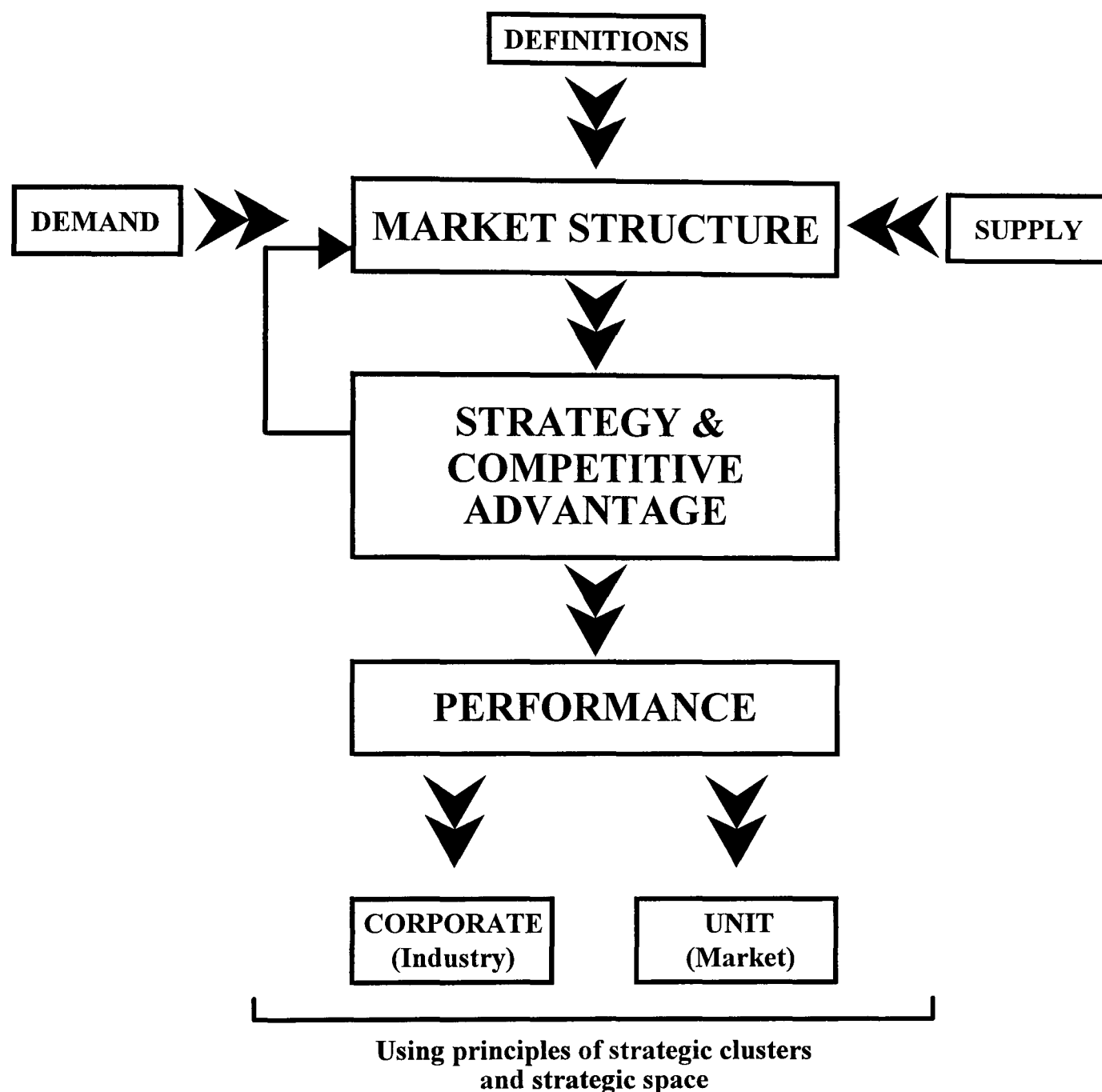
Figure 1.6.1d : Developing Research Framework - Stage 2



To further allow analysis of the linkages between structure, conduct/strategy and performance the concept of strategic group clusters (Caves & Porter 1977) was used in combination with the notion of strategic space. This forms a further development in the research framework at industry level. In addition a multi-site perspective was added in the form of a case study (Appendix V) to allow comparative analysis at unit as well as industry level and between unit and corporate perceptions and to test the

findings of the model. These developments are shown in figure 1.6.1e and represent the current completed research framework used.

Figure 1.6.1e : Developed Research Framework - End Result



The research framework can therefore be seen as an evolving process which, by its nature, allows application to a range of hospitality and tourism environments. The implementation of the framework is discussed in Chapter 6.

1.6.2 Information Gathering

The main method of gathering information from industry was through the medium of questionnaires.

Three phases of questionnaires were used to gather information from key executives with regard to CSHB market characteristics, strategic developments and organisational performance.

The purpose, structure and sample size of each of these questionnaires is shown in figure 1.6.2a. The general procedures for conducting questionnaire interviews and detail of each interview phase and samples are examined in Chapter 6.

Figure 1.6.2a : Interview Phases

PHASE I	PURPOSE To establish the basic market structure and nature of supply in CSHB markets in Scotland	SAMPLE Size = 24 Companies (18 Hotel groups) (4 SBOs) (2 Consortia)	TYPE Telephone
PHASE II	PURPOSE To determine the CSHB strategies used by key suppliers in CSHB markets in Scotland	SAMPLE Size = 20 Companies (All Hotel groups)	TYPE Telephone
PHASE III	PURPOSE To provide data to allow a unit (market) perspective to CSHB markets in Scotland	SAMPLE Size = 39 Hotel Units (6 Hotel groups)	TYPE Face to Face

The questionnaires required a mix of both quantitative and qualitative methods to provide data and allow a degree of flexibility.

1.6.3 Performance Analysis

To analyse company performance, data from questionnaires, company accounts/reports, and FAME (Financial Analysis Made Easy) CD-ROM were obtained. The data was analysed within a framework of concentration ratios (Scherer 1980, Nelson 1976). This allowed ratio analysis, exposure of performance groups, and individual hotel/company analysis. In addition, using concepts of strategic clusters and strategic space (Edgar et al 1994a, 1994b), strategy and performance variable relationships were established.

Performance was measured on two levels, (i) financial performance including variables of return on capital employed (ROCE), gearing, revenue, and profitability, (ii) non-financial performance in terms of peer competitive identity e.g. market strength.

1.6 CHAPTER SUMMARY

This chapter has established the research context and approach, highlighting the need for an evolving and developing form of research reflected in both aims and methods. The aims of the research can be seen to be to :

analyse the nature and methods of provision of Commercial Short Holiday Breaks (CSHBs) in Scotland, with particular emphasis on the strategic dimensions of corporate ventures and resulting performance, and to provide a model for enhancing performance at corporate and unit level.

The methods combine qualitative and quantitative techniques through application of a research framework devolved from a combination of segmentation theory, industrial economics and neo-Austrian economics and applied through the use of a computerised database, semi-structured telephone, personal face to face interviews and analysis of secondary data.

The next section, Part II, and inclusive chapters provides a comprehensive review of the nature of hospitality and tourism environments, hotel operations and the growth of short break markets before determining the research problem. Part III then provides detail of how the research methods and design were implemented.

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PART II

THE HOSPITALITY ENVIRONMENT 1980-1991

	<i><u>PAGE</u></i>
<u>CHAPTER 2</u>	
TOURISM IN THE UK	60
<u>CHAPTER 3</u>	
THE HOTEL INDUSTRY	81
<u>CHAPTER 4</u>	
THE NATURE OF HOTEL UNITS	105
<u>CHAPTER 5</u>	
SHORT BREAKS - A LOGICAL PROGRESSION	129

CHAPTER TWO

TOURISM IN THE UK

2.1 INTRODUCTION

Socio-economic factors such as declining employment, reductions in interest rates, the Gulf war, re-unification of Germany, and World recession have affected the development, structure and nature of international tourism demand and supply (Hunt 1991). To fully appreciate characteristics of UK tourism it is necessary to determine the nature of tourism and the tourism mix.

This chapter seeks to establish the highly segmented, complex and often dynamic nature of tourism in the UK and Scotland through undertaking a demand and supply review of UK tourism, focusing on Scotland, and highlighting the role of the commercial accommodation sector.

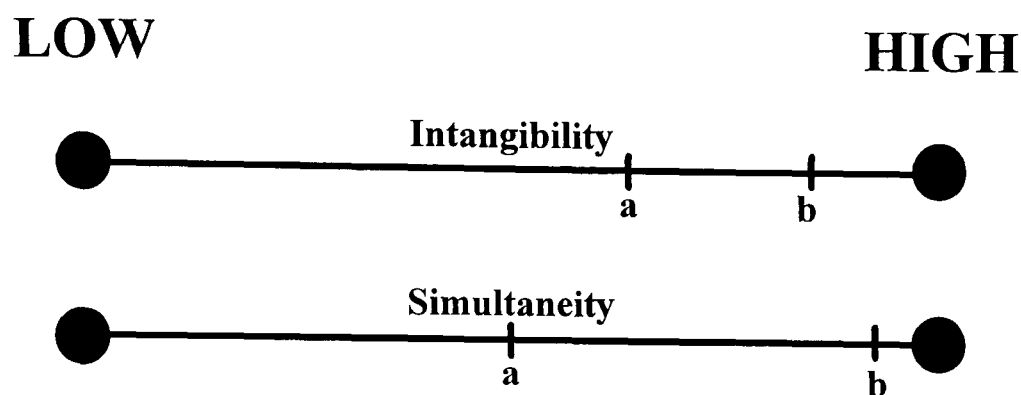
2.2 NATURE OF TOURISM SERVICE

Tourism is widely recognised as a complex mix of tangible goods and intangible services which combine to satisfy consumer wants. Such wants are often founded on past experiences or expectations, leading to a wide range of market segments. For this reason, an exact definition of tourism is difficult to find (Hunt & Layne 1991). The British Tourist Authority (BTA) define tourism as "travel away from home for a minimum of 24 hours" (BTA 1992) which while widely accepted, excludes day trippers - a segment becoming increasingly prominent as travel becomes faster and more widespread.

What becomes increasingly clear from available literature is the role of the service element in tourism. This implies that perhaps it is more useful in the context of this research to establish the characteristics of services as opposed to providing specific definitions of tourism. Such an approach provides a foundation of principles adopted and constraints imposed upon supply and demand for tourism and is in keeping with the overall research approach.

Van Dierdonck (1992) identifies two basic characteristics of services : (i) intangibility, and (ii) simultaneity, establishing that services can be positioned on a continuum from low to high intangibility and simultaneity. This is shown in figure 2.2a.

Figure 2.2a : Intangibility - simultaneity continuum



a = One night stay in hotel booked four weeks in advance
b = Virtual reality tourist attraction on spur of the moment

Source : Van Dierdonck (1992)

The continuum concept implies that the more intangible and simultaneous the tourism service becomes, the more complex and difficult to define and standardise that tourism service is.

Bitran and Lojo (1993) extend these characteristics to include perishability, transferability, and culture specificity. The result is a tourism phenomenon that is heterogeneous, intangible, and transitory, resulting in no way to supplement the variability of demand, requiring a high degree of operational flexibility and making it imperative to match demand and supply, i.e. reduce seasonality.

Hence in the tourism industry, many niche markets are created and protected essentially through mixing the core elements of accommodation, food, beverage, entertainment, and transport to correspond to customer needs, and introducing a range of add-ons to cater for peripheral needs. In general, the more international the tourism service mix becomes, the more complex it becomes (Litteljohn 1993).

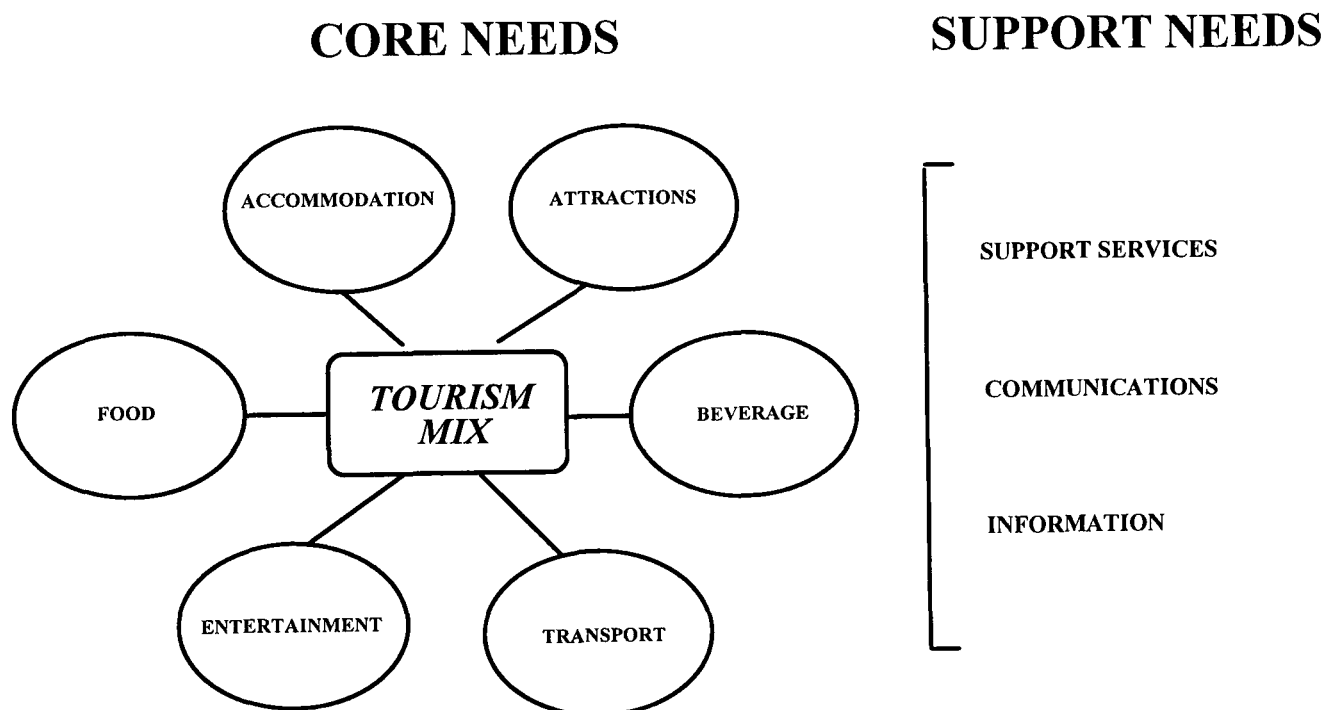
The complexity issue is furthered by the varying degrees of market sensitivity caused by the value placed by customers on each element of the tourism mix and the nature of cultural specificity established earlier. As such, different market segments and niches within them will attach different values to the tourism service, resulting in socio economic factors affecting different segments in different ways, for example, holiday markets are traditionally deemed more price sensitive than business markets due to holiday demand having greater degree of flexibility and resulting in a range of holiday seasonality problems often resolved through structuring tariffs accordingly. These markets can be greatly affected by such factors as fluctuating exchange rates,

trends and fashions, wars, strikes, and shifts in disposable income. The business market on the other hand is less seasonal in nature due to year round need for business travel and is more likely to be affected by government intervention i.e. taxation, trading issues, technological developments, and organisational restructuring. The end result is a tourism market that is multifaceted and highly complex, necessitating an understanding of markets and marketing. To develop such an understanding requires a market perspective for analysis and sensitivity to environmental issues, trends, and change.

2.3 THE TOURISM MIX

The tourism mix is of critical importance. Tourism can be divided into the core and support consumer needs resulting in a wide range of segmented markets. It is proposed that figure 2.3a provides a helpful representation.

Figure 2.3a : Tourism core and support needs



Considering the core aspects of the tourism mix, sectors of the tourism industry are created depending upon the emphasis placed upon demand and supply of each core and support element.

The result of such swings in emphasis is a vast array of highly complex, multidimensional market segments. In simple terms these segments can be divided

into four broad categories : (i) business, (ii) holiday, (iii) VFR (visiting friends and relatives), and (iv) other, which includes educational trips, exhibitions etc. Each segment is subject to one of three broad categories of origin segmentation : (a) domestic markets, (b) inbound international, and (c) outbound international, each origin being susceptible to different levels of sensitivity and reacting differently to environmental changes.

If one considers the changing boundaries between market segments and the variety and accuracy of measurement criteria used in tourism, it is evident that if such markets are to be researched, focused efforts are required to clarify and simplify units of analysis. To add to these research problems, there is considerable doubt over the validity of statistical sources available for analysis - an area examined next.

2.4 STATISTICAL PROBLEMS

There is much debate over the accuracy of tourism statistics (MacKay Consultants 1991, Weber 1991, Reid & Andereck 1989, Lohmann 1991) with areas of most concern being expressed by Weber (1991), as problems of (i) reliability of statistical data on tourist flows, expenditure and other characteristics; (ii) general need for standardisation and comparability of data; (iii) availability of statistical data; and (iv) research problems due to the nature of tourist decision making process, measurement characteristics, research instruments analysis, and forecasting methods not adapted to tourism conditions. These points are reiterated by many researchers both in conversation and writing and have formed the topic of many research group discussions. On a domestic level the problems in the UK are essentially due to changing definitions, methods of data collection and changes to the sample selection.

Probably the most evident of such changes has been the move from the British Tourism Survey (BTS) to the UK Tourism Survey (UKTS) research base in 1989 and previously, alterations to data collection methods in 1986. Add to this the range of statistical sources, which are often not comparable i.e. tourist boards; local enterprise companies; government publications; market research companies; market analysts etc., and the problems of selecting and utilising data are amplified.

These difficulties are made considerably worse when the international dimension is introduced, every country having a range of, or no statistics available, different

sample sizes, frequencies, measurement techniques, and levels of accessibility. The task of comparing such statistics is nearly impossible.

These issues, combined with the huge cost of conducting a valid sample survey of demand, imply a need for caution when adopting statistical sources.

This research adopts a supply side approach to obtaining primary market and company data. Such an approach allows greater confidence in results and accepts supply led dynamics to market development - allowing an element of proactive response. Simultaneously secondary data is adopted as a control frame, to attempt to compare the findings of a number of studies and establish short break background data. To provide general background information as to the nature of UK and Scotland tourism markets, UKTS data is adopted.

The UKTS is produced by the national tourist boards in association with NOP Travel and Leisure of MAI Research Limited, London, and presents statistical information on the volume and value of tourism undertaken by the resident population of the UK. Each month, personal interviews are conducted with a random sample of UK adults aged 15+, resulting in a total of 82,125 interviews which are computer weighted to a constant profile. (UKTS 1991).

Data is split into TRIPS, "at least one night away from home, and no more than 60 nights", NIGHTS, "number of nights spent away from home on tourism trips", and SPEND, "expenditure incurred on all tourism trips away from home by all persons on all nights". Additionally, data is provided on a range of dimensions from purpose of trips to mode of transport, time of year, and accommodation used. As this provides a UK perspective of tourism demand, to allow some indication of the value of tourism entering and leaving the UK i.e. inbound and outbound tourism, figures from the International Passenger Survey (IPS) are used.

While these surveys are by no means comprehensive they do represent the two most regular and respected sources available in the UK. They allow confirmation and comparison of data with other less regular surveys to provide an indication of the UK tourism demand and supply structures. They do however impose a number of implications upon the nature and development of the research.

2.4.1 Implications of Statistical Problems

The most prominent impact of the aforementioned statistical problems is the lack of comparable data sets by date or sample. As such, any analysis of market statistics requires a degree of qualitative interpretation and recognition of the limitations of the core data sources used i.e. UKTS, and IPS.

To provide a degree of longitudinal appreciation of the growth and development of the CSHB market throughout the core growth period of the 1980's, the statistical base taken is from 1981-1991. It should be noted that during this period the statistical base of the means of collection for the key reports changed. This occurred in 1986 and 1989. Statistics are being used as comparative indicators and as such the reader should be aware of the changes.

The second issue relates to the representation of UKTS/IPS. While these sources are the most widely adopted sources of data they represent a monthly study of 7,500 respondents and are therefore not fully representative of industry and market changes.

While statistical data on UK tourism is limited and difficult to compare, statistics on the hospitality industry, and particularly hotel industry are even more incomplete. For the analysis of hotel markets in Chapter 3 and short break markets in Chapter 4, the base of statistics taken is 1991 - a single year. This single year represents the time period of primary data collection. Longitudinal data is represented for the period 1981-1991.

The existence of such statistical problems necessitates a supply and inductive approach to the development of research, however such statistics allow a general understanding of the nature of the market to be formed.

2.5 NATURE OF TOURISM DEMAND

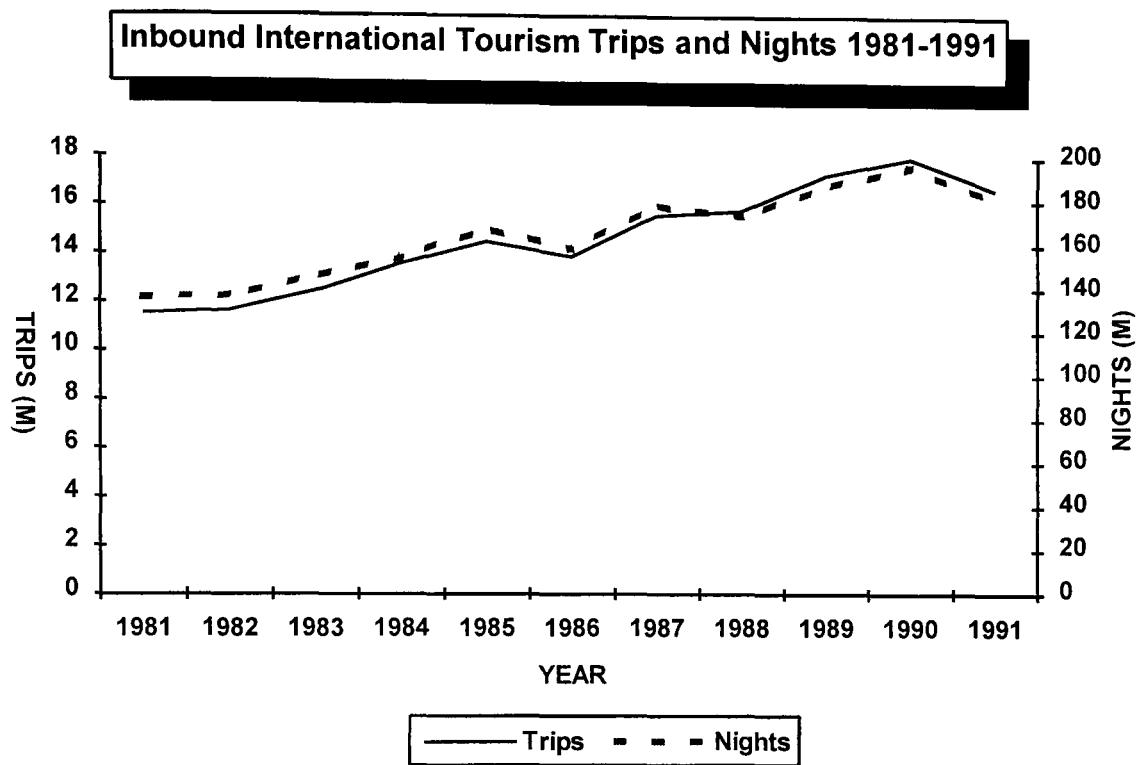
The nature of tourism (2.2) and the tourism mix (2.3) sections identified the foundations of a highly segmented and complex tourism environment. In attempting to simplify the environment to allow analysis, statistics from the UKTS were adopted. This section seeks to provide a background to the value and volume of various segments of tourism to the UK and Scottish economy. Following an overview of the value of tourism to the UK, the broad segments of tourism, as identified in 2.3 are examined.

2.5.1 UK Tourism

Tourism is of key value to the UK economy, representing 4.8 % GDP in 1991 (£22,645 million)(ETB 1993, CSO 1991). These figures represent front line value i.e. directly attributable to the tourism industry. In addition consideration of supplementary spend should be made i.e. the spend by the tourist in local amenities, transport, communication etc. Tourism is therefore a major contribution to the UK economy.

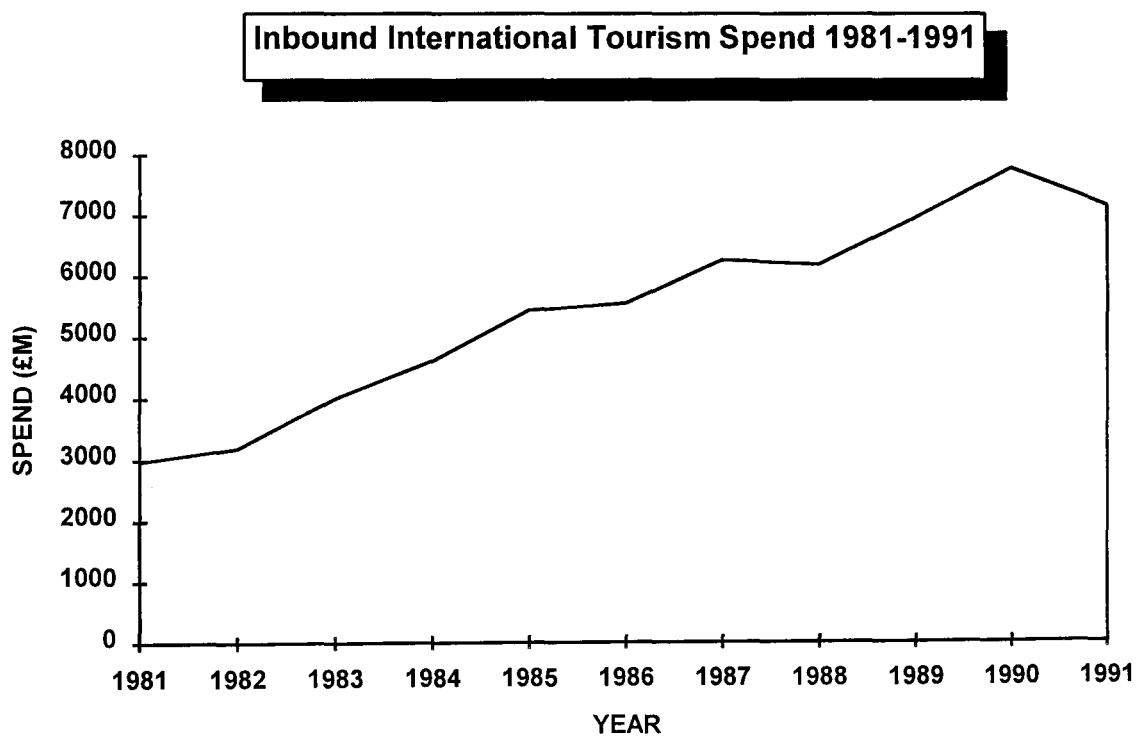
Such wealth can be generated from within the country through domestic tourism, or from outwith the country, from inbound international tourism. Figure 2.5.1a shows the growth of trips and nights of inbound tourism to the UK from 1981 to 1991. Figure 2.5.1b indicates the growth in monetary terms of tourism to the UK. Both figures indicate reductions in tourism activity in 1986 and 1991. Such developments are probably the result of threats of terrorism and the Gulf War, and indicate a slowing of growth due to exchange rate changes and the world recession, highlighting the susceptibility of tourism markets to changes in the environment.

Figure 2.5.1a



Source : BTA Annual Report 1992/3 pp 43

Figure 2.5.1b



Source : BTA Annual Report 1992/3 pp 43

The value of international tourism to the UK is considerable, with the total number of visits by overseas residents in 1991 being 16.7M trips or £7,168M, predominantly in the form of holiday makers.

However, considering the value of tourism leaving the UK. Visits abroad by UK residents totalled 30.8M trips, and £9,951M spend, resulting in a balance of payments deficit on travel of (£2,565M) (IPS 1994). This is worrying for the UK tourism sector as domestic tourism shrinks in real terms (CHK 1991), a case worsening in 1992 and resulting in increasing competition between UK based tourism suppliers. e.g. hotels.

Focusing on the domestic market. In 1991 UK families are estimated to have taken more than 94.4M trips, lasting for a total of 395.6M nights and incurring expenditure of £10,470M (UKTS 1991). While such an holistic view of domestic tourism provides an indication of overall volume and value. To determine the structure of market demand, it is useful to adopt a segmentation approach, identifying areas of the market by purpose of visit and location i.e. Scotland.

Segmentation can be undertaken in a number of ways, as established in section 2.4. For the purposes of this section, segments are examined by the purpose of tourism. These segments are therefore holiday, business, VFR and other purpose. The volume and value of each segment in 1991 is shown in table 2.5.1a.

Table 2.5.1a : Volume and value of UK tourism segments 1991

	TRIPS		NIGHTS		SPEND	
	M	%	M	%	M (£)	%
All Tourism in UK	94.4	100	395.6	100	10470	100
All Holidays	58.3	62	295.9	75	7750	74
Holiday 1-3 Nights	26.1	28	53.8	14	1740	17
Holiday 4 + Nights	32.2	34	242.1	61	6010	57
Business	10.2	11	26.7	7	1440	14
V.F.R	20.8	22	55.6	14	820	8
Other Purpose	5.1	5	17.4	4	460	4

Source : UKTS 1991

(i) Holidays

Holidays are split into two distinct segments : holidays of 1-3 nights, and holidays of 4 or more nights. Such segments are commonly termed short and long holidays respectively. Each type of holiday has subtle differences.

Long holidays tend to be more valuable in terms of volume and spend, having a greater propensity to stay in commercial accommodation and booking well in advance, yet displaying highly seasonal tendencies in terms of destination of holiday and time of travel (UKTS 1991, Beioley 1991).

Short holidays; on the other hand, tend to be of a more spontaneous nature, less seasonal, and higher spend per night, often characterised by the higher income groups and representing the additional holiday market (UKTS 1991).

The result of these trends is that the traditional two week holiday at seaside, country, or touring has shrunk, some operators estimate by a third since 1980 (Hoseasons 1992). The trend towards such additional holiday taking is highlighted by Goulding (1992) who shows that the number of households taking more than one holiday per year has been increasing marginally over the past twenty years, the proportion of adults taking two or more holidays per annum having increased by around 15%. Such changes are essentially due to structural changes in the UK economy, i.e. leisure time, disposable income, and general socio-economic factors (Middleton 1987), and are likely to influence supplier patterns in UK tourism.

Combined with these characteristics is the range and diversity of holiday types, ranging from activity holidays to cultural breaks and from the much publicised growth of package holidays (Ryan 1991, Heape 1987) to the newly recognised need for flexibility in holiday provision. The overall result is a holiday market that reflects the complexities and characteristics of the overall tourism industry and provides a myriad of complexities and segments of its own, often closely linked to and susceptible to environmental changes.

(ii) Business Markets

As with holiday markets, a range of segments are identified within the business market, including conferences, transient business, training sessions, and incentive travel. This market represents another dimension to the increasingly complex nature of the tourism mix. For the purposes of this section a holistic approach is taken and the term business markets is used to include the full range of business segments.

Business markets are a distinct market segment. The business tourist is likely to be a 25-45 year old professional, travelling all year round, independently, booking on the spur of the moment and staying in a hotel, usually for 1-3 nights (Hanks et al 1992). In attempts to model the dynamics of this market, Slattery (1990) introduced the

concept which claims market characteristics evolve and fluctuate with the cyclical changes of the economy causing high degrees of business travel during economic boom and low levels during recession. While this "Bonus Theory" holds true to a certain extent, a more current stream of thought is that developed after bonus theory by Slattery and Johnson (1991), termed structural theory. This states that levels of business travel rise particularly quickly as economies become service intensive and as constituent industries become more concentrated. The approach rests on the inference that large organisations by their very nature create substantial amounts of business travel and as such require supply to facilitate the necessity of training, sales, and operational processes (Litteljohn 1993).

It can be seen from the holiday and business perspectives that both segments offer considerable rewards and pitfalls. Tourism facilitators have the task of balancing the mix of tourism segments to obtain the best returns, often directed towards levelling seasonality. On this note it should be established that two different forms of seasonality emerge. The holiday seasonality which is essentially resort, location based and revolves around the months of the year, and business seasonality which is essentially city centre location based and revolves around the day of the week.

(iii) VFR (Visiting Friends and Relatives)

The measurement of VFR exemplifies the statistical problems of analysing tourism demand. VFR is provided as a purpose category by the UKTS yet also appears as an option for accommodation. Hence, while VFR can be treated as a market segment as in this case, it can also be identified as the major accommodation provider for holiday tourism in the UK.

VFR is often a spontaneous decision, to a range of resorts and varying times of the year, usually for 1-3 nights and staying with the friend or relative. While the market displays considerable benefits in terms of low seasonality and spread of locations, the value in cash terms to the tourism supplier is minimal compared to other markets. This market is widely recognised as "the old enemy" when placed in the context of the commercial sector of tourism.

(iv) Other purposes

This sector is essentially a combination of evolved market segments that do not fit comfortably into the former segments, including exhibitions and educational visits. The segment represents a very small proportion of tourism spend, trips and nights, but

has been included to emphasise the vast degree of segmentation occurring in tourism markets and the resulting complexity.

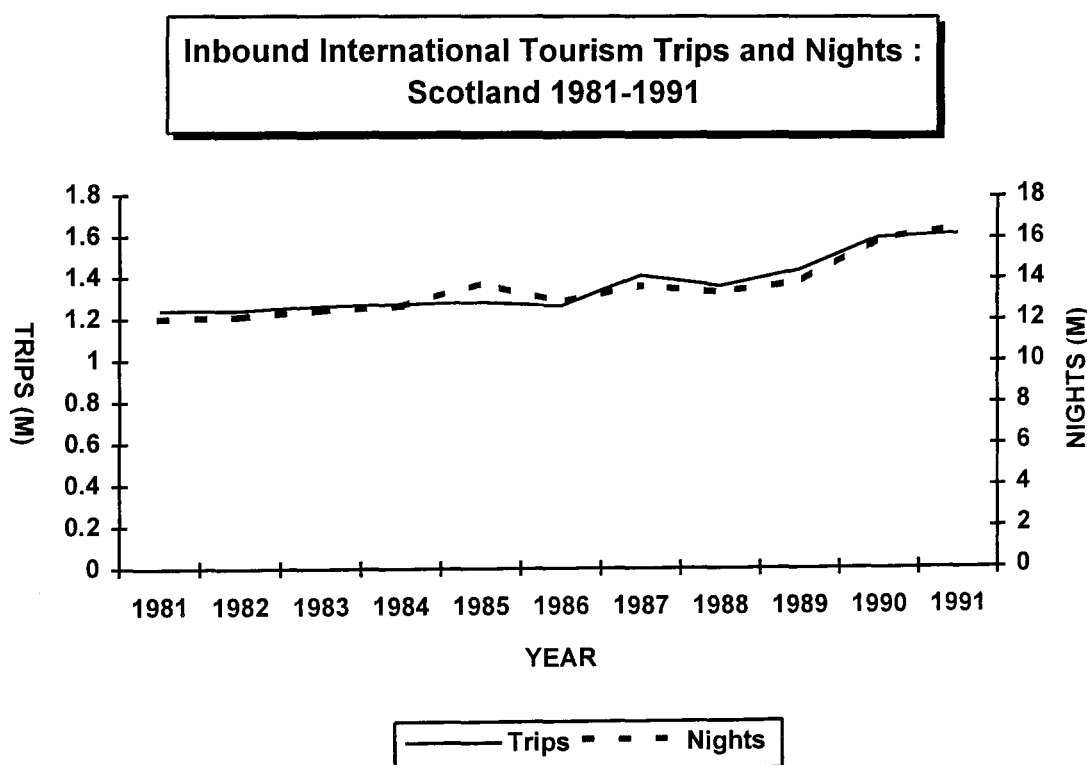
Having established the broad market segments of UK tourism by purpose, the next section establishes the place of tourism within the Scottish economy. The study focuses on Scotland as a sample base due to a combination of STB funding commitments, containing the sample area but more so, due to the value of CSHB to the Scottish economy. Scotland thus becomes the geographic dimension for the research and influences the sample selection, and necessitates an understanding of the background environment.

2.5.2 Scotland Tourism

"Tourism is key to the Scottish economy" (Litteljohn & Goulding 1994). In 1991 tourism in Scotland generated £1190M from domestic sources, approximately 9% of GDP (Ibid 1994) and accounting for 171, 000 jobs, 8% of Scottish employment (STB 1994).

British tourism trips in Scotland in 1991 accounted for 68% of all tourism expenditure in Scotland, 65% of which came from England (figure 2.5.2a). Inbound international tourism to Scotland in 1991 represented 1.6M visits and £501M (figure 2.5.2b).

Figure 2.5.2a



Source : IPS/Equiv (1981-1991)

Figure 2.5.2b



Source : IPS /Equiv(1981-1991)

The main inbound international market to Scotland in 1991 was the USA with 24% of inbound tourism spend, followed by Australia with £40M (7%) and West Germany with £35M (6%). This implies a total value of tourism to Scotland of £1691M (12.8% of GDP). Considering the buoyant nature of inbound international markets, the role of environmental changes is critical to the prosperity of Scotland's economy, e.g. the Gulf war and World recession during 1991 indicate a slowdown of growth. As such the environment is an underlying consideration throughout the research.

While the international markets play a key role, the UK domestic market still continues to dominate Scotland's tourism. This is particularly the case in terms of trips and nights, and more prominent, if day trippers are added to the equation. The day trips market was worth approximately £1100M in 1991 with 85M day trips taken in Scotland. While strictly speaking the definition of tourism adopted does not recognise day trips as an integral part of the tourism mix it is undoubtedly a valuable market segment and should be recognised. At the risk of double counting, it can be seen that the value of tourism to Scotland's economy now rises to £2791M or 21% of GDP. If one considers the multiplier effect of such spend (Hughes 1993, 1994) and the additional associated spend this contribution could be considerably greater.

Having determined the value of tourism to Scotland and to provide an understanding of the nature of tourism demand in Scotland, the structural differences in demand between the UK market and Scotland's market are established.

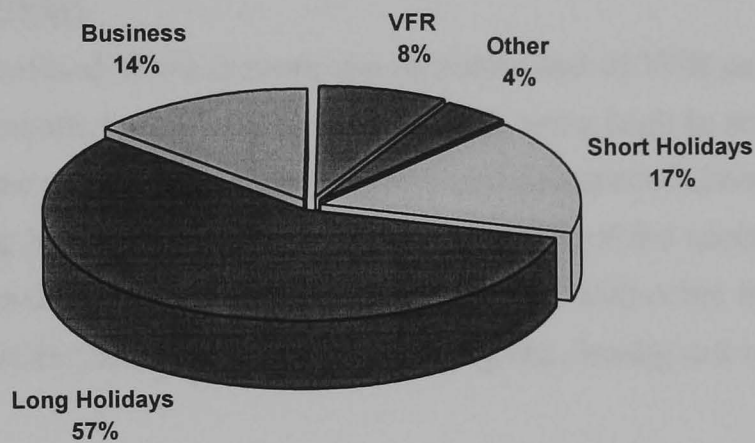
2.5.3 General Market Structure : Scotland

Figure 2.5.3a shows the demand difference in monetary value of the broad market segments of tourism to the UK and Scotland. While cash value is adopted as a measure it is recognised that volume measures differ slightly.

From figure 2.5.3a it is evident that the key structural differences exist between Scotland and the UK. There appears to be less of an emphasis in Scotland's markets on VFR and a greater shift towards the holiday sector, particularly long holidays. This characteristic may to some extent be explained by what appears to be a greater usage of hotel and commercial accommodation in Scotland.

Figure 2.5.3a

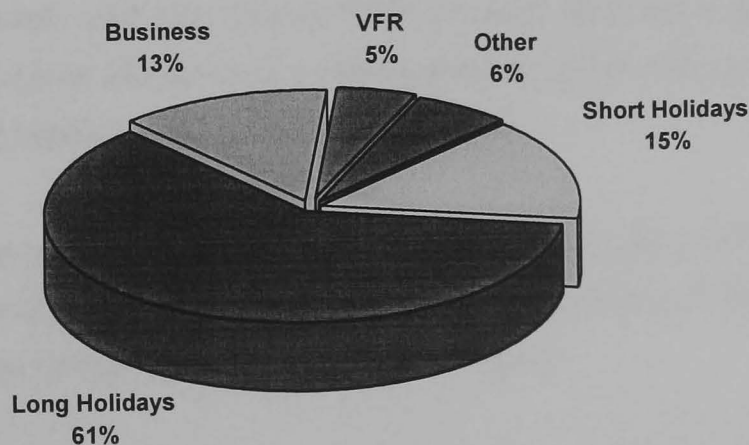
Breakdown of Tourism Spend by Purpose of Trip : UK 1991



Source : UKTS 1991

Figure 2.5.3b

Breakdown of Tourism Spend by Purpose of Trip : Scotland 1991



Source : UKTS 1991

Taking each of the three key broad market segments, (i) holidays, (ii) business, and (iii) VFR, the differences between UK and Scotland are clear. While the following analysis represents 1991, the trends identified are consistent with earlier years to 1981 with a general trend of shifts towards more short holidays.

(i) Short holidays (£175M)

In Scotland, 53% of short holiday takers will use a hotel, compared to 43% in the UK. There is less reliance on the car and considerably more usage of rail, with more use of travel agents for booking holidays even though the bookings are last minute. These factors all point towards greater commercial potential and value (per se) of short holidays in Scotland.

(ii) Long holidays (£725M)

For long holidays in Scotland, there is more use of hotels and of VFR as sources of accommodation. This results in the long holiday market being high in terms of serviced accommodation yet lower in using commercial accommodation as a whole. The overall result being hotels maintain a considerable share of the accommodation market, probably due to the structure of supply in Scotland, with other forms of commercial accommodation i.e. caravan sites, camping etc., losing out to hotels.

As with short holidays, the long holiday market to Scotland displays a greater willingness to use rail and book through travel agents. There is less likelihood of children being taken on the long holiday and there is double the incidence of touring.

(iii) Business (£160M)

In 1991, the value of business travel to hotels in Scotland was paramount, with 85% of business spend on hotels, and only 2% on VFR. In total, business markets represented 91% of spend on all serviced accommodation, emphasising their importance to the hotel business and Scotland as a whole.

In addition, there is less use of the car (34%), and more use of plane (49%) perhaps emphasising the key locations in Scotland for business of Glasgow, Edinburgh, Aberdeen, and emerging Dundee all with their own airports.

Further examination of Scotland's business travel markets, reveals a more seasonal nature than the UK as a whole. This has major implications upon the two main forms

of supply - airports, and hotels, and with further emerging competition from purpose built conference centres represents an area warranting further investigation as a separate study.

(iv) VFR (£55M)

There is little difference in the VFR markets between Scotland and the UK, essentially using the same forms of accommodation. The main difference appears to be the mode of transport with the train being used more in Scotland, more likelihood of booking via a travel agent, and the stay is likely to be considerably longer at over 18 nights.

1.5.4 Summary of Key Elements

The overall pattern of holiday making has become much more complex during recent years, and will become increasingly complex into the 1990's (Euromonitor 1987), with the tourism mix being the key element to understanding the nature of tourism's segmented markets.

To allow the environment to be simplified and therefore analysed, the focus of this research is on Scotland's tourism market. In providing such focus, it has been necessary to distinguishing between UK and Scotland demand traits. It became evident that tourism in Scotland varies from that of the UK in a number of key areas.

- (i) there is a greater emphasis in Scotland on commercial and serviced accommodation, particularly hotels.
- (ii) there is a greater willingness or perhaps need to use public transport and as such there are a number of environmental issues associated with such transport, i.e. rail strikes, terrorism, etc. Transport being potentially environmental sensitive may therefore have a knock on effect on Scotland's tourism, particularly international inbound tourism.
- (iii) perhaps due to the touring factor in Scotland, the destinations i.e. resort, city centres etc. tend to be less seasonal than the UK as a whole.

This section has examined the differences between tourism in the UK and Scotland in an attempt to provide a contextual grounding for the research. This grounding can be

expanded in later chapters to provide a research definition of commercial short holiday breaks (CSHB) and focus on the key market characteristics.

Having examined the demand side of tourism in the UK and Scotland the next section provides an indication of supply before Chapter 3 focuses on the hotel industry supply in more detail.

2.6 NATURE OF TOURISM SUPPLY

As tourism demand can be characterised by highly segmented and complex markets, tourism supply can also be seen as complex in that it must satisfy the wants of the demand segments, often attempting to understand, mix and match segments. The result is a supply that is both fragmented and multi-variant in nature i.e. as different elements of the tourism mix are satisfied by different elements of supply, the varying emphasis on provision to any core element will result in a range of supply structures.

Take for example a holiday camp and a city centre hotel, while both provide the same core elements, the mix of tourism provision is different and essentially differentiated through perceived elements such as value for money, quality, status etc. This provision or supply developed to satisfy the tourist need can be termed the touristic infrastructure and can essentially be found on two levels, (i) Primary supply, and (ii) Supplementary supply.

2.6.1 Primary Supply

This term relates to the core elements of supply. Included in this category would be (a) accommodation, (b) food, covering restaurants of all kinds, (c) beverage including bars, clubs, cafes, wine bars, etc. (d) retail and distribution, including travel agents, and tour operators, (e) transport, ranging from rail, road, air, and sea and (f) entertainment including attractions, clubs, museums, etc. All these forms of supply will in some way be integrated depending upon the demands of the consumer and as such evolve differing levels of service, cost, intangibility, continuity and customer intimacy.

2.6.2 Supplementary Supply

In this context, supplementary supply represents the provision of additional goods or services the consumer may desire and are often not counted in the value of the tourist. These would include generation of wealth at local level in terms of sign painting, landscaping, local shops and stores, roads and building maintenance etc. and as such

add a totally new dimension to the concept of tourism supply. This increases complexity of understanding and analysis, giving rise to the need to appreciate all the elements of tourism supply and to focus on those elements most accessible and accurately measured, essentially the front line supply, and particularly the accommodation sector which by tourism definition is a common element.

2.6.3 Changing Touristic Infrastructure

The touristic infrastructure (supply) in the UK and Scotland is changing. Expanding domestic and international markets for tourism services have stimulated growth, competition, and product innovation (Teare 1989). This has resulted in closer integration of the core elements of the tourism mix as firms seek to identify core and peripheral markets for their products more precisely. The outcome of these activities and the intensification of competition, has resulted in an emphasis on product branding (Connell 1992) and more focus on globalisation and international trade (Teare 1989, Beattie 1993). The result, is a highly segmented, complex and fragmented market with segments maturing and developing at different rates and suppliers attempting to obtain the best mix of these segments either in an ad hoc manner or to a predetermined plan.

It is the research of such supplier developments that offers considerable potential for contributions to knowledge.

2.6.4 A Summary of Key Elements of Supply

Considering both forms of supply, it can be seen that the complexities of segmented markets make analysis considerably difficult, however the prominence of the hotel as a key element in tourism supply and demand is obvious. This would imply that the hotel industry is a valuable base for market analysis. This argument is strengthened if one considers that hotels, especially full service hotels, will often offer a wide range of services to cater for a range of guest requirements (Chanrasekar & Dev 1989) using a range of strategies to maximise guest satisfaction, e.g. joint ventures with local attractions. Chapter 3 provides an overview of the hotel industry in the UK and Scotland, highlighting key characteristics and establishing the additional complexities of adding non-residential local markets to the tourism mix.

2.7 CHAPTER SUMMARY

This chapter has provided a foundation to the background of tourism markets in the UK and Scotland. Focus has been on demand with key elements of supply being highlighted. It has established that despite its immense value to the UK economy, tourism in general is difficult to define, requiring an understanding of the nature of the market as opposed to specific definitions.

Demand appears to be highly segmented and therefore complex. The changing nature of the elements of the tourism mix and the dynamic nature of the socio-economic environment have considerable multiplier effects, making some segments more sensitive than others to a range of issues.

It has been established that for convenience and analysis, tourism demand can be divided into four broad categories (i) holidays (ii) business, (iii) VFR and (iv) other purposes. Each segment has distinct characteristics which vary between locations, seasons, days of the week and even within segments or sub-segments.

From the supply side, the touristic infrastructure is fragmented and often value created is not directly attributed to tourism. The key form of supply is the hotel where suppliers will attempt to accommodate a combination of tourism segments to minimise seasonality.

In conclusion, it can be seen that tourism in the UK and Scotland is highly complex and requires considerable focus to allow market analysis. Such focus may be location based, market based, or supplier based. This research represents a focus on Scotland, hotel supply and CSHB markets. As hotels represent the most evident market supplier, the next chapter examines the nature of the hotel industry in the UK and Scotland. Chapter 4 then focuses on the characteristics of the individual hotel at market level and establishing how such characteristics link to the development of the short break market outlined in Chapter 5. The result is a focus on both the hotel industry and the location of Scotland to construct an approach and model applicable to a range of complex markets and locations.

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CHAPTER THREE

THE HOTEL INDUSTRY IN THE UK

3.1 INTRODUCTION

This chapter establishes the value and structure of the hotel industry in the UK and Scotland. A macro hospitality approach is adopted, determining the nature of demand and supply within the hotel industry and the changing nature of ownership, product mix, hotel group concentration, and the need to appreciate the multi-site nature of hotels through focus at unit level.

3.2 THE VALUE OF THE HOTEL INDUSTRY

The value and growth of tourism in the UK has been established. A key segment of tourism supply is the accommodation sector, or more precisely the hotel industry. The Central Statistics Office (CSO 1990) estimated that total hotel turnover in the UK in 1990 was £6.2bn, 1.3 % of GDP, while Walker (1993) values the hotel sector at £12bn, 2.5 % of GDP. This, combined with the 241,900 (23% of all tourism employment) employed within the industry emphasises the importance of hotels to the UK tourism industry.

While a specific value of the hotel industry is difficult to determine due to the range of definitions of hotel used (HCTC 1990, Harrison & Johnson 1992) and the means of measurement adopted, the overall importance of the industry as a subject for market analysis is clear.

3.3 NATURE OF THE HOTEL INDUSTRY

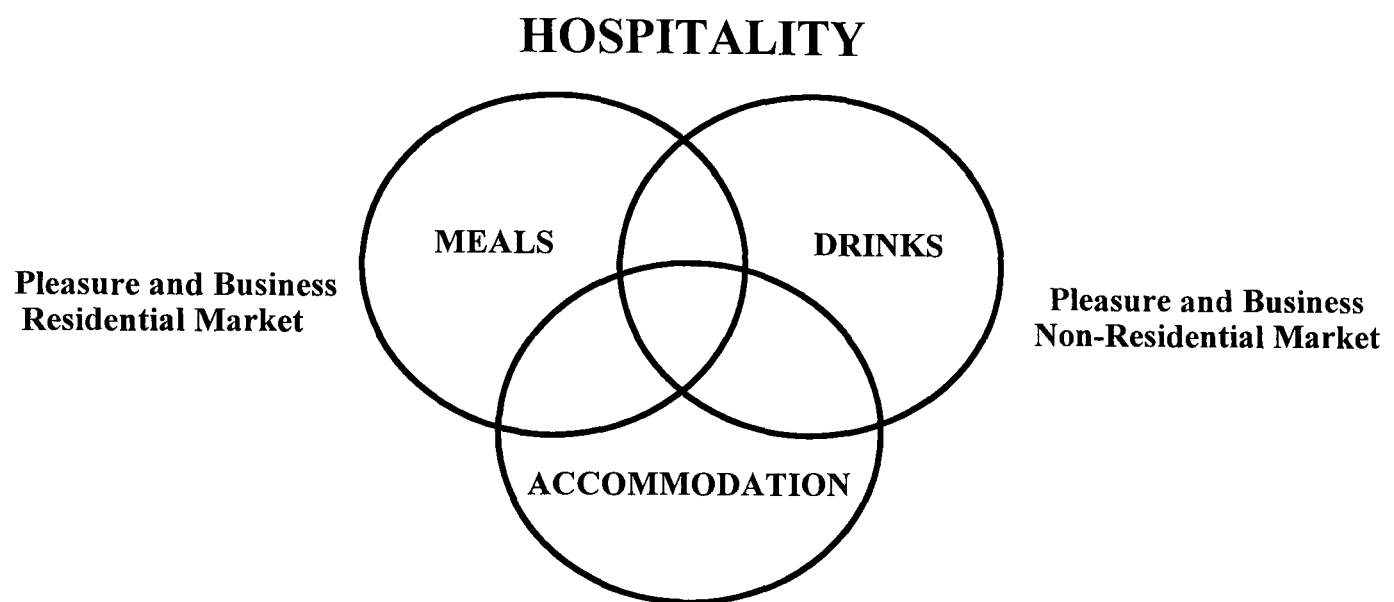
A number of authors (Litteljohn 1985, Olsen 1989; 1991; 1993, Slattery 1991; 1993, Beattie 1993, and Beattie & Litteljohn 1992) have aided in a general understanding of the hotel industry world-wide. They have determined the heterogeneous nature of hotels, evaluated the growth and structural changes in the hotel industry, and attempted to quantify developments in the industry. From such works, it can be established that the market for and supply of hotels are far from homogeneous, as guests have a wide range of needs, both residential and non-residential. In addition, hoteliers have a wide range of physical and intangible characteristics and strategies used to meet these needs, resulting in a highly fragmented and segmented industry.

As the hotel industry operates within the context of a highly complex tourism industry, the complexities become more widespread as the variety of customer environments is extended. It therefore becomes evident that in dealing with the nature of the hotel industry it is useful to expand on the concept of tourism and introduce what Litteljohn (1990) terms the concept of hospitality groups.

3.3.1 The Concept of hospitality

Litteljohn (1990) suggests the concept of hospitality groups as shown in figure 3.3.1a

Figure 3.3.1a : The concept of hospitality groups



Source : adapted from Litteljohn (1990)

The hotel industry can be seen as attempting to satisfy a range of hospitality requirements in differing levels or degrees, ranging from the provision of accommodation only, to the provision of accommodation, food, and drink. The markets can be from pleasure or business sources and either residential or non-residential in nature. The combinations are numerous, further raising market complexity (Edgar et al 1995).

Encompassing this concept of hospitality, it can be seen that the environment will determine consumer trends and fashions, supplier operating conditions, and constraints and opportunities of the industry.

While this chapter focuses on the specific nature of the hotel industry, it is useful to maintain an underlying knowledge of the effects of the hospitality concept combined

with the environment. As such the environment is briefly discussed, before focusing on the key elements of demand and supply of hotels.

3.3.2 The role of the Environment

The environment plays a critical role in the hospitality and hotel industry, affecting demand and supply in a variety of ways. Often such interactions are composed of a complex myriad of socio-economic, political, technological, and legal issues ranging from recession to the E.C package travel directive. Such environmental elements can be referred to as internal, where specific issues within the organisation affect the organisation directly, or external, which are often uncontrollable issues affecting organisations in the industry.

The topic of this section is the external environment. The external environment can be further divided into the general environment - affecting all organisations in an industry, or the specific environment - issues directly related to specific suppliers within the industry.

The external environment is composed of a range of often uncontrollable factors. Such factors, usually socio-economic and technology-based have had a considerable effect upon the UK hotel industry over the last decade (Olsen & Merna 1993(b)). Vierich and Calver (1991) and Gordon (1993) identified that the hotel industry is affected considerably by a conspiracy of economic factors ranging from inflation, to unemployment. Indeed, Slattery (1991) states, "the state of an economy is, other things remaining equal, the prime cyclical factor which determines the level of hotel demand, but due to the inherent complexity of the hotel and its markets the effects are not uniform". Hanks et al (1992) focused on demand, explaining that the guest purchase decision is made upon circumstances of time, place and purpose of trip.

The hotel industry today faces a combination of environmental led problems such as over-building (Dempsey 1991), excess capacity, cut-throat competition, discerning business and leisure travel, declining occupancy rates, reduced profitability, severe short term liquidity problems and an increased number of business failures and bankruptcies, all the result of a prolonged economic recession and the desire for growth (Olsen & Merna 1993(b), Dev & Klein 1993).

Indeed, to understand the investment potential of hotels, operators must be aware of many forces that affect the value and operating environment of their properties, as the

supply and demand relationship affected by the environment is an important factor in the creation of profits. (Rushmore 1994)

Therefore, if organisations are to operate effectively they need to scan the environment (Zhao & Merna 1993) to identify areas of potential threat or opportunity at both corporate and unit levels.

The environment therefore plays a critical role in the evolution and future development of the hospitality industry, and in particular the hotel industry (Hennessey 1992). As such throughout this section reference shall be made to past environmental events such as the Gulf war, World recession, and exchange rates. However, the reader should also consider the on-going effect that environmental expectancy may have upon the industry and potential developments in demand and supply.

3.4 HOTEL INDUSTRY DEMAND

Hotel demand can be seen to be highly segmented and complex. The market for the hotel room is anything but homogeneous, and is not simply catered for by rejuvenating old products (Knipp & Matlof 1993) as hotel guests have a wide range of ever changing needs.

In its purest form hotel markets are split into two broad segments, business travellers and leisure travellers, each with varying characteristics and values.

3.4.1 Business Travellers

According to Hanks et al (1992), the business traveller is usually unwilling to make advance commitments, tends to desire high quality, is destination and location inflexible, is prestige conscious and stays for a shorter duration, often making them price inelastic and less price sensitive.

For most city hotels, the commercial traveller represents almost all of the mid week business, (Orkin 1990) meaning a focus on business markets may result in weekend seasonality problems.

3.4.2 Leisure Travellers

The leisure traveller on the other hand is able to make advance commitments, will accept varying quality levels, is destination and location flexible, indifferent to prestige, and has a longer duration of stay (Hanks et al 1992), making the leisure traveller more price sensitive and more price elastic.

Both the leisure and business markets are highly pro cyclical, that is growth in revenues follows the pattern of the economy as a whole, making the market highly susceptible to environmental pressures.

3.4.3 Segment Values

To provide an indication of the value of these segments to the UK hotel industry, reference is made to table 3.4a. This table introduces the dimension of overseas business and leisure for 1991, the specific period of the research, thus allowing comparisons of segments to be made

Table 3.4a Hotel Revenues by Market Source 1991

MARKET SEGMENT	Avg Daily Spend	Avg Length of Stay
Business (UK)	£ 51.70	2.7
Leisure (UK)	£ 24.63	5.1
Business (O/S)	£ 88.80	5.7
Leisure (O/S)	£ 41.40	9.9

Source : IPS / (Healey 1992)

From table 3.4a, the value of the business segment is clear (£51.70 UK, £88.80 O/S), so too is the value of overseas travellers (£88.80 business, £41.40 leisure). One should also consider that at present, in volume terms, domestic tourism is more valuable than inbound overseas tourism.

3.4.4 Segment Sales Mix

While table 3.4a represents the segment sales mix for UK hotels, different types of hotel will have different segment mixes. For example, table 3.4b shows the average sales mix for UK Hotels Plc, a term coined by Slattery (1990) to represent quoted hotel companies, the largest sector in the UK, representing 25% of UK room stock and a variety of market segments.

Table 3.4b UK Hotel Groups Plc Segment Mix 1991

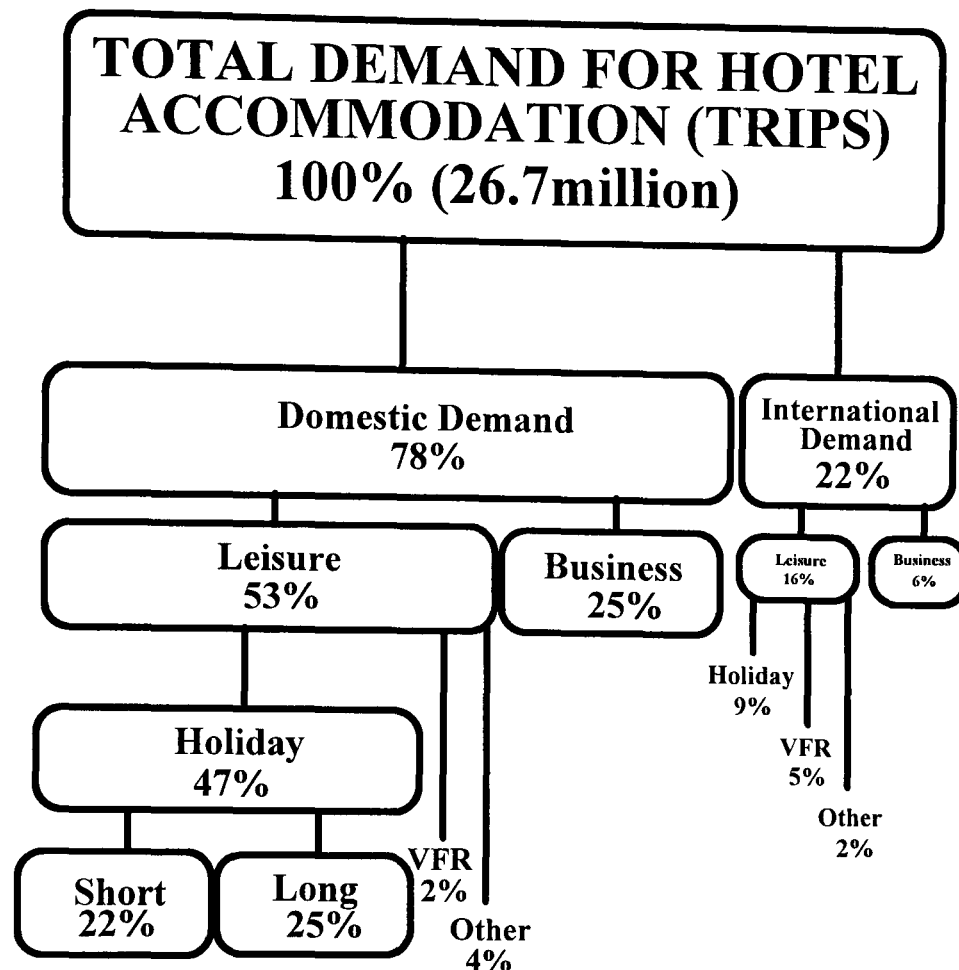
UK Hotels Plc	UK Business	UK Leisure	O/S Business	O/S Leisure
Room nights sold (M)	12.3	4.0	4.55	6.75

Source : Slattery & Johnson (1992)

Therefore for this particular form of supply, UK business segments and overseas leisure are of most importance in terms of volume and spend. This introduces the need to adopt a multi-site approach to the research to account for segment differences between hotel groups, and within hotel groups by location.

To consolidate, demand for hotels can be from domestic or international sources, representing business or leisure trips. In simple terms the demand for hotel accommodation is highly segmented, with each segment commanding different requirements, market shares, and characteristics. The segmented nature of the residential hotel markets can be seen in figure 3.4a which consolidates information obtained from UKTS 1991 and IPS 1991. While the differing methodologies of the data sources used make them not comparable, they do provide an indication of the nature of hotel demand for the specific research period, not available from other sources.

Figure 3.4a : Hotel Demand Sales Mix 1991



Source : UKTS 1991 and IPS 1991

This figure provides an overview of demand for all hotels in the UK. While UK Hotels Plc (Slattery 1990) and other hotels have a shared reliance on business markets in the UK, more emphasis is placed by UK Hotels Plc on higher spend international leisure markets. The implications of such developments are that UK leisure markets will become more fragmented as the majority of smaller, non Plcs fight for market share.

3.4.5 Segmentation - The Hospitality Concept

The complexities of analysis are furthered by considering the nature of demand from the perspective of the hospitality concept, that is the nature of hotel departments. From this perspective, demand can be for food, accommodation, or drink, or a mixture of the three. This adds a new dimension in that the demand can be residential or non-residential, and introduces a number of additional market segments, such as the restaurant, bars, banqueting, and leisure centres, all of which can and will be influenced by the environment. While non-residential markets are not examined in depth, they should be recognised as they are one of the most underdeveloped sectors by hotels (Slattery 1991), and least researched. As such, this sector provides opportunities for further research and requires recognition of the potential

supplementary spend that may be generated, and the increasing complexities of the research task.

In simple terms, turnover generated by the sale of food, alcohol, and other services is skewed towards business, with business travellers spending over twice as much per day as tourists (Healey 1991). This emphasises the importance of the business segment to the hotel industry and perhaps the resulting over reliance of hotels on business markets. Such characteristics amplify the adverse effects of the markets suffering considerably during the economic recession.

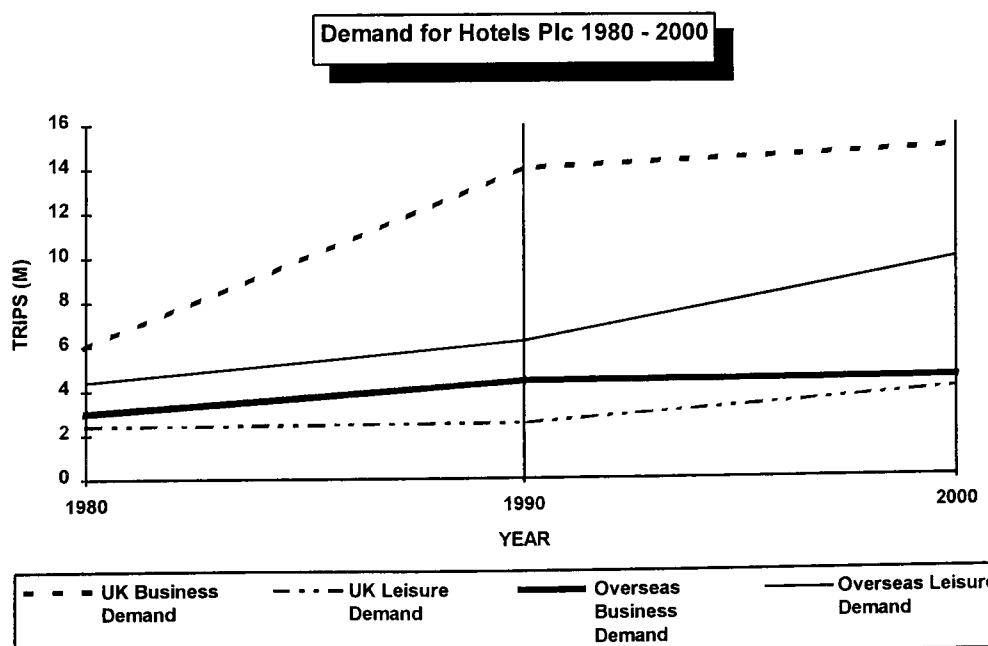
3.4.6 Trends in Segment Mix

Having established the demand structure for the research period, trends in key segments of hotel demand - the business and leisure markets - both domestic and overseas, are determined.

With the statistical problems identified in the research foundations section it becomes difficult to track the development of hotel markets. The most appropriate for this research has been selected as that presented by Slattery and Johnson (1990). Despite only representing UK Hotels Plc, it provides a proactive approach to identifying future trends in hotel markets and representing a significantly important sector of hotel supply.

Figure 3.4b shows the changes and forecast growth of each of the broad market segments identified for the period 1980-2000.

Figure 3.4b



Source : Slattery and Johnson (1990)

While UK business markets remain the most valuable segment of demand, they also provide the lowest growth potential in real terms meaning an increase in competition for market share, and the need to seek new market niches. This trend is mirrored by the overseas business demand yet contrasted by the leisure markets. Hence, the future for hotel group markets would appear to indicate greatest growth potential in the leisure sector of the industry. Such trends imply a need for considerably more focus on the nature of leisure markets and research in the areas of various leisure markets, essentially long and short holidays.

3.4.7 Hotel Industry Demand : Summary

In summary, the leisure and business sectors are nearing saturation point in the UK, characterised by only marginal growth (Vierich & Calver 1991). As such one may argue that the customer is becoming more sophisticated and knowledgeable, thus demanding new leisure experiences obtained in a flexible and trouble free manner, (Vandermerwe & Chadwick 1991, Dicken 1992). The result, of such developments is a new challenge for hotel groups to maintain and gain market share by introducing a degree of varied experience, simplicity and flexibility.

3.5 HOTEL INDUSTRY SUPPLY

The UK hotel industry comprises a heterogeneous mix of hotels, motels, inns, and guest houses. Depending on the precise definition of "hotel", estimates of the number of hotels in the UK vary from 27,574 (BTA), 14,000 (CSO), 34,640 (HCTC 1990) to 18,000 (Harrison & Johnson 1992). For the purposes of this section, Harrison and Johnsons figure of 18,000 is adopted as it represents the most regularly analysed and published source of data.

Slattery (1992) identifies four key elements of UK hotel industry structure, (i) public limited companies (Plcs) : hotel companies listed on the stock exchange, (ii) private owned groups : not listed on the stock exchange, (iii) hotel consortia : independently owned hotels which share capital costs, and (iv) unaffiliated hotels : privately owned individual hotels operating independently.

The breakdown of these key structural forms of supply can be seen in table 3.5a.

Table 3.5a Structure of UK Hotel Industry 1991

TYPE	No. Rooms	Proportion %
Public Limited Companies	121,715	24.8
Privately owned chains	42,093	8.6
Hotel consortia	29,992	6.1
Unaffiliated hotels	296,200e	60.5
TOTAL	490,000e	100.0

Note : e = estimate

Source : Slattery (1992)

From table 3.5a, Plc hotel groups and the unaffiliated hotels sector represent the greatest proportion of UK hotel room stock. This is a view shared by other key analysts in the area, as shown by tables 3.5b and 3.5c below.

Tables 3.5b UK Hotels over 3 Star 1991

Hotel Structure	Rooms	%
Major hotel groups	66,800	50
Major consortia	25,700	19
Independents	42,200	31
TOTAL	134,700	100

Source : MSI 1991

Table 3.5c Hotel Groups in the UK 1991

Hotel Structure	Rooms	%
Public company	122,949	56
Private company	43,259	19
Consortia	55,804	25
TOTAL	222,012	100

HCRC 1991

Based upon this premise, it is useful to focus on what would appear to be the two main areas of hotel supply, the unaffiliated sector, and the hotel group Plc.

3.5.1 Unaffiliated Hotels in the UK

Whereas much of the rest of the world have hotel sectors dominated by major hotel chains, the UK has a much higher concentration of independent properties (Slattery & Johnson 1993, Key Note 1990). While unaffiliated hotels are the largest segment of the UK hotel industry, they are predominantly less than 50 rooms in size and operate in the lower reaches of the market, usually located in coastal and country resorts or small towns and villages (Harrison & Johnson 1992). They are the poorest performing segment of the industry (Slattery 1992) and often have to develop specific niche

markets in order to survive against the larger hotel groups, essentially creating a unique supply sector (Hankinson 1989).

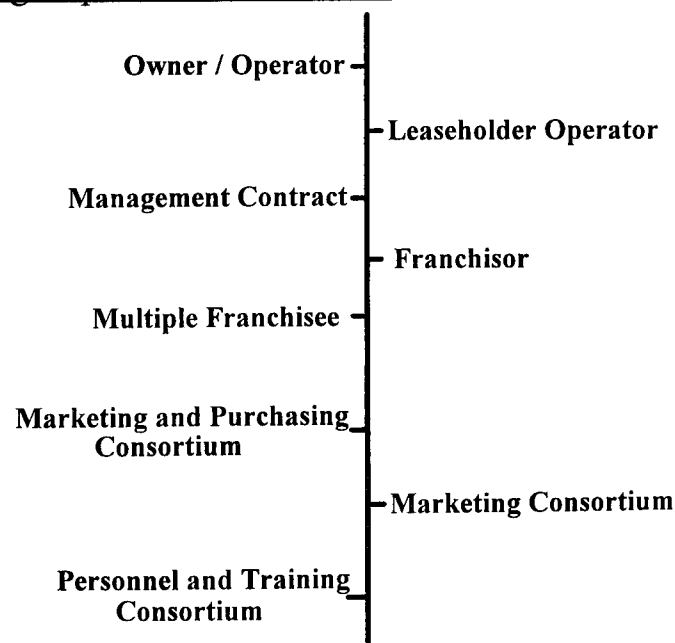
Unaffiliated hotels appear to be caught between the growth of corporate hotels and the unfavourable economic climate. Their very nature i.e. smaller size, lower market level, lack of scale economies, and exposure to seasonality (Slattery 1992) means that they are at the mercy of environmental changes. Being unable to upgrade to keep pace with groups and customer expectations, small units lose valuable market share, being forced into lower returns or receivership (Senior & Morpew 1990, Lowe 1988).

3.5.2 Hotel Groups in the UK

Hotel groups are defined by Harrison and Johnson (1992) as "organisations responsible, on a continuing basis for at least one management function in more than one hotel", this differs from Slattery's (1990) definition of hotels groups in that UK hotels Plc represents quoted hotel companies only. The main focus of this section uses the former definition as being the largest representative sample.

Historically the hotel business was characterised by the entrepreneur and owner-operated hotels (Slattery & Roper 1986). There is now a clear concentration of larger units being owned by hotels groups and Plcs, with hotel groups being seven times more profitable than the unaffiliated sector (Slattery 1992). However, the pattern of ownership or affiliation can differ between groups, making analysis difficult and raising problems of double counting. These affiliations are described by Harrison and Johnson (1992) in the form of a continuum as shown in figure 3.5.2a.

Figure 3.5.2a : Hotel group affiliations 1991/2



Source : Harrison & Johnson (1992)

From figure 3.5.2a hotel groups can have a number of different forms of affiliation, ranging from owner/operator status to consortium. Each affiliation has different implications upon operating environments, growth, and capital and cost structures. Obviously, the lower the commitment to capital costs the less the fixed cost burden, the greater the potential for quick growth and the less borrowing required. An issue particularly poignant for the period of 1990-1993 where interest rates were rather turbulent.

In addition, such groups have developed further forms of business involvement, seeking to gain synergistic advantage through vertical and horizontal diversification (Teare 1990). The result has been an industry supply that is complex and often fragmented in nature, although arguably becoming more concentrated in terms of hotel groups.

By developing differing levels of ownership and seeking new business ventures, the hotel groups have created an industry that services a vast array of segments in a number of locations and styles of operation, with recent attention turning to the budget accommodation sector (Senior & Morpew 1990) and the level of service offered. In terms of UK Hotels Plc this can be seen from table 3.5.2a showing the breakdown of rooms by the range of levels of service.

Table 3.5.2a : Level of service - Hotel groups Plc. 1993/4

LEVEL OF SERVICE	ROOMS
Full Feature	91,572
Limited Feature	26,378
Room Only	6,008
TOTAL	123,958

Source : Slattery, Feehely & Savage (1994)

While the vast majority of room stock supply is in the full service sector, a combination of higher and quicker potential return on investment and general concept acceptance by demand has led to a boom in the room only and limited feature type hotel. Such hotels are often highly branded and at a considerably cheaper tariff than full feature hotels, - represents the environmental effects on the hotel industry and often exclusively offered by hotel groups.

3.5.3 Hotel Group Profile

The average hotel group is composed of properties with 50 to 150 rooms, three star market level, 25 hotels, access to leisure facilities and concentrated in city centre locations. The top ten hotel groups in the UK have obtained the greatest growth over the last decade, representing 60% of hotels owned or operated by the 50 largest hotel groups in the UK and 78,931 rooms (60%). Details of the ten largest hotel groups in the UK are shown in table 3.5.3a emphasising the market level, concentration, and size characteristics.

Table 3.5.3a : 10 Largest hotel groups in the UK 1991

	GROUP	HOTELS	MARKET LEVEL STAR RATING						LODGE	NOT LISTED	ROOMS
			5	4	3	2	1				
1	Forte	338	4	38	163	23		84	26	25,853	
2	M.Ch.Th	109		20	45	1	1		42	13,830	
3	Q.M.Hs	102	1	19	65	1			16	9,714	
4	Hilton UK	35	1	4	10				20	7,137	
5	Holiday Inn	34		16	5				13	6,096	
6	Swallow	34		11	21				2	3,838	
7	Stakis	30		10	8				12	3,255	
8	Rank	22	1	6	9	1			5	3,175	
9	Jarvis	33		3	25				5	3,104	
10	DeVere	26	2	6	14				4	2,929	

Source: Goymour (1992)

N.B.

M.Ch.Th = Mount Charlotte Thistle Hotels

Q.M.Hs = Queens Moat Houses Hotels

The physical structure and organisation of the hotel industry has undergone considerable development. Continual consolidation of a previously fragmented industry is being achieved, particularly in the middle and upper market levels. Between 1986 and 1991 hotel group concentration rose from 19% to 24% (Slattery 1991). This was achieved through a mixture of new build, take-overs, franchising, and the creation of consortia.

3.5.4 Hotel Group Developments

The real effects of consolidation have been felt at the higher market levels of the larger, most prominently appointed hotels, where the corporate hotel is now much more common than the unaffiliated. (Tarrant 1989).

Many hotel groups are rationalising their portfolios and, as a result, real competition is emerging in many key locations. These linked processes of competition and growth have encouraged product branding, market segmentation and the development of new products such as room only accommodation and short breaks, making competing for market share increasingly difficult for the independent operator. (Olsen 1993, Tarrant 1989).

In recent times, a number of authors have focused on oversupply in the hotel industry as accounting for poor occupancy rates, (Senior & Morpew 1990), and low returns on investment (Olsen & Merna 1993(a), Arnold 1994). The cumulative result being an estimated 5% of the industry's room stock in receivership (Gordon 1993). This places a greater focus on the need for analysis of hotel markets and strategies used to gain market share either from the perspective of the hotel groups or the independent operator.

3.6 CHANGES IN THE HOTEL INDUSTRY

To appreciate the dynamic nature of the industry, it is useful to clarify some of the key environment driven developments to date.

Litteljohn (1993a) identified that to the year 2000 hospitality managers would "need to adapt and change in line with market demands for quality and value for money, and increased organisational attention will have to be given to profitability and professionalism." Bearing this in mind and under the restrictions and influences of uncertain environmental change the potential changes to the industry can only be speculative, with a focus on operational and strategic issues. However, a number of developments or changes can be recognised, if not fully analysed.

Over the past several decades, the hotel industry has evolved from one in which the asset owner had responsibility for operating the facility to one where the operator usually has no equity position at all in the asset. This separation of ownership and operating responsibility has flourished during the past 20 years (Rainsford &

Johnstone 1994) and is likely to continue in the form of franchising, management contracts and leasing. Such developments imply a growth in hotel groups and an increased awareness of branding and associated sophisticated marketing strategies both within the framework of an increasingly dynamic industry.

The industry is undergoing a process of rationalisation and concentration, with increasingly powerful hotel groups restructuring their portfolios and repositioning their top end hotels more forcibly in the premium market (Healey 1992). The main threat being to smaller hotel groups. These major chains are moving upmarket, raising consumer expectations and not only offering an enhanced product range but locking-in customers via computerised reservations systems in a way that could gradually exclude smaller groups and independents. Such outcomes squeeze the smaller operators for market share and force them to seek new niches, one of which may be the development of leisure markets, such as short holiday breaks (Vierich & Calver 1991). Linked to this, the smaller unaffiliated hotel sector will continue to shrink forcing strategic alliances (Slattery 1992) and further receiverships.

A final point here, and one that although not the context of this research, warrants further investigation is the relationship of cost and price structures. E.I.U (1992) claim that as the hotel industry is developing it will be increasingly affected by different cost structures around the world, and that in turn will dictate that segmentation in the hotel industry is likely to increase.

These considerations have direct and indirect affects upon the future structure of the hotel industry and the nature of demand. The likelihood is that the hotel industry of the future will be more consolidated, highly branded, and focused on segments. In essence the industry will be characterised by the large hotel groups, and driven by performance levels (McGee 1993). Such developments highlight the need to analyse strategic developments of hotel groups in the segmented market place.

To provide focus in the research, the location of Scotland has been highlighted as a key area of short break development. As such, it becomes useful to highlight the structure of the hotel market in Scotland as a key research parameter.

3.7 THE SCOTLAND PERSPECTIVE

This section establishes differences between hotel demand and supply in Scotland, relative to the UK. In 1991, hotels registered with the STB in Scotland accounted for 26% of available serviced accommodation units, and 71% of available serviced accommodation rooms. Such contribution is of obvious value to the Scottish economy and warrants recognition of both demand and supply characteristics.

3.7.1 Demand

The usage of hotels in Scotland is considerably greater than the UK as a whole. However, in general, hotels in Scotland have experienced a down turn in their markets, hardest hit in terms of occupancy being those reliant on business travel markets. In addition it appears that some of the foreign markets are particularly price sensitive and when the pound was highly valued on the foreign exchange market, were not as likely to stay in high standards of accommodation as previously. (Litteljohn 1993b).

Adopting a market segmentation approach, differences in hotel segment demand value are evident. Table 3.7.1a shows the different values of market segments as identified by Howarth consulting (1992).

Table 3.7.1a Breakdown of market segment spend % 1991

MARKET SEGMENT	SCOTLAND	UK
Business Travel	%	%
> Independent	35.6	41.6
> Conference	11.8	17.9
> Government	1.4	1.3
TOTAL BUSINESS	48.8	60.8
HOLIDAY TOURIST	42.8	19.0
Other Categories	8.4	20.2
TOTAL %	100	100

Source : Horwarth Consulting 1992

From table 3.7.1a it is evident that hotels in Scotland tend to be more evenly balanced between spend of holiday and business markets, although the volume of business markets is still of great significance. This trend would imply that areas of Scotland

may be exposed more to the varying seasonality of month and day of the week as established in Chapter 1 and as such require strategies to minimise seasonal troughs. This is offset by the strong domestic presence in hotels in Scotland, accounting for nearly 70% of guests (Millar 1992) and reducing the effects of the environmental pressures imposed upon inbound international travellers and their sensitivity to environmental issues. This perhaps explains the reduced effect of the recession on Scotland's hotel markets.

3.7.2 Supply

Research by Litteljohn (1994) concludes that the "extent to which the hotel industry in Scotland is a national and international one, rather than one which reflects a strong degree of local ownership is clearly apparent."

If one considers that accommodation registered with the Scottish Tourist Board (STB) in 1991 was as indicated in table 2.7.2a below, and that the 10 largest hotel groups (Table 3.7.2b) represented 107 of these hotels (4%) or 11189 rooms, (22% of Scotland's hotel rooms stock), the importance of hotel groups to Scotland's economy is immediately evident.

Table 3.7.2a Registered hotels in Scotland 1991

	HOTELS UNITS	HOTEL ROOMS
SCOTLAND REGISTERED 1991	2,938	50,189
% OF SERVICE ACCOMMODATION	26	71

Source : STB 1991

Table 3.7.2b Ten largest hotel groups operating in Scotland 1991/2

RANK	GROUP	ROOMS	HOTELS	AVG.ROOM RATE (£)	TURNOVER (£M)
1	M.Ch.Th	2,186	24	77.94	47.01*
2	Stakis	1,603	15	75.90	39.00*
3	Forte	1,452	15	62.01	29.30*
4	N.B.T	1,336	11	39.00	9.20
5	Norscot	1,234	14	29.06	7.30
6	Q.M.Hs	1,159	8	97.59	28.10
7	Swallow	646	5	82.15	11.00*
8	S.H.H	606	8	74.00	15.40*
9	Jarvis	515	5	65.00	11.30*
10	Scotts	452	2	85.00	12.00*

Source : Litteljohn (1992)

Note : * Company verified figure

M.Ch.Th = Mount Charlotte Thistle Hotels

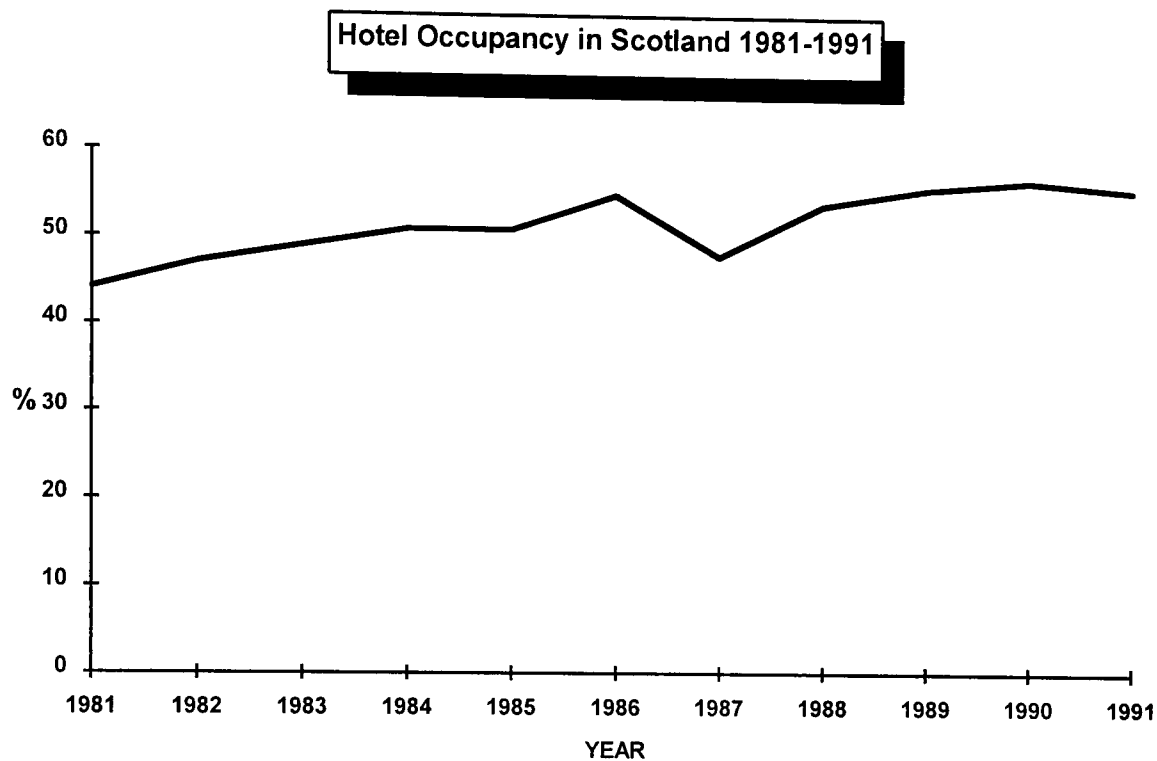
N.B.T = North British Trust Hotels

Q.M.Hs = Queens Moat Houses Hotels

S.H.H = Scottish Highland Hotels

When one considers that in most cases hotel groups exhibit a profile of upper market level provision, with the average single midweek high season room in 1991 costing £76.21 or above, then role of hotel groups in Scotland is of obvious importance and value. This is supported by the fact that the average hotel group hotel in Scotland has 32 rooms (NOP 1993) compared to 13 for non group hotels (Walker 1993). The average UK hotel charges £46.65 for a single room, in Scotland, this figures is £52.64, with the fact that hotel room occupancy in Scotland is 1.6% higher than the UK average, at 67.1% for hotel groups Plc (Slattery 1991). This value is reinforced when compared to the overall average Scotland hotel occupancy as shown in figure 3.7.2a.

Figure 3.7.2a



Source : STB (1991a)

In Scotland, the largest proportion of rooms are twin rooms (STB 1991a). Whilst neither Edinburgh nor Glasgow have the largest number of hotels, it is in these cities that the most bed spaces are found, due to greater hotel group concentration. (STB 1991b). While focusing on the key city locations of Scotland, it is important to note that Edinburgh and Glasgow experienced very little increase in occupancy from 1984 to 1991, no change from 58% in Glasgow and only rising 1% to 56% in Edinburgh, with no significant change in supply in either city up to 1991 - this situation has changed since 1991 with a range of new build and conversions. All other areas of Scotland experienced considerable increases with the Scottish average occupancy increasing from 50% in 1984 to 56% in 1991 (STB 1991c). Combine this with the fact that the hotels with 51 to 100 rooms returned the highest occupancy rates increase between 1984 and 1991 and this emphasises the squeeze on operators of smaller hotels. It should however, be noted that Gleneagles is the 18th largest hotel group in Scotland with only 234 rooms yet obtains the fifth highest estimated revenue with £17M, compared to North British Trust (NBT) hotels who are fourth largest in room stock but only generate £9.2M. (Table 3.7.2b)

The hotel industry in Scotland is therefore different from the UK as a whole, in particular it is a "national and international one, rather than one which reflects a strong degree of local ownership" (Litteljohn & Goulding 1994) and as such lends itself to market analysis through the medium of hotel group activity analysis.

3.8 CHAPTER SUMMARY

This chapter has established the value of adopting hotel groups as a research sample, particularly for Scotland.

From the demand analysis this chapter has highlighted the growing importance of leisure markets to hotel groups in the UK and the need to research such markets to understand their value, nature and general contribution to hotels. Having emphasised the highly segmented nature of the tourism industry through determining a hotels role in tourism and the segmented and complex nature of their markets, the importance of seasonality and the value of hotel markets as an area for investigation were established.

The supply perspective established the hotel industry to be fragmented and dynamic in nature with a prominent and important role to play in tourism supply, particularly to Scotland. In addition, the effects of environmental changes have been determined, establishing the need to understand strategic developments within segmented markets and highlighting the implications of differing ownership patterns in hotel groups.

The focus of this chapter has been upon the nature of the hotel industry and the corporate hotel group. While adopting such an holistic approach provides the driving force behind the formulation of supplier strategies and the shapers of the industry supply, it neglects the implementation issues. Such issues can only fully be appreciated at unit or market level. The next chapter therefore examines the hotel unit, establishing issues common to all hotel units at market level by examining the cost structure of hotels through a pricing policy framework and an introduction to the concepts of yield management. This provides some indication of the implementation issues and highlights the role of short breaks at unit level relative to cost and revenue structures.

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CHAPTER FOUR

THE NATURE OF HOTEL UNITS : THE MARKET LEVEL

4.1 INTRODUCTION

An industry is composed of a profusion of individual operating units, either in collection or as unaffiliated units. Understanding the nature of individual hotel operations, in particular pricing; profitability; costing and yield management, allows an appreciation of issues pertaining to enhancing performance and efficiency of operations.

This chapter addresses such key issues facing hotel units within the context of contemporary hospitality environments. The chapter begins by establishing the need for an understanding of hotel unit structures in parallel with industry analysis before adopting a pricing framework to examine the nature of hotel costs, revenue and profit.

4.2 THE INDUSTRY - MARKET GAP

Previous chapters highlighted the highly segmented and complex nature of the tourism and hotel industry.

However, any industry is in effect a reflection of a multitude of individual businesses operating either independently or as a group. The research approach has highlighted the holistic or industrial aspects of the tourism and hotel industries. In order to fully appreciate the nature of hotel operations, their markets, strategic options, and underlying industry structure, it is necessary to examine hotels at the market level, i.e. individual hotel units.

Hotel groups, while contributing to the composition of the industry also represent a collection of individual hotels. While such hotels have similar corporate characteristics, they are subject to different market level forces, resulting in each hotel having an underlying structure different from that of other hotels in the group. It would prove an almost impossible task to analyse every hotel within the industry. This section seeks to emphasise the need to appreciate the nature of the hotel unit in understanding and examining markets from an industry perspective.

The importance of unit level multi-site characteristics is further developed in Appendix V where having taken an industry perspective to construct a performance enhancement model the model is tested at the unit level.

4.3 HOTEL UNITS - THE PRICE APPROACH

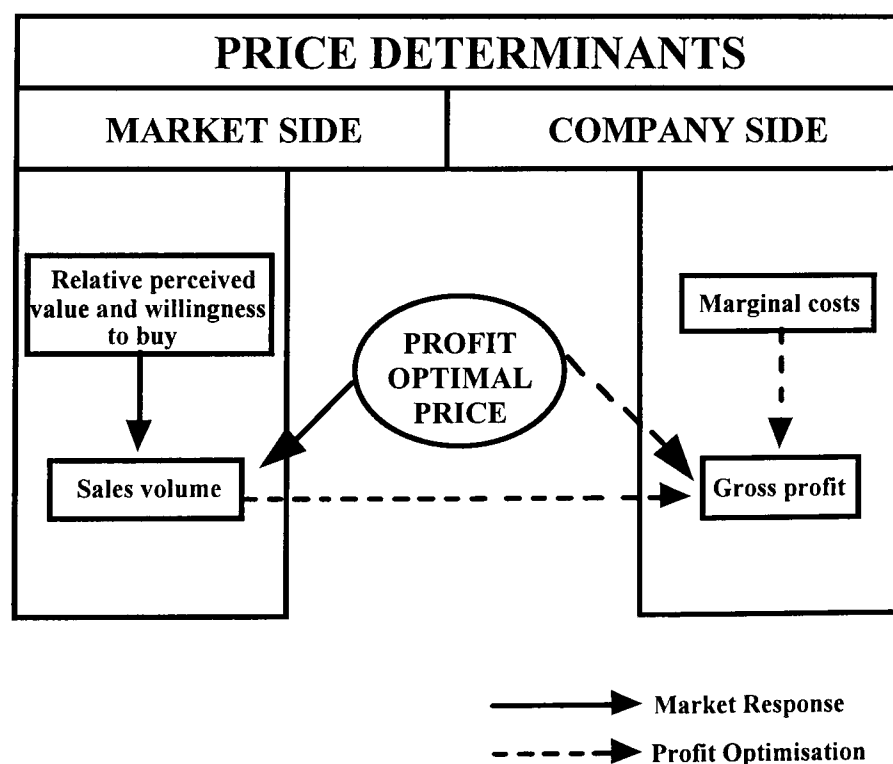
"To be successful, the hotelier must keep the bar full, the house full, the storeroom full, the wine cellar full, the customers full, and not get full himself" (Garvey 1986)

Based upon this rather simple premise. Pricing in the hotel industry has major implications upon how hotel organisations react to change and what resulting performance they achieve (Lewis & Chambers 1989, Crawford-Welch 1991). As in economic theory, price is the main factor used to explain the links between supply and demand for a product (Wolfe 1993) and as such, a price decision framework is applied to determine the nature of hotel units.

4.3.1 Pricing Decision Framework

The price at which hotel goods and services are offered for sale effects the demand for those goods/services (Reliham 1989) and therefore profit. From pricing theory (Simon 1992, Kuncher & Hilleke 1993), the profit maximising price of a product depends on market reactions and marginal costs i.e. both the market and the company's internal cost structure are determinants of a products price. This leads to the framework for this section. The framework, shown in figure 4.3.1a was constructed by Kuncher & Hilleke (1993) and while not dedicated to the hotel industry, does represent the key elements of pricing, forming an excellent means of examining hotel unit structures.

Figure 4.3.1a : Pricing Decision Framework



Source : Kuncher & Hilleke 1993

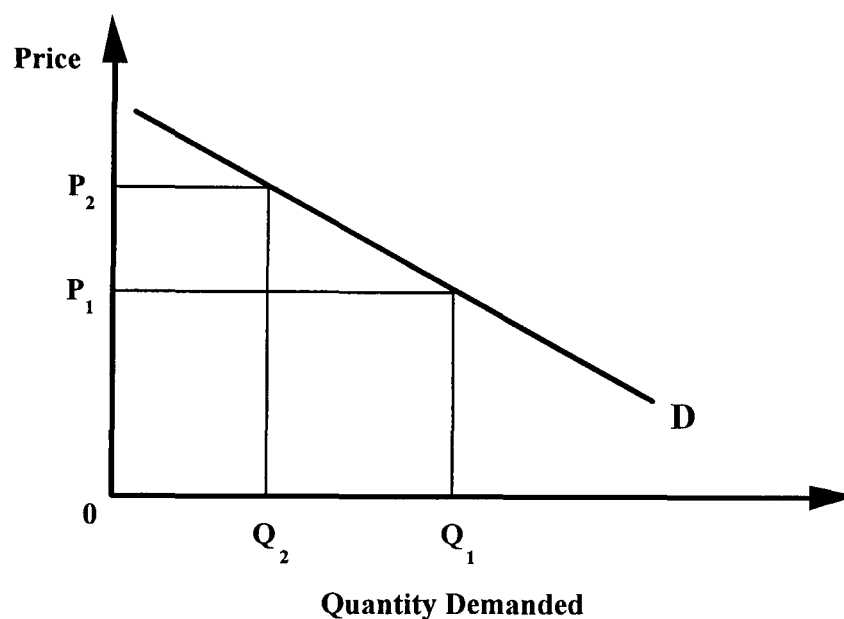
From figure 4.3.1a there are key elements to the model : (i) market side (demand), (ii) company side (supply) and (iii) profit optimum price - the combination of (i) and (ii).

(i) Market Side

The market side revolves around the relative perceived value of a good or service and the consumers willingness and ability to buy. The perceived value leads to the level of consumer price threshold i.e. how much the consumer values the good, subject to the law of diminishing marginal utility.

The sales volume represents the amount consumed at various price levels and when combined with the value (price) represents turnover generated. This relationship reflects principles of the demand curve indicated below in figure 4.3.1b

Figure 4.3.1b : The Demand Curve

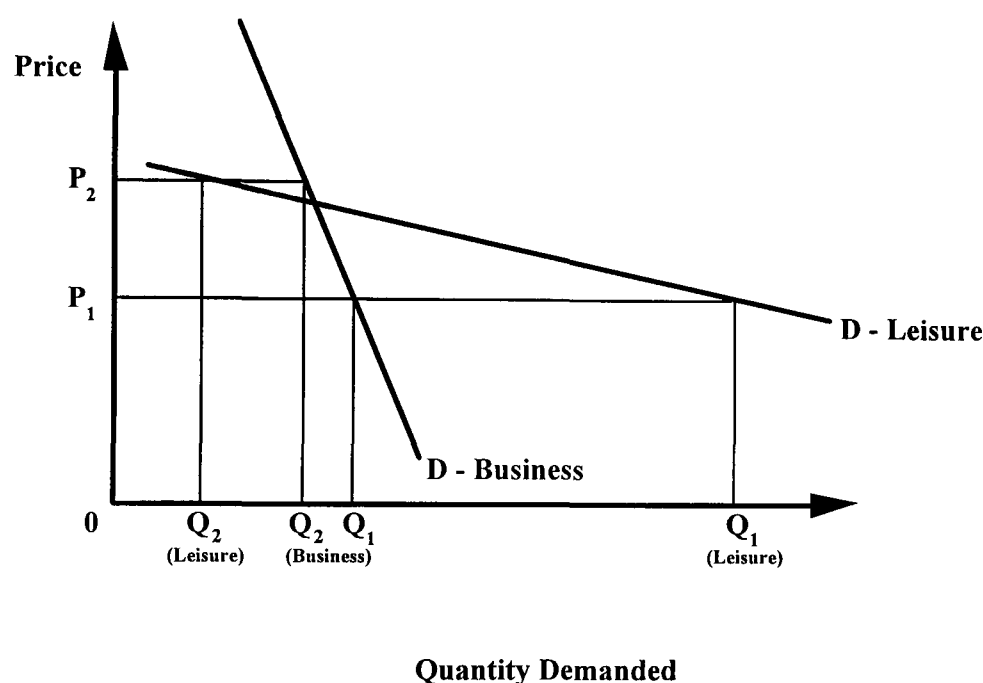


From figure 4.3.1b total turnover generated can be increased in two ways, lower price and raise volume, or raise price and accept lower volumes. These issues are the basics of yield management and are examined in section 4.4. What should be noted here is that the price volume relationship can vary considerably between and even within markets. Such characteristics make the pricing decision difficult, yet critical (Reliham, 1989). The hotel product is produced and consumed on site. The consumer will recommend the product to others or consume the product at a specific cost i.e. price depending on the quality of their experience.

Most hotel businesses serve a wide variety of clientele groups, it is feasible that every hotel could have a different mix of consumers, even those operating under the same company or brand name. By the same token, it is important to acknowledge that the

same consumer can fall into different target market categories. The corporate business traveller during the week becomes a leisure traveller when on holiday or at weekends. Different occasions find the same consumer having different expectations and needs (Buttle 1986). This is shown in figure 4.3.1c, where the business market is depicted as price inelastic i.e. a percentage rise in price is greater than the percentage fall in quantity demanded. In the leisure market where demand is more elastic in nature the percentage change in price is less than the percentage change in quantity demanded, meaning if price is raised or lowered, demand levels alter considerably (Hanks et al 1992).

Figure 4.3.1c : Price Elasticity of Hotel Demand



A hotel has a mixture of business and leisure markets, all with varying degrees of elasticity as shown in figure 4.3.1c. The pricing decision becomes critical to ensure price insensitive consumers i.e. highly inelastic, pay full tariff and do not trade down, and that a price is reached where less of the price sensitive consumers are attracted. This, combined with the nature of environments and the problems of seasonal markets makes an understanding of the nature of hotel units is essential in determining strategic direction.

(ii) Company Side

From the company side, the emphasis shifts to being more operational in nature and focuses on the nature of marginal costs. Marginal costs are the incremental cost per unit added to production or sales. The marginal cost is therefore the cost of selling one extra bed night or one extra meal and is essentially the difference in variable cost between each incremental sale. The marginal cost relationship leads to gross profit in

that the greater the difference between marginal cost and revenue, once fixed costs are covered, the greater the gross profit. The nature of hotel unit costs warrants more detailed analysis and is therefore examined in the next section of this chapter.

Before determining in more detail the nature of costs, the profitability element of the pricing framework is clarified and the most commonly adopted pricing methods identified.

(iii) Profit Optimal Price

After basic survival, profit is the primary goal of any commercial organisation.

The level of profit obtained can be expressed as :

$$\text{Profit} = \text{Total Revenue} - \text{Total Costs}$$

Total revenue is composed of the price of a good/service multiplied by the quantity of the good/service sold. Total cost is represented by all costs associated with the good/service.

To increase profit, revenue could be increased, either by increasing price, quantity sold, or both. However, the impact of price changes on profitability depends on, among other things, price elasticity (Orkin 1990), income elasticity, and the possibility of substituting the good or service. It will also depend on supply variables such as the relative competitive position of the company (Ardel & Woods 1991, Norrbin 1993)

Alternatively to raise profits, costs can be reduced either in terms of (i) fixed costs such as alternative forms of ownership, or in terms of (ii) semi-fixed i.e. reducing full time staffing levels, or the (iii) variable cost i.e. cheaper food or smaller portions. The danger when reducing costs is a reduction in quality, as the market side established the price and revenue generated are dependent upon the consumers perceived value and willingness to pay. Based on this premise, the most attractive way to raise profit would be to increase revenue while operating at maximum efficiency.

How to maximise room rates and supplementary spend are therefore one of the biggest day-to-day challenges facing the hotel unit. The over-supply of hotel rooms in many markets (Fine 1993) combined with generally poor economic conditions forces many managers to price their products as low as possible in attempts to raise volume

and therefore profit. These concepts are discussed further in the yield management section of this chapter.

4.3.2 Methods of Pricing Hotel Rooms

It is clearly evident that the pricing technique used will have major implications on how well the hotel can adapt to changing environmental and economic conditions. Crawford-Welch (1991) classifies pricing into one of four categories (a) Cost pricing, based on methods such as cost plus mark-up, contribution or break even, (b) Competitive pricing based on meeting local competition, (c) Market demand pricing and (d) Customer pricing techniques, based upon customer expectations and cognitive issues.

The most commonly used methods of pricing, reflects the product driven approach to pricing by hotels. Room rates are determined by a combination of location, view, square footage and appointment (Orkin 1990) revolving around cost pricing techniques. The three most evident methods appear to be (i) "rule of thumb", the rack rate is calculated by charging £1 per night per £1000 construction costs, (ii) the Hubbart formula, average room rate is calculated by totalling the undistributed expenses with the required return and the rooms operating expenses, less the net income from other departments, then dividing the whole lot by the number of room nights, and (iii) the marginal costing method, where the average room rate is calculated by adding the required return to total costs and dividing by the expected number of room nights.

While in simple, less dynamic and less segmented markets such pricing methods prove effective, a more demand driven strategy is required for modern hotel operations (Orkin 1990). This leads to the notion of examining the nature of hotel costs in more detail before focusing on yield management and alternative demand driven approaches to enhancing hotel performance.

4.3.3 The Nature of Hotel Costs

The nature of hotel costs is of key importance to the means of pricing and therefore to operational performance. In order to determine the nature of costs in the hotel unit it is necessary to establish the types and elements of costs that exist i.e. the cost dynamics. Having achieved this, comparisons of cost structures in the UK and Scotland can be drawn.

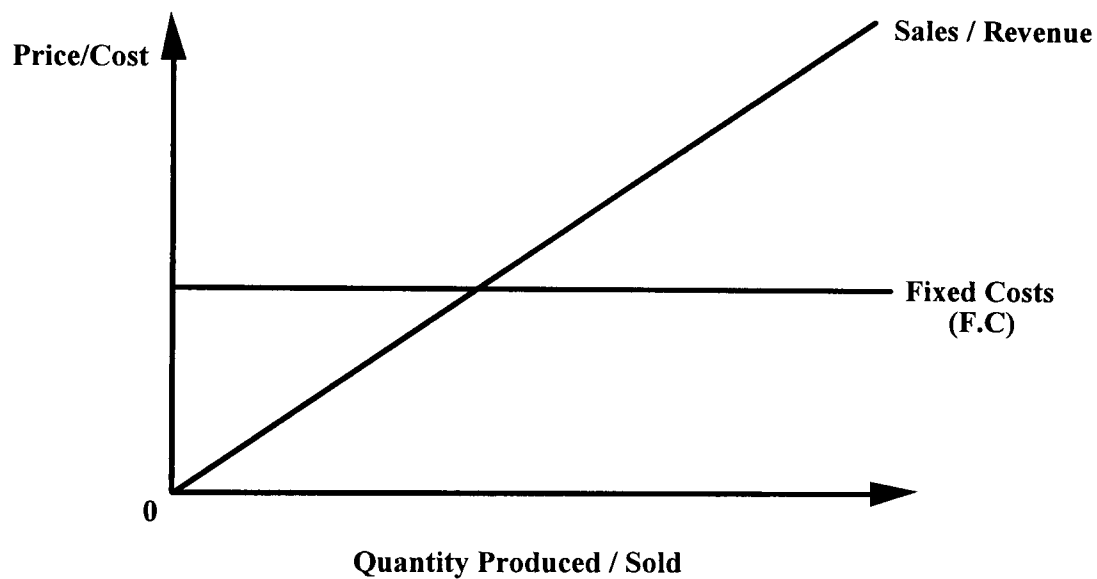
(i) Cost Dynamics

It is common practice to divide hotel costs into categories of (i) fixed, (ii) semi-fixed and (iii) variable costs, although some authors dispute the terminology of such categories (Davies 1990).

Each cost category displays distinct characteristics over the short and longer term :

(i) Fixed costs can be seen as those costs that over the short term remain constant and are characterised by elements of the operation not affected by changes in the volume of guests or sales. This can be seen in figure 4.3.3a below.

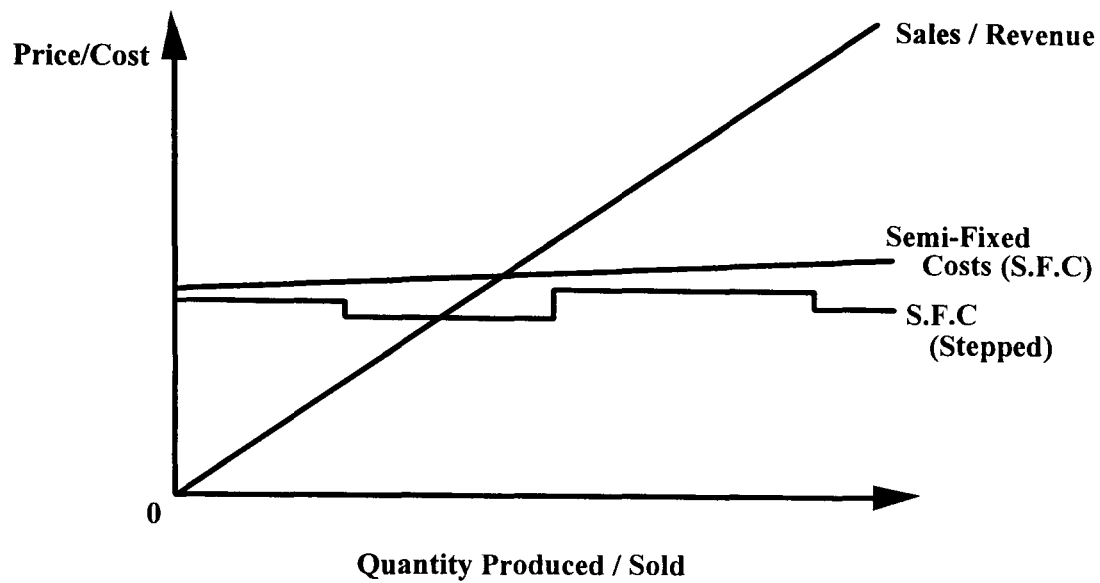
Figure 4.3.3a : Cost Dynamics - Fixed Costs



Fixed costs include such items as rent, rates, and loan interest repayments, and are a large cost to hotel operations (Orkin 1990). On average 13.4% of UK hotel revenues in 1992 (Miller 1992) were absorbed by fixed costs. Referring to the methods of hotel affiliation established in chapter 3 (Harrison and Johnson 1992) it would appear that the closer to full owner/operator status, the higher the likely fixed costs. This may explain the increased activity by some groups to seek alternative ownership patterns. While not the focus of this research it is an area warranting further investigation.

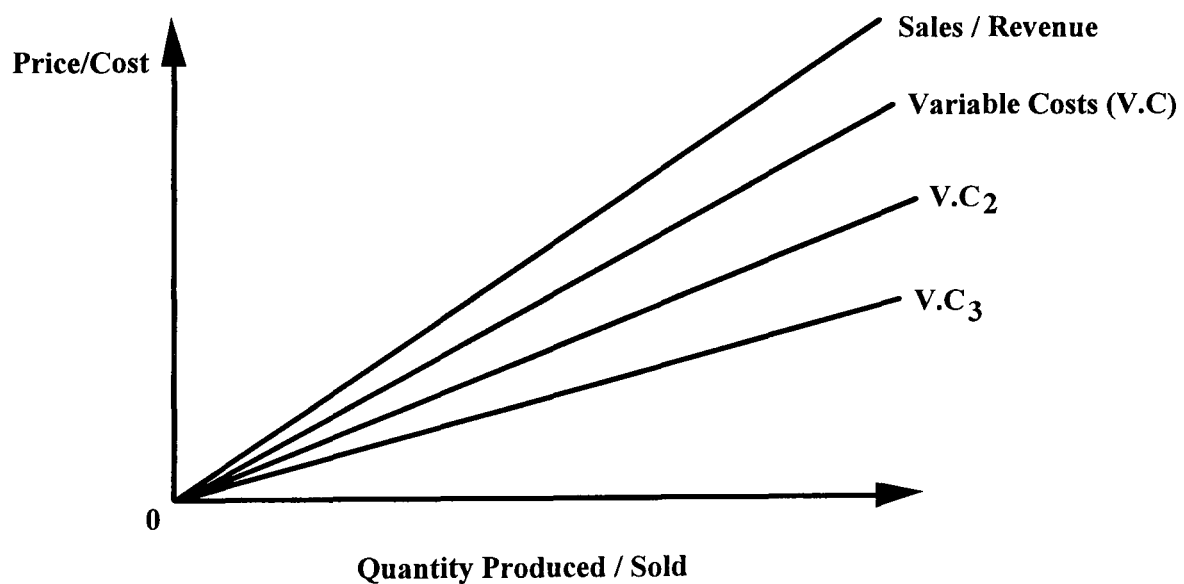
(ii) Semi-fixed costs are costs that remain constant for a period of time and then change either in incremental steps or gradually over time. Figure 4.3.3b shows a gradual and stepped change in semi-fixed costs. Examples may be permanent staffing levels, or the purchase of new machinery.

Figure 4.3.3b : Cost Dynamics - Stepped and Gradual Fixed Costs



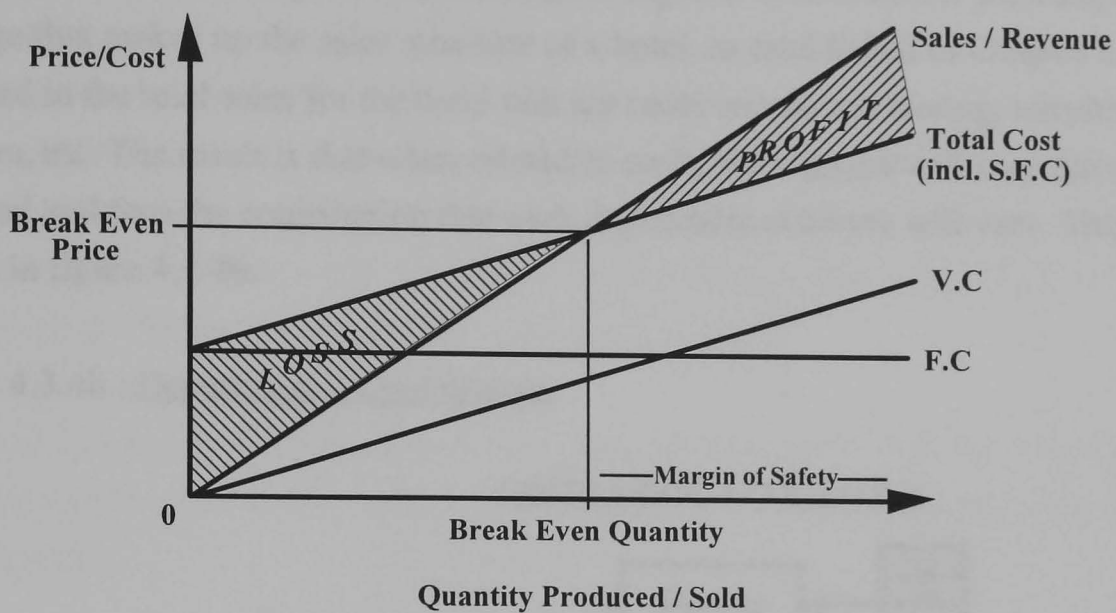
(iii) Variable costs fluctuate with the degree of production or sales and are most evident in the area of raw materials and seasonal staffing. Such costs do not necessarily fluctuate directly in proportion to output (Wijeyesinghe 1993). This provides a number of profit making opportunities in relation the margin and contribution, discussed in section 4.3.4. Figure 4.3.3c shows various levels of variable cost.

Figure 4.3.3c : Cost Dynamics - Variable Costs



Adding fixed, semi-fixed and variable costs provides an indication of the hotels total cost, which when combined with sales allows a break-even chart to be produced, as in figure 4.3.3d.

Figure 4.3.3d : Cost Dynamics - Break Even

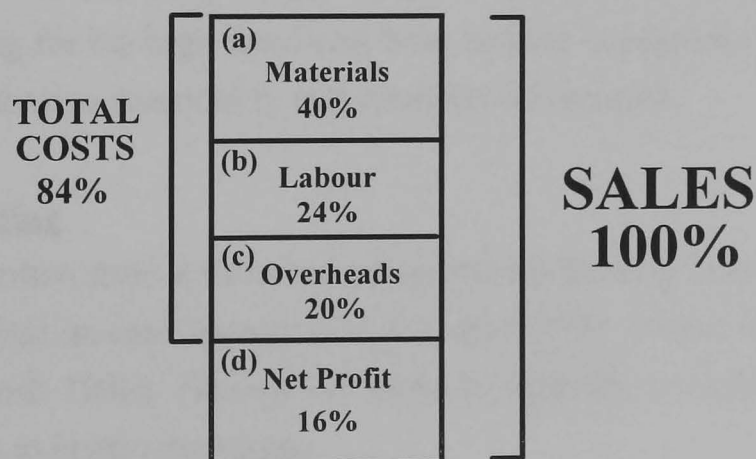


The break even chart illustrates that profit is made above the intersection of sales and total costs and that the margin of safety i.e. reduction in sales revenue or increase in operating costs, is to the right of this point. As such calculations often represent one point in time, despite providing useful information on an holistic level they should not be treated in isolation, i.e. basic profit or loss does not provide sufficient detail of individual units of sale. Hence it is necessary to examine the elements of hotel cost.

4.3.4 Elements of Hotel Costs

Kotas and Davis (1976) provide a simplistic breakdown of the relationship of hotel costs relative to sales and profitability. Figure 4.3.4a shows this break down.

Figure 4.3.4a : Hotel Cost Relationships

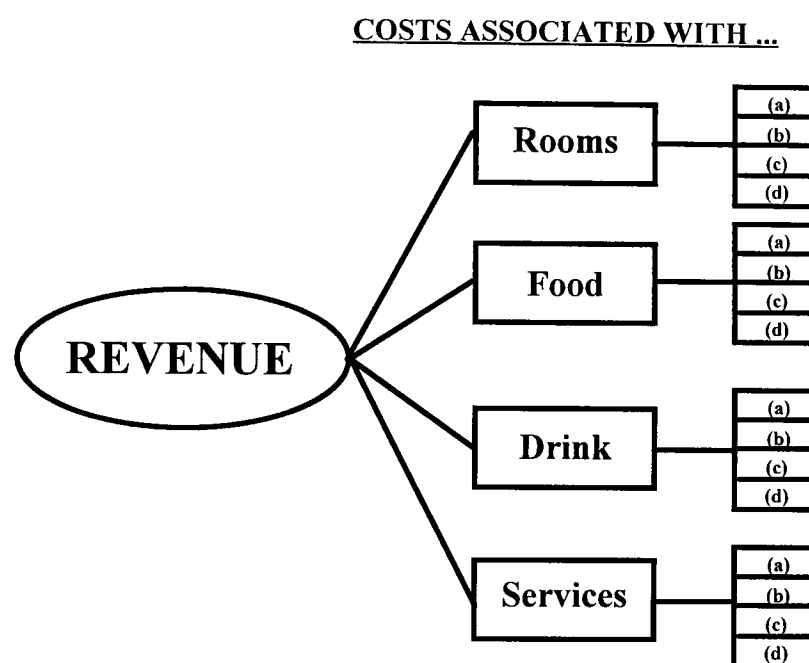


Source : Kotas & Davis (1976)

From figure 4.3.4a the relationship between costs, sales, and profitability is clearly evident. Sales can be seen to represent all costs plus profit or similarly profit can be

seen as sales less costs. While this relationship is acceptable when adopting an holistic approach to a hotels cost-profit relationship, it neglects to account for the complex package that makes up the sales structure of a hotel, as established in Chapter 2. Included in the total sales for the hotel unit are room revenues, catering, telephone, services, etc. The result is that when related to costs, the margins will vary throughout the hotel and thus the contribution that each department achieves will vary. This is shown in figure 4.3.4b.

Figure 4.3.4b : Departmental Contribution



Based upon the former, probably the two most important cost elements in understanding the nature of hotels are the concepts of marginal costing and contribution. These in effect expose the nature of hotel costs and revenue structures, through accounting for the high fixed cost base and the importance of covering variable costs relative to seasonality and elasticity of demand.

(i) Marginal Costing

Much has been written from a technical perspective regarding benefits of marginal costing and marginal income (Bonnisseau & Cornet 1990, Vohra 1992, Kelly & Gopalan 1992, Naish 1990). This section seeks to simplify the concept of marginal costing in relation to hotel operations.

Marginal costing can be defined as "the increase or reduction in total cost, at a given volume of output, resulting from an increase or reduction of one unit of output" (Boardman 1978). Marginal revenue is the additional revenue obtained from

producing one extra unit of output. Marginal income is the profit or difference between the marginal revenue and marginal cost.

The theory is, that for a short period, additional sales can be added to the normal sales volume profitably even at prices too low to cover a proportionate share of fixed overhead (Boardman 1978). This is because the hotel overheads have been met by previous sales so as long as the remaining rooms sold cover the variable cost of offering those rooms then additional profit is being made.

Marginal costing and marginal income can thus be very useful tools for the unit manager and form the basis of many hotel strategies, ranging from packaging, to short break markets.

(ii) Contribution

The difference between the selling price per unit of additional sales, and the marginal cost of those sales, is the contribution per unit to fixed expenses, and profit, generally referred to simply as the "contribution". If the selling price is greater than the marginal cost, identified earlier, then there will be a contribution to profit from additional sales, however, if the marginal cost is greater than the selling price the extra business will result in a loss. (Boardman 1978, Hughes 1989)

In a period when losses are being made due to high fixed expenses a positive contribution may reduce the loss without actually resulting in a profit. This can be essential for survival and is well worth striving for during slack periods of demand.

Marginal income techniques and contribution may appear similar. The methods represent two inverted approaches. Marginal income ensures the hotels fixed and variable costs have been covered by the existing volume of output before allowing additional units of output. As additional output represents additional variable cost only, as long as the variable cost is covered, profits are made.

The contribution concept attempts to at least cover variable costs and go some way to contribute to fixed costs and hopefully profit. Obviously, the most desirable method for hotel units is the marginal income approach, this is where yield management can be of benefit.

Before focusing on yield management techniques, to provide a contextual view of the nature of hotel unit costs, comparisons are drawn between cost structures of hotels

operating in the UK and in Scotland. Such comparisons highlight differences in sample base characteristics.

4.3.5 Costs in Hotels : Scotland versus the United Kingdom

The hotel market in Scotland is very different from that of the rest of the UK. From the work of Miller (1992), essentially compiled from Horwarth Consulting, table 4.3.5a can be constructed to illustrate operating cost comparisons between UK hotels and those in Scotland.

Table 4.3.5a : Cost Comparison UK - Scotland 1991/2

COST ELEMENT (% SALES)	UK	SCOTLAND
Fixed costs	13.4%	6.2%
Property maintenance	2.2%	2.5%
Energy costs	3.5%	3.9%
Marketing	1.7%	1.9%
Administration	4.6%	4.0%
Departmental expenses	8.6%	10.1%
Payroll and Related	26.7%	29.4%
Beverage Costs	3.7%	5.0%
Food Costs	8.5%	10.1%
Gross Operating Profit	27.1%	24.3%

Source : Miller 1992

From these figures, it would appear that on average, hotels in Scotland make less percentage profit than those in the UK. While fixed costs play a key role in the average UK hotel, hotels in Scotland have a far greater emphasis on the semi-fixed (labour) and variable costs. This may be a reflection of alternative ownership patterns or differing capital costs in locations such as London, which represents around 80% of UK hotel group room stock. As such, it is more difficult for hotels in Scotland to contribute to profit by marginal or contribution methods, but easier to cover fixed costs. Hotels in Scotland will therefore need to seek revenue generating as opposed to cost-cutting means of enhancing their performance and as such will require to focus on yield management and alternative yield methods.

In summary, some hotels attempt to reduce the high fixed costs through adopting limited service operations or alternative forms of ownership, to increase margins

through lower cost and greater volume e.g. Travelodge or management contracting respectively. The majority of hotels are subject to high fixed costs making contribution and therefore marginal costing important (Orkin 1990).

Hence, in the short run, the hotel will be interested in covering the variable or prime (Davies 1990) costs in order to stay in business. Any contribution made to the fixed or supplementary cost is a bonus, whether producing profit or reducing losses. Hence yield management becomes of particular importance, especially for hotels operating in Scotland where gross operating profits are lower and costs more variable in nature.

4.4 THE ROLE OF YIELD MANAGEMENT : A DECISION TOOL

The management of capacity, or yield management has been identified as one strategy that can be adopted by hoteliers in order to balance demand and supply (Jones & Lockwood 1989). It is a technique which focuses management decision-making on the maximisation of returns from the sale of the central hotel product : accommodation (Brotherton & Mooney 1992). Indeed a survey by NOP (1993) established that filling rooms was the number one priority of 88% of UK hotels.

Focusing management attention on the basic principles of pricing and controlling inventories, yield management has proven a useful tool for maximising revenues (Reliham 1989), particularly in the airline industry, where its roots lie (James 1987, Larsen 1988, Williams 1987, Carter 1988, Kimes 1989).

To a great extent, development and application in the hotel sector is still at an evolutionary stage of development (Donaghy et al 1994, IHA 1992) with debate concerning the applicability of the concept to the hotel industry (Verchere 1993) and in particular the segmented nature of hotel markets (Dunn & Brooks 1990).

Airlines and hotels are similar in that they both operate with fixed capacity and perishable inventories. However, Kimes (1988) and Orkin (1988) have drawn attention to some specific problems existing in hotels and not airlines, namely : the lack of a distinct rate structure; multiple night stays; multiplier effects; and decentralisation of information.

Hanks et al (1992), establishes that hotels provide ideal conditions for implementing yield management, as they display low variable costs; high fixed costs; perishable

inventories; variable patterns of demand; an ability to forecast future patterns of demand; and an ability to segment customers on their varying needs, behaviour, and willingness to pay. Whatever the argument, the underlying principles of yield management are simple - to maximise revenue and optimise profit.

In hotels, the most commonly adopted measure of the effectiveness of practices and policies applied to maximise revenue is the realised revenue divided by the revenue potential. This can be applied to room, restaurant or bar sales.

Perhaps the most prominent measure is that of room sales. In this area many combinations of occupancy and average room rate could generate equal revenue and yield percentages. However, not all these combinations are necessarily equally beneficial for overall profitability. A combination of lower occupancy and higher rates, or vice-versa may be equally desirable due to lower room servicing costs of the former or higher potential food and beverage revenues related to the latter (Jones & Lockwood 1989). Hence, while yield management's primary focus is often regarded as the maximisation of sales revenue (Orkin 1988) it is a "concept of further extension in terms of the development of an optimum business mix to maintain profitable product - market alignment".

The application of yield management within a hotel environment is therefore essentially an attempt to enhance a hotel's ability to operate a flexible, adaptive and predictive market response strategy which seeks to match variable market conditions with the selection of products offered, i.e. segmented markets. Yield management should therefore be viewed simply as the practice of optimising profits from the sale of perishable assets, it is "not a computer system (although computer systems can be used to support it) nor a set of mathematical techniques. It is an approach to increasing revenues and improving service by responding to current demand." (Lieberman 1993)

The next section determines the methods by which hotels attempt to "increase revenues and improve service by responding to demand" and in the process maximise profitability.

4.5 ALTERNATIVE YIELD METHODS

Yield management is the revenue generation side of the profitability equation. A number of yield strategies have emerged over the last decade, the most prominent being discounting, segmentation, packaging, differentiation through value added, repositioning and offering short breaks. These strategies are often adopted in some form of mix.

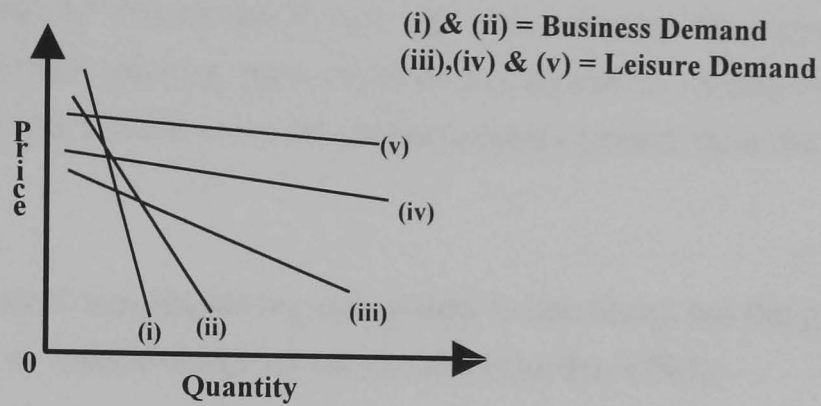
4.5.1 Discounting

Discounting is the term given to hotel rooms that are offered for sale at rates below the published room rate. Although the practice of discounting is widespread, it may not be the most profitable way to fill rooms (Egan & Haynes 1992). One may expect that the hotel industry would apply structured and logical rules for discounting, this is generally not the case (Hanks et al 1992, Rice 1993). Hotels in different locations have different levels of discounts, with discounts varying widely throughout the year (Carroll 1986). Usually, the degree of discounting varies according to property size and hotel location. The larger the property the higher the room rates and discounting percentage. Rates in most cities, which have the most expensive hotels also show above average discounting (MacGill 1992). Walker (1993) established that discounting may be a feasible option for large hotel groups to gain market share, as "in tough economic times the high price player can cut rate to hold occupancy, a move the low price operator cannot counter by suddenly adding more upscale facilities." In addition, MacGill (1992) identifies that by using discounting strategies to get people into the hotel, profit levels have been maintained essentially due to additional supplementary spend i.e. contribution.

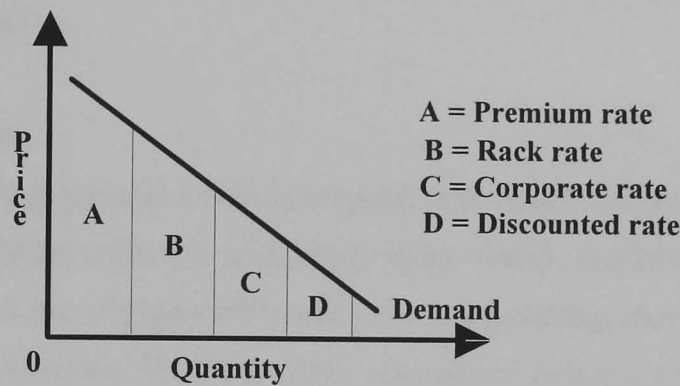
Discounting seems to be a feasible option for larger hotel groups, but it is certainly not a viable one. Discounting is damaging to the bottom line. The relationship between pricing strategies and bottom line results has been shown to be quite intricate, with discounting not producing favourable profit results (Hanks et al 1992). It could, however, be argued that the very nature of demand and the demand curve, force hotels to discount to satisfy as many guests as possible and maximise revenues from existing demand, shown in figure 4.5.1a.

Figure 4.5.1a : Maximising Revenues from Existing Demand

DIFFERENT MARKETS HAVE DIFFERENT PRICE ELASTICITIES



DIFFERENT ELASTICITIES OF DEMAND AFFECT PRICING



Source : Hanks et al (1992)

If discounting does take place, considerable occupancy increases are required to compensate for revenue lost through reduced rates. In addition, markets segments must be kept apart or differing rates justified. Table 4.5.1a provides an indication of this relationship as perceived by Wolfe (1993).

Table 4.5.1a : Sales Volume - Price Cut Relationships

% Price Cut	Gross Profit Margin %			
	5%	10%	20%	30%
1	25	11	5	3
2	67	25	11	7
3	150	43	18	11
5		100	33	20
10			100	50

Source : Wolfe (1993)

From the example provided by Wolfe (1993) it can be seen that if a hotel cuts room rack rate by 3% then the number of rooms sold must be increased by 150% and a reduction in gross profit of 5% must be expected (see shaded area of table 4.5.1 a). While there are many environmental factors that will influence the degree of profit, the basic premise is that reducing price requires an increase in volume of sales. Often, such an increase in sales will need to be proportionately greater than the reduction in price.

It can therefore be seen that improving occupancy is one thing, but the problem facing most hotels is how to rebuild achieved room rates (Gordon 1993).

Essentially, what is needed, as identified by Orkin (1990) is "a way to offer full rates and discounted rates concurrently." To a great extent this can be achieved by segmenting the market.

4.5.2 Segmentation

The economics of supply and demand require that hotels are segmented to maximise revenue and attempt to cover the properties large fixed cost base (Hanks et al 1992). Different customers are charged different prices, capturing more revenue, and satisfying more customers. The key to the concept is to have a meaningful segmentation strategy in place that differentiates customers who are willing and able to pay higher prices from those who are willing to change their behaviour in exchange for lower price points (Reliham 1989, Hanks et al 1992). As such, market segmentation allows improved product pricing through the development of separate pricing structures (Berry et al 1991) and through products especially designed for different market segments. Single businesses can serve multiple market segments, however such businesses must ensure hotel operations are flexible enough to meet the expectations of different users throughout the week (Teare, Davies & McGeary 1989, Russo 1991, Quain 1992).

The incompatibility of different market segments was identified by the airlines long before the hotel industry recognised the issue either as a problem or as an opportunity. These incompatibilities become most apparent between the key segments of business and leisure travellers who might occupy the same seat (or hotel room) but have paid very different prices in return for forfeiting certain degrees of flexibility or choice. This segmentation phenomenon has been stimulated by recognition of the increased marketing potential of product branding aimed at specific markets, resulting in a hotel

market that is highly sophisticated (EIU 1991) and with the key companies using a combination of segmentation strategies and techniques to keep segments apart.

4.5.3 Packaging

What appear to be bargain rate packages can be used as a strategy to generate substantial new business from markets unwilling to pay rack rate. The success of such packages appears to hinge on the means by which items are "bundled" together (Guilinan 1987) in an attempt to "*tangiblise the intangible*" (Buttle 1986). Often these items would be of little value to the full rate payer or would add more perceived value to the product as a package as opposed to individually. This may be achieved through ease of purchase or value in cash retail terms (Orkin 1990), examples include "complementary" bottles of wine, chocolates, or flowers for a honeymoon couple, or the use of a leisure centre or typing facilities for a business traveller.

4.5.4 Differentiation Through Value Added

"Goods manufacturers seek competitive advantage through features that may be visually or measurably identified, cosmetically implied or rhetorically claimed by reference to real or suggested hidden attributes that promise distinction from competitive goods" (Levitt 1980). Therefore in the highly competitive hotel market, the level and quality of service delivered is the key differential attribute (Lovelock 1991). This is commonly achieved through differentiation of physical facilities, market level, and more recently possession of BS5750 as an indication of raised quality.

4.5.5 Repositioning

The intention here is simply to recognise that the industry has had to focus on maximising returns from existing products rather than developing new ones. Thus making an under performing hotel respond to market dynamics may involve a total market repositioning (Bohan & Cahill 1992) or possibly even the decision to close during certain times of the year (Cahill 1987).

4.5.6 Offering Short Breaks

Short breaks are to a great extent a function of the nature of hotel operations cost structure, environmental change, and the off-peak/seasonality drive for demand. They are widely recognised as a key growth market for hotels and have distinct market characteristics essentially evolving from the off peak weekend break to a market in their own right. Major city centre hotels had targeted the business market which meant high occupancy percentages between Monday and Thursday. Additional

revenue was therefore sought, and by using an attractive pricing policy the short break market evolved (Davies 1990). Short breaks are economically worthwhile as long as variable costs are met. In reality, many short breaks provide the opportunity to secure considerable additional revenue and to contribute significantly to profits. Senior and Morpew (1990) identified that the survival of traditional operators will require them to extend their horizons and move from short-term tactics : pricing and product augmentation; to long-term strategies. The provision of short breaks provides such a strategy. Hence, as customers become more sophisticated in manipulating the current pricing system of hotels, hotels will eventually be forced to modify their pricing structure (Hanks et al 1992) and can react by combining the key elements of yield management through the provision of short breaks. This raises the need for suppliers to understand the dynamics of the short break market and means of optimising returns from such markets.

4.5.7 Yield Management Summary

Yield management methods combined with information technology (I.T) therefore allow highly complex decisions to be made with regard to capacity management and thus make information more manageable. The application of such methods facilitates maximisation of returns based upon the underlying cost and revenue structures and as such provides varying degrees of performance/survival depending upon the methods selected and how they are implemented.

This research focuses on the yield method of short breaks, which in essence represents a combination of a number of yield strategies and thus warrants further investigation.

4.6 CHAPTER SUMMARY

This chapter has, through the application of a pricing decision framework, and understanding of the nature of micro hotel operations, established key issues facing hotel units and potential response strategies.

Concepts of the pricing decision have been examined from both the market (demand) and costing (supply) dimensions, highlighting the nature of hotel operations and the need to maximise returns (profitability).

The differences between the UK and Scotland hotel markets have been reinforced at unit level, and the highly complex and segmented nature of hotels emphasised. A range of alternative yield management strategies have been determined and their relevance to hotel operations explained.

The chapter has established that often the cost structure particularly the high fixed costs, and the importance of margins, contribution and the nature of hotel demand, affect the type of strategies adopted by hotels. Exploring the range of strategies, a key, and potentially highly profitable strategy has emerged - the provision and development of the short break markets. The short break market is a strategy combining the strengths of many of the yield methods and is relatively accessible to all hotel operations either independent or part of a group. This area of short break provision is relatively unresearched yet appears to be of considerable importance to the UK hotel industry, and Scotland in particular. This area therefore warrants more detailed investigation.

The next chapter will focus on the evolution, volume and value of short breaks and through demand and supply analysis establish the structure of the short break market in the UK.

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CHAPTER FIVE

SHORT BREAKS - A LOGICAL PROGRESSION

5.1 INTRODUCTION

This chapter seeks to provide a grounding for the analysis of strategies and performance enhancement of companies in the short break market, determining the highly segmented nature of the market.

To do this, short breaks are defined, before providing an indication of why short breaks are offered. An evolutionary review of market development to date is undertaken, followed by an examination of the value, volume and growth of the short break market in the UK and Scotland. The value of the market to hotels and particularly hotel groups is then established. The segmented nature of the short break market is highlighted and a model of the short break market structure is presented. Foundations for Chapter 7 are laid, where the specific structure of Commercial Short Holiday Break (CSHB) markets are examined and demand and supply profiles established.

5.2 DEFINING SHORT BREAKS

Despite the fact that the short break phenomenon is not new, and not restricted to the UK (Loverseed 1992, Cockerell 1989, Potier & Cockerell 1992), there is still no standardised definition for short break, short holiday, short holiday break, short break holiday, or bargain break.

A short break is essentially characterised by the duration of stay (Lohmann 1991), and the form of accommodation used (BTA 1989).

5.2.1 Duration of Stay

Since the 1940's short holidays have been termed "trips of up to three nights away from home, primarily for holiday purposes" (Beioley 1991). While this duration of stay is the most commonly accepted for defining short break holidays, (BTA 1989, UKTS 1991, Law 1991(a); 1990, Beioley 1991, Bailey 1989, Davies 1990) a more current stream of thinking is that short breaks are actually characterised by duration of stay of one to four or five nights (Schidhauser 1992, Mew Research 1994).

These new definitions of short break holiday while adding to the incomparability of data sources do not fully establish why definitions have changed and may in effect represent the changing nature of the short break market from an off peak market to a

recognised market in its own right. As most secondary data is in the one to three night format, and considering the supply side nature of the research, it is deemed that the duration of stay adopted for definition purposes should be stays of one to three nights duration.

5.2.2 Form of Accommodation Used

The vast majority of short break holidays utilise friends and relatives (VFR) lodging for accommodation, however, the revenue value of this supply sector is minimal when compared to commercial accommodation. This difference in type of accommodation i.e. commercial or non-commercial forms the essential difference between the short holiday and the short break. Short holidays are commonly referred to as all holidays of duration one to three nights (BTA 1989, Beioley 1991, Bailey 1989) in all types of accommodation, while short breaks are referred to as holidays of one to three nights taken in commercial accommodation. Some definitions specifying the type of accommodation as hotels (MSI 1991, Davies 1990), hotels and guest houses (Euromonitor 1989) or simply paid-for accommodation (Bailey 1989, Beioley 1991, MEW Research 1994).

Definitions of short breaks or short break holidays therefore vary considerably study to study, as such any analysis requires a clarity of definition to establish the exact parameters being examined either by location, time period, form of accommodation or product offering. This section uses sources of information encompassing a range of short break and short holiday definitions to provide background information from limited secondary data sources. The definition of a short break adopted for the purposes of the research is one that specifies accommodation, time period, and activity and as such uses the term COMMERCIAL SHORT HOLIDAY BREAK (CSHB).

Former chapters established the importance of the hotel as a source of accommodation. The concept of packaging goods and services to help raise perceived value was established in Chapter 3. These characteristics, combined with the commonly accepted time period of one to three nights allows the following definition of CSHB to be adopted for the research project :

"Hotel packages of one to three nights which for a single price together with accommodation include one or more of the following : meals; transport; entertainment; or a programme of activities."

This definition has been adopted and used in various pieces of the author's work. (Edgar 1992(a), 1992(b), 1993, 1994, 1995, Edgar & Litteljohn 1994, Edgar et al 1994, Crichton & Edgar 1995)

5.3 THE SHORT BREAK MARKET : AN ATTRACTIVE PROGRESSION

The cost structure of hotels means that, like airlines, marginal pricing can be an important strategy to boost occupancy and increase profitability. Because hotels, being property based businesses have high levels of fixed to variable costs, marginal changes in occupancy may produce significant differences in profitability.

This explains significant levels of discounting at certain times where occupancy may be low. Increased profitability may be gained from contribution to fixed costs which would otherwise be lost, or by encouraging the lower rated customer to increase consumption of supplementary hotel services such as meals, or by a combination.

Low occupancy may be related to the location of particular units, meaning that hotels in resorts would require to fill certain months that were off peak, while city centre hotels may require to fill beds during weekends. This differing seasonality results in a wider spread of available seasons for short breaks, as well as providing a higher standard of accommodation, especially in city centre locations. In addition, it gives rise to the concept of opportunity cost whereby developing in one market the operator must forsake another, these costs must be carefully considered, and the factors of production (land, labour, and capital) correctly balanced for the selected market. This reflects the logical progression of short breaks from a supply perspective i.e. cost driven. From a demand oriented approach short breaks are a logical progression in that they allow a marketing emphasis, identifying major price and activity segment differences, and forming a means of further segmenting and branding hospitality and tourism markets.

From both progression approaches, the basic resource, a hotel, its services, location and tourism attractions conferred upon it are the same, what may change are the design and timing of the breaks, and the marketing methods used. To fully appreciate the nature of the short break market requires an understanding of the evolution of short breaks, an appreciation of the value, volume and growth of the market, and a model of industry structure, laying foundations for a structural analysis of the market relative to hotel groups.

5.4 THE SHORT BREAK MARKET : AN EVOLUTION

Full appreciation of the evolution of short breaks requires examination of developments from both supply and demand perspectives.

5.4.1 Supply Side Perspective

During the 1980's the short break sector of the UK holiday market experienced considerable expansion due to the market entry of a number of major players (Loverseed 1992). 15 companies accounted for approximately 90% of the total packaged short break supply in 1991 (MSI 1991). With the fall in business travel induced by recessionary trends, many hotels looked towards leisure markets for custom. The result has been a short break concept, devolved from off peak marketing efforts of hotel groups and associated intermediaries during the 1960s. During such periods of low demand, when premium rates for accommodation and service could not be achieved (BTA 1988) a philosophy was adopted that any room sold during off peak periods was contributing to fixed costs, and with the importance of marginal pricing to boost occupancy, profitability could be enhanced (Hanks et al 1992).

As the market matured in the mid 1970s, the off peak concept developed into a market in its own right. Companies actively attempted to compensate for low season trade by offering short breaks to effectively extend their operating week and seasons. Additional companies were formed serving specific elements of the short break concept e.g. Superbreaks and Goldenrail providing booking, distribution, and transport.

Such developments continued throughout the 1970's and into the latter 1980's, when it became evident that a combination of economic boom, International crisis, and the tendency to holiday two or three times a year, had resulted in major growth in the UK short break market, which by the end of 1989 accounted for around 90% of the UK holiday demand of UK Hotels Plc (Slattery and Johnson 1991).

Suppliers were putting more effort into differentiating their product, seeking new markets and deliberately altering the off-peak image associated with short breaks (Greer, 1991). As the market further matured so to did the means of marketing and distributing the concept. Thus suppliers have not only extended the variety and season of short breaks but have also increased the spread of market level and location, using a greater variety of distribution channels to raise awareness, and causing the emergence of new primary locations such as London, Manchester, and Edinburgh,

essentially utilising the variety of activities available within major cities. Hence, while the long-haul markets have remained buoyant, the short break city market has weathered the recession (Hospitality 1992).

5.4.2 Demand Side Perspective

As the supply of short breaks is essentially related to monetary costs, and fluctuation in utility rates i.e. seasonality, it follows that demand for short breaks is determined by price, income, and leisure time available. The greater availability of disposable income among certain sectors of the population, the increase in leisure time, and the experience of package holidays abroad and in the UK (Ryan 1989, Tourism Intelligence Quarterly 1991, Travel GBI 1990(b)), combined with the need and desire to holiday more than once a year has led to a demand that is willing and able to try new holiday markets. This combined with the increased availability of short breaks in number, variety, and perceived quality would make it reasonable to assume that the customers' knowledge would increase through experience, fuelling maturation of the short break market as consumers become more aware of alternatives, holiday more frequently and demand new, value for money experiences. Such developments have ensured a demand for short breaks into the 1990's and are in effect helping to shape the breaks of the future.

Such demand and supply developments act as a reference point only, as many different segments develop at different rates and in different ways, some demand led, other supply oriented. Which ever is the case, the size and value of the short break market is undisputed, with the gradual evolution of a short break concept away from the traditional off peak image and representing a market in its own right.

5.5 THE SIZE OF THE SHORT BREAK MARKET

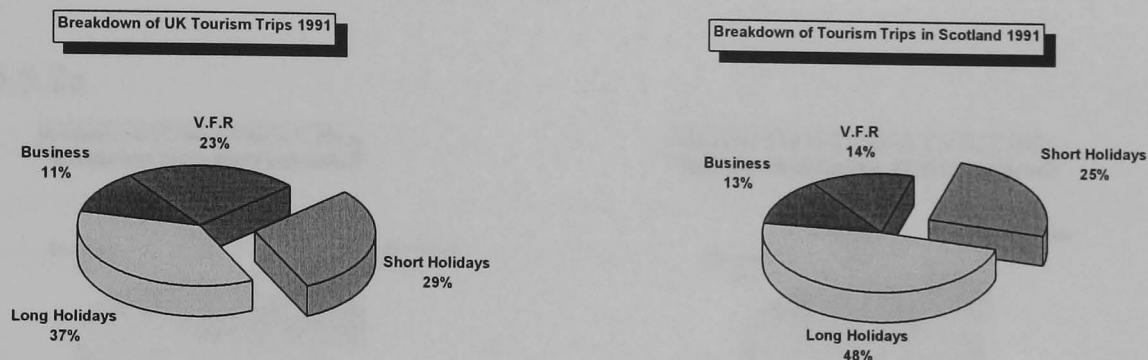
There is considerable debate over the true size of the short break market (Beioley 1991). This section establishes the size of the market in the UK and Scotland in term of trips and night as measured by the UKTS (1991).

Figures are taken for 1991 as this forms the time period of the research and is consistent with the questionnaire time periods and market structure analysis. A more longitudinal study would make for considerable further future research. The UKTS figures formed the base for analysis as these represent a regular and generally accepted source of market related data, as has been discussed in previous chapters.

5.5.1 Size Measured in Trips

In 1991 short holidays in the UK represented 26.1 million (M) trips, 45% of all holidays, and 29% of all tourism trips. 1.9M of these short holiday trips were taken in Scotland, representing 34% of all holiday trips to Scotland, and 25% of all tourism trips. These relationships are shown in figure 5.5.1a

Figure 5.5.1a

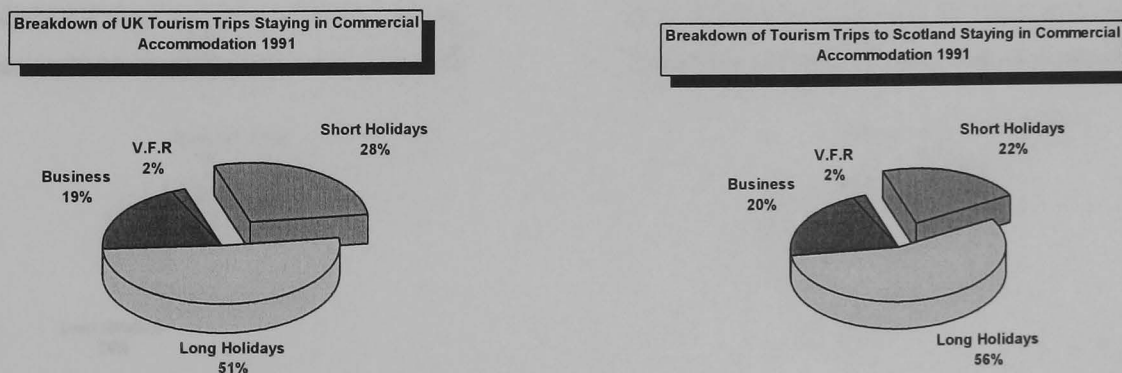


Source : UKTS 1991

While, in the first instance, short holiday trips would appear less relevant to Scotland than the UK as a whole they still represent a significant market share, particularly when one considers the overall importance of the holiday market, and the less seasonal nature of short holidays, within that market.

When short holidays in commercial accommodation (i.e. short breaks) are examined it becomes evident that 0.87M short break trips are taken in Scotland, 22% of all trips in commercial accommodation compared to the UK average of 11.48M short holiday trips, 28% of all trips in commercial accommodation. These relationships are shown in figure 5.5.1b

Figure 5.5.1b



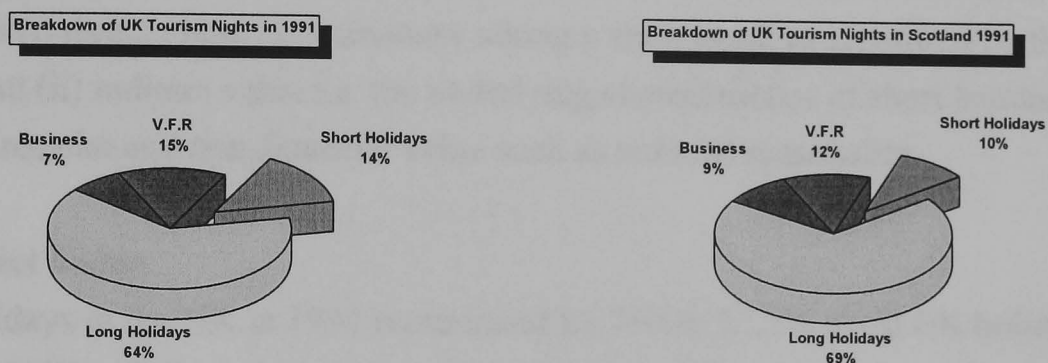
Source : UKTS 1991

It becomes evident from these figures that in terms of trips, short break markets represent a major contribution to commercial accommodation in Scotland and the UK.

5.5.2 Size Measured in Nights

In 1991 short holidays in the UK represented 53.8M nights, 18% of all holidays, and 14% of all tourism nights. 4.3M of these short holiday nights were taken in Scotland representing 13% of all holiday nights to Scotland, and 10% of all tourism nights. These relationships are shown in figure 5.5.2a

Figure 5.5.2a

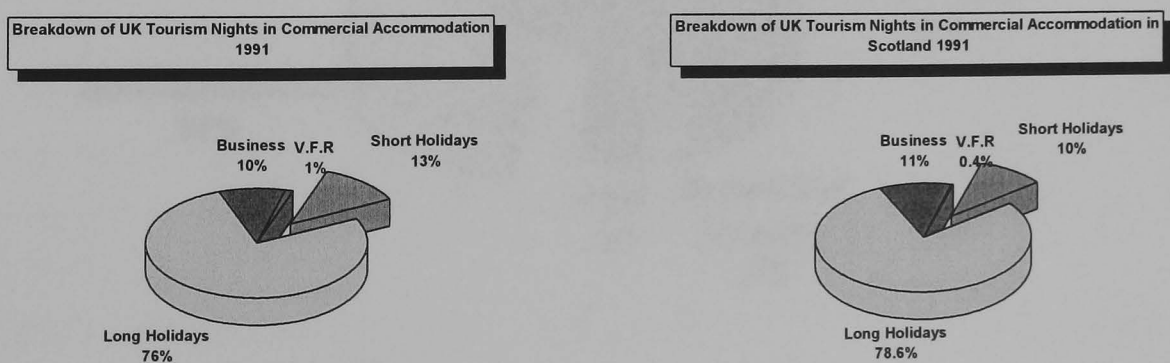


Source : UKTS 1991

Short holidays in terms of nights would appear less relevant than long holidays to Scotland and the UK as a whole. They still represent a significant contribution to tourism, considering the short nightage and more frequent nature of short holidays.

When short holidays in commercial accommodation (i.e. short breaks) are examined it becomes evident that 2M short break nights are taken in Scotland, 10% of all nights in commercial accommodation compared to the UK average of 24.2M short holiday nights, 12% of all trips in commercial accommodation. (Shown in figure 5.5.2b).

Figure 5.5.2b



Source : UKTS 1991

This section has highlighted that in terms of nights, the short break market represents a considerable contribution to commercial accommodation in Scotland and the UK, a view supported by many authors (Goulding 1992, BTA 1989(b), ETB 1993(a), Demetriadi 1992), yet by its very nature i.e. an average stay of 2.1 nights in the UK and Scotland, its value is hidden when measured in terms of nights.

5.6 THE VALUE OF THE SHORT BREAK MARKET

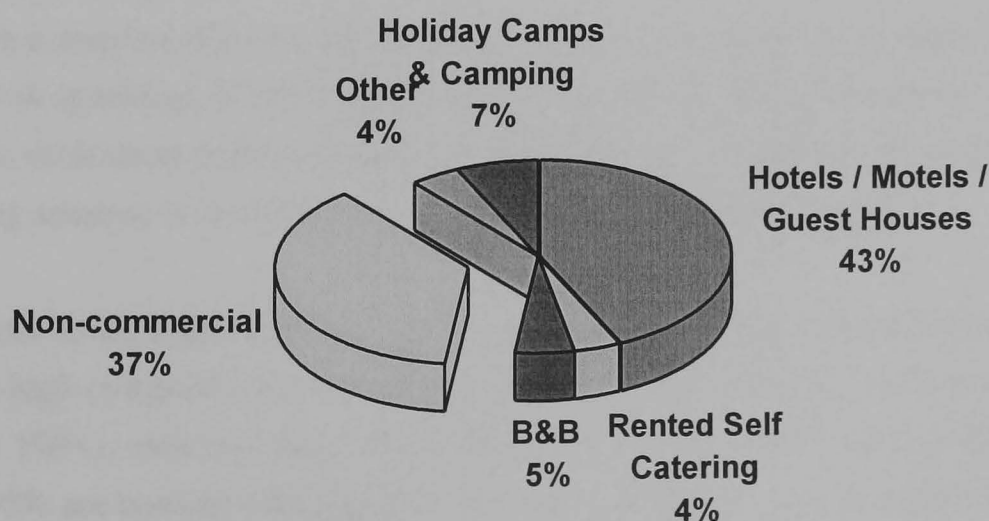
In determining the value of the short break market, it is necessary to measure value on two levels (i) direct value i.e. customers taking a short break as identified by the UKTS, and (ii) indirect value i.e. the underlying characteristics of short breaks that provide financial and non-financial value such as reduced seasonality.

5.6.1 Direct Value

Short holidays in the UK in 1991 represented £1,740M, 22.5% of all UK holiday spend, and 17% of all tourism spend. £1,096M was attributable to the commercial accommodation sector, 63% of all short holiday spend. This is shown in figure 5.6.1a below.

Figure 5.6.1a

Breakdown of UK Short Holiday Spend by Type of Accommodation Used 1991

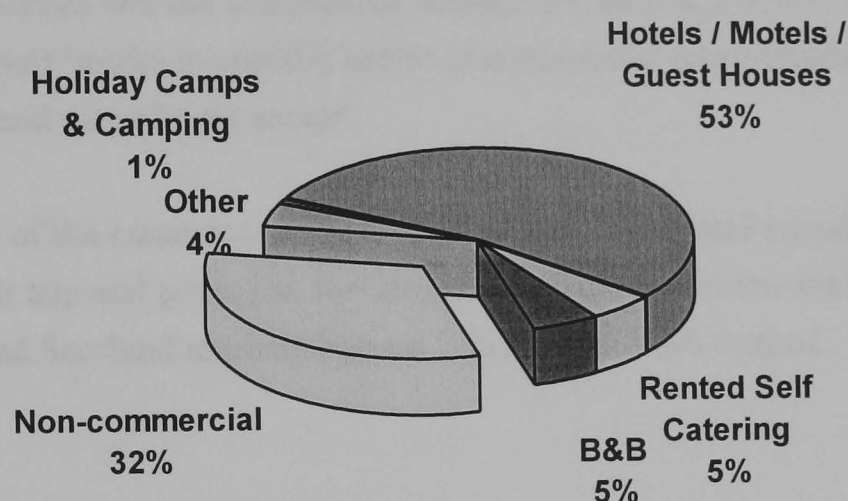


Source : UKTS 1991

In Scotland, the value of short holidays is also evident, representing 15% (£175M) of all tourism spend, or 19.5% of all holiday spend. The commercial sector representing £119 million or 68% of all short holiday spend. Again, the importance of short breaks to the commercial sector, this time in Scotland is shown in figure 5.6.1b below.

Figure 5.6.1b

Breakdown of Short Holiday Spend by Type of Accommodation Used in Scotland 1991



Source : UKTS 1991

5.6.2 Indirect Value

There are a number of areas where indirect value is created. On a macro level, most short break spending, 83% is retained in Britain (BTA 1989, Hoseasons 1992, ETB 1993(b)), with short breaks being less of an "off peak" phenomenon and therefore extending seasons of operators and destinations (Euromonitor 1987).

On a micro level, there is general agreement that the average spend of short break takers is high compared to other sectors (BTA 1989). Booking lead times are short (Beioley 1991), with less than 19% booked 3 months before departure (Hunt 1991) but 15-20% are booked with short break operators through travel agents (Bailey 1989) meaning a valuable source of additional revenue during what may have been slack periods and a source of multiple revenue for other intermediaries involved e.g. travel agents.

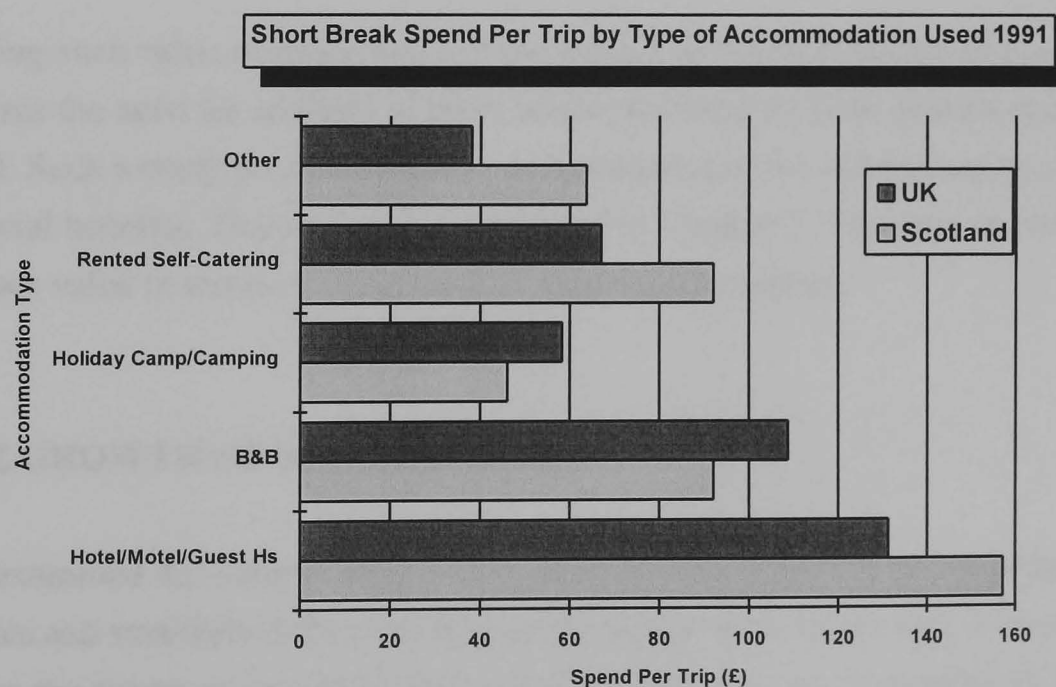
Hence short breaks can be seen as valuable in terms of direct and indirect measures and as such provides an accumulative value that is of great significance to the UK and Scotland tourism industry. It is therefore useful to focus on the main form of commercial accommodation used - the hotel sector - to determine characteristics of spend and value.

5.7 SHORT BREAKS AND HOTEL ACCOMMODATION

While previous sections have examined the role of short breaks in terms of value and volume in tourism and the commercial sector, this section provides an indication of the role of short breaks in specific sector of commercial accommodation, that of the hotel/motel and guest house sector.

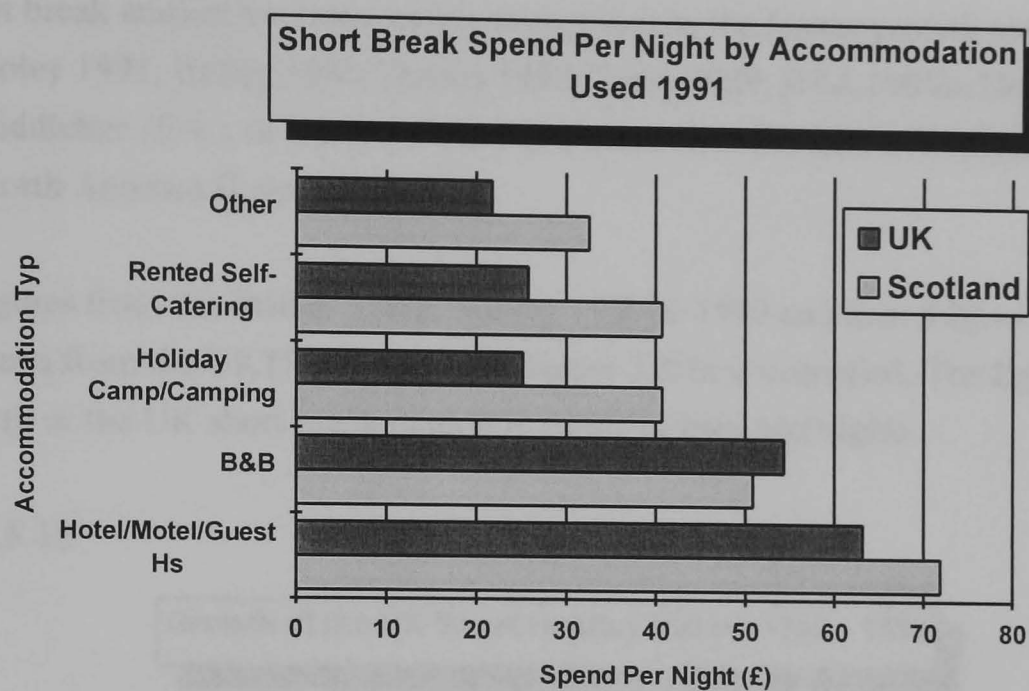
Taking each of the measures of short breaks, trips, nights and spend and calculating the spend per trip and per night, for the different forms of commercial accommodation in the UK and Scotland markets figures 5.7a, and 5.7b are formed.

Figure 5.7a



Source : UKTS 1991

Figure 5.7b



Source : UKTS 1991

Based on these figures, the importance of the short break market to the UK and Scotland tourism industry is obvious. More so, the importance of the short break market to hotels particularly in spend per trip and night in Scotland is highlighted.

Combining such value characteristics of the market with accommodation type emphasises the need for analysis of short break provision by hotel groups operating in Scotland. Such a study provides a better understanding of the market and maximise commercial benefits. This analysis is conducted in Chapter 7. The next section determines value in terms of the growth of short break markets.

5.8 THE GROWTH OF SHORT BREAKS

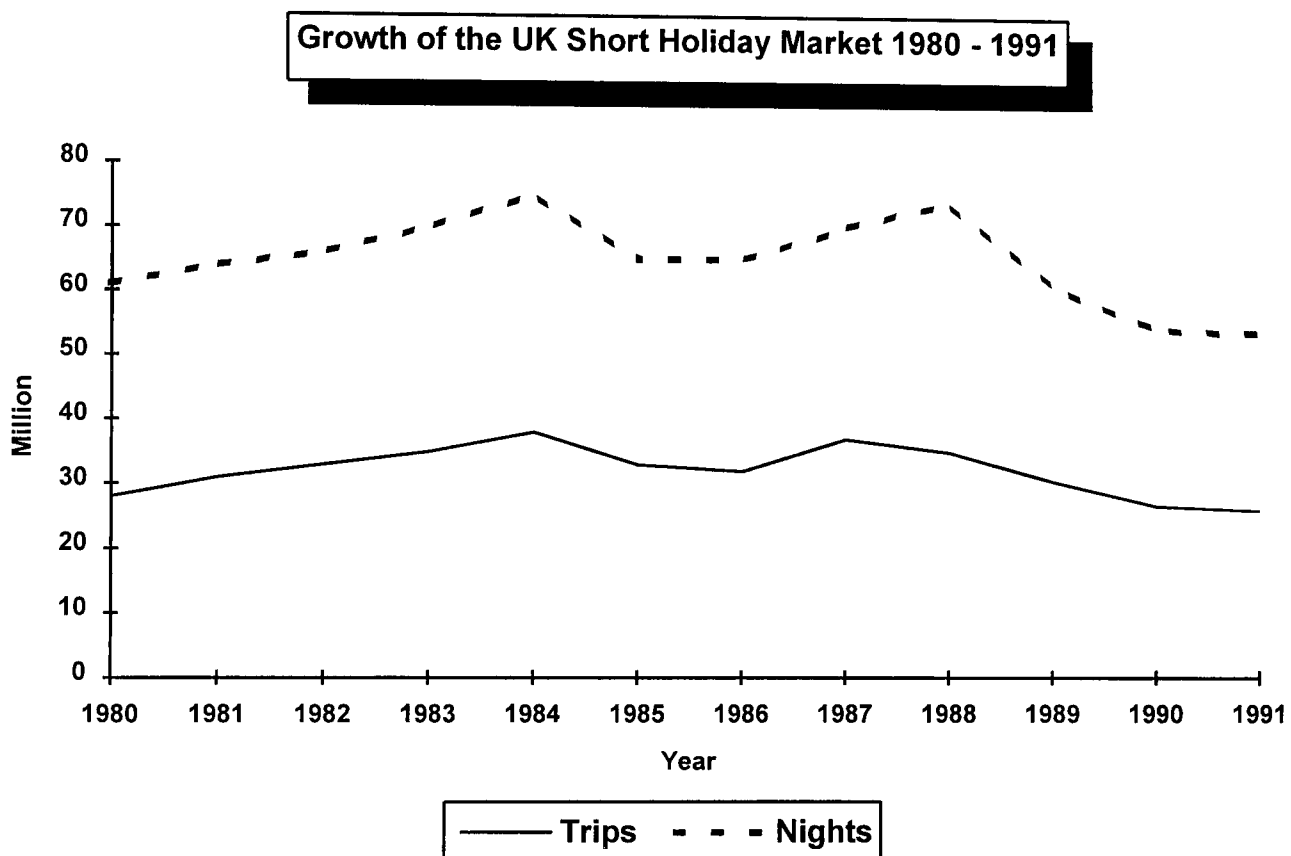
Having examined the volume and value of short breaks in the UK and Scotland economies and established the relevance of the market to hotel groups, it is useful to determine the nature of growth of short breaks to enable an understanding of how companies react within the market. The short break market growth is established, in terms of trips, nights, and spend from 1980 to 1991, after which the nature of the growth is examined in relation to other market segments.

5.8.1 Growth in Short Breaks

The short break market has been widely recognised as the fastest growth market in the UK (Beioley 1991, Bailey 1989, Davies 1990, Teare 1989, BTA 1990b, Demetriadi 1992, Middleton 1991), in Europe (Potier & Cockerell 1992, EIU 1992, Law 1991(b)) and in North America (Loverseed, 1992).

Using figures from the British Travel Survey 1980 to 1989 and then following on with figures from the UKTS 1989 to 1991 figure 5.8.1a is compiled. The figure shows the growth of the UK short break market in terms of trips and nights.

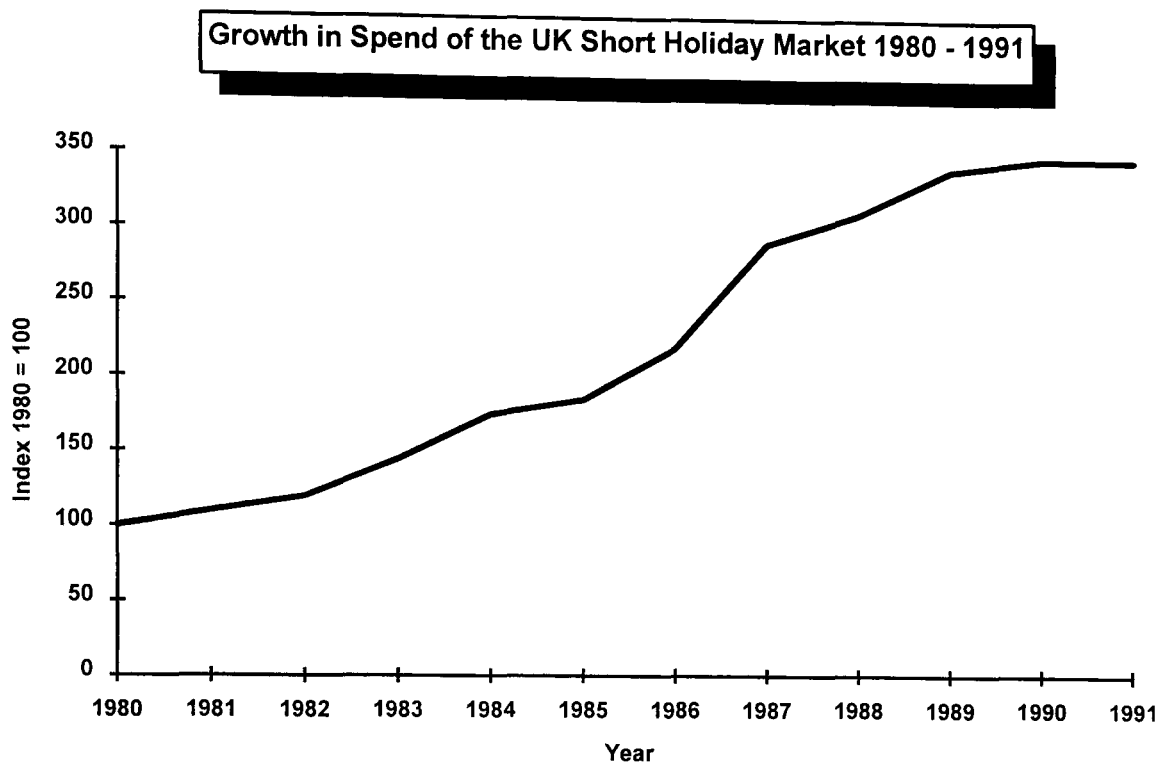
Figure 5.8.1a



Source : UKTS & BTS

It can be seen that the growth of the short break market in the UK (which reflects growth in Scotland) has been consistent, reflecting patterns of boom and recession in the economy, often in an inverse manner. While the market may appear a little unsettled, if one considers the growth in spend as shown in figure 5.8.1b it can be seen that the value of short breaks has grown steadily year on year even when volumes have fluctuated, essentially representing an acceptance of short breaks as a market in its own right.

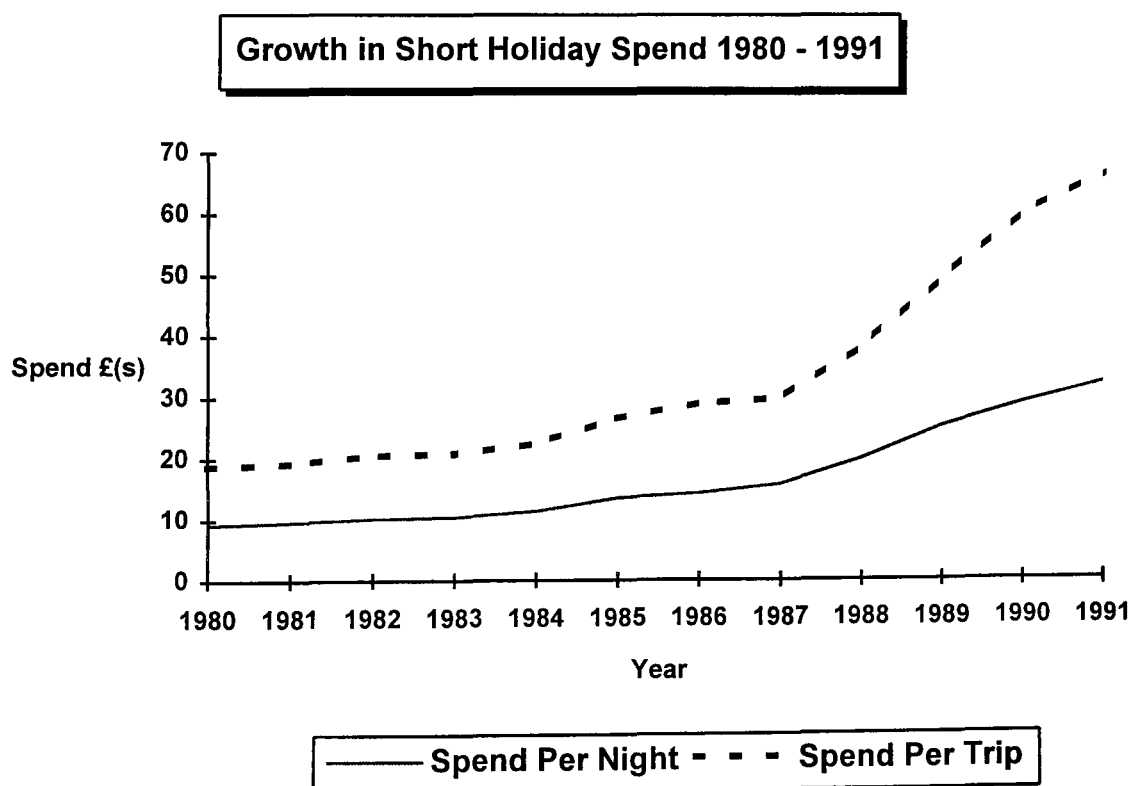
Figure 5.8.1b



Source : UKTS & BTS

The growth in value terms of this market is clearly evident from figure 5.8.1b, however, when the spend per trip and per night are established, the growth in value of the market to the commercial sector is clearly displayed, as shown in figure 5.8.1c

Figure 5.8.1c



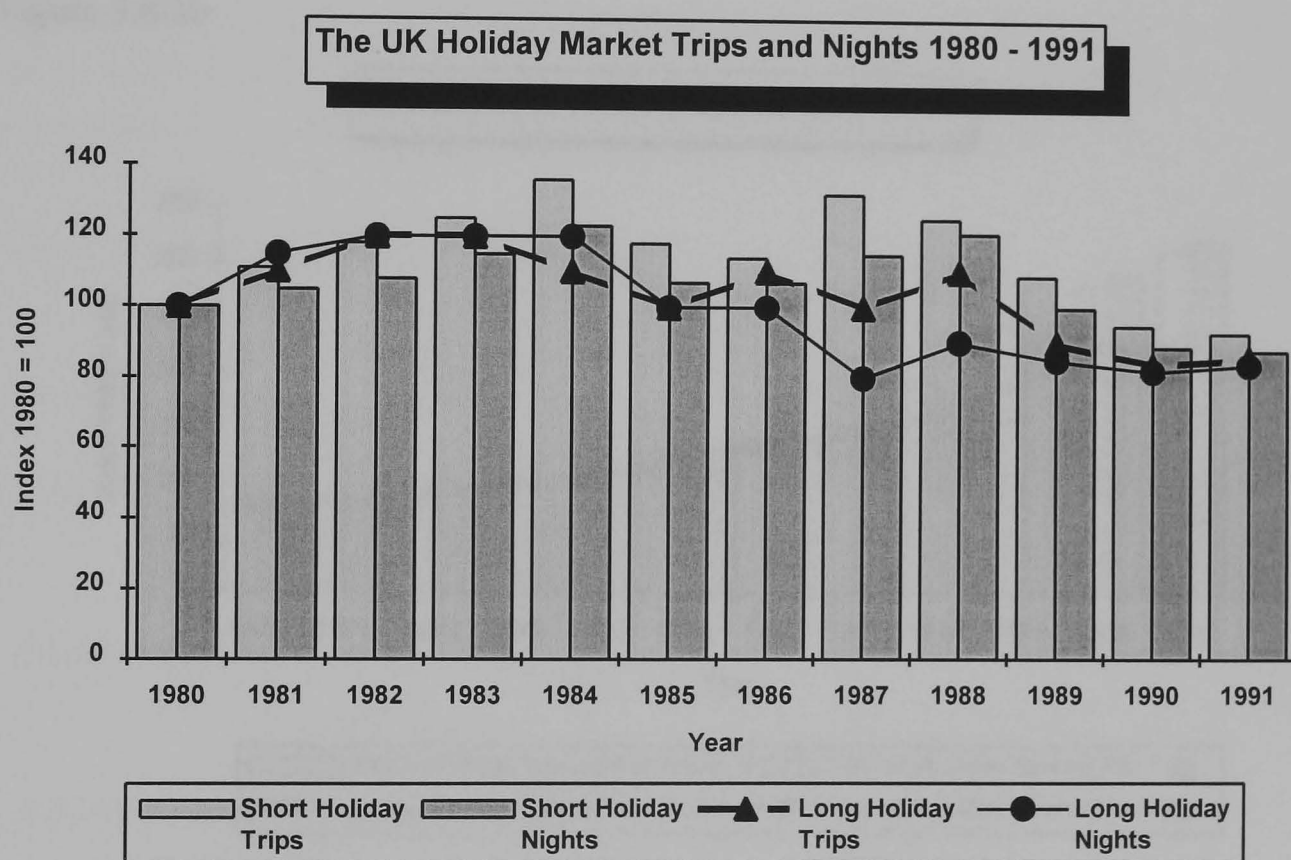
Source : UKTS & BTS

Such growth surely emphasises the importance of the short break market to commercial accommodation providers, particularly if one considers the commercial accommodation providers share of short break spend, and hotels share of commercial accommodation spend.

5.8.2 Nature of Short Break Growth

While the growth in volume and value of short breaks in the UK and Scotland are clearly evident the nature of that growth is to a great extent hidden and unclear. By adding the dimension of long holidays, the other element of holiday tourism, figure 5.8.2a and 5.8.2b are formed. Data is indexed to 1980.

Figure 5.8.2a



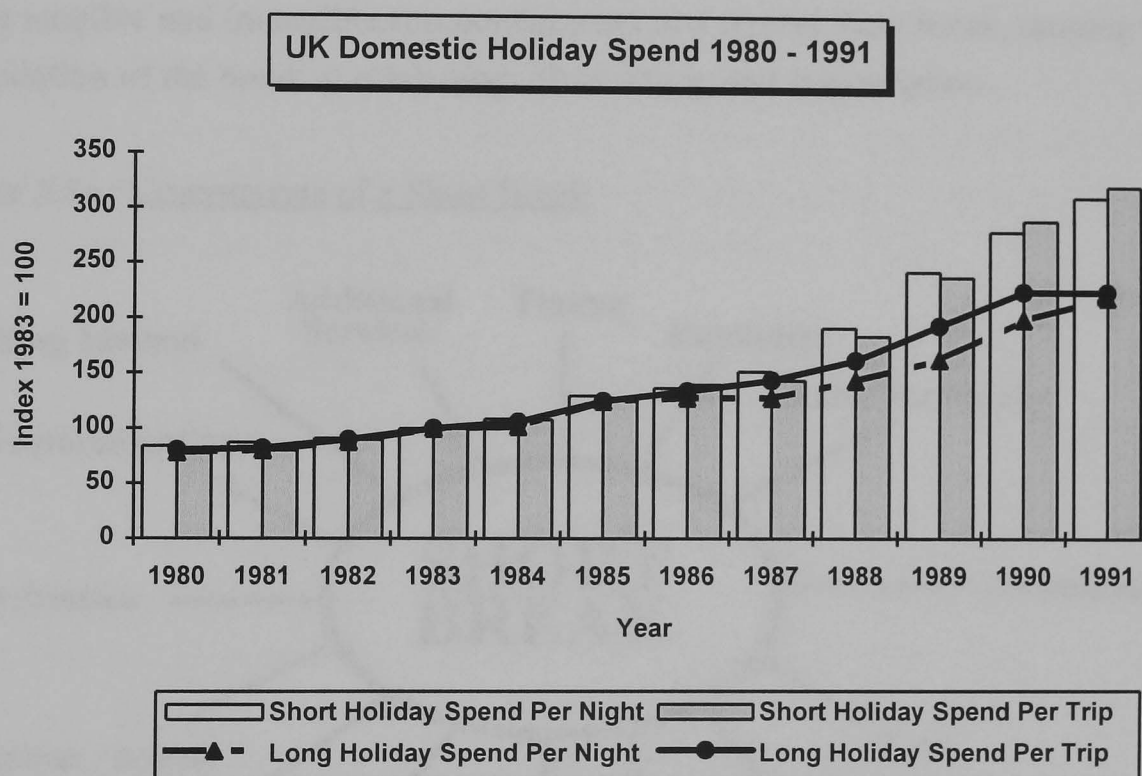
Source : UKTS & BTS

While short holidays indicated a decline in growth during certain periods of economic activity, it can be seen that long holidays also reflect decline in growth. This indicates that the total domestic holiday market had been in a state of decline, probably due to the boom in package holidays abroad (Ryan 1989,1991, Quiroga 1990, Pearce 1987) and the economic climate of the time.

However, when the spend per trip and per night are analysed (figure 5.8.2b) the considerable growth in spend indicated by the short break market has in essence been at the expense of the long holiday market and in fact does not represent organic growth but a shift in market share. This would appear to indicate that the short break market in the UK is growing in a mature holiday market through growth in market share, implying that operators in the market will essential be subject to conditions that reflect a high degree of monopolistic competition (Chamberlin 1962).

As no research has been undertaken into the nature of short break provision this is an area that warrants further investigation to highlight implications upon the nature of competition and strategic activity within the UK short break market.

Figure 5.8.2b



Source : UKTS & BTS

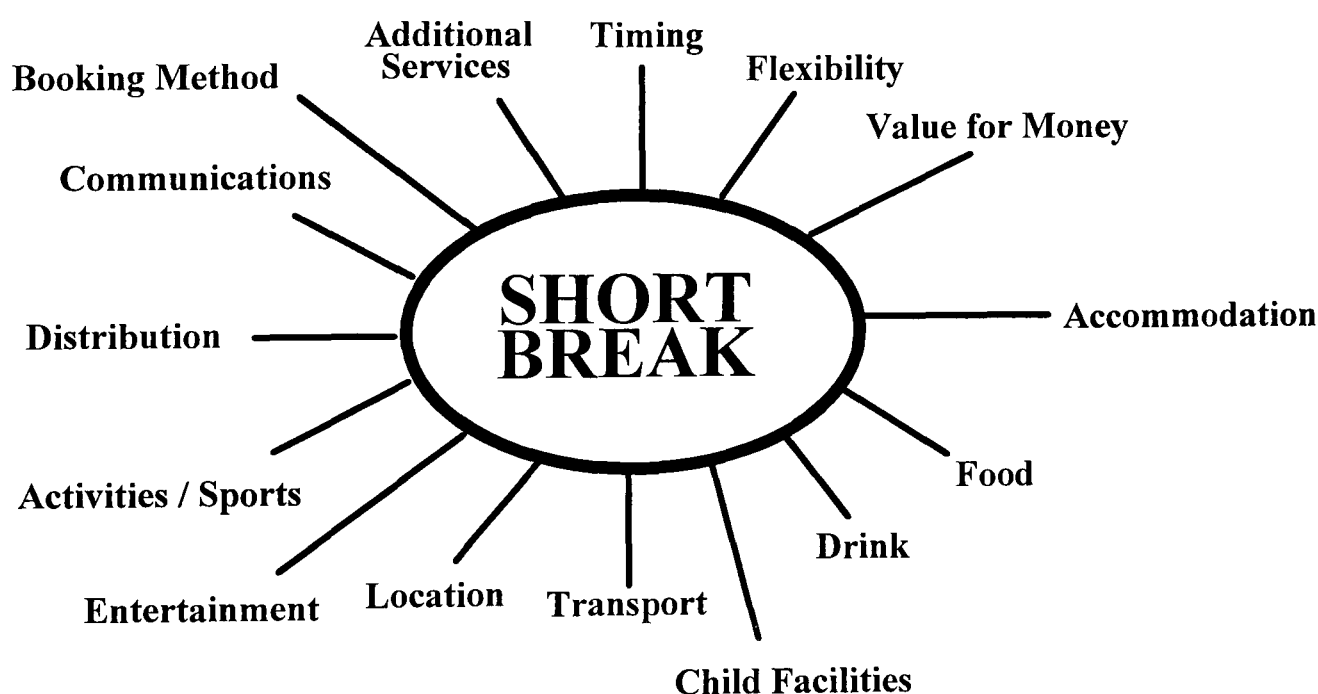
As growth in the short break market has been at the expense of other market segments, to gain such growth and appeal to a range of consumers, the market has developed a wide range of market segments. To understand the dynamics of the market the range of segments must be further investigated.

5.9 SHORT BREAKS : A SEGMENTED MARKET

Before establishing the general structure of the short break market, this section recognises the highly segmented nature of the market within tourism. While areas of growth have been established, it would appear that current areas of growth essentially relate to the timing (EIU 1992), method of distribution (Demetriadi 1992) and themeing of breaks (Travel GBI 1990, 1989). As such the segmented nature of the market will become more complex as suppliers strive to meet and stimulate customer demand.

By considering the components of a short break determined from empirical work, including surveys of what is provided; advertised literature and corporate brochures, the segmented nature of the market becomes apparent. Figure 5.9a suggests a sample of the tangible and intangible component parts of a typical short break, ranging from compilation of the break to marketing, distributing, and consumption.

Figure 5.9a : Components of a Short Break



The customer can demand, or suppliers can offer a range of mixes of the elements of the break, resulting in a huge numbers of breaks all varying in some way from the next. These ranges or segments of the market have been categorised by a number of writers (MEW Research 1994, BTA 1989, Loverseed 1992) yet with little or no consistency. Such divisions can be by time of year, age, sex, tariff level, and more recently by consumer values (Muller 1991). However, more often than not segments

are determined by activity, meaning a number of guests travelling as a party may be members of different target segments, or individual guests may change segments by the day or even the hour.

The most evident market segments in the UK short break market as identified by hotel companies (Edgar 1993) are (i) Dinner, Bed and Breakfast, (ii) Bed and Breakfast Only, (iii) Special Interest, (iv) Romance or Luxury, (v) Rail or Transport Inclusive, (vi) Festive, (vii) Activity / sport and (viii) Other, including various local and seasonal events and breaks that are mixtures of the former segments i.e. a rail inclusive heritage and golf break.

The difficulty of classifying the short break market into clearly defined segments is obvious, even more difficult than for general hotel market segments (Connell, 1992, Slattery 1991). The difficulties are made even more intense as packaging of short breaks becomes increasingly important as a means of raising perceived value for customers (MSI 1991), or where inflexible organisations attempt to offer packages in part (Teare 1989) resulting in many fragmented market segments, each segment having different profiles and requirements (MEW Research 1994).

If, as Litteljohn and Goulding (1994) claim, "companies wishing to retain or expand market share in the domestic holiday market (they) must nurture new packages which appeal to short stay markets over a relatively wide range of market segments" then the segmentation of the short break market will become more widespread and complex, perhaps only being consolidated by the dominance of hotel groups (Trinity Research 1989). Such characteristics lend themselves to a need for understanding the market conditions and the strategic dimensions of the market. Such a need makes this research not only a considerable contribution to academic and industrial knowledge but also of practical usefulness for operators in the market.

5.10 THE SHORT BREAK MARKET STRUCTURE

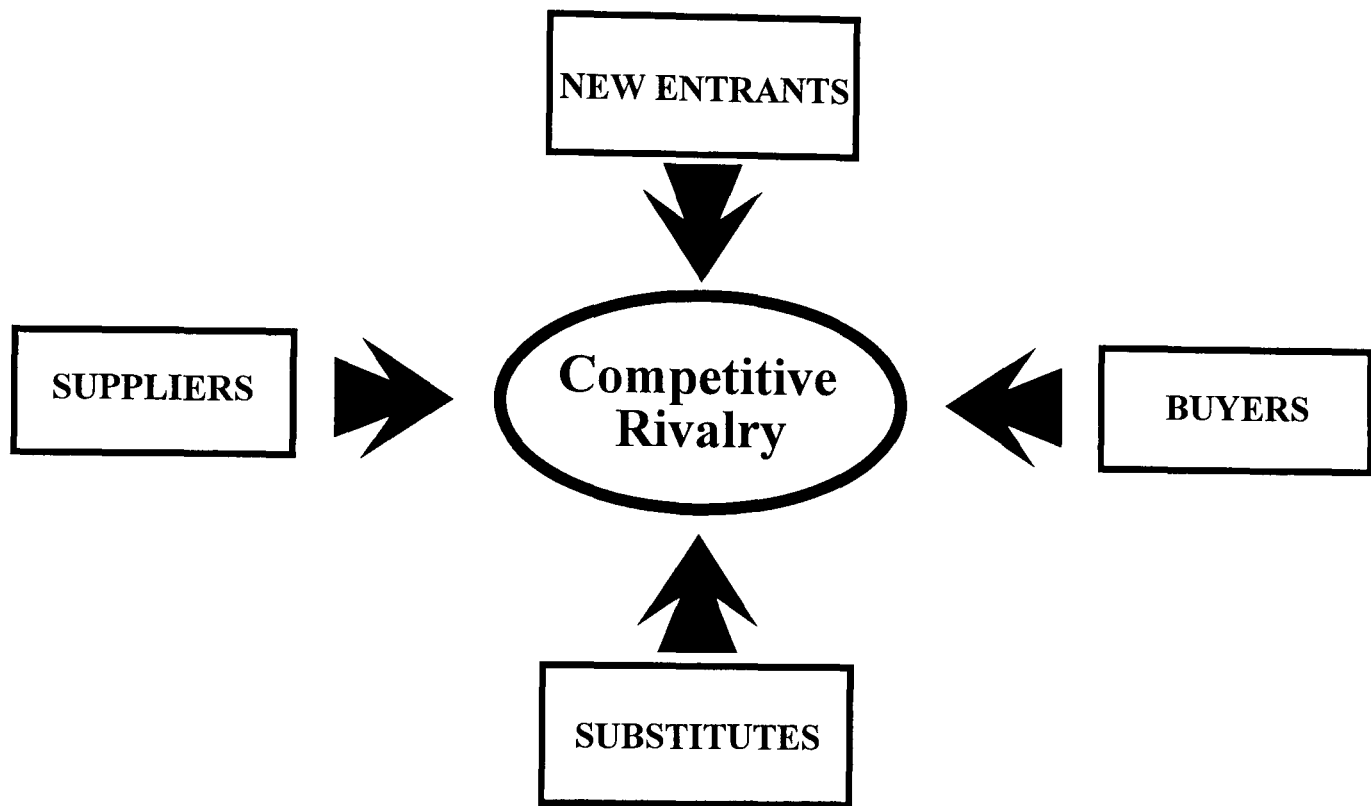
To establish the nature of the short break market structure in the UK and allow more detailed analysis in later chapters, a commonly used and widely accepted model for displaying industry structure constructed by Porter (1979) is adopted.

Porter suggests "competitive strategies must grow out of a sophisticated understanding of the structure of the industry and how it is changing." There are five

competitive forces which determine how profitable an industry is through the influence they infer upon costs incurred, prices charged, and investment required, and thus determining competitive effectiveness within the industry, or market in the case of short breaks.

Figure 5.10a shows the five forces identified by Porter.

Figure 5.10a : Industry Structure Model



Source : M.E Porter (1979)

Suppliers represent the main providers of the good or service within an industry or market.

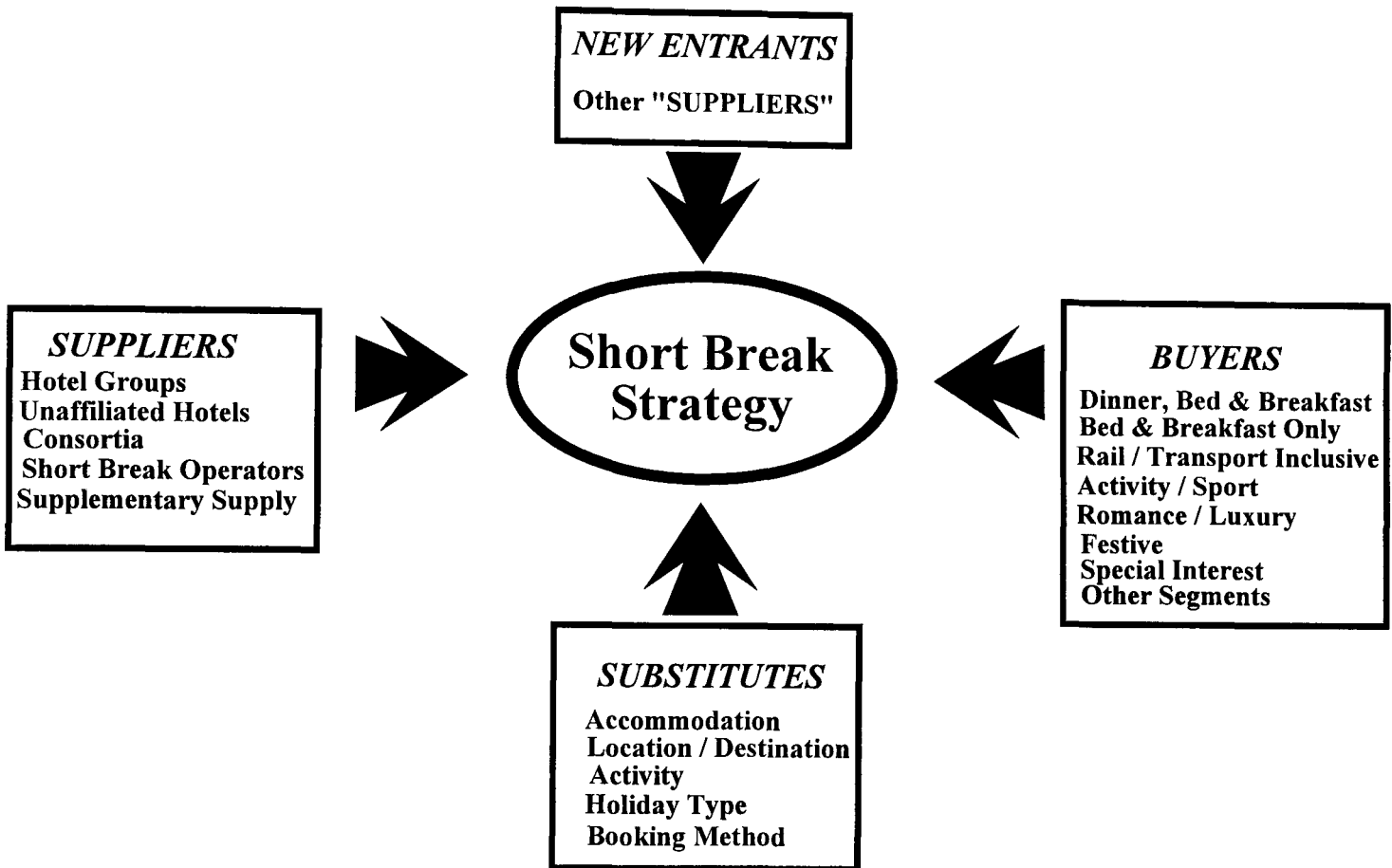
Buyers indicates the key market segments buying the good or services offered by suppliers either in raw form or with value added.

New entrants and substitutes represent competitors. Competitors are either in the form of organisations with the capability and willingness to enter the market, or organisations offering an alternative good or service with similar benefits to that offered by other organisations within the industry or market.

The cumulative force of all four forces leads to competitive rivalry and how firms compete against each other.

When Porters' model is applied to the UK short break market figure 5.10b is formed.

Figure 5.10b : UK Short Break Market Structure



Source : adapted from M.E Porter (1979)

From figure 5.10b it can be seen that the main suppliers in the short break market can be identified as hotel groups, unaffiliated hotels, consortia, short break operators (SBO) e.g. Goldenrail, and supplementary supply such as car hire companies, airlines, travel agents, or destination marketing agencies e.g. STB, ATBs.

Buyers can be seen to represent the key short break market segments as established earlier.

New entrant are identified as "other suppliers" representing organisations in the "suppliers" category which are not already operating in the short break market but could challenge the physical provision of any element of the short break or could be of a more intangible nature by challenging the form of distribution for short breaks.

Substitutes can be represented by areas of substitution either in type of accommodation, location, activity, holiday type, or booking method.

This model provides a simplified structure of the provision of short breaks which shall be developed in later chapters to represent the market structure specific to hotel groups, hotel groups being the most prominent supplier and short breaks being of most importance to hotel groups.

The next section provides an indication of the perceived future for short breaks before Part II establishes how the research methodology was applied.

5.11 THE FUTURE FOR SHORT BREAKS

From research, there is general agreement that short breaks will continue to grow into the future. As may be expected there are a variety of reasons for such growth. The BTA (1989) suggests growth will occur but will require a segmented marketing approach, while Beioley (1991), Cockerell (1989) and Davies (1990) believe external socio-economic factors will dictate and shape the future of the short break market, causing consumers to demand greater flexibility; value for money; and choice. Godfrey (1992) on the other hand sees the increasing intervention of destination marketing through area tourist boards as a driving force for short breaks.

Some researchers have warned that growth into the future will be slower due to down-market drift and anti-inflationary measures (Bailey 1989), while internationally in some Germanic countries there appears to be no end to the quantitative developments (Lohmann 1991) yet in other European countries a plateau is being reached (Potier & Cockerell 1992, Lohmann 1991, Law 1990, 1991b, EIU 1992c).

To best understand the current and future developments of the CSHB market, it is useful to refer to the work of Cooper (1994) and the concept of the product lifecycle. Cooper highlights that “In such a rapidly changing industry as tourism, commentators struggle to derive generalisations of change and to seek patterns to explain the evolution of tourism in all its forms”, as a solution Cooper suggests an adaptation of the product lifecycle. While Butler (1980) pioneered the product lifecycle approach in tourism studies, many authors have developed his assertions (Brown 1987; Goodall 1992; Cooper 1992; Cooper & Jackson 1989).

In terms of the CSHB market in Scotland, considerable growth and development occurred between 1980-1991 resulting in a current stage of fragmented and wide ranging segments. A number of segments are seen to be attempting to rejuvenate themselves while others are still experiencing considerable growth. As such, activity/sport and luxury markets are reaching stages of development and consolidation while off peak markets are falling into a state of stagnation and decline. In addition, different forms of accommodation provision and locations are at different stages on the product lifecycle, making analysis difficult and highlighting the complex nature of the market. What is clear is that the commercial sector is becoming increasingly mature and sophisticates in its facilitation of the market and requires a more structured and strategic approach to the market. this research is attempting to contribute to such an approach.

Whatever the prospects, there is general agreement that short breaks are now a market in their own right and are here to stay. Such recognition implies a need for information about the market and makes short breaks an excellent "subject" for research modelling.

5.12 CHAPTER SUMMARY

This chapter has established that the CSHB market in Scotland is an area of considerable interest, growth and currency. Despite considerable statistical problems imposing constraints upon the process of the research, the content and potential areas of research provide many opportunities to develop and progress a theorisation of elements of the field - in this case the strategic dynamics element in particular. Through understanding the dynamics of the industry and the CSHB market, comparisons between organisations can be drawn and considerable contributions to academic understanding of the hospitality organisation/market interface gained.

An analysis of the nature, volume and value of short breaks as a natural progression for hotel groups in the pursuit of additional revenue and profitability, in this chapter has established that short breaks are indeed indisputably one of the most valuable and highly recognised growth markets in the developed tourism industry. It has, however, been established that such growth is in terms of market share and not organic, which has major implications on the smaller operators and makes the strategic dimensions of the market increasing prominent.

Hence from a demand perspective, short breaks offer the customer a range of affordable experiences, often flexible in nature and with a high perceived value. While, from the supply perspective, short breaks are an excellent means of contributing to fixed costs, extending seasons, and gaining ancillary spend.

These characteristics in their simplest form lead to the highly segmented, competitive and dynamic market place present today, with constant strategy and product developments, the nature of which are unresearched. Such development require research to contribute to knowledge in the field to allow an understanding of the market and organisation dynamics, and assist in management decision-making.

There is undoubtedly a lack of supply side analysis to the short break market, yet the value of the market is obvious, particularly to hotel groups. This poses the question as to how such groups organise themselves to compete in what appears to be a highly segmented and complex short break market that is itself a part of the myriad of tourism. Further more how do such strategies affect the performance of groups in the market ? How is the market structured at hotel group level ? What role do hotel groups play in shaping the short break market ? and indeed is the corporate

perspective of short break activity different from that at unit or market level in what appears to be a market displaying tendencies of monopolistic competition ?

These questions raised could form the basis of many areas of valid investigative research. The research represented in this thesis seeks to establish through an analysis of the nature of Commercial Short Holiday Breaks (CSHBs) provision in Scotland what competitive strategies are employed by major suppliers, assessing such strategies and evaluating any linkages occurring between CSHB strategies adopted and performance achieved, exposing areas of competitive advantage and suggesting a model for enhancing performance at corporate and unit levels.

As the research concentrates on commercial centred activities. CSHBs are defined as ***"Hotel packages of one to three nights which for a single price together with accommodation include one or more of the following : meals; transport; entertainment; or a programme of activities."*** allowing use of secondary sources for Scottish market background, and primary sources for more detail of supplier provision and performance. As hotels account for 78% of all spend in the CSHB market compared to other forms of accommodation (MSI 1991) the definition is suitable for the purposes of this research.

The research this far has highlighted that tourism markets are highly complex, dynamic and fragmented. One element of the market; the CSHB sector appears to offer considerable rewards for operators yet is unresearched. By developing an understanding of the dynamics of strategy in the market and resulting performance organisations should be able to position themselves to enhance returns.

Hotel groups have a prominent role in Scotland's commercial tourism sector and appear to hold a prominent position within the CSHB market - which by definition focuses on hotel activity. The inference is that through an analysis and conceptualisation of hotel group activity in the CSHB market in Scotland valuable academic and industrial contributions can be made to knowledge.

Part III consolidates the research problem and indicates how the methods were implemented, providing details of data collection and sample size.

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PART III

IMPLEMENTING METHODS

	<i><u>PAGE</u></i>
<u>CHAPTER 6</u>	
IMPLEMENTING THE RESEARCH METHODS	156

CHAPTER SIX

IMPLEMENTING RESEARCH METHODS

6.1 INTRODUCTION

This chapter establishes how the research design and methods were implemented to research CSHB market provision strategies in Scotland. The aims and objectives of the research are determined, the methods used explained, and elements of implementing the research framework examined.

6.2 RESEARCH QUESTIONS

Chapters 2 to 5 raised a number of key issues or questions with regard to CSHB markets and supply which when investigated will contribute to industry and academic knowledge.

The key questions raised were : (i) what is the CSHB market structure in Scotland ? (ii) how do hotel groups organise themselves in the highly segmented and complex CSHB markets ? (iii) what role do hotel groups play in shaping short break markets ? (iv) does the way hotel groups organise themselves influence their performance in the CSHB market ? (v) is the corporate perspective of short break activity different from that at unit level ?

In attempts to answer these questions, this research focuses on a framework that allows analysis of the issues of the nature of CSHB supply, supplier strategies, and resulting market performance.

The justification for such a focus lies in the principles of industrial economics and forms the foundation of work by many respected strategic gurus and models - organisations must perform in order to survive, how they organise themselves and their resources i.e. their conduct, will influence their performance. Hence an understanding of the market structure-strategy-performance linkages of CSHB markets will provide considerable contributions to knowledge and allow further analysis of how organisations may reposition themselves to enhance their performance and ensure survival.

More importantly, the research will allow an approach to be developed that allows application across market segments and industry boundaries thus advancing knowledge and in the case of the CSHB market, providing a model of enhanced market performance.

6.3 RESEARCH OBJECTIVES

The aim of the investigation, is to :

analyse the nature and methods of provision of Commercial Short Holiday Breaks (CSHBs) in Scotland, with particular emphasis on the strategic dimensions of corporate ventures and resulting performance, and to provide a model for enhancing performance at corporate and unit levels.

Such a study contributes significantly to the knowledge in the field of hospitality strategic management and analysing hospitality markets, through providing a framework to analyse supplier markets, strategy and performance.

By establishing strategies that under certain conditions appear to lead to enhanced or reduced performance, identifying gaps in strategy development, market provision and perception between market (unit) and industry (corporate) levels, and establishing the nature of supply in CSHB markets, academic and applied knowledge are advanced.

To achieve the aim, the research therefore encompasses the following objectives :

- (i) determine the underlying nature of the tourism industry in the UK and Scotland;
- (ii) determine the general underlying structure of the hotel industry, relative to the cost structure of hotels and market segmentation;
- (iii) establish the nature of growth and value of CSHB;
- (iv) provide a demand profile of short break takers;
- (v) identify and analyse the competitive strategies employed by CSHB suppliers using an Industrial Economics framework (F.M Scherer 1980);
- (vi) assess major strategies with regard to providing and distributing CSHBs in segmented markets;
- (vii) evaluate the linkages occurring between CSHB strategies adopted and performance, exposing areas of competitive advantage and suggesting a model for enhancing performance at corporate (industry) and unit (market) levels.

6.4 DEFINITION OF COMMERCIAL SHORT HOLIDAY BREAKS

As the research concentrates on commercial centred activities, and for the reasons established in Chapter 5, Commercial Short Holiday Breaks (CSHB) are defined as :

"Hotel packages of one to three nights which for a single price together with accommodation include one or more of the following : meals; transport; entertainment; or a programme of activities." (Edgar & Litteljohn 1994, Edgar et al 1994)

6.5 RESEARCH METHODS

Chapter 1, section 1.5 provided an overview of the research methods adopted. This section provides further detail of the methods and issues relative to their implementation.

6.5.1 Literature Review

The review of literature on CSHBs revealed little systematic study on the subject. Most coverage was in the form of newspaper and trade press articles, conference papers, government publications, and industrial research documents. Therefore a database had to be constructed from primary data drawn from company literature, group brochures and company accounts.

6.5.2 Hotel Groups Database

A database was constructed containing the 30 largest hotel groups in Scotland (31% of all registered STB room stock) determined by room capacity (1991), geographical, price, size and standard variables. This allowed estimates of CSHB value in financial terms across a range of structural variables.

(i) Database : Sample selection

The importance of hotel groups to the Scottish economy has been established in previous chapters. As the research focuses on CSHB in Scotland and considering the impracticalities of surveying the entire hotel or commercial accommodation industry, the database sample contained the 30 largest hotel groups (by room stock) operating in Scotland, indicated in table 6.5.2a below.

These 30 groups represent 15,404 rooms, 31% of all STB registered hotel room stock in Scotland in 1991 (STB 1991).

Table 6.5.2a Database sample : Hotel groups operating in Scotland 1991

GROUP	ROOMS	GROUP	ROOMS	GROUP	ROOMS
Alloa Hotels	186	Garden Court	118	Principal	201
Beefeater/Berni	40	Gleneagles	216	Q.M.H.	1097
Balmoral Int.	189	Hilton	264	Scandic Crown	238
Coast & Country	1233	Holiday Inn	452	S.H.H.	604
Cophorne	229	Inter-Continental	320	Sheraton	263
Country Club	232	Jarvis	484	Stakis	1621
Croft Hotels	134	Milton	444	Swallow	646
Crown Hotels	236	M.Ch.Th	2196	Turnberry	132
Forte	1334	Mulberry	166	Voyager	48
Friendly	443	N.B.T.	1336	W.H.L	302

Of these 30 hotel groups, 20 appeared to be most involved in the CSHB market in Scotland, forming the core sample for the research. A profile of each of the 20 hotel groups as at 1991 is shown in Appendix I. Table 6.5.2b provides room stock held by each of the hotel groups in the sample as at 1991.

Table 6.5.2b Sample of 20 hotel groups operating in Scotland 1991

GROUP	ROOMS	GROUP	ROOMS
Balmoral Int.	189	Milton	444
Coast & Country	1233	M.Ch.Th	2196
Crown Hotels	236	N.B.T.	1336
Forte	1334	Principal	201
Friendly	443	Q.M.H.	1097
Garden Court	118	S.H.H.	604
Gleneagles	216	Stakis	1621
Hilton	264	Swallow	646
Holiday Inn	452	Turnberry	132
Jarvis	484	W.H.L	302

It can be seen that the 20 groups represent 13,548 rooms, 88% of the total database rooms stock, and 27% of registered hotel room stock in Scotland. This makes the database sample representative of the key suppliers in the CSHB market in Scotland and allows analysis of market, strategy, and performance data.

The dynamic nature of the hotel industry in Scotland has impacted upon the database sample. The structure of the industry changed between 1991 and 1994 resulting in the sample structure changing as groups either pulled out of the CSHB market or went into receivership or liquidation. As such, Table 6.5.2c shows the changes to the sample between 1991 and 1994, showing groups leaving the sample of 20 and others entering it. In addition, it should be noted that Marriott replaced the Holiday Inns franchise for Scotts hotels, changing Garden Court to Marriott and raising the Marriott profile in Scotland.

While the research approach has been flexible enough to adapt to such changes, the groups involved in the sample changes have not made a significant impact upon the research findings.

Table 6.5.2c Changes in database sample of 20

GROUP OUT	ROOMS	GROUP IN	ROOMS
Balmoral Int	189	Copthorne	229
Crown Hotels	236	Mulberry	166
N.B.T.	1336	Scandic Crown	238
Q.M.H **	1097	Sheraton	263
W.H.L	302	Voyager	48

** Queens Moat Houses (Q.M.H) left the sample between 1993 and 1994 but returned after financial restructuring in 1994.

(ii) Database : Division of Scotland

Scotland was divided into seven regions for CSHB analysis. The boundaries for each region were determined by Area Tourist Board (ATB) coverage. This division enabled location differences in CSHB provision throughout Scotland to be explored more fully by accommodating differing demand patterns (i.e. seasonality) and supplier environments (i.e. industry structure), and allowing cross comparisons to be made of companies, regions, and CSHB market segments.

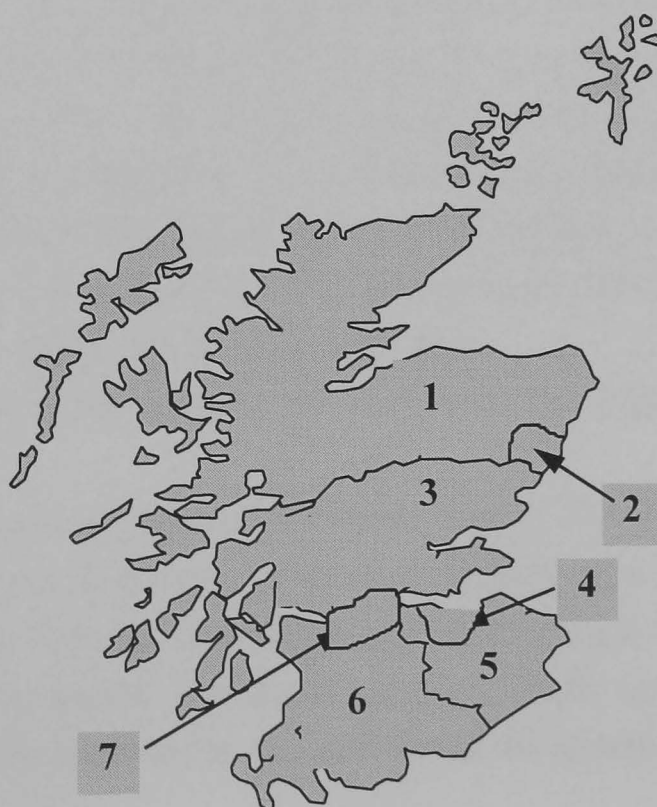
The selected regions are indicated in table 6.5.2d, including the ATBs within each region (as at 1991).

Table 6.5.2d : Regional Divisions of Scotland

CODE	REGION	AREA TOURIST BOARDS
1	North	Aviemore & Spey Valley; Banff & Buchan; Caithness & Sutherland; Fort William & Lochaber; Grampian; Highland; Hebrides & North Highlands; Inverness; Loch Ness; Nairn; Moray; Kincardine & Deeside; Orkney & Shetland; Skye & South West Ross
2	Aberdeen	City of Aberdeen
3	Central	Angus; Argyll & Isles; Dundee; Dunoon & Cowal; Isle of Bute; Kintyre & Isles; Loch Lomond; Mid Argyll; Oban; Mull & District; Perthshire & Trossachs; St.Andrews; Stirlingshire
4	Edinburgh	City of Edinburgh
5	South East	Borders; East Lothian
6	South West	Ayrshire & Burns Country; Ayrshire Valleys; Clyde; Cunningham; Dumfries & Galloway; Isle of Arran
7	Glasgow	City of Glasgow

The regional divisions can be seen in figure 6.5.2a below indicating how database data is divided for comparative purposes.

Figure 6.5.2a : Map of Scotland Division



Previously this approach had not been taken in analysing supply in Scotland resulting in a shortage of regional data (MacKay Consulting 1991), however since this approach was applied and submitted in a report for the Scottish Tourist Board (Edgar 1992) figures have begun to be divided by regions of Scotland for UKTS statistics, and therefore regional data figures should improve.

The initial hotel groups database was supported by two other databases :

- short break operators (SBO) database, and
- consortia database.

The purpose of these databases was to allow cross referencing where required, and provide a competitive dimension to supplier analysis. While the prime focus of the research has been hotel group dynamics these databases indicated developments on the periphery of supply, indicating two very different markets warranting their own investigation.

6.5.3 Questionnaires

Three phases of questionnaires were used to gather information from key executives with regard to market characteristics, strategy developments and organisational performance.

In constructing the questionnaire a series of informal focus group discussions were undertaken with key executives of two organisations. These focus groups allowed clarification of terminology adopted and types of questions to be posed.

Before implementing the questionnaires, they were subjected to a three phase piloting process. The first level of pilot was undertaken at academic level by the supervisory team. Following amendments, the second pilot was applied and comments received from L.Jones (Edinburgh Marketing Research Manager - now Edinburgh Tourist Board). Having undertaken further amendments the third pilot was constructed and tested on one of the focus group organisations.

Having made final amendments, the interviews were conducted.

Telephone interviews were used in phases I and II. This method was selected as it allowed focus of sample on exact persons responsible for strategic decision-making in CSHB markets. This maximised control over targeting the sample and enhanced the confidence in the results. This method allowed people who might otherwise have been inaccessible to be interviewed. As time was of the essence for such executives, the

method allowed a quick method by which a number of interviews could be conducted within a short period of time. At an operational level, the cost per interview was low allowing samples to be spread over the country and eliminating travelling.

Using focus groups and structured telephone interviews eliminated common questionnaire errors (Sanchez 1992) such as inadequate wording, and inconsistency. Sample selection (Barsky & Huxley 1992) and questionnaire enhancing techniques (Carroll 1994, Chisnall 1993, Dillman et al 1993, Semon 1993, Reynolds et al 1993) were adopted to ensure correct executives were targeted, and techniques such as Likert scales (Weber 1991) allowed maximum response of samples targeted, reducing the degree of unuseful or untruthful responses (Croft 1992, Roberson & Sundstrom 1990). In addition, a range of "cross reference" questions were introduced to ensure clarity of response and highlight any areas of uncertainty.

Phase III questionnaire interviews took the form of personal face to face interviews, allowing more observation of the subject and enabling more lengthy discussion and open ended approaches.

(i) General Questionnaire Procedure

While each phase of questionnaire had a different purpose and sample structure, the general procedure adopted to arrange questionnaire interviews was the same. This procedure proved highly successful with the response rates shown in table 6.5.3a below.

Table 6.5.3a : Interview Response Rate

PHASE	PURPOSE	METHOD	RESPONSE RATE
I	Market Nature & Structure	Telephone Interview	100% (24 Companies)
II	CSHB Strategies	Telephone Interview	100% (20 Companies)
III	Unit (Market) Perspective	Personal Face to Face	81% (39 Hotels)

Note : Figure in brackets represents sample size.

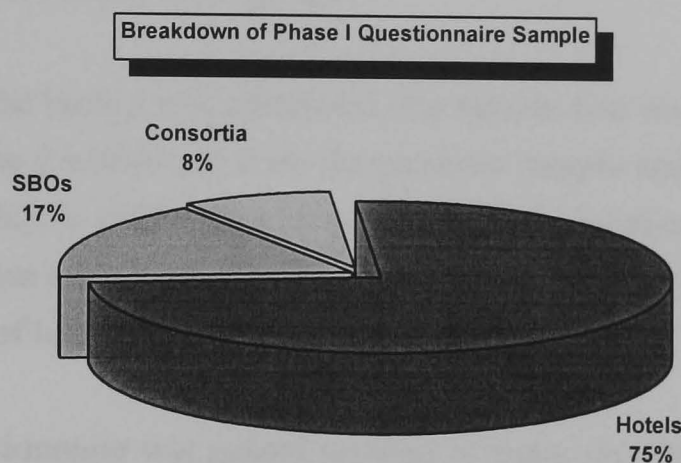
These methods proved successful in terms of response rate and quality of information. It is presumed that the telephone and personal interview techniques contributed significantly to the response rate and certainly allowed a degree of "contained" flexibility when implementing the methods.

Further details of the methods used for each phase of questionnaires follows.

(ii) Phase I : Market Background Questionnaire

The purpose of the questionnaire was to provide information with regard to the structure and nature of the CSHB market in Scotland. The sample consisted of 24 CSHB suppliers a general breakdown is shown in figure 6.5.3b.

Figure 6.5.3b : Phase I Questionnaire Sample



The questionnaire sample represents a large concentration of hotel groups as this is the main form of accommodation used for CSHBs in Scotland. Hotel groups are also the largest sector of the commercial market, and there are not a large number of SBOs or consortia operating in Scotland. While the original hotel groups database contained 30 operating companies, (narrowed to 20 key suppliers) in 1991, when the interviews were conducted in November 1992, only 18 of these companies were available as part of the CSHB sample. This was due to shifts in market, liquidation, or receivership making them unable to contribute.

These changes are shown in table 6.5.3b.

Table 6.5.3b : Changes in Phase I Sample

	HOTELS	SBOs	CONSORTIA
Original Database Sample	20	4	4
Liquidated	1	0	1
In Receivership	1	0	0
Shift Market (No CSHBs Offered)	0	0	1
Total Available Sample	18	4	2

The structured interviews were conducted by telephone with key executives in the major operating companies, a copy of the questionnaire used is included in Appendix II.

(iii) Phase II : Hotel Group Short Break Strategy Questionnaire

Due to the success of the interview style adopted for phase I interviews, phase II questionnaires were undertaken in a similar manner, adopting telephone interviews with key executives of major hotel groups.

Due to changes in the business environment, the sample size was changed to 20 hotel groups, replacing the 2 withdrawn from the previous sample and a further one which went into receivership in 1993. The change in sample is not deemed to affect results to any degree as these are changes in the lower room stock supply, less active in the CSHB market and of low profile.

This time, the questionnaire was geared towards strategic developments in the short break market and how hotel groups gained competitive advantage. Where in the previous questionnaire establishing market structure, SBOs and consortia had been included, their complex nature and the problems of double counting meant that there was a necessity to focus on hotel groups. Hence, phases II and III focused on hotels only at group and unit level, yet recognition is still given to the role of SBO and consortia. The questionnaire used is in Appendix III.

Phase III : Unit (Market) Perspective Questionnaire

Phase III questionnaires provided data at market level for 39 hotels (81% response rate), obtained from the six most prominent hotel groups in Scotland offering CSHB. The sample was selected by targeting 48 (all) hotels owned by the groups in Scotland. To widen the sample and expose potential differences between markets in England and Scotland, a selection of 16 hotels in England owned by the six groups operating in Scotland was also targeted. The market conditions were to provide a comparable market perspective of units within the UK. The sample was split into primary, secondary, and tertiary locations (Slattery, Feehely, & Savage 1994).

(i) Primary locations

Cities in which quoted hotel companies have more than 999 rooms, in Scotland this is Aberdeen, Edinburgh, and Glasgow.

(ii) Secondary locations

Towns and cities in which quoted hotel companies have more than 199 rooms but less than 999.

(iii) Tertiary locations

Sites, villages, towns, and cities in which quoted hotel companies have less than 199 rooms.

The sample split by location is shown in figure 6.5.3c

Figure 6.5.3c

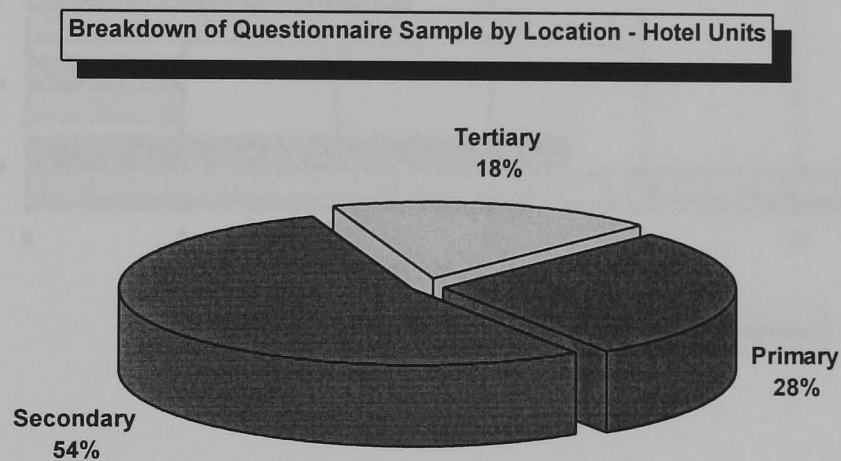
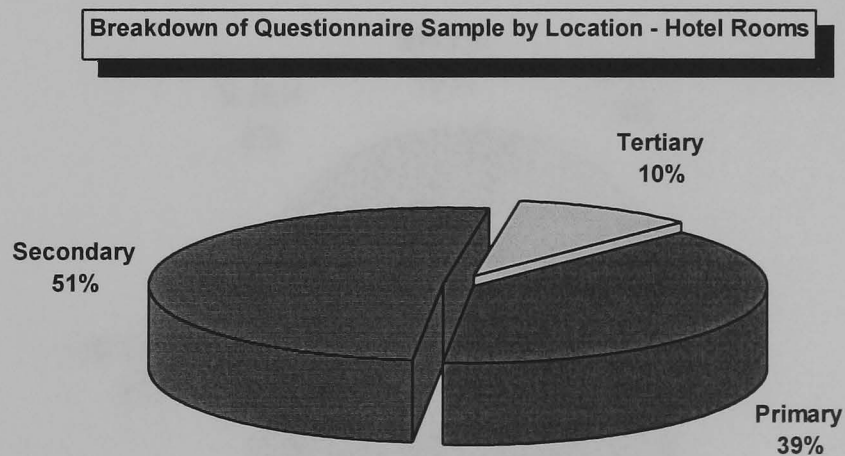


Figure 6.5.3c



The sample may appear to be skewed towards primary and secondary locations. This reflects the nature of hotel group provision as a whole as is therefore valid.

The hotel group sample is broken down in figure 6.5.3d,e,f,g.

Figure 6.5.3d

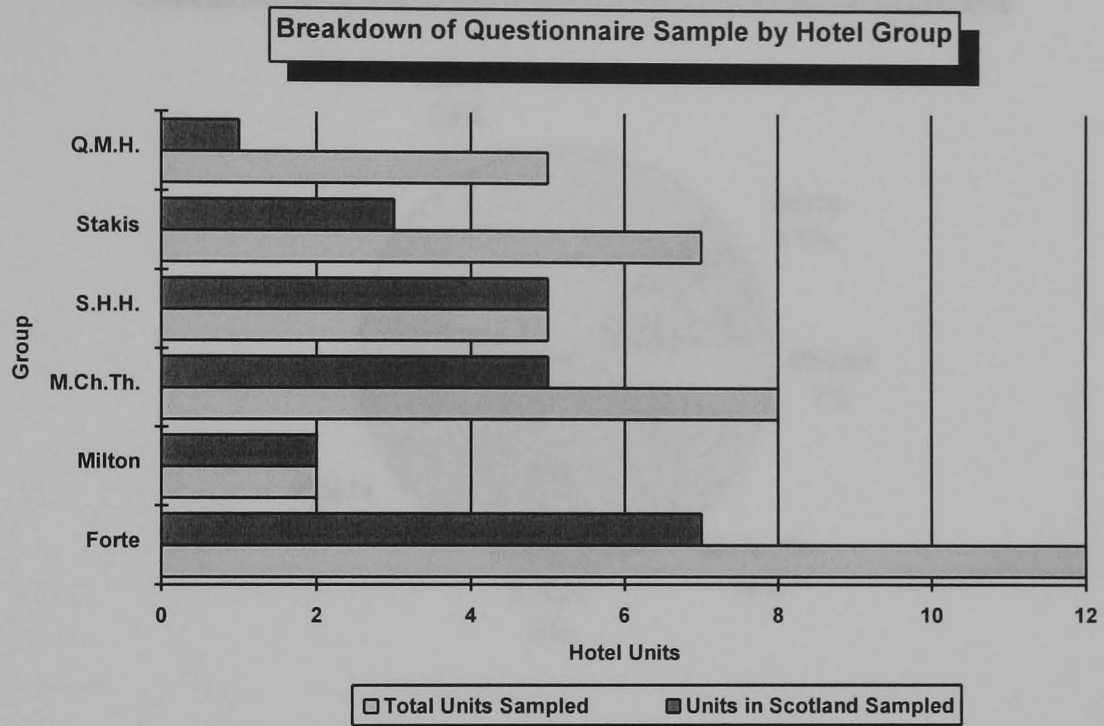


Figure 6.5.3e

Breakdown of Questionnaire Sample by Hotel Group Rooms in Primary Locations

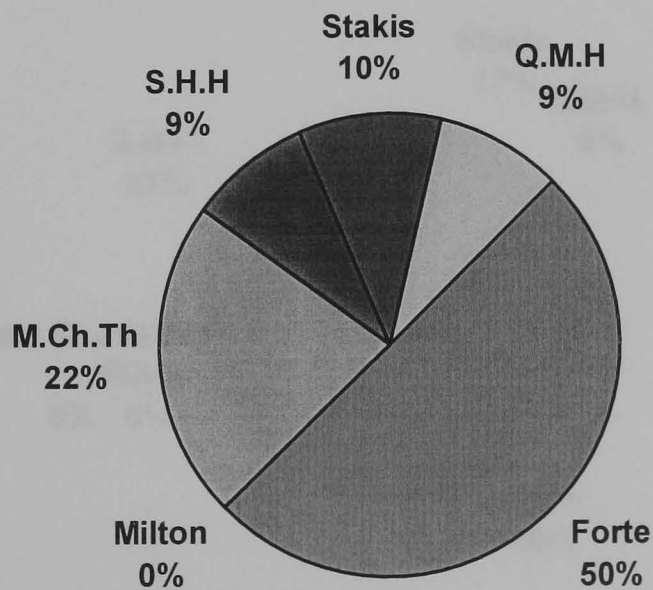


Figure 6.5.3f

Breakdown of Questionnaire Sample by Hotel Group Rooms in Secondary Locations

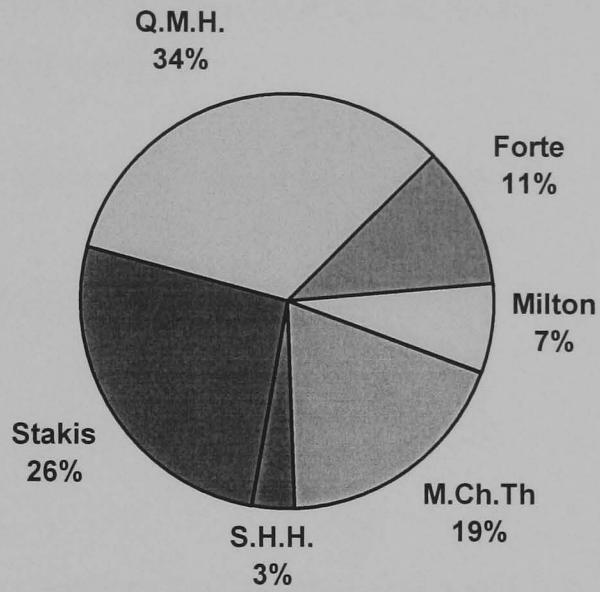
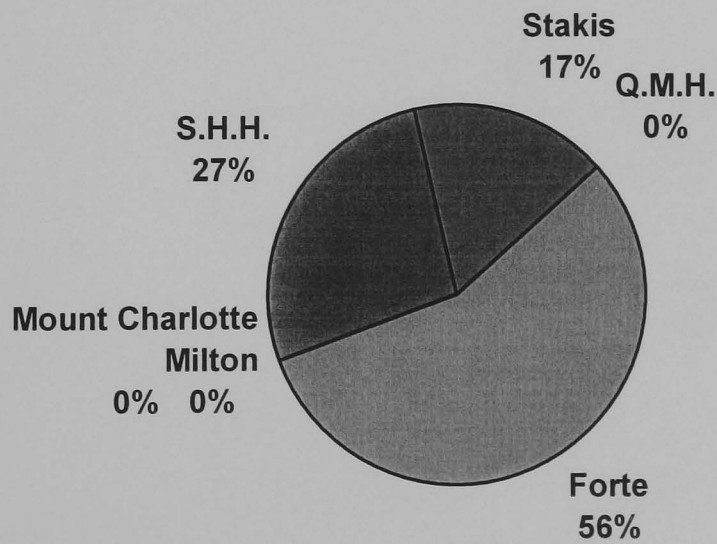


Figure 6.5.3g

Breakdown of Questionnaire Sample by Hotel Group Rooms in Tertiary Locations



The interviews were conducted face to face with hotel general managers. This enabled market based information to be gathered providing a multi site perspective to the research, allowing market and industry comparisons to be drawn, and eliminating problems associated with telephone interviews.

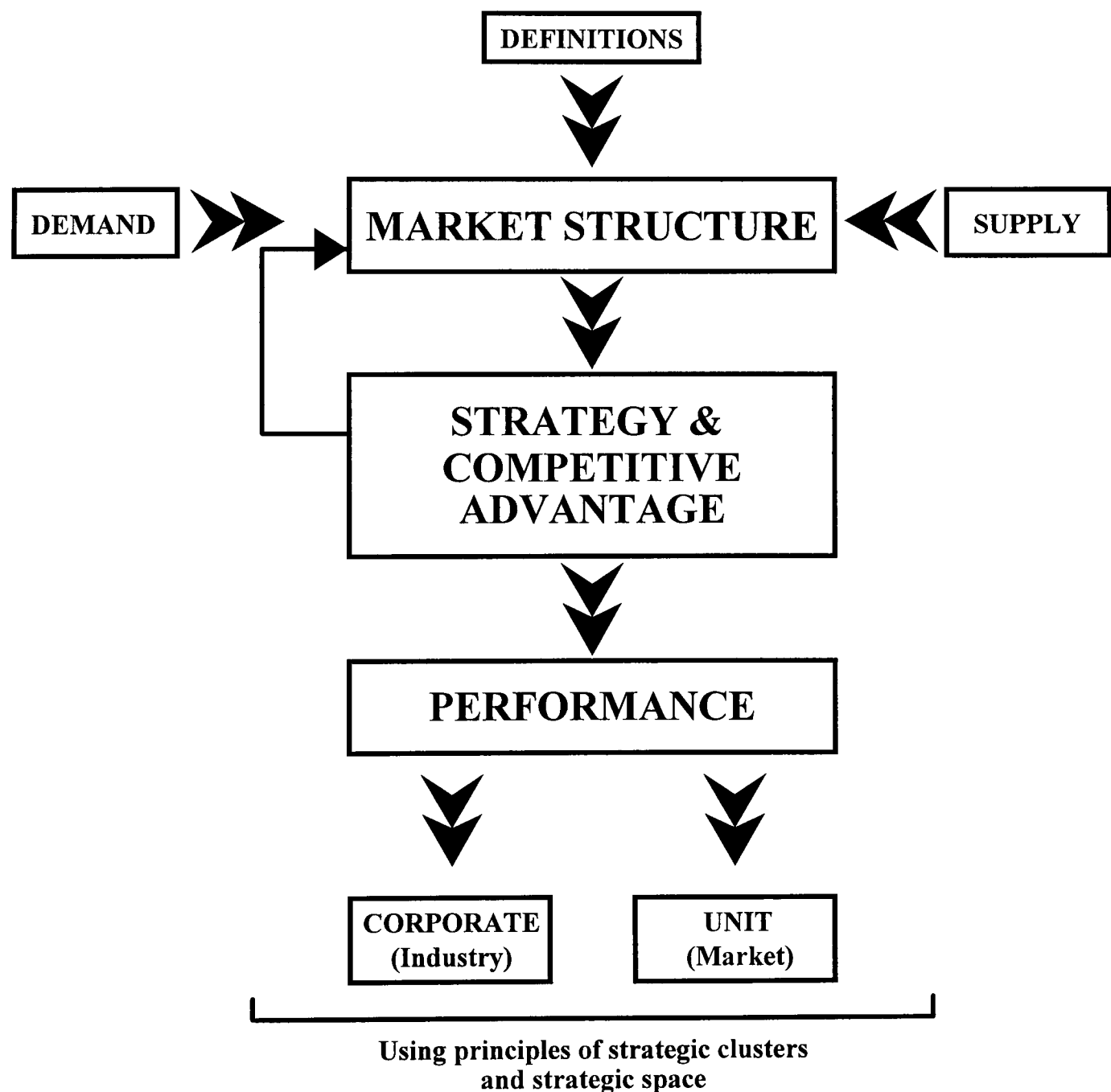
A sample of the questionnaire is found in Appendix IV.

6.6 IMPLEMENTING THE RESEARCH FRAMEWORK

The research framework adopted has been discussed in Chapter 1. It represents the evolution and merging of a market segmentation model proposed by Guiltinan and Paul (1982) and an Industrial Economics Approach as determined by Scherer (1980). The framework builds upon principles of Industrial Economics as a general frame while applying elements of strategic management modelling, providing an integrative and multi-disciplinary framework.

The research framework adopted is shown in figure 6.6a.

Figure 6.6a : Research Framework



Source : Author

An extensive literature review allowed general background information with regard to definitions, demand and supply characteristics to be formed.

While literature was limited and variable in quality, it did provide a foundation for the research. Having posed the research question and established the research aims and objectives, the research framework consisted of three key elements :

- (i) **market structure for CSHB** in Scotland is determined through a mix of qualitative and quantitative data obtained via the literature review, database results and phase I questionnaires.
- (ii) **strategy and competitive advantage** is determined via phase II questionnaires to determine strategies adopted and then the implementation of strategic group theory to analyse the corporate dynamics of strategy in CSHB markets.
- (iii) **performance** is analysed at corporate level through the results of phase III questionnaires and data from financial reports, essentially adopting principles of triangulation to cross reference qualitative and quantitative data.

Following the construction of a performance enhancement model at corporate level, a multi-site approach is adopted to test the model at unit level across a range of locations, essentially through the use of phase III questionnaires. The results of the multi-site analysis are presented in Appendix V - "Testing the model".

6.7 CHAPTER SUMMARY

This chapter has clarified the research questions asked and from such questions formulated the research aim. Research objectives have been set and the definition of CSHB established.

It has been established that the key contribution to knowledge of the research will be in the field of hospitality strategic management and analysis of hospitality markets and that a framework will be constructed to explore the nature of market structure-strategy-performance relationships in markets.

Research methods have been clarified with particular focus on the hotel groups database construction, and questionnaire design and implementation. A mixture of qualitative and quantitative approaches have been adopted within the context of the research framework, representing an evolution of a market segmentation model and Industrial Economics approach.

The rationale for questionnaire technique has been determined and detail provided as to sample size and response rates.

Particular focus was on the environmental influences upon the database and questionnaire samples, and the effects upon such organisations resulting in a changing sample base.

The research framework adopted was explained and the stages of application highlighted. The framework is applied in three stages (i) structure of CSHB markets in Scotland, (ii) CSHB strategies and competitive advantage, and (iii) performance in the CSHB market.

In Part III these three stages are applied to CSHB markets in Scotland.

In Part IV linkages between structure, strategy and performance are established, constructing a performance enhancement model, providing a critical review of the methodology adopted and highlighting areas of contribution to knowledge and further research.

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PART IV

FINDINGS & ANALYSIS

PAGE

CHAPTER 7

**STRUCTURE OF CSHB
MARKETS**

175

CHAPTER 8

**CSHB STRATEGIES AND
COMPETITIVE ADVANTAGE 217**

CHAPTER 9

**PERFORMANCE IN THE CSHB
MARKET**

260

CHAPTER SEVEN

STRUCTURE OF CSHB MARKETS IN SCOTLAND

7.1 INTRODUCTION

Previous chapters have established that the competitive environment for hospitality and tourism suppliers, of which CSHB form a part are increasingly dynamic, complex, and aggressive. Through applying Porter's industry structure model (1979), this chapter seeks to establish the structure of the CSHB markets. As the market is complex, making analysis and dissemination of results difficult, a macro and micro structure approach are adopted. The macro structure establishes holistic industry and hotel group perspectives to CSHB market structures, while the micro structure through focusing on the questionnaire results (Phase I and II) and database sample of 20 groups operating in Scotland establishes the CSHB market structure of the research sample.

From the structural analysis, three key structural variables : market scope (i.e. segments), market size (i.e. group concentration) and sources of competitive advantage are identified as of key relevance to the market structure, highlighting these elements for further analysis in later chapters.

7.2 THEORETICAL FOUNDATIONS

The concept of structure from the research framework, has noticeably been employed in the development of many strategy and business typologies.

Structure, as with the environment, can relate to industry (Porter 1980, 1985, 1987, West & Olsen 1989) or operational/administrative level (Thomas 1980, Fahy et al 1981, Jain 1984, Lenz & Engledow 1986, Walker & Ruekert 1987). This research adopts Porter's view that the structure of the industry within which a firm competes is a key factor of the firm's environment and therefore the firm's performance (Porter 1980, 1985). Hence, the structure element of the research framework concentrates on industry structure as opposed to individual organisation structures.

Adopting this approach allows an understanding of the operating environment within which firms must compete, displays the constraints or opportunities which present themselves to the firm, shapes strategic direction, and ultimately determines organisational structure (Miller 1987, Jacobson 1992, Lawrence & Lorsch 1967, Miles & Snow 1978, Khandwalla 1977). Thus by adopting an industry approach to structure the effects of the core non-controllable (Ackoff 1970, Hatten, Schendel &

Cooper 1978) elements of the market (i.e. its environment, and company responses) are accounted for, as opposed to just the resulting organisation structures. This is a view much supported by Johnson and Thomas (1987) who claim a knowledge of industry structure and evolution can help in the identification of key strategic dimensions and strategic positions influencing the strategy decisions of member companies.

While the research recognises that organisation structures of today will in effect form the industry structure of tomorrow (Dev & Brown 1990, Hatten & Hatten 1987, Newman 1978, Oster 1982, Rumelt 1982, Lewis & Chambers 1989), the time scale of research was not adequate to fully investigate the effects of changing organisation structures on industry structures relative to CSHB markets. This may be one key area for future research. For an operational/administrative level analysis of hotel organisations structure-performance links, the reader is referred to a PhD Dissertation by Ping-Fu Wang, Manchester Metropolitan University 1993, "Business strategy, organisation structure and performance", work by Schaffer (1984) and by Belkaoui and Pavlik (1992) in relation to ownership structure.

Having determined the need to examine CSHB structure on an industry basis the question arises as to what constitutes an industry. McGee (1985) recognises that "the industry as conventionally understood produces a range of different products all of which are not close substitutes, and with a variety of technical production processes." This begs the question as to where boundaries of an industry should be drawn. McGee suggests two key criteria for this purpose, (i) market criterion, representing the collection of firms which produce "products that are sufficiently similar as to be close substitutes in the eye of the buyer", and (ii) technological criterion, where industry is represented by firms adopting similar production processes. For the purposes of examining CSHB structure, the market criterion approach is adopted, exposing key elements of the market, namely the nature of market provision and supplier strategies.

The industrial economics approach framework is adapted to account for the development of generic business strategies which McWilliams & Smart (1993) claim are the function of specific industry structure characteristics. While this provides a grounding to CSHB structure, the research does not focus solely on market structure, as the result may focus on the wrong level of analysis (Barney, McWilliams & Turk 1989, Jacobsen 1988, Barney & Hoskisson 1990) and cause the dynamics of competition and strategic developments to be diluted. The approach adopted allows greater focus on the methods adopted and the developments of suppliers.

This chapter therefore, through applying the industrial economics based research framework, determines the market structure of CSHB at the macro level i.e. the overall market level, and at the micro level i.e. the research sample level, before examining the strategies adopted by key suppliers in Chapter 8, and the resulting performance in Chapter 9.

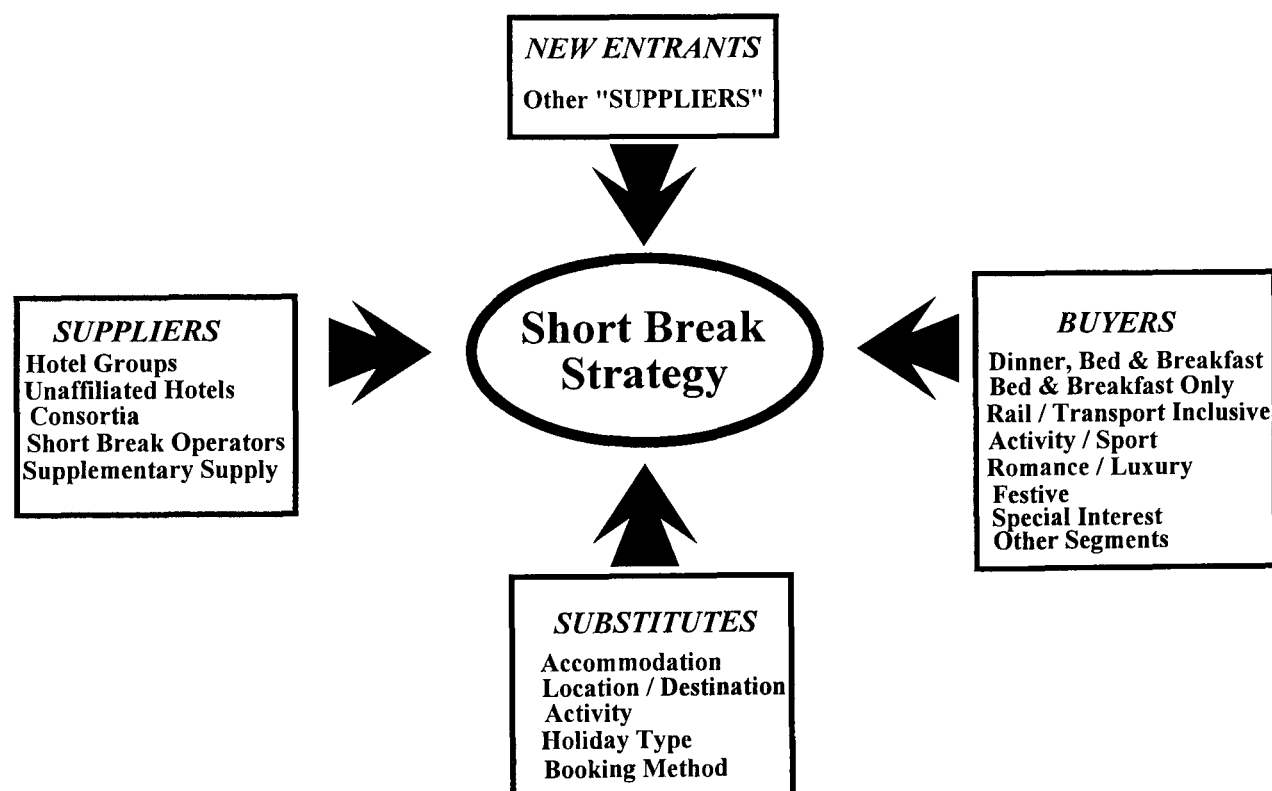
7.3 THE CSHB MARKET : MACRO STRUCTURE IN SCOTLAND

This section determines the market structure of companies operating in the CSHB market in Scotland. The market structure is examined through application of Porter's industry structure model, before focusing on consumer profiles, and methods of distribution to provide a demand and supply dimension to the market structure.

7.3.1 Porter's Model

In Chapter 5 Porter's industry structure model was introduced and the industry structure for CSHB suggested as shown in figure 7.3.1a.

Figure 7.3.1a : CSHB - Industry Structure



Source : Adapted from Porter (1979)

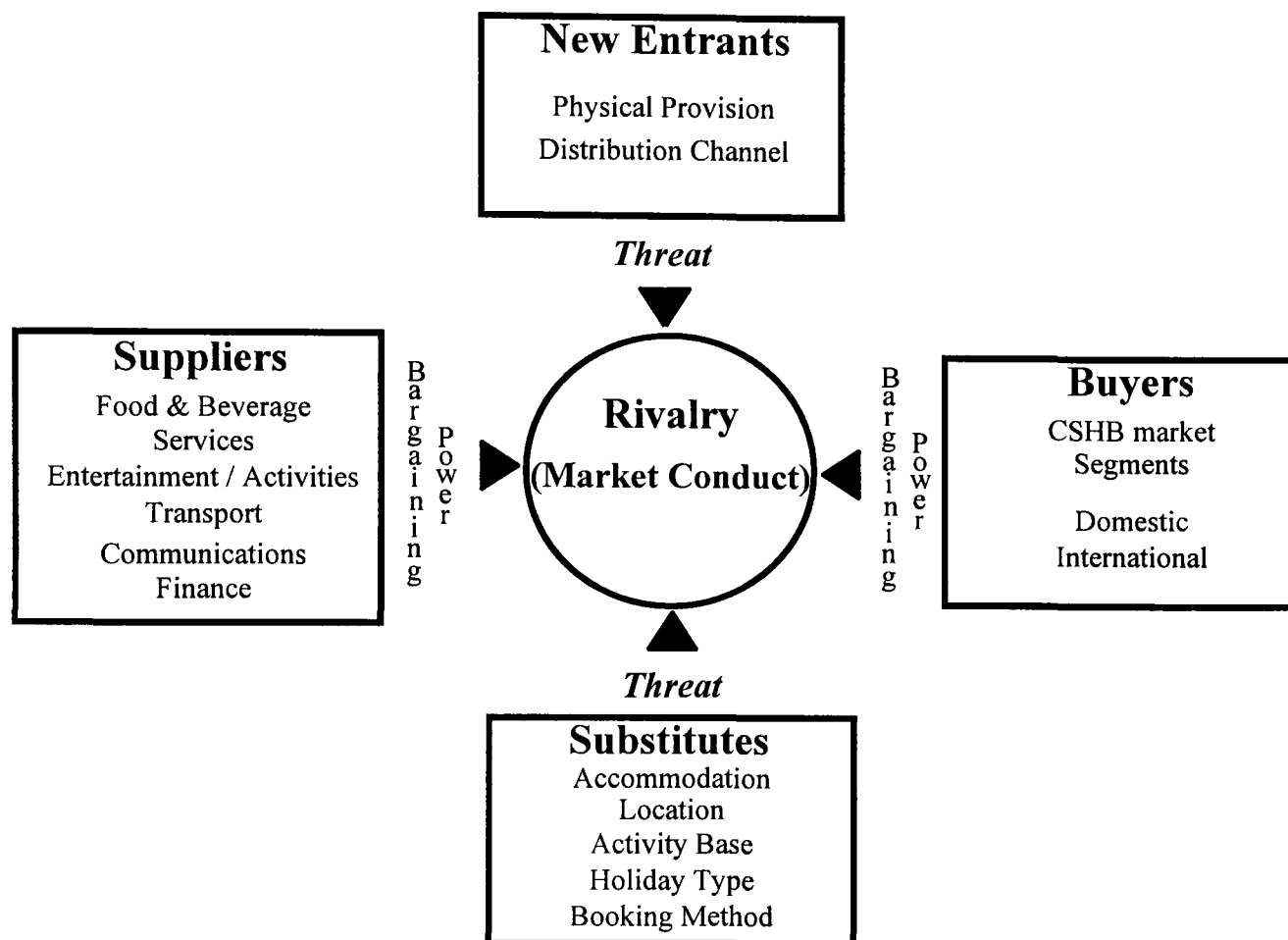
From figure 7.3.1a the general structure of CSHB provision is composed of a variety of mixtures of the elements of supply, ranging from physical accommodation provision to commission based distribution agents.

The suppliers can be divided into four types of supply :

- corporate hotel group/chains : usually large, often public quoted companies who issue specialist brochures for CSHB;
- hotel consortia : organisation often used by small privately owned hotels to gain marketing and purchasing economies;
- short break operators (SBO) : specialist intermediaries that do not own hotels but obtain revenue by brochure inclusion fees and commission, often used by hotel groups to supplement distribution;
- destination marketing : organisations designed to market a particular location areas, thus providing valuable spin-off benefits for all local trade as well as direct marketing members.

While the holistic view of competition is useful to establish the general feel for the CSHB market structure. Focusing on the individual components of hotel group provision establishes a more detailed and focused perspective of the CSHB market structure facing hotel groups. This is shown in figure 7.3.1b.

Figure 7.3.1b : CSHB Market Structure - Hotel Groups



Source : Adapted from Porter (1979)

Figure 7.3.1b shows a diagrammatic representation of the CSHB market structure facing hotel groups, based on applying work by Porter.

Each of the four forces acting on competitive rivalry : new entrants; substitutes; suppliers and buyers are analysed in turn. Barriers to entry and level of threat or bargaining power are highlighted to provide an indication of the dynamics of the market.

(i) Potential New Entrants

There are two forms of potential entrant, the entrant challenging physical provision of CSHB and the entrant challenging distribution. The former is capital intensive and marginal contribution based, the latter, more market driven and commission based. Physical provision, in this case the "hotel" can be challenged from a number of sources, the main of which are other hotel groups, independent unaffiliated hotels, and consortia. The distribution on the other hand is an area where, in the past a number of

operators have attempted to enter the market, some successfully e.g. Goldenrail, Superbreaks, P&O others not successfully Stardust, and Camelot. Such operators are agents working for commission and include short break operators, travel/transport companies, and handling agents.

While the basic concept of a CSHB is easily replicated by any hotel based organisation the viability and levels of awareness generated by such organisations is highly dependant upon the size, or critical mass the organisation can achieve, as such Corporate hotel groups are therefore ideally positioned to enter the market, while unaffiliated independents are less able to enter the market in a feasible or recognisable manner, and as such turn to consortia to gain the mass required.

These characteristics have helped fuel the distribution entrants who, once established are able to operate in a more cost effective, less labour intensive manner. They are therefore able to allocate a greater majority of expenditure on promoting and distributing branded concepts, in attempts to raise barriers to entry and hinder new entrants attempting to overcome start-up cost.

Barriers to Entry

It has been established that CSHB are potentially very lucrative, providing not only an additional market in a maturing holiday industry but also compensating for markets lost or lagging. Therefore to gain additional, and/or protect existing market share, operators create and raise barriers to entry.

In the CSHB market barriers to entry are clearly evident, often forming the basis of suppliers' competitive strategy. The most evident barriers to emerge since the 1980's relate to location, market level, facilities/differentiation, and size. These act as barriers for both physical providers and distributors. The barriers are essentially the key competitive strategies of the 1960s to 1980's suggesting that perhaps the strategies of the 1980's and 1990's may become the barriers to entry of the future.

(ii) Substitutes

Substitutes are evident in the "prime functions" of CSHB provision : accommodation, location, activity base, holiday type and booking method.

Accommodation -

In substituting accommodation, a number of alternatives to hotels exist, including caravans, VFR, and campsites. In addition, the level of accommodation can be changed, i.e. trading down. These threats of substitution are very high, however, as CSHB demand shifts more to cities, and fully serviced accommodation packages are promoted, barriers to entry are raised, reducing market attractiveness and discouraging substitutes.

Location -

As hotels are fixed in location they are under considerable threat if consumers substitute location e.g. city/resort, national/international.

Activity Base -

Activities can be substituted, i.e. local attractions offering what may have been part of a commissionable hotel package at a cheaper price, or customers taking advantage of the basic hotel B&B package and making their own entertainment.

Holiday Type -

Trends and disposable income are the key instigators in substituting holiday type, with consumers deciding to try different types of holiday or fewer longer holidays.

Booking Method -

Booking methods are closely linked to distribution and commission. Methods include via travel agents, direct with hotels, through consortia, and through short break operators. With commission ranging from 0 - 30% this can be a costly area of substitution.

Substitutes can therefore be related to the physical properties of the hotel or are representative of the consumer/producer interface (distribution).

Barriers to entry

Barriers to entry vary considerably from company to company and segment to segment. The main barriers are similar to new entrants, with the addition of specific strategies directed towards increasing market share. These include raising expected standards, increasing group size, creating brand loyalty, relocating breaks from resorts

to cities, packaging, and introducing "flexible breaks". The type of barrier and the effectiveness of such barriers is dependant upon how well the organisation is able to monitor and adapt to the environment. As a result hotel groups use environmental complexity created via segmentation to raise barriers to entry and thus deter entrants and substitutes.

(iii) Suppliers

Suppliers take a number of forms, essentially constituting the component parts of any hotel or CSHB product. As hotels are reliant to varying degrees upon the provision of food and beverages, accommodation and support services, suppliers to hotels in these areas will have varying market powers, depending upon areas of hotel supply reliance. In addition to hotel suppliers, CSHB markets require additional categories of supply such as finance, entertainment/activities, and communications, e.g. booking methods. The former combine to constitute the supply of a CSHB segment(s). Each CSHB segment displays differing market characteristics which combine with the physical location and provision of "hotel" facilities and will ultimately determine the suppliers bargaining power in the market segment.

(iv) Buyers

CSHB consumers are "Buyers" which are predominantly domestic/pleasure oriented. There are however clear elements of international inbound demand, differences in price sensitivity/elasticity, and basic resource requirements. Such differences occur by segment and can often vary within segments making the buyer behaviour highly complex and influencing determinants of bargaining power infinitely.

(v) Competitive Rivalry

The four forces identified (i-iv) act upon the market creating distinct areas of competitive rivalry. Such rivalry is clearly identified in the type of strategies used by hotel companies to gain competitive advantage. An understanding of the dynamics of strategy in the markets provides considerable contributions to knowledge in the field and therefore forms the basis of the market conduct section (Chapter 8).

Application of Porter's model provides an understanding of the foundations of the CSHB market structure for hotel groups. The research highlighted two areas require further clarification to highlight the nature of the market structure of CSHB, (a) the nature of buyers i.e. a consumer profile, and (b) the means of distribution.

7.3.2 Consumer Profiles

While CSHB markets have been established, (although only recently recognised) as highly segmented (MEW Research 1994) and complex markets, they do appear to exhibit a number of common characteristics.

Motives for taking CSHB differ from long holidays (Lohmann 1989), usually being the result of a trigger e.g. celebration (BTA 1990) or a need to "get away from it all" (MSI 1991). The CSHB is often booked in the month of travel (Hunt 1991) and through a travel agent (Beioley 1991). Transport is mainly by car, and length of stay around 2.1 nights (UKTS 1991).

CSHB takers are predominantly from socio-economic groups ABC1 (BTA 1989, MEW 1994, Demetriadi 1992), few trips involve children (Middleton 1987) but most are taken by couples (Bailey 1989) and in the age group 25 to 45 (BTA 1990).

The implications of this demand profile are that as CSHB become more competitive and widespread, it is likely that customers will become better informed and more familiar with CSHB. This could result in a more elastic form of demand and therefore a supply that will attempt to compete more in terms of brand loyalty.

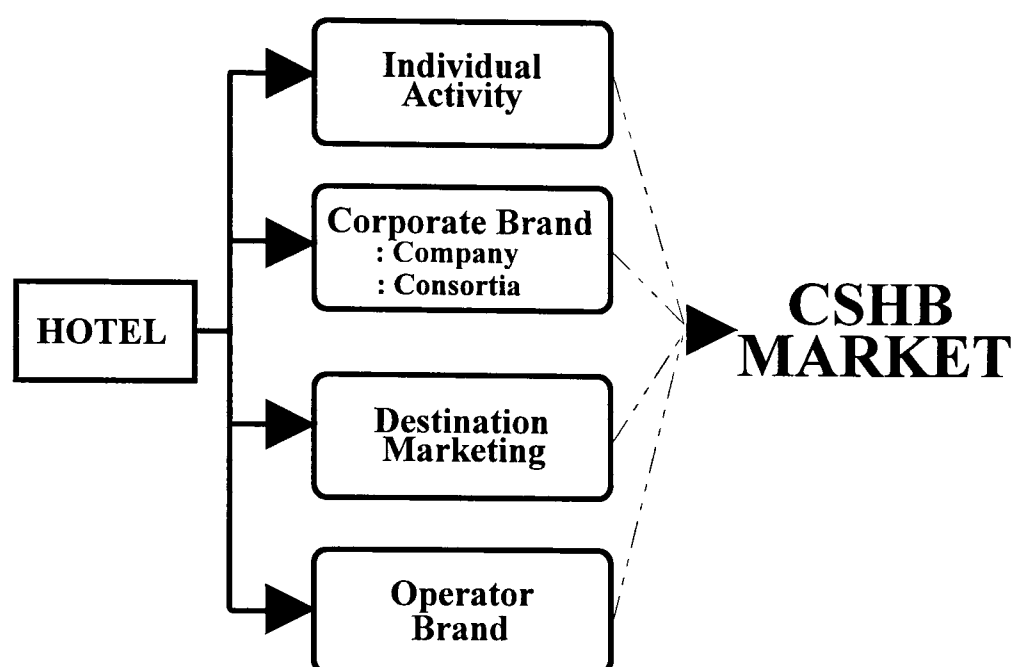
The demand appears to be more varied, taking more frequent breaks to experience new things or places, aware and responsive to the value for money offered by companies. While holidays may be classed as an essential commodity, the type and spend involved with holidays is greatly dependant upon economic and social environmental factors e.g. unemployment, fashions etc. With such developments comes the need for strategic information relating to supply and competitive activity, highlighting the research as an area requiring further investigation to contribute to industry and educational knowledge and reinforcing the need to establish linkages between market structure, competitive strategies and performance.

7.3.3 Methods of Distribution

A key element of the CSHB market structure is the form of distribution. As distribution forms one of the strategies adopted by suppliers it is examined in more detail in Chapter 8.

Figure 7.3.3a illustrates in simple terms the various distribution channels a hotel or hotel group may utilise in reaching its target market or markets.

Figure 7.3.3a : CSHB Distribution Channels



Any hotel, be it group or independent may utilise one or more of the available methods of distribution. The fact remains, that the more the supplier is willing to spend, the more distribution channels can be utilised. This may be used to target specific markets or to simply gain increased exposure. Given that these are supplier aims, it can be deduced that promotional channels which are designed either to reach specified markets or to achieve high rates of customer awareness are the vehicles which will find greatest favour among hotels.

The alternative forms of distribution can be seen as :

Individual Hotel Activity -

Independent actions of individual hotel units, including special offers, leaflet distribution, and press advertising. Cost is variable and therefore widely utilised by smaller units.

Corporate Activity : Hotel Group -

Used by hotel groups to present a corporate image or brand, essentially in the form of CSHB brochures distributed by mail via the CRS and head office.

Corporate Activity : Consortia -

Small operators are limited to the consortia brochures, often racked in travel agents. Utilised in much the same way as hotel groups, to gain additional exposure, scale economies, and to present a group identity.

Destination Marketing -

This distribution benefits both independent operators and hotel groups. There are a number of forms, ranging from area tourist boards, to local authorities. The aim of the organisation is to market an area, through the use of local facilities, including hotels, resulting in many direct and indirect benefits.

Operator Brand -

This refers to Short Break Operator brochures used almost entirely by hotel groups, due to the commission, and associated charges. They have good travel agent racking, and brand by operator name e.g. Superbreaks.

It would appear that independent suppliers are likely to emphasise individual activity and destination marketing, as these would be the levels of sophistication and cost that would be compatible with such operators. Hotel groups are likely to adopt a number of forms of distribution, placing different emphasise on each and using each for a different purpose. These issues are further discussed in Chapter 8 where distribution is introduced as a form of CSHB strategy.

Having established an holistic view of CSHB market structure, the next section determines the structure of the CSHB represented by the sample of 20 hotel groups, drawing on data from the hotel groups database and questionnaires phase I and II.

7.4 THE CSHB MARKET : MICRO STRUCTURE (HOTEL SAMPLE)

This section examines (i) the consumer profile of the sample hotel groups, establishing the breakdown of hotel group business for the sample in terms of general market segments. This is followed by an examination of (ii) supplier characteristics, determining hotel group market dominance, hotel group ownership, and operating details, (iii) seasonality, establishing when short breaks are made available, (iv) market analysis providing data on room nights sold, market shares, and segments targeted, (v) revenue and cost analysis, establishing value of CSHB to the groups, and price sensitivity of markets, (vi) competition, providing detail of the nature of competition, areas of competitive advantage and barriers to entry, and finally (vii) organisation issues, providing an indication of the areas of organisational linkages, and determining the underlying philosophy of groups in the market in terms of work by Miles and Snow (1979) relating to strategic typologies.

7.4.1 Consumer Profile

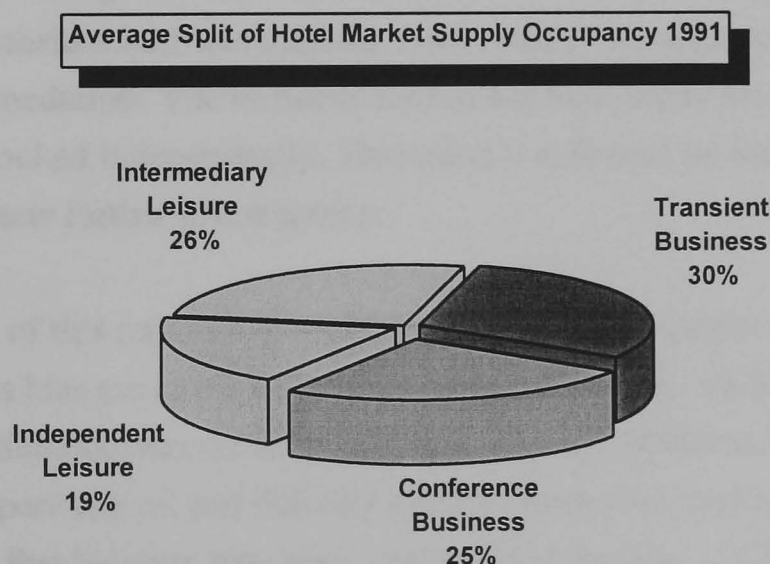
The information held by most hotel groups in relation to the provision of CSHB will not allow a detailed division of CSHB market segments. However, to provide an indication of the type of markets targeted, figure 7.4.1a has been constructed using data from Phase I questionnaires.

Figure 7.4.1a : Hotel Markets Targeted 1991

BUSINESS 55%		LEISURE 45%	
Transient 54%	Conference 46%	Independent 43%	Intermediary 57%

From figure 7.4.1a it can be seen that the main market for hotel groups operating in Scotland in 1991, is business markets of a transient nature, i.e. independent business travellers. Leisure markets appear highly reliant upon intermediaries i.e. holidays booked via a travel agent. The trends are clearly evident from figure 7.4.1b.

Figure 7.4.1b



The impact of such a demand profile reflects the type of locations hotel groups operate in, city centre or town centre business locations. This has been a key force in the development of city breaks during periods of low business demand and while

traditionally kept to weekend breaks during the more affluent economic periods, they have developed more into a year round and week round product as business markets suffer the pressures of recession.

What is of additional interest is the market identified as "not the key market" by hotel groups. Figure 7.4.1c extends figure 7.4.1a by adding in the none key markets for each of the prime markets identified.

Figure 7.4.1c : Expanded Hotel Markets Targeted 1991

BUSINESS 55%				LEISURE 45%			
Transient 54%		Conference 46%		Independent 43%		Intermediary 57%	
Holidays		Holidays		Business		Business	
Independent 31%	Intermediary 69%	Independent 65%	Intermediary 35%	Transient 30%	Conference 70%	Transient 47%	Conference 53%

Taking the 55% of groups identifying business markets as their main market. 54% claimed this market to be transient in nature, while 46% said their market was mainly conference based. Using the none key markets, it can be seen that hotel groups with predominantly transient business markets, have holiday markets predominantly booked via intermediaries. The business conference bias hotels have a holiday market predominantly booked independently. This trend is reflected by the leisure bias hotel groups and warrants further investigation.

For the purposes of this research it would be sufficient to presume that hotels with a transient business bias are likely to use short break operators, while those that are business and conference bias are more inclined to target independent markets perhaps through more experience of, and delivery systems geared to, packaging CSHBs. What becomes clear is that location may play a role within the type of CSHB offered, intermediaries are a distribution competitor and clear threat, and that even within a sample of 20 hotel groups the market is highly complex and segmented.

7.4.2 Supply Characteristics

Before establishing the general supply of hotel units, rooms and operational data, it is useful to clarify the ownership structure of the hotel group sample as this reflects the capital intensity of the physical provision of the “hotel”.

(i) Ownership

Figure 7.4.2a shows the percentage of groups sampled belonging to each forms of hotel ownership. (For further information on types of affiliation see section 3.5.2)

Figure 7.4.2a



From figure 7.4.2a it can be seen that the most popular form of ownership in Scotland, is a mixture of total ownership and management contracting, followed by total ownership only. This implies that the sample will have a mixture of cost structures which may affect CSHB provision in different ways, essentially at the unit level, with full ownership implying higher fixed costs than management contracts and resulting in a different emphasis on contribution and marginal pricing.

(ii) Market Share

Of the various forms of CSHB supply, corporate suppliers in Scotland account for approximately 77% of CSHB revenue share from only 6% of unit share. These figures are taken from the hotel groups database, and were calculated by combining detailed brochure tariff information; regional occupancy percentages, and industrial norms (%) for average number of covers and length of stay. Where possible comparisons were

drawn with achieved rates for CSHB which were found not to differ significantly from published CSHB rates. These results are shown in figures 7.4.2b and 7.4.2c.

Figure 7.4.2b

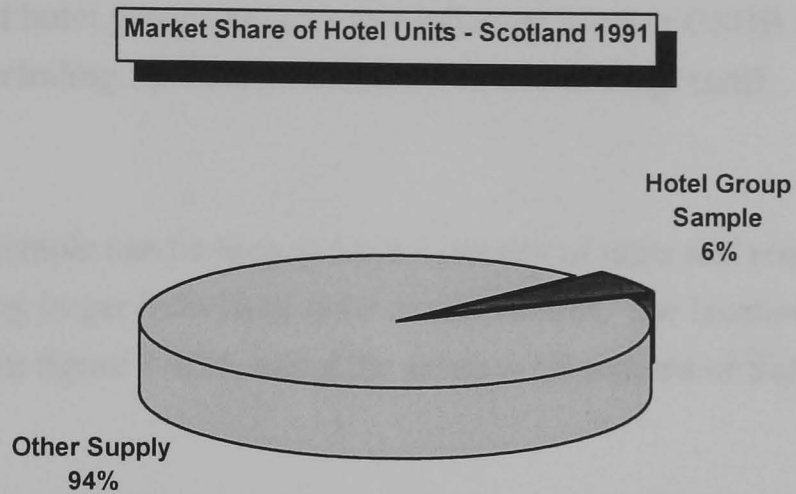
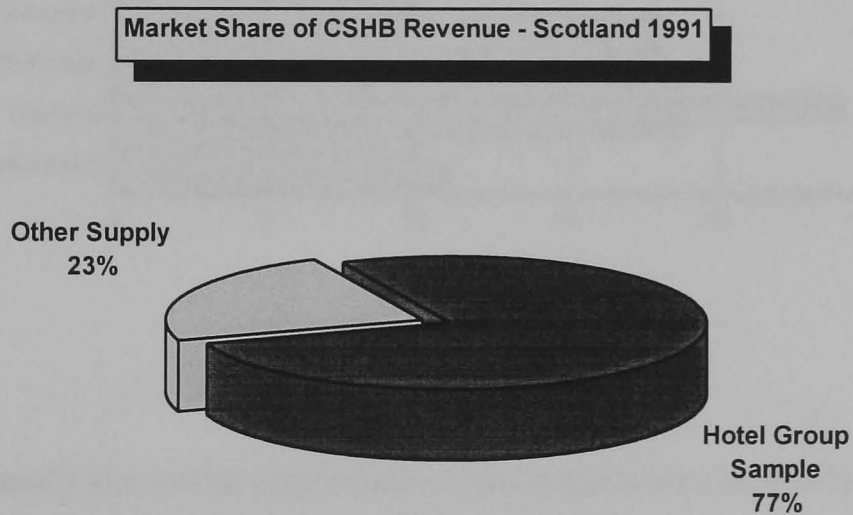


Figure 7.4.2c



From these results, it would appear hotel groups dominate revenue share of the CSHB market even more than general market segments. This not only pressurises the small operator out of the market but also implies that the actions, or strategies of these groups will play a major role in shaping and developing the market structure of the future.

Research into the competitive activity of such groups will therefore allow conceptual frameworks to be developed that contribute significantly to understanding the dynamics of the industry and knowledge in the field.

The dominance of hotel groups appears to be reflected in other CSHB supply characteristics, including : location, market level, and average tariff.

(iii) Location

The hotel group sample can be seen to have a density of units and rooms in city centre location, indicating larger individual units in city centres. The location spread of the sample is shown in figure 7.4.2d, using the seven ATB regions of Scotland.

Figure 7.4.2d

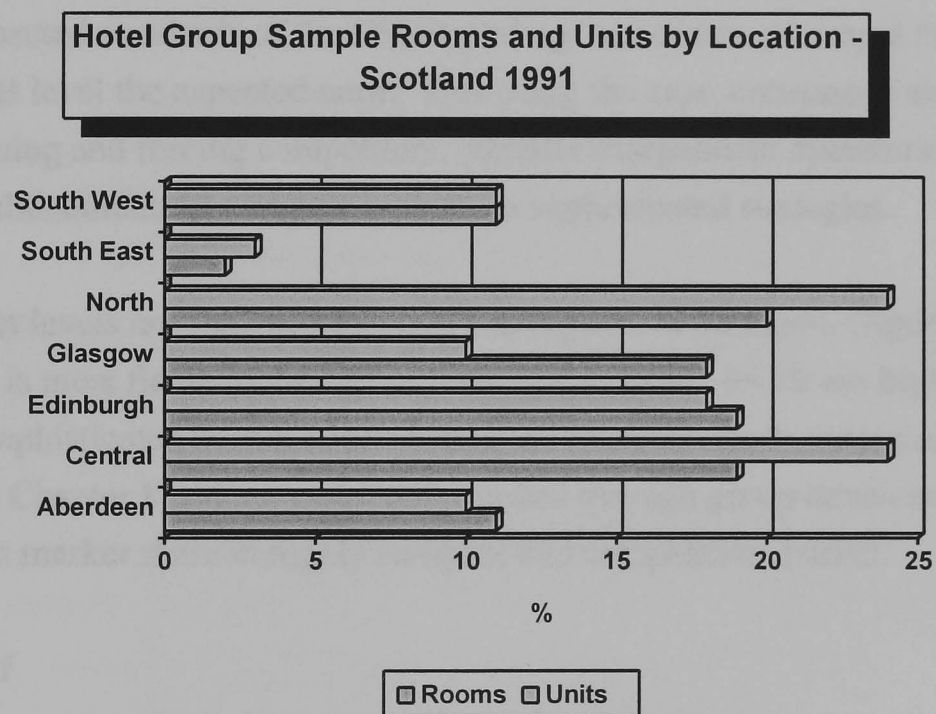
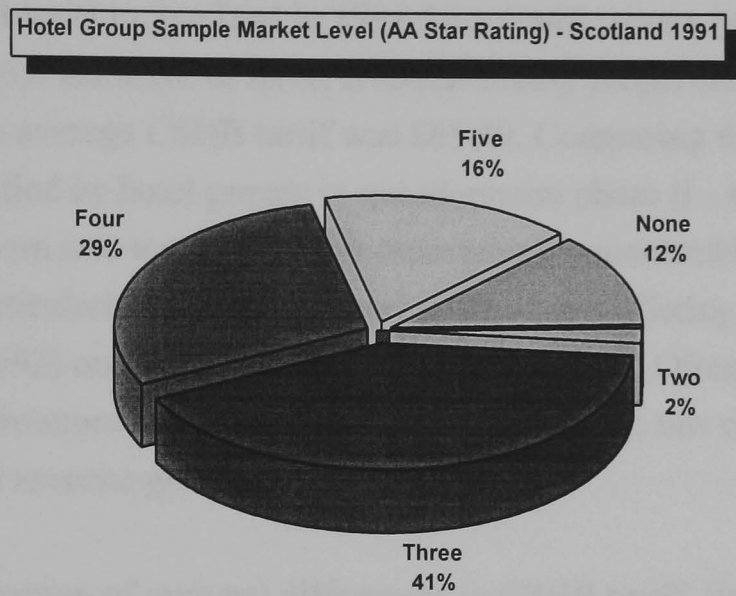


Figure 7.4.2d clearly shows the importance of the major cities in Scotland for hotel groups and as such reiterates the development of city breaks and threat to unaffiliated operators as established in Chapter 4.

(iv) Market level

The market level offered by hotel groups is essentially in a market level of mid to luxury standard, with 70% of hotel rooms in the three or four star market level. This is shown in figure 7.4.2e.

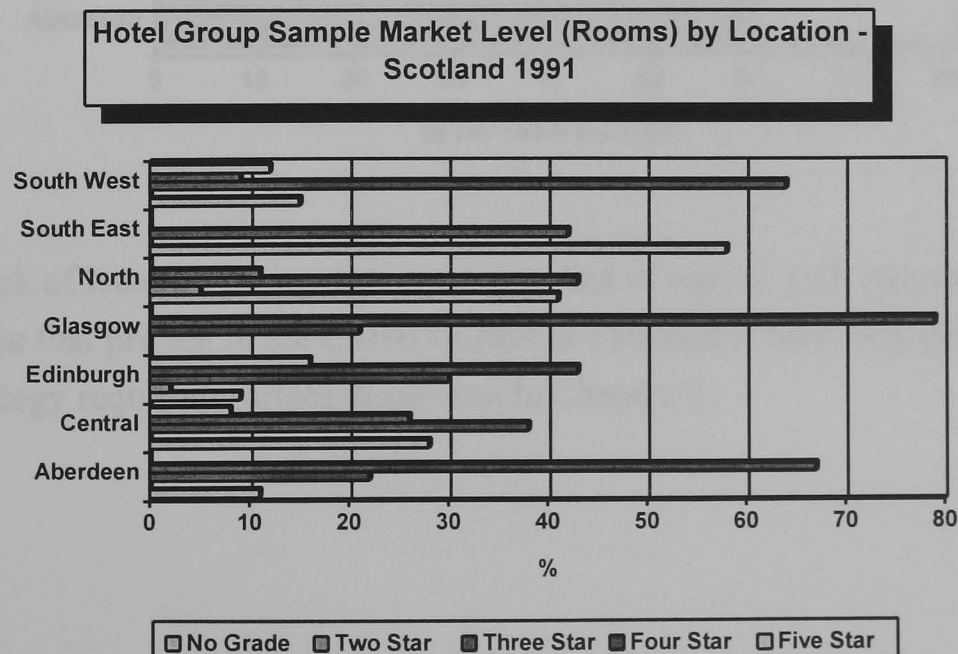
Figure 7.4.2e



Offering CSHB in such types of accommodation as mid to luxury market levels may raise the expected standards of the CSHB package consumer, making a three star or above market level the expected norm. This being the case, consumers are likely to be more discerning and forcing competitors, (smaller independent operators included), to upgrade establishments or compete with more sophisticated strategies.

When market levels are analysed by the seven regions of Scotland, (figure 7.4.2f) competition is most fierce in the city centres where market levels are highest and as such more sophisticated means of competing are required. Such strategies are discussed in Chapter 8 and are essentially fuelled through group developments to gain and maintain market share in highly complex and competitive market.

Figure 7.4.2f

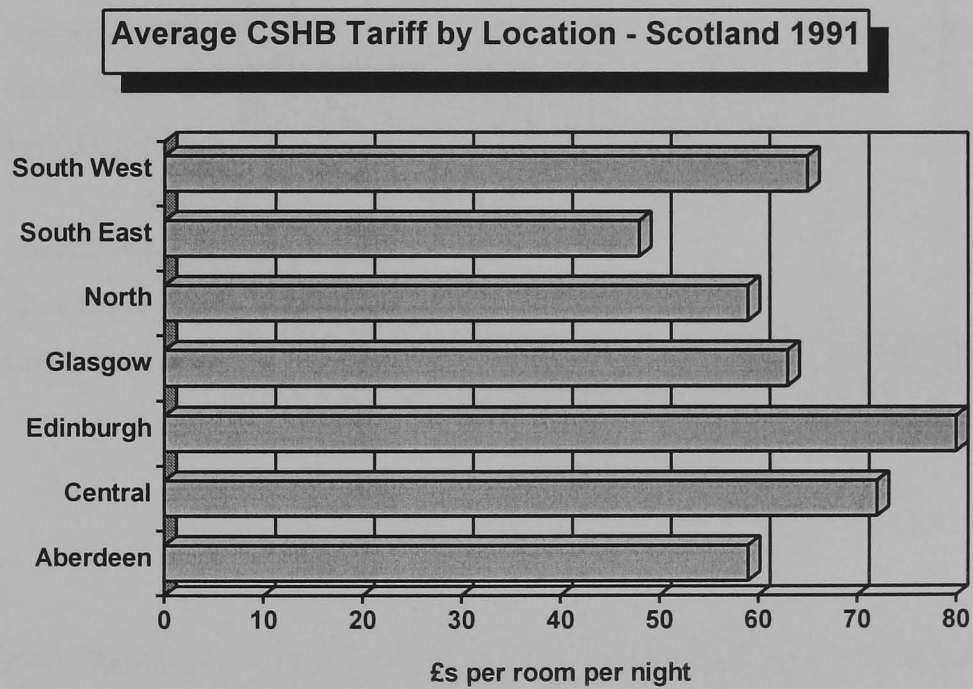


(v) Average tariff

The average CSHB tariff in Scotland in 1991 for a double room, breakfast and VAT inclusive was £81.65, inclusive of three, five-star luxury properties. Removing the five star hotels, the average CSHB tariff was £65.40. Comparing the average achieved room rate as identified by hotel groups in questionnaire phase II - the average achieved CSHB room rate was £89.60 this represents a considerable contribution to hotel revenues, particularly when many hotel groups were offering up to 40% discount (Millar 1992) on rack rate tariffs during this period. Often a condition of the CSHB offer is a minimum stay of two people for two nights, this can add substantially to the revenue generation of the hotel.

To provide an indication of regional differences in CSHB tariff, figure 7.4.2g shows the average CSHB tariff for each region of Scotland. Tariffs are in £'s per room per night for two people, breakfast and VAT inclusive.

Figure 7.4.2g



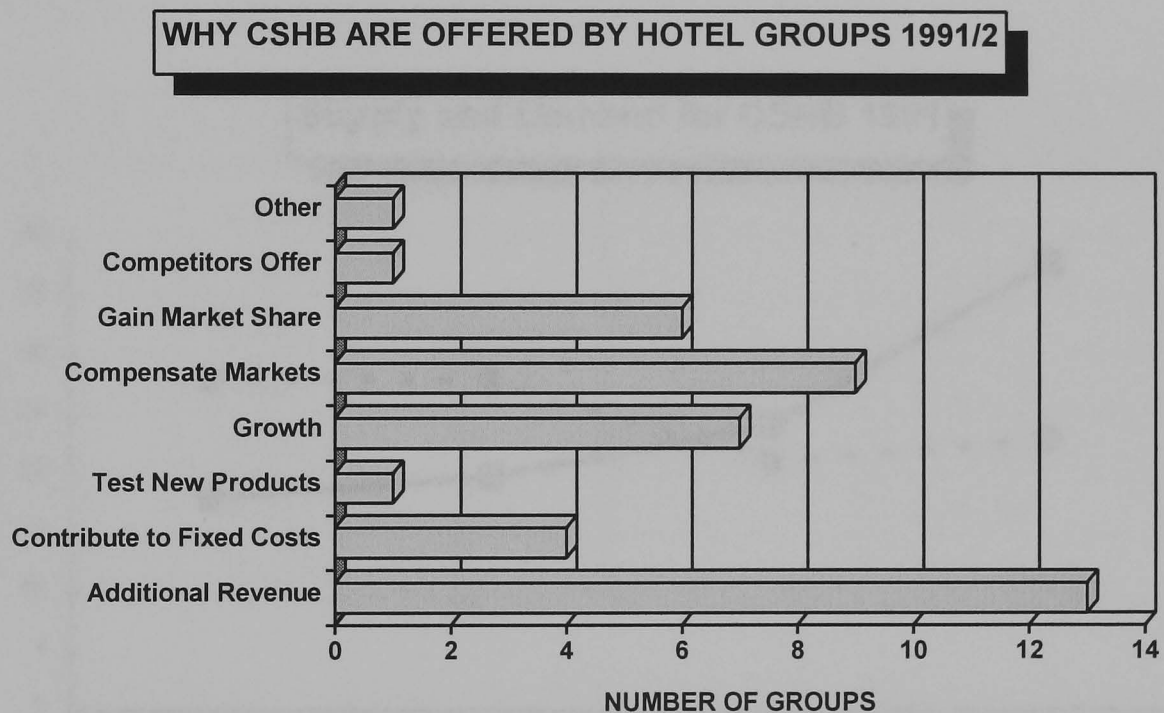
From the lack of location variance compared to that of regular rack rate variance it would appear that pricing in the CSHB market in Scotland is relatively primitive. This forms a strategy requiring further discussion in Chapter 8.

7.4.3 Seasonality

This section establishes why hotel groups offer CSHB and determines why and when such breaks are made available.

Previous chapters have highlighted through the demand perspective that CSHB are now a market in their own right and not an off-peak phenomenon. This is supported by the supply side approach adopted in this research where hotel groups indicated that the main reason for offering CSHB was to gain additional revenue. To compensate markets did come in second place, perhaps indicating that while CSHB are a market in their own right they are still seen by suppliers as a means of bridging seasonality. Reasons for offering CSHB are shown in figure 7.4.3a.

Figure 7.4.3a



The seasonality theme is examined further by establishing when CSHB are offered by hotel groups. Figure 7.4.3b indicates the number of months CSHB are offered by hotel groups while figure 7.4.3c indicates by quarter (as divided in SBO brochures) when CSHB are offered by hotel groups and when SBO claim to have the greatest level of business.

Figure 7.4.3b

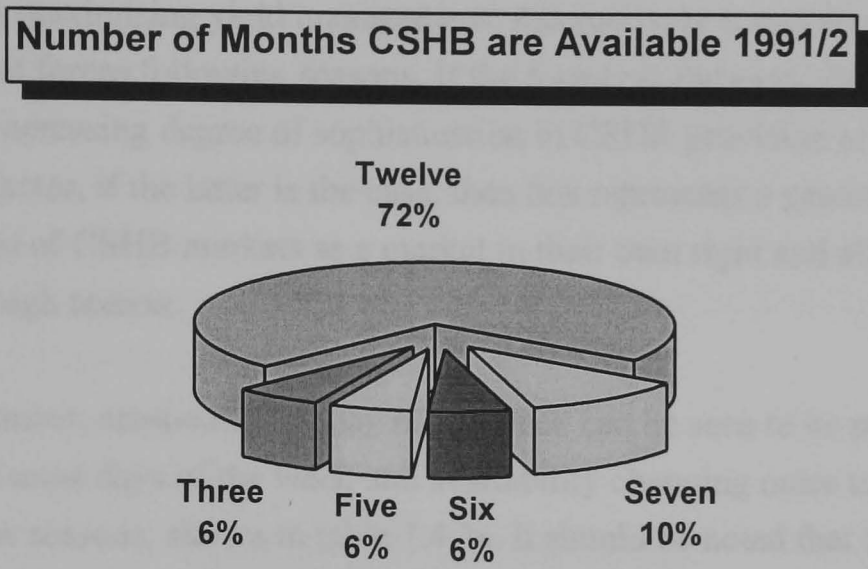
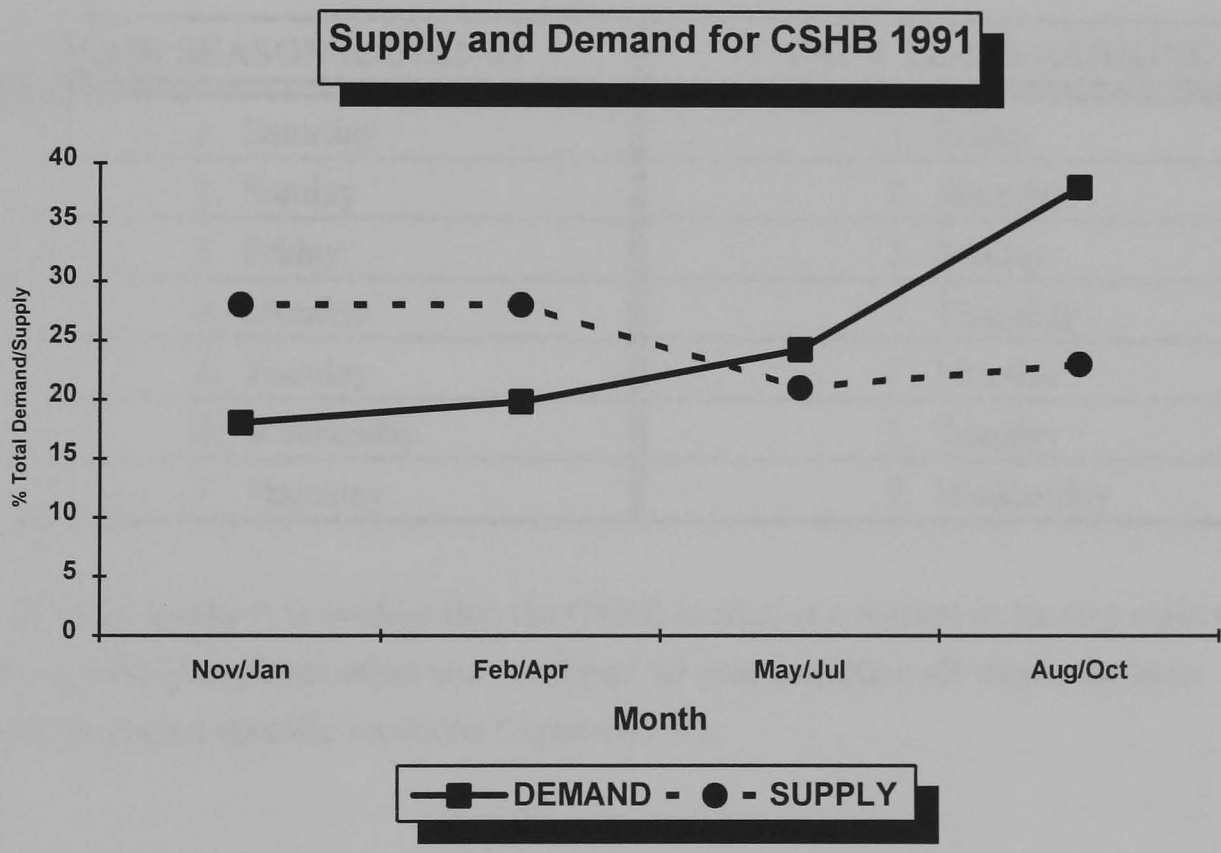


Figure 7.4.3c



It should be noted from figure 7.4.3b that CSHB are now a year-round phenomenon, with 72% of groups offering CSHB all year round, and 88% offering breaks for at least half of the year.

From figure 7.4.3c it would appear that when hotel groups indicated a reduction in their efforts to stimulate CSHB demand, i.e. May to October, SBO indicated an increase in output. This may represent attempts at spreading seasons by actively using SBO at slack periods and as such, due to contract arrangements deliberately lower

CSHB activity in the traditionally high seasons knowing that SBO will require allocation thus maximising yield management. Alternatively it could reflect an ad hoc effect of market forces following seasons. If the former is the case, that surely represents an increasing degree of sophistication in CSHB provision as a yield management factor, if the latter is the case, then this represents a general acceptance by hotel groups of CSHB markets as a market in their own right and all year round both low and high season.

In a similar manner, seasonality by day of the week can be seen to be minimal, with CSHB offered most days of the week and availability changing more to a weekend bias during low seasons, shown in table 7.4.3a. It should be noted that low season is defined by hotel groups as November to March inclusive.

Table 7.4.3a : Ranking of Day when CSHBs are Available

MAIN SEASON RANKING	OTHER TIMES RANKING
1. Saturday	1. Friday
2. Sunday	2. Saturday
3. Friday	3. Sunday
4. Monday	4. Thursday
4. Tuesday	7. Monday
4. Wednesday	7. Tuesday
7. Thursday	7. Wednesday

From these results it is evident that the CSHB market is a market in its own right that is increasing in sophistication and is offered all year and often all week, the latter depending upon specific locations (Appendix V).

7.4.4 Market Analysis

The purpose of this section is to provide an indication of the range of market segments offered in the CSHB market and to determine which segments represent the growth areas and which have the greatest future potential, as identified by CSHB suppliers. The main categories of CSHB market segment identified by the research were (i) activity/sport; (ii) bed and breakfast; (iii) dinner, bed and breakfast, (iv) festive, (v) rail or transport inclusive, (vi) romance/luxury, (vii) special interest, and (viii) other.

The two most evident "others" being off peak, and touring breaks. The segment categories were provided by the focus group and sample hotel groups and have proven consistent in understanding and terminology throughout the sample surveys.

Figure 7.4.4a shows the CSHB segments targeted by the hotel group sample. It would appear that the most popular segments are dinner, bed and breakfast; bed and breakfast; off peak; and romance/luxury. These are all areas of potentially high return, with little or no marginal cost incurred.

Figure 7.4.4a

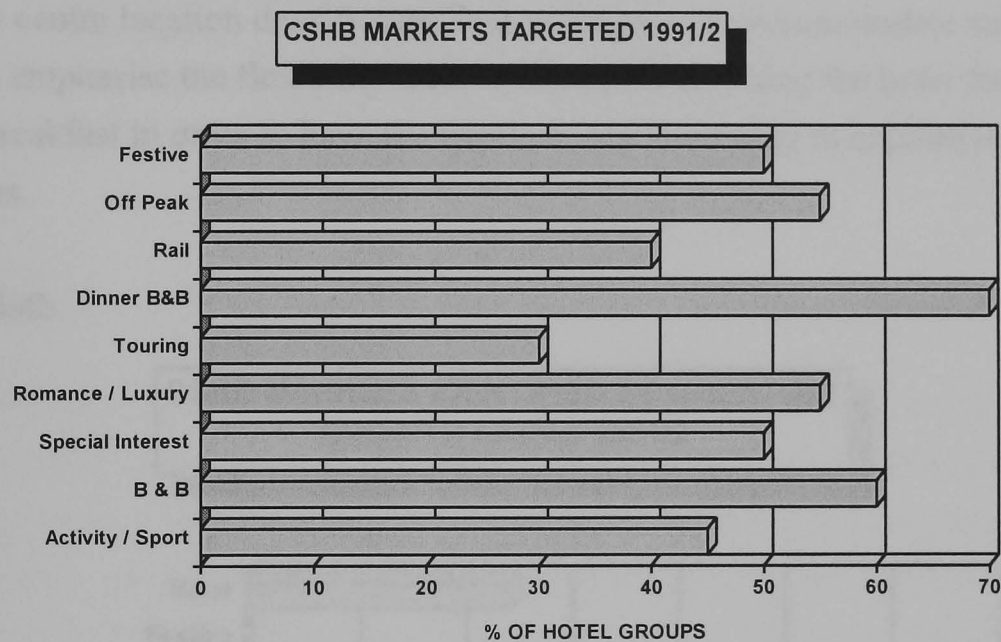


Figure 7.4.4a indicates the percentage of groups targeting each segment, emphasising the highly segmented nature of the market.

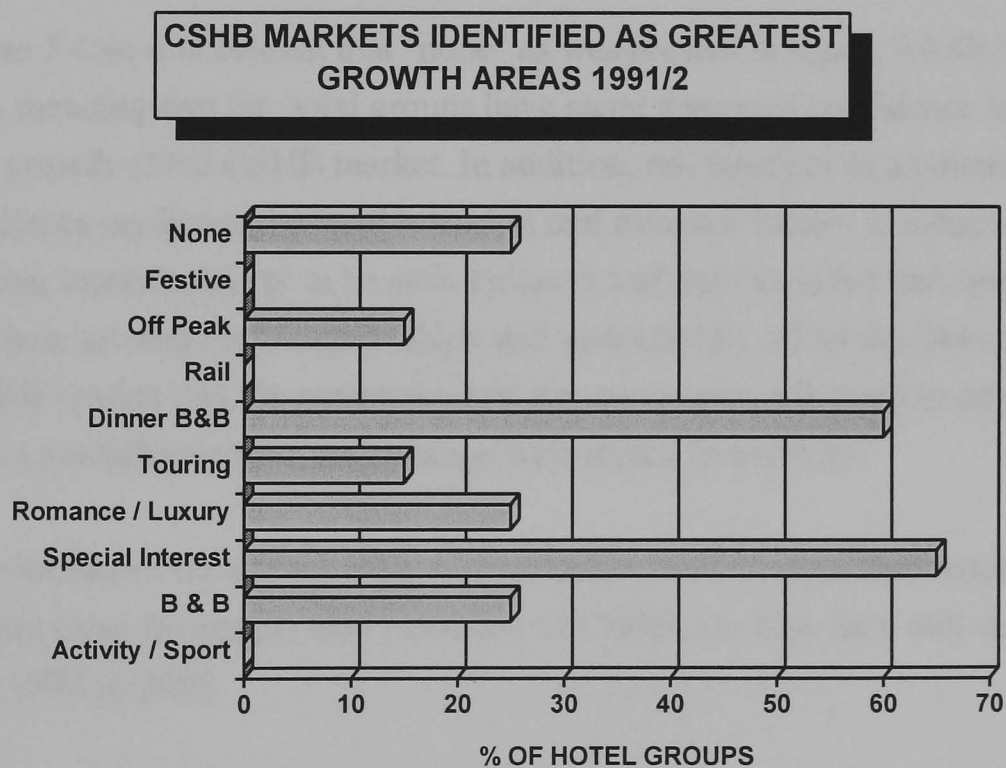
Often hotel groups target three, four or five segments, while some of the larger, more experienced groups i.e. Mount Charlotte Thistle will target all nine segments. This market complexity as well as being encompassed within the overall complexity of tourism and hotel markets in general is further added to by the packaging occurring within segments.

Packaging is in effect a means of mixing the short break provision in some way within a segment. Segments therefore represent the core means of themeing the package and essentially form a means of branding the CSHB and reducing the complexity of the purchase decision for the consumer. An example of this may be a mounting climbing break within the activity/sport segment compared to a ski-ing break within the same segment. In addition, packages can vary within core purpose of

holiday i.e. both breaks could be mountain climbing but one is geared towards novices or learners and the other towards experienced climbers. The connotations are many, raising the complexities of the market and requiring the use of central reservations systems to administer. The aspects of how this complexity is managed and how packaging is used as a strategy are discussed in Chapter 8.

The market segments identified as areas of current and greatest growth (in terms of revenue generation) can be seen in figure 7.4.4b. From this figure, it would appear that special interest and dinner, bed and breakfast are areas of most growth, reflecting the consumer profile of customers demanding new and frequent experiences, as well as the city centre location density suppliers willingness to accommodate such demand. They also emphasise the flexibility trait, with consumers using the hotel for dinner, bed and breakfast in order to have the freedom, and flexibility to explore the city themselves.

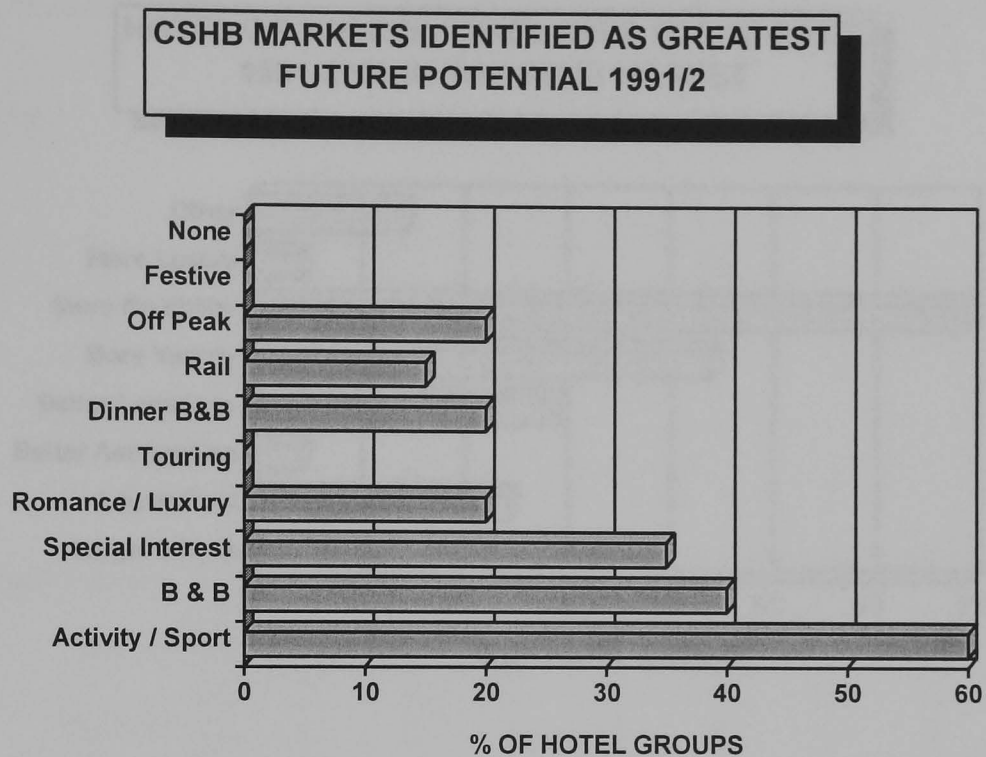
Figure 7.4.4b



N.B. The areas identified in figure 7.4.4b above are those of greatest growth, therefore other markets could still be growing, just not as quickly.

In terms of future market segment potential, figure 7.4.4c shows which segments hotel groups perceived to be greatest potential sources of revenue.

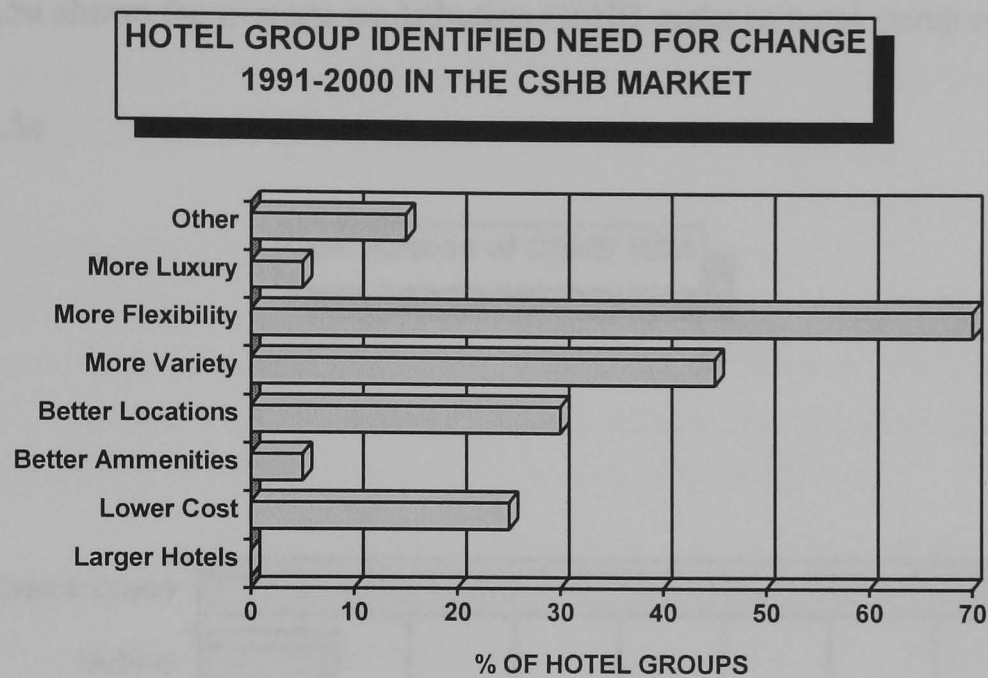
Figure 7.4.4c



From figure 7.4.4c it is evident that "none" as was present in figure 7.4.4b has no responses, meaning that the hotel groups have some degree of confidence in the future value and growth of the CSHB market. In addition, rail emerges as a potential market yet, the reliance on dinner, bed and breakfast and romance/luxury is reduced. Instead the emerging markets appear to be activity/sport, bed and breakfast and special interest. These are market changes which will undoubtedly affect the future structure of the CSHB market and the potential strategies companies will need to adopt. This represents a potential demand side change with regard to markets.

Figure 7.4.4d shows what hotel groups identified as the key areas that require development from the supply side provision of CSHB. i.e. how they will develop over the period 1991 to 2000.

Figure 7.4.4d



These future developments clearly indicate a shift away from the larger size - strive for scale economies and market share of rooms - to a more consumer oriented approach with greater flexibility. This is likely to be achieved through more advanced technology, more choice or variety for consumers, and better locations. The implications of such developments are that the future CSHB market will be even more complex than current markets and therefore require a more focused and informed approach to strategic developments. This research seeks to provide such an approach by developing a framework for making strategic decisions, that recognises the increased emphasis on hotel groups and independents to compete on both the wider market base, and specific niche markets to survive.

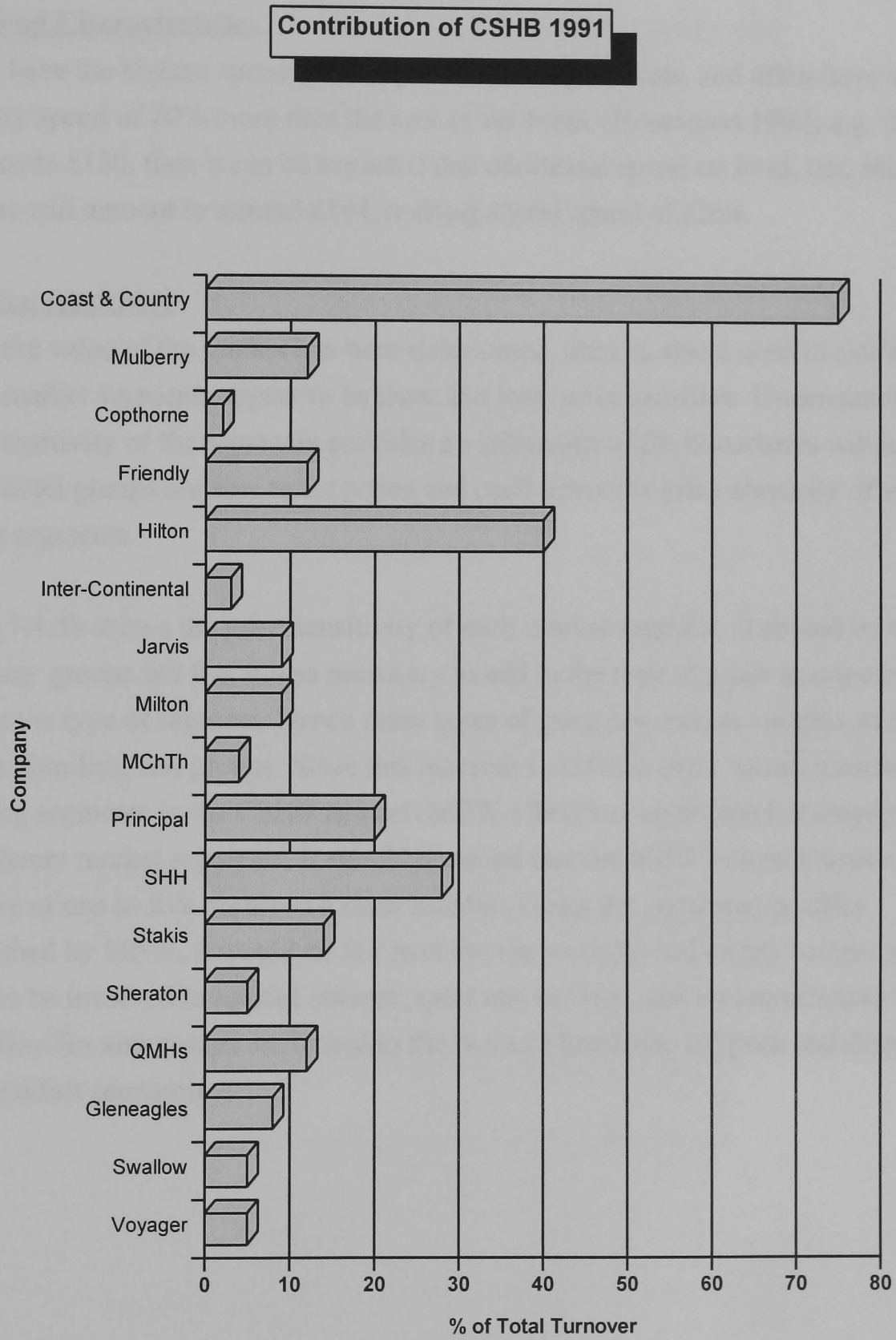
7.4.5 Revenue and Cost Analysis

This section establishes market structure in terms of how important the CSHB market is to various companies, what the spend characteristics are of CSHB market segments; and which departments generate the most CSHB revenue.

(i) Contribution of CSHB

Figure 7.4.5a shows the average contribution CSHB make to hotel group revenue.

Figure 7.4.5a



From figure 7.4.5a the average contribution of CSHB to hotel group revenue is around 10% to 15%. While this is a figure for the whole company, it does provide an indication of the value of revenue generated from this market to each company and reinforces the prominence of CSHB to hotel group product ranges.

(ii) Spend Characteristics

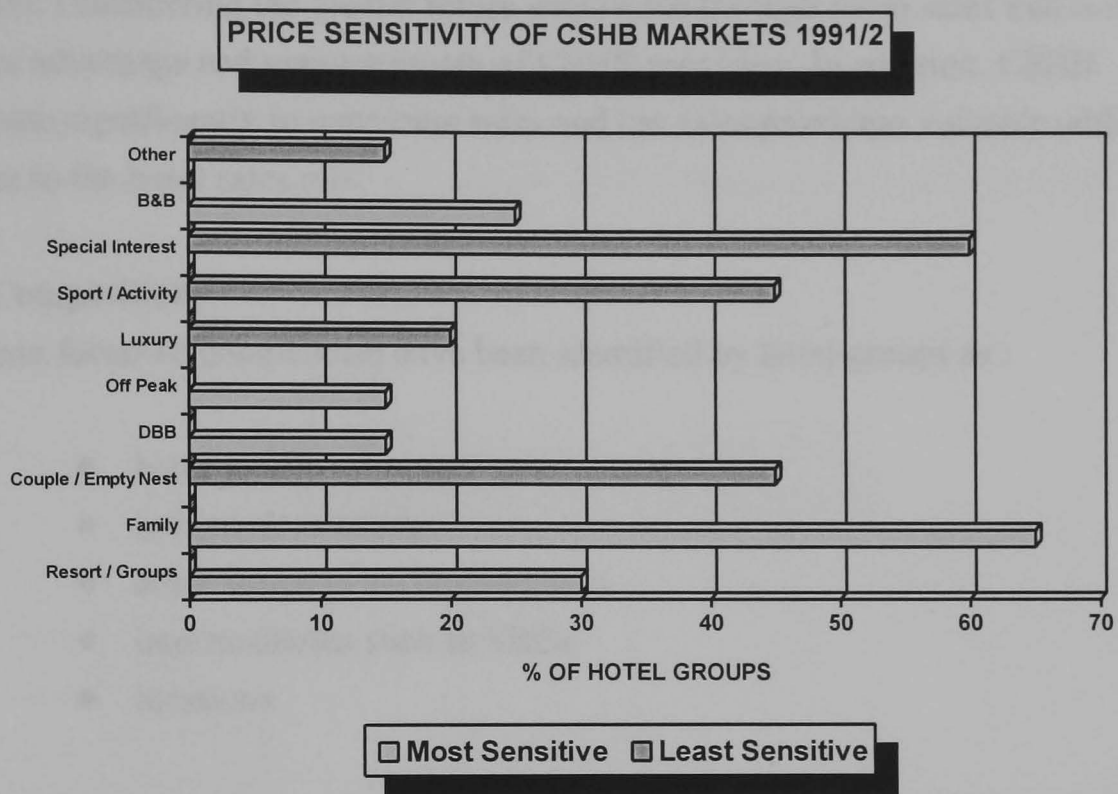
CSHB have the highest spend per night of all holiday markets, and often have an ancillary spend of 20% more than the cost of the break (Hoseasons 1992) e.g. if the break costs £120, then it can be expected that additional spend on food, bar, shops or services will amount to around £144, making a total spend of £264.

(iii) Price sensitivity

While the value of the market has been determined, there is also a need to establish which market segments appear to be most and least price sensitive. Understanding the price sensitivity of the segments provides an indication of the boundaries within which hotel groups are able to set prices and establishes the price elasticity of various market segments.

Figure 7.4.5b shows the price sensitivity of each market segment. It should be noted that many groups felt that it was necessary to add in the type of guest as opposed to the just the type of segment. Hence these types of guest are seen as couples and empty nesters; families; and groups. Since this research in 1991/2, more recent research detailing segments in the CSHB market (MEW 1994) has established average profiles for different market segments. It should be noted that the MEW research uses a measure of one to five nights as a short holiday. Using the consumer profiles established by MEW, it would be fair to claim that couples and empty nesters are likely to be involved in special interest, sport and activity, and romance/luxury breaks, while families and groups are linked to the bed and breakfast, off peak and dinner, bed and breakfast segments.

figure 7.4.5b

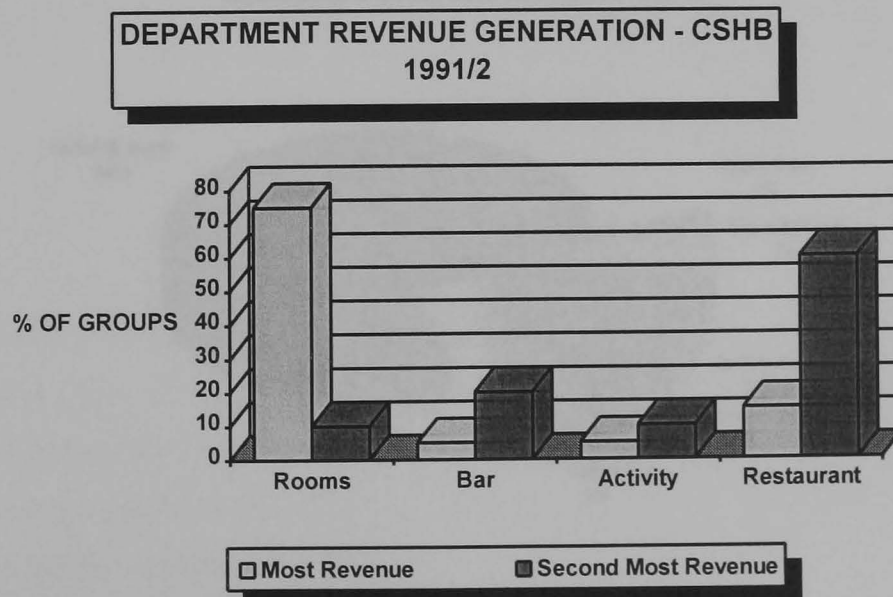


From figure 7.4.5b the least price sensitive segments are special interest, sport and activity, and empty nesters, while the most price sensitive are off peak, dinner, bed and breakfast, families, and groups. This implies that the CSHB market structure demand has segments that are price inelastic in terms of special interest and sport and activity, and highly price elastic in terms of dinner, bed and breakfast and off peak market segments.

(iv) Revenue generation by hotel department

Figure 7.4.5c shows which departments generate the most revenue by offering CSHB.

Figure 7.4.5c



From figure 7.4.5c it is clear that rooms are the greatest beneficiary, as may be expected. Considering the greater return achievable through room sales this is an obvious advantage and major strength of CSHB provision. In addition, CSHB contribute significantly to restaurant sales and bar sales providing valuable additional revenue to the hotel sales mix.

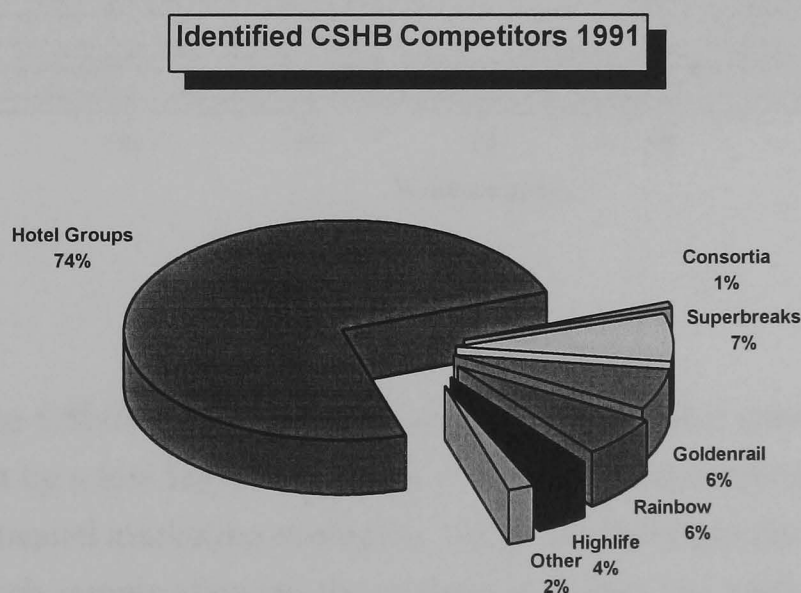
7.4.6 Competition

The main forms of competition have been identified by hotel groups as :

- hotel groups
- independent hotels
- other forms of accommodation
- intermediaries such as SBOs
- locations

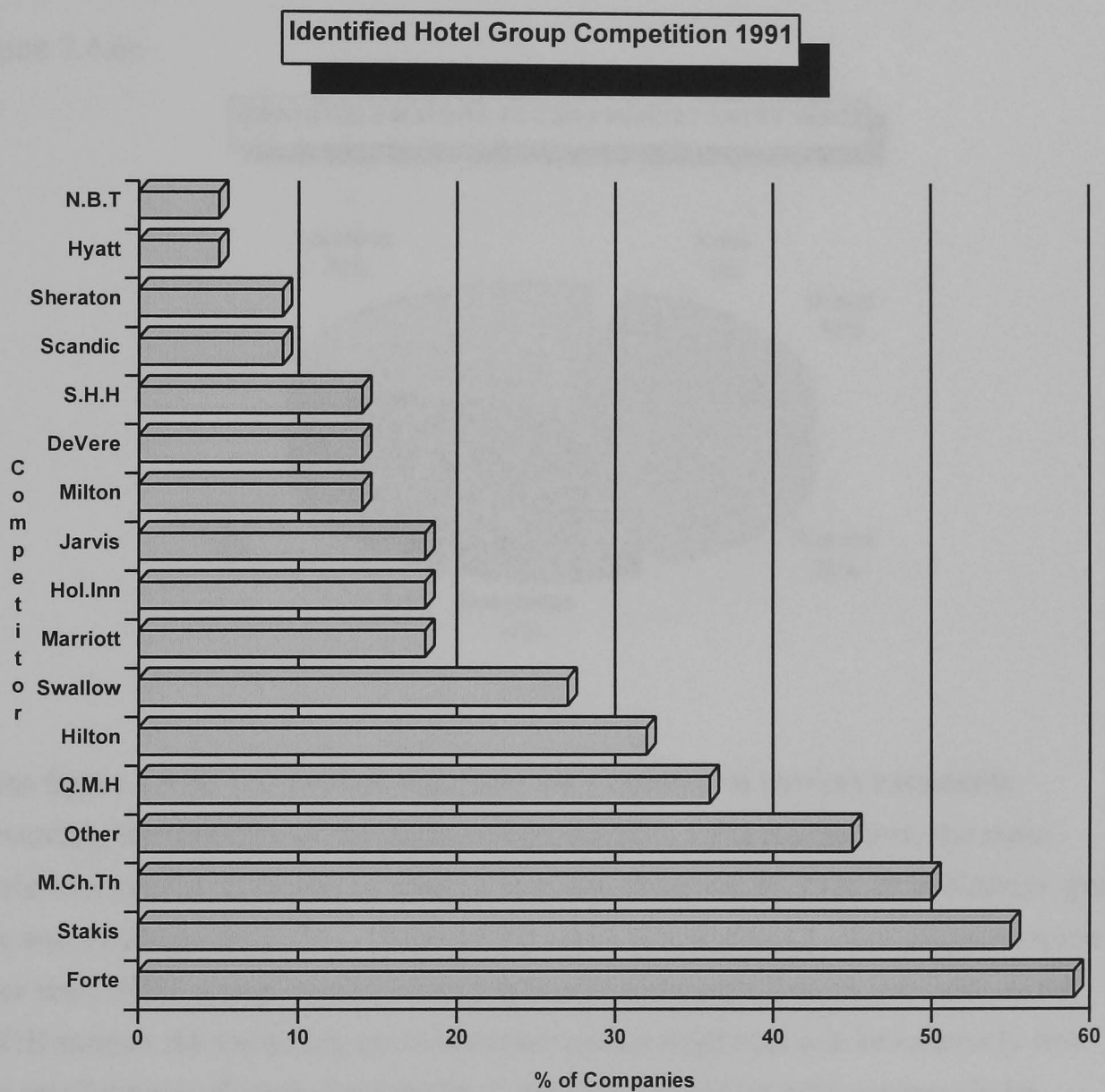
Figure 7.4.6a shows the breakdown of CSHB competitors in Scotland as indicated by hotel groups. The results emphasise the dominance of hotel groups, yet recognise the presence and potential threat of short break operators, essentially Superbreaks, Goldenrail, Rainbow, and Highlife. As Goldenrail and Superbreaks are owned by the same company, and Rainbow and Highlife have strong hotel group links, smaller independent operators will find it difficult to compete. This is especially the case as the market further matures and begins to show tendencies of monopolistic competition. The minimal representation of consortia highlights this case, essentially designed to represent the smaller operator yet seen as a minor form of competition.

Figure 7.4.6a



It is therefore clearly evident that hotel groups are the main form of competition, probably due to their market dominance. Figure 7.4.6b therefore shows the main hotel groups identified as competition, indicating that the larger groups in Scotland i.e. Forte, Stakis, Mount Charlotte Thistle, Queens Moat Houses, and Hilton appear to dominate the corporate market in Scotland for CSHB and as such are identified as the main competitors.

Figure 7.4.6b

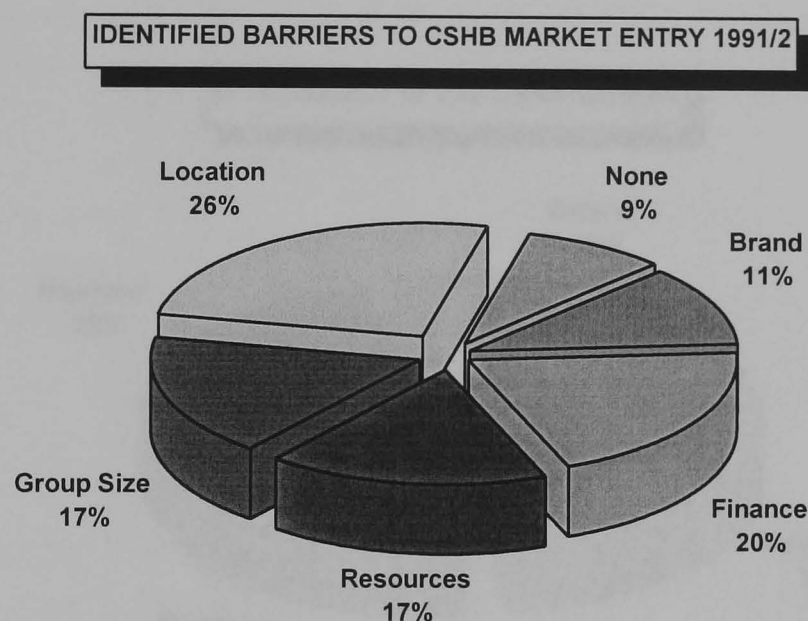


It appears that the CSHB market structure supply in Scotland is dominated not just by hotel groups, but by a few key hotel groups, often producing corporate brochures and adopting sophisticated marketing strategies. These key hotel groups are included within the research sample allowing the research to reflect key market strategies and further validating the sample selected.

Having established hotel groups dominance of the CSHB market in Scotland, it is useful to determine how this dominance is maintained from a market structure perspective. There are two key methods of maintaining the market dominance, as established in Porter's model in Chapter 4. The groups can either raise barriers to market entry and/or utilise areas of competitive advantage.

Figure 7.4.6c shows what hotel groups recognised as the key barriers to entry in the CSHB market.

Figure 7.4.6c



From figure 7.4.6c it is evident that there are a number of barriers essentially preventing the mobility of the factors of production. Of these barriers, the main barriers to market entry can be seen as location, followed by sources of finance, group size and available resources. These are all areas which, should other groups require to enter the CSHB market would incur potentially high capital costs, yet once in the CSHB market the switching costs between market segments can be relatively low. The implications of such characteristics are that the market will continue to be dominated by the large groups, yet the CSHB market segments will continue to develop as groups carve out new market segments and develop specific niches.

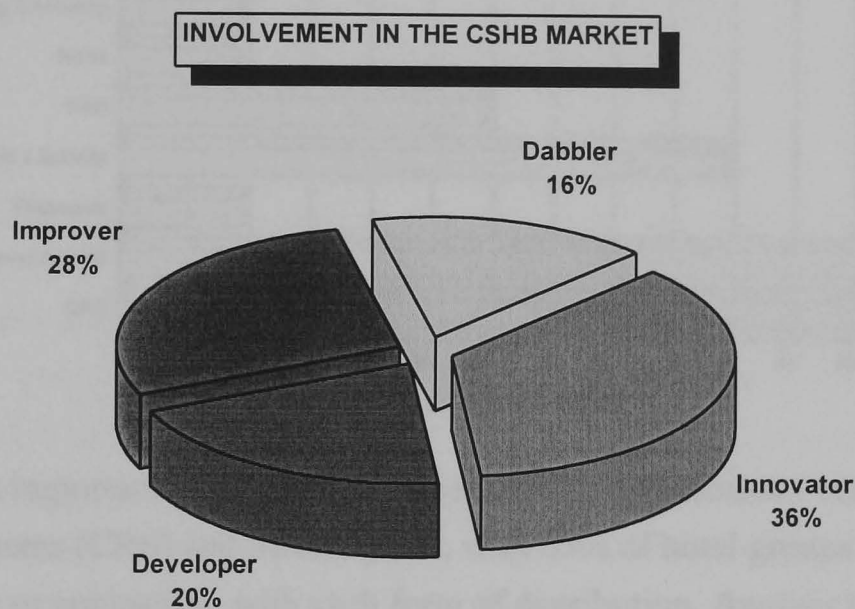
The second method of maintaining market dominance, as identified by Porter was to utilise areas of competitive advantage. In effect this is the implementation of CSHB strategies and as such is examined in full in Chapter 8. This section has provided a grounding for a competitive analysis of the main forms of competitive rivalry i.e. CSHB strategies to be examined in Chapter 8.

7.4.7 Organisation Issues

The purpose of this section is to briefly recognise two organisational issues affecting CSHB market structure in Scotland. These are (i) the type of CSHB involvement, and (ii) the areas of organisational linkages occurring between hotel groups and the CSHB market.

Based on typologies developed by Miles and Snow (1978) figure 7.4.7a is established. It shows the sample hotel group attitude to their involvement in the CSHB market.

Figure 7.4.7a

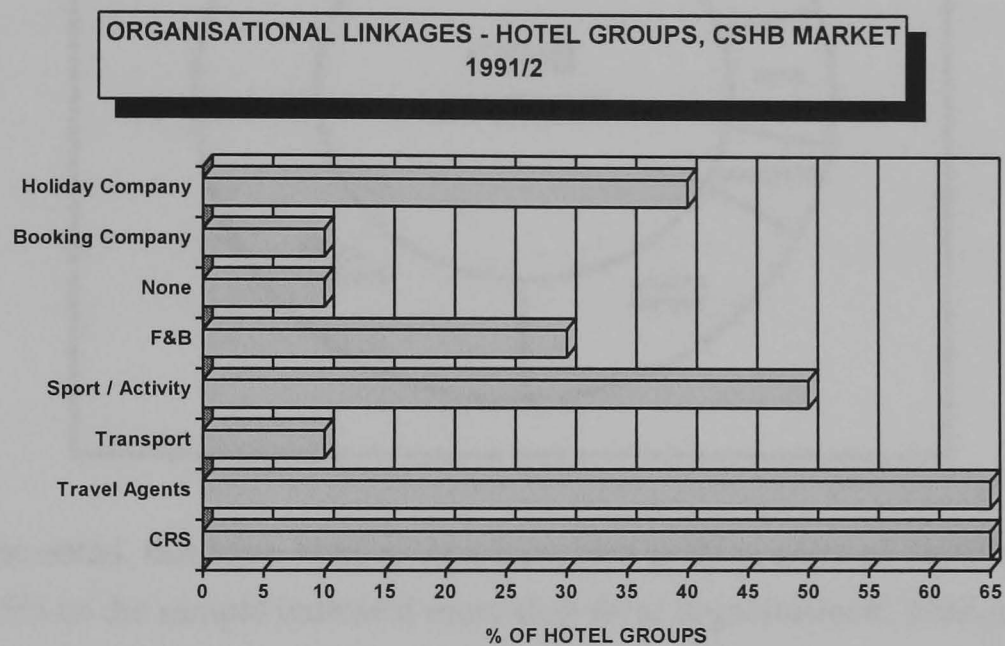


From figure 7.4.7a it is evident that 36% of hotel groups claimed to be innovators in the CSHB market; meaning they constantly strive to create new CSHB themes and packages, 28% claimed to be improvers; constantly taking other groups ideas and bettering them, 20% developers; taking a specific number of breaks and shaping them over time into a high quality and consistent CSHB product, and 16% dabblers; those who just dip in and out of the market as required. From these results a number of structural conclusions can be drawn. Firstly for most hotel groups CSHB are a market in their own right. Secondly the market is likely to develop and change in a highly dynamic and competitive manner. Thirdly product development is likely to become an increasingly guarded secret making data collection difficult and finally the market will display a more proactive nature requiring constant environmental scanning.

The areas of organisational linkages form an integral part of the CSHB market structure, essentially representing a mixture of vertical and horizontal integration and

joint ventures. Hotel groups in the market have a number of areas where they gain what may be termed benefits from organisational linkages. Porter terms these as linkages in the value chain (Porter 1985). Figure 7.4.7b shows the areas of organisational linkages occurring between hotel groups and areas of operation, distribution, after sales and product development.

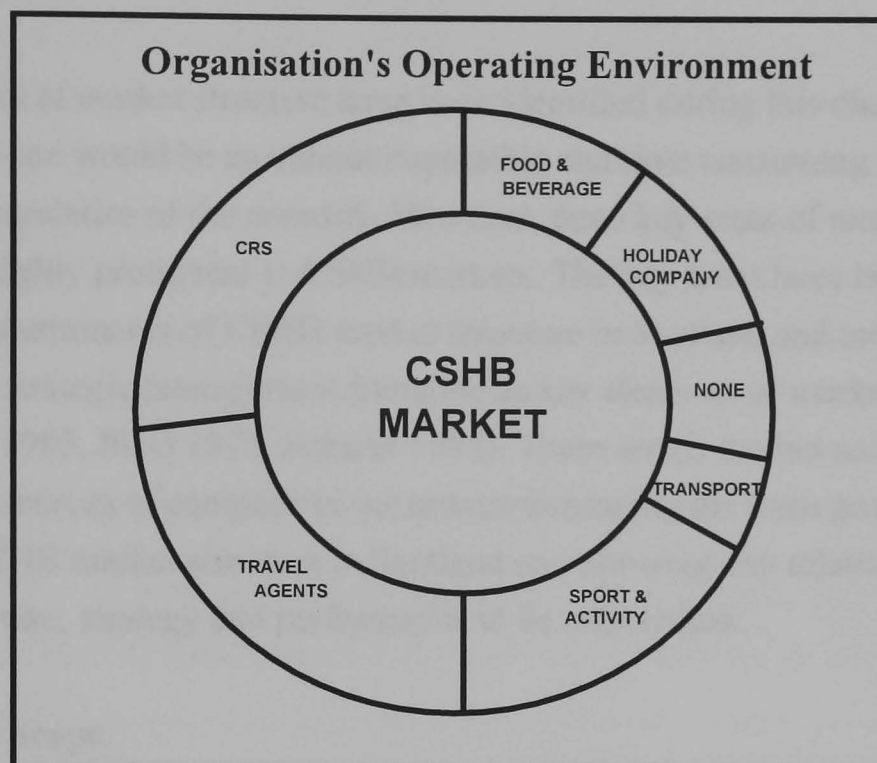
Figure 7.4.7b



By far the most important linkages are those related to distribution : central reservation systems (CRS) and travel agents, with 65% of hotel groups having some form of linkage or connection with each form of distribution. Another key area of organisational linkage occurs between components in the area of the CSHB package in the form of sport/activity e.g. the hotel may have links with a local golf course. Additionally, linkages can be seen to occur between the hotel groups and holiday companies; booking companies; transport; and food and beverage suppliers. Only 10% of groups claimed to have no organisational linkages with any element of CSHB provision.

The model in figure 7.4.7c shows the importance of the linkages to hotel groups, the larger the linkage segment, the more widely that linkage occurs.

Figure 7.4.7c : Importance of Linkages to Hotel Groups



It should be noted, that most hotel groups have two or three areas of organisational linkage. 25% of the sample indicated more than three organisational linkages, and 15% indicated six linkages. Linkages would therefore appear to be a key element of CSHB strategies and warrants further separate investigation.

7.4.8 Micro Structure Summary

Based upon this section, it can be seen that due to the dominance of hotel groups and the nature of the CSHB core i.e. the hotel, the supply of CSHB reflects that supplied by hotel chains, namely :

- market levels of three to four star
- density of location in major Scottish cities of Glasgow; Edinburgh; and Aberdeen
- supply based on primitive pricing methods
- CSHBs available all year round, and seven days a week
- usually offered via a corporate brochure as distribution

Such developments have been the result of competitive and strategic activities. There is a need to consolidate the developments into what can be seen as the key structural variables and determine how they link to strategy and performance. The next section identifies the three key structural variables from the former analysis.

7.5 KEY CSHB MARKET STRUCTURE VARIABLES FOR HOTEL GROUPS IN SCOTLAND

Many variables of market structure have been identified during this chapter, to analyse every one would be an almost impossible and time consuming task, well beyond the boundaries of the research. However, three key areas of market structure appear to be highly prominent in CSHB markets. The key areas have been identified as the main determinants of CSHB market structure in Scotland and are also widely recognised in strategic management literature as key elements of market structure (Porter 1980, 1985, BCG 1972, Scherer 1980). These are (i) market scope, (ii) market size, and (iii) sources of competitive advantage displaying the most prominent features of CSHB market structure in Scotland and allowing any relationships between structure, strategy and performance to be established.

7.5.1 Market Scope

CSHB markets have been established as highly segmented in nature.

The scope of the market represents the number of market segments targeted by the suppliers and is therefore determined by the number of CSHB segments targeted by hotel groups. The segments are identified through questionnaires, and verified through analysis of corporate brochures. Scope is categorised on three levels, narrow scope, medium scope, and wide scope, adapted from Porter (1985). Table 7.5.1a shows the number of groups in each of the levels and of the number of market segments represented by each measure. The number of segments represented by each category is determined as per Porters work and is consistent with the Industrial Economics approach in that medium market scope represents the average segments targeted. The remaining categories are then divided evenly to represent, narrow scope as below the average and wide scope as above the average.

Table 7.5.1a : Hotel Groups CSHB Market Scope 1991

Scope	Market Segments	No. Groups
Narrow	1 - 3	8
Medium	4 - 6	10
Wide	7 - 9	2

7.5.2 Group Size

Work by Porter (1980) and the Boston Consulting Group (1972) suggest group size and experience are a key structural and performance determinant. As hotel groups dominate the CSHB market, size appears to be a key structural variable. For this research, group size is determined by calculating the concentration ratios (Scherer 1980) of hotel group room stock and dividing the ratios into three concentration categories as shown in table 7.5.2a. Concentration ratios provide an indication of relative market size making them suitable for market segment sample analysis.

Table 7.5.2a : Size of Hotel Groups by Concentration Ratios 1991 (Scotland)

Group Size / Room Share	Ratio Range	No. Groups
High	10 +	5
Medium	5 - 9.9	5
Low	0 - 4.9	10

All members of the groups have a similar asset structure to others in the group, making them a legitimate member of the cluster (Mascarenhas & Aaker 1989). The ratios were calculated by dividing the rooms available for CSHB by each group into the total available rooms in the market occupied by the sample. The medium share represents the average concentration, with high share above average and low share below average.

7.5.3 Sources of Competitive Advantage

On a more individual group level, the final measure of structure relates strategy adopted and performance achieved to the number of sources of competitive advantage.

This is recognised as a key structural variable in determining strategy and strategic capability, and therefore resulting performance (Porter 1980). Based on the data received from the questionnaires, table 7.5.3a indicates the number of sources of competitive advantage and the number of groups obtaining these sources, split into three categories of Few; Average; and Many.

Table 7.5.3a : Number of Sources of Competitive Advantage - Hotel Groups 1991

Category	No. Sources	No. Groups
Few	1 - 2	10
Average	3 - 4	4
Many	5 - 6	6

In constant fashion to the former structural measures, the average category represents the sample average while few is less than average and many is more than average.

The three measure of market structure represent core elements of the sample market structure and allow relationships between the market structure and strategic dynamics to be explored.

7.6 CHAPTER SUMMARY

Previous chapters have provided structural data on the nature of UK and Scottish tourism and the provision of commercial accommodation, particularly hotels. Within such a context the value and growth of CSHB was established and the need for further research highlighted.

This chapter has applied the first stage of the research framework adopted by focusing on CSHB in hotel groups in Scotland to determine key elements of the market structure which will allow further analysis when combined with strategy and performance.

From the CSHB market structure analysis it has been found that the market structure in Scotland is dominated by large hotel groups, (influencing overall CSHB characteristics) and represents a highly segmented and complex market. Such a market is widely recognised as a market in its own right. It has highlighted that competition between groups for market share is fierce and often based upon barriers to entry and distribution i.e. branded corporate brochures. Pricing has been established as relatively unstructured and primitive yet a number of more sophisticated approaches are emerging - highlighting the need for research into the strategic dynamics of such hotel groups.

In economic terms the market can be seen to be displaying signs of being under conditions of monopolistic competition in that there are a few large companies competing for market share, essentially through market development and branding - making any research findings of particular interest to industry.

As the market structure is of such a complex and dynamic nature, three highly prominent structural variables have been identified for further analysis. These variables allow the relationship between structure and strategy to be formed. The three measures of structure identified are : **market scope** i.e. segmentation, **market size** i.e. group concentration and **sources of competitive advantage**.

The next chapter focuses on hotel group methods of competing i.e. competitive rivalry, and determines the key strategies used to gain and sustain market share.

Understanding the strategic dimensions of the market will allow bilateral linkages between structure and strategy to be established. Combining such linkages with the

resulting performance of suppliers allows recommended associations to be made, via a performance enhancement model, as to how suppliers may maximise returns in CSHB markets.

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CHAPTER EIGHT

CSHB STRATEGIES AND COMPETITIVE ADVANTAGE

8.1 INTRODUCTION

This chapter seeks to establish the CSHB strategies adopted by hotel groups in Scotland. Each CSHB strategy is examined in turn, highlighting operational implications before identifying strategic group clusters based upon market structure and CSHB strategy variables. The differences between group clusters are determined, introducing the concept of strategic space and the need to examine performance differences in strategic group clusters (Edgar et al 1994a, 1994b).

8.2 THEORETICAL FOUNDATIONS

The competitive environment of the tourism industry has been established as complex, dynamic, highly segmented and fierce. Increasingly hotel chains are having to compete directly with one another in the same locations (Dev 1990). This is a notable change for an industry that for long relied on locational specificity to limit the threat of competition. As growth and competition in the industry mean that market share is no longer assured, hotel groups have been forced to follow other sectors of the tourism industry with the implementation of marketing strategies (Tarrant 1989, Meidan & Lee 1982), often based on product differentiation, growth in new markets, high value for money, or emerging brands (Olsen 1993).

Strategy is generally viewed as a pattern of important decisions that (i) guides the organisation in its relationships with its environment, (ii) affects the organisation structure and (iii) centrally affects the organisation's performance (Hambrick 1980, Horvath & McMillan 1979, Mintzberg 1978). It is not a single decision representing the whole, nor a "fragment of functional specialist decisions" (Boschken 1990), and is generally long term in nature (Chandler 1962). However, defining strategy as a pattern of a firm's behaviour fails to capture the notion that strategy can vary in emphasis along one or more strategic dimensions. Strategic management literature argues that in a competitive environment a focused strategy is required to align the organisation with "critical environment resources", to capitalise on the organisation's distinct competencies, and to achieve a competitive edge (Schaffer 1987, Andrew 1972, Porter 1980, 1985, Thompson 1967, Newman 1967). Prime or key strategies should therefore be identified for any analysis of strategy to take place, yet recognition should be given to the secondary or support strategies used to protect, support, or divert competition from the prime strategy (Bourgeois & Astley 1979).

Porter (1980) identified that the essence of strategy formulation was coping with competition, where competition in an industry was rooted in its underlying economics and competitive forces. A view that has stood up to considerable exploration (Dess & Davis 1984, Hambrick 1983). As such, writers have provided a profusion of strategies for competing in different industries ranging from declining industries (Harrigan 1980) to stagnant or growth industries (Hamermesh & Silk 1979). Similarly, strategies are identified in a range of differing market condition, including low market shares (Hamermesh, Anderson, Harris 1978, Woo 1980), high market shares (Bloom & Kotler 1975), and for differing purposes, such as segmenting markets (Muller 1991), entering new markets (Erramilli 1989), gaining growth (Tse & West 1992, Olsen 1991) or simply acquisition (Singh & Montgomery 1987). Such writers have contributed to the growing bank of strategy types already identified by Galbraith and Schendel (1983), each requiring different forms of expertise, competencies, resources, and with differing performance (Hambrick 1983(b), McDaniel & Kolari 1987, Miles & Snow 1978, Smith, Guthrie & Chen 1986, Snow & Hrebiniak 1980). The three most prominent strategy types relate to market concentration, market diversification (Olusoga 1993, Ayal & Zif 1979), or differentiation strategies (Vierich & Calver 1991).

It is widely agreed that such strategies and the concept of strategy are worthy of empirical investigation (Bourgeois 1978, Hambrick 1980, West & Anthony 1990), yet while strategy is undoubtedly an important variable of corporate and market analysis it is difficult to measure or even confirm its existence within many organisations (Snow & Hambrick 1980, Venkatraman & Grant 1986, Whittington 1988). More recent research (Robinson & Pearce 1988, Miller 1987) has successfully identified and operationalised strategy (Bourgeois 1981, Flamholtz 1979, Ginsberg 1984, Hambrick 1980, Montgomery 1982, Ramanujam & Venkatraman 1985, Snow & Hambrick 1980, Venkatraman & Grant 1986, Venkatraman & Ramanujam 1986, 1987), some through factor or cluster analysis (Dess & Davis 1984, Robinson & Pearce 1988(a)). Hambrick (1983)(a) concludes that strategy does exist but as a composite of numerous variables and as such strategy revolves around four categories of components, first identified by Schendel and Hofer (1979), as (i) scope, the range of market segments or product range offered, (ii) resource deployment and distinctive competencies, how capital is dispersed and what the company does better than anyone else (Selznick 1957, Bourgeois 1980, Day & Wensley 1988, Hitt & Ireland 1986), (iii) synergy, where the component parts of an operation or process create more value when combined than when operating separately and (iv) competitive advantage, how a company gains and sustains a competitive edge over competition.

The concept of competitive advantage is at the heart of marketing strategies and as such warrants further clarification. Competitive advantage can be gained from a range of sources, including technology (Dollar 1993), differences in supply (Leamer 1993), or product differentiation (Hummels & Levinsohn 1993). Companies have to concentrate on such activities and competencies to build sustainable competitive advantages and therefore create value greater than competitors (Bronder & Pritzl 1992, Overstreet 1993, Brathwaite 1992), increasingly, created through strategic alliances (Dev & Klein 1993) and an understanding of the competitive environment.

Porter (1980) argues forcefully that an essential requirement in assessing strategy is to build up a clear picture of industry environment and relate strategy specifically to that environment. As organisations are dependant upon their environments for resources (Aldrich 1979, Pfeffer & Salancik 1978), they will attempt to manage their dependency by developing and maintaining strategies geared toward the environment (Thompson 1967, Hoffer & Schendel 1978). In some industries, the environment is hostile in the sense that only one strategy can survive (Oster 1981). On occasion, however, it is possible for firms in a particular environment to follow many different strategies (Miles & Snow 1978, Dutta 1991, McDonald 1993) revolving around the dimensions of product/service innovation (Burns & Stalker 1961, Thompson 1961, Peters 1987), marketing differentiation, breadth, and cost control (Miller 1986, Miles & Snow 1978, Henderson 1979, Porter 1980, Dess & Davis 1984). As the environment changes, so should the strategies adopted (Thompson 1967) hence analysis of any strategy should be understood within the context of the time of research and the type of environment. Chapters 1 to 7 have set the scene for CSHB environments opening the way for CSHB strategy analysis and then the determination of market structure - CSHB strategy group clusters.

The nature of strategy has been established and is applicable on various organisational levels. Strategy and strategic planning in hotel groups occurs on three levels, the (i) **corporate level** i.e. Board of directors and the chief executive officer, the (ii) **business level**, i.e. hotel group executives responsible for conveying corporate policy relative to specific functions (Hrebiniak 1992), and the (iii) **operational or functional level** i.e. individual hotel level usually at general manager status (Nebel & Schaffer 1991, Pearce & Robinson 1988(b)). Dev and Brown (1990) recognise the difference between the corporate, business and operational levels of strategy as (i) corporate being the pattern of decisions about an organisations domain (Mintzberg 1978, Miles & Snow 1978), (ii) business level as decisions relating to competing within a

particular product/market segment (Hofer & Schendel 1978), and (iii) operational as being concerned with individual hotels at local market level.

This research into CSHB is therefore concerned essentially with the business level of strategy, representing the corporate perspective of competition within the market segment of CSHB. However, the obvious importance of the operational level i.e. individual hotels within the group requires operational strategies to be examined, as this will reveal differences in market level strategy between locations, markets and possibly even corporate direction i.e. the gap between the unit and the head office. This chapter will examine the business level strategies providing an industry perspective of CSHB strategies while Appendix V provides the operational level strategies through an analysis of multi-site operations.

In summary, strategy and strategic planning as opposed to short term tactics is essential to the long term survival of hospitality organisations in the 1990s (Feltenstein 1992, Senior & Morpew 1990). Firms in the industry will differ from one another along various dimensions, reflecting differences in the competitive strategies of the firms in the industry (Porter 1980). Hence, an analysis of prime strategies will assist in understanding the dynamics of the industry and strategic group composition, and contribute significantly to knowledge, a view supported by Mascarenhas and Aaker (1989). As Miller (1987) recognised, particular market structures and strategies commonly go together, and are often found in certain types of environment. This gives rise to the concept of strategic group clusters and strategic space as a framework for analysis, discussed in section 8.5.

Therefore, analysis of CSHB strategy provides a means of unifying a firms activities (Newman 1978) and in the process defines the strategic relationship between the individual parts and the whole, forming an excellent medium for market and performance analysis.

8.3 COMPETITIVE ADVANTAGE AND CSHB STRATEGY : AN OVERVIEW

This section is in three parts : competitive advantage explained; strategic activity; and value chain linkages. When these parts are combined they summarise the means by which hotel groups gain and sustain competitive advantage in the CSHB market.

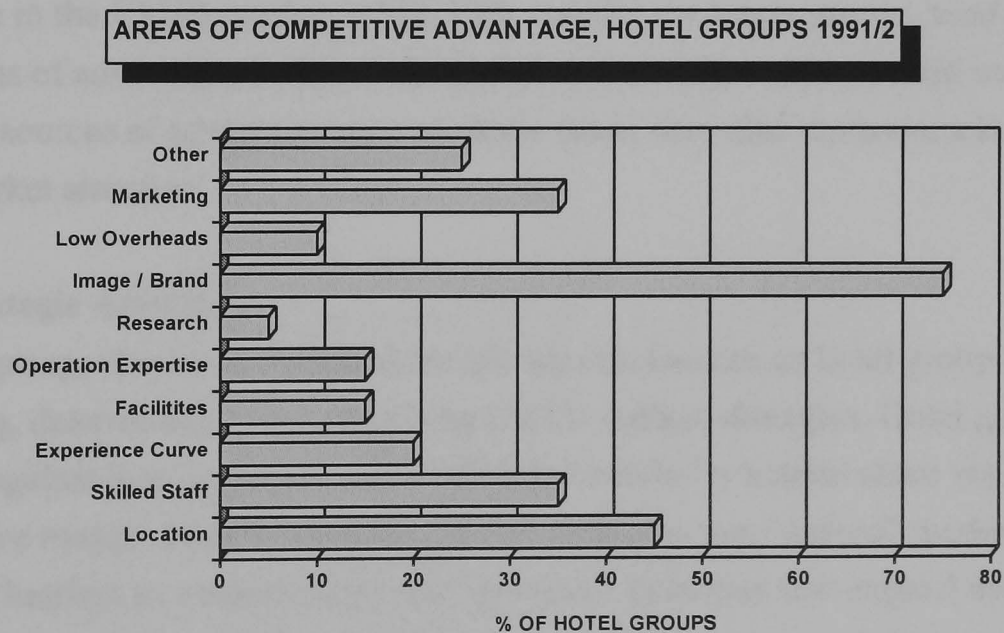
8.3.1 Competitive Advantage

"Porter argues that firm profitability is a function of industry attractiveness and the firm's relative position within it. Strong relative positions imply that the firm has a competitive advantage that can be sustained against attacks by competitors and evolution of the industry. Competitive advantage comes from creating value for buyers that exceeds the costs of generating it." (Hergert and Morris 1989).

Competitive advantage is therefore the edge created by an organisation to out-perform competitors. To build competitive advantage is not enough, it must be sustained to allow long term performance and provide organisations with a degree of stability.

Figure 8.3.1a shows the areas which the sample hotel groups identified as being key areas of competitive advantage.

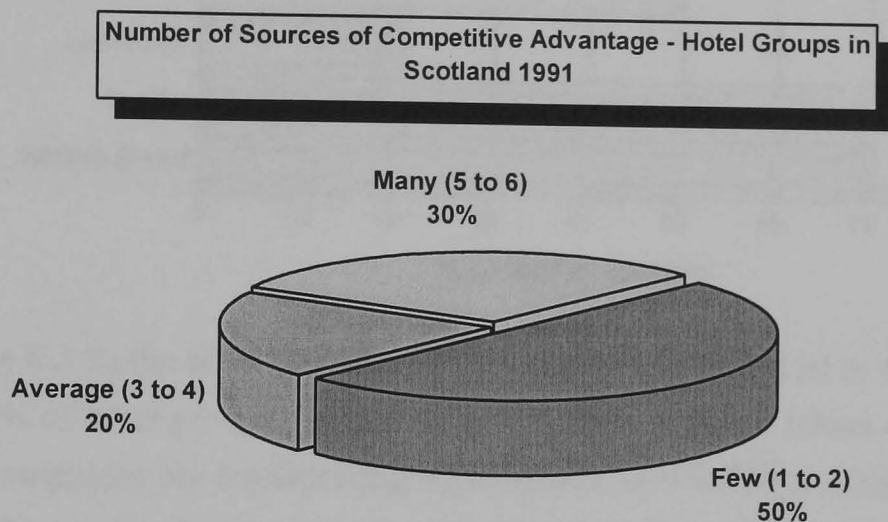
Figure 8.3.1a



From figure 8.3.1a, 75% of hotel groups claimed image/brand as a key area of competitive advantage, essentially gained through corporate brochures. Location, skilled staff and marketing were deemed next most popular. These sources of competitive advantage represent a highly consumer based approach to the market and are also acting as barriers to entry for other hotel groups entering the market. The

results reflect the market structure of CSHB markets in Scotland as being of a monopolistic competition nature, with groups competing to gain and sustain market share. While these are the main sources of competitive advantage, hotel groups will often have more than one source of advantage. Figure 8.3.1b shows the number of sources of competitive advantage identified by hotel groups.

Figure 8.3.1b

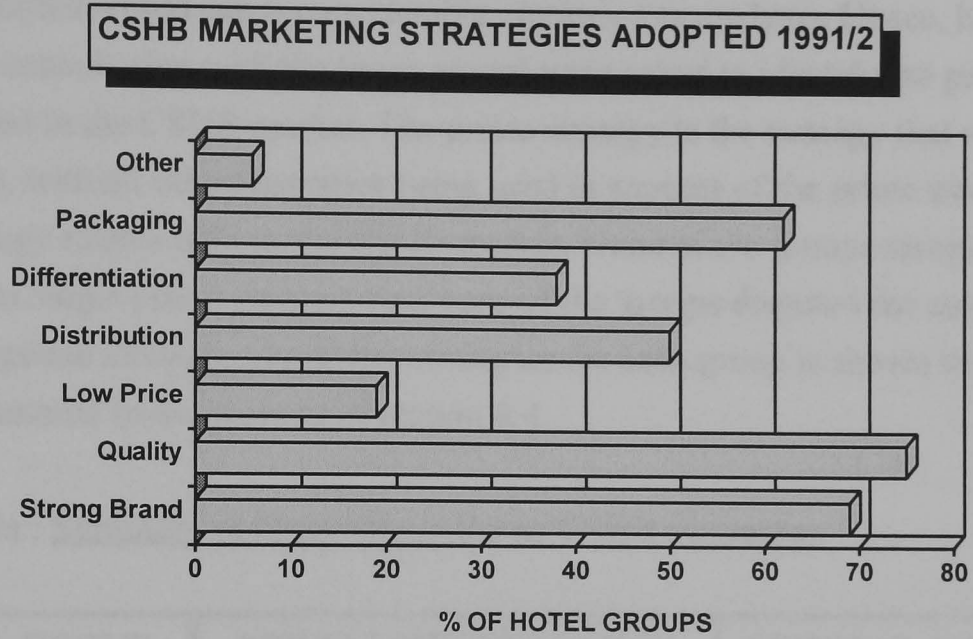


Most hotel groups operating in Scotland can be seen to have few areas of competitive advantage in the CSHB market, while 30%, usually the larger groups, tend to have many areas of advantage. In this context, the nature of the market would imply that while the sources of advantage are a strategic issue, they also represent a key element of the market structure.

8.3.2 Strategic Activity

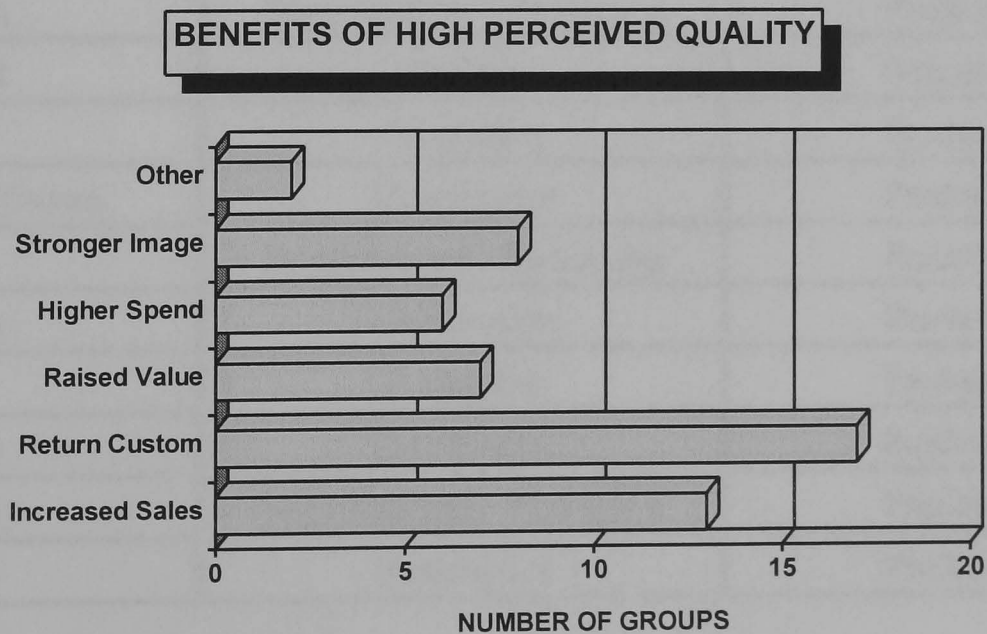
As hotel groups dominate market share this section focuses on hotel group methods of competing, determining and categorising CSHB market strategies. Hotel groups compete against intermediaries and unaffiliated hotels for market share via distinct competitive routes : broadly categorised into strategies that "defend" market share, (acting as barriers to market entry) and "predator" strategies that expand market share by attracting or shifting market segments. Figure 8.3.2a shows the strategies adopted by hotel groups. It should be noted at this stage, that hotel groups will adopt a mixture of strategies depending upon which segments are being targeted and what end result is desired. The various strategies adopted by hotel groups can be seen to consist of a mixture of packaging, differentiation, distribution, pricing, branding and quality.

Figure 8.3.2a



From figure 8.3.2a the most utilised strategy appears to be linked to raising perceived quality (75% of hotel groups). In the current business climate where quality is a buzz word and companies are emphasising such awards as BS5750 it would be reasonable to assume that quality is not so much a strategy but more of a necessity, perhaps confused with value for money. To provide recognition of the importance of quality to hotel groups in the CSHB market in Scotland, figure 8.3.2b shows the benefits of high perceived quality. It is therefore presumed that all hotel groups will strive to maximise quality and thus benefit from return custom and increased sales. Quality can therefore be seen as sustaining competitive advantage, and is in effect a defender strategy.

Figure 8.3.2b



Strategy will adapt to environmental changes and companies will have a range of strategies or tactics for different markets and environments. To examine every strategy adopted would cause considerable confusion to analysis. Hence, hotel groups (following consultation with the focus group) were asked to identify the prime strategy used in the CSHB market. The prime strategy is the strategy that will remain most stable, with all other strategies being used in support of the prime strategy. The prime strategy relates only to the CSHB market. None of the groups sampled indicated no single prime strategy, and none of the groups disputed the concept of adopting a prime strategy. The prime strategies for each group is shown in table 8.3.2a and are examined in more detail in section 8.4.

Table 8.3.2a : Summary of Hotel Group Prime CSHB Strategies

HOTEL GROUP	PRIME CSHB STRATEGY	GENERAL CATEGORY
Coast & Country	Promotion	Predator
Copthorne	Distribution	Predator
Forte	Promotion	Predator
Friendly	Promotion	Predator
Gleneagles	Segmentation / Packaging	Predator
Hilton	Segmentation / Packaging	Predator
Holiday Inns	Promotion	Predator
Jarvis	Segmentation / Packaging	Predator
Marriott	Distribution	Predator
Milton	Pricing	Defender
M.Ch.Th	Segmentation / Packaging	Predator
Principal	Pricing	Defender
Q.M.H	Promotion	Predator
Scandic Crown	Distribution	Predator
S.H.H.	Segmentation / Packaging	Predator
Sheraton	Distribution	Predator
Stakis	Promotion	Predator
Swallow	Distribution	Predator
Turnberry	Segmentation / Packaging	Predator
Voyager	Distribution	Predator

From table 8.3.2a, prime strategies are of two types (i) defender - encompassing pricing and differentiation, and (ii) predator - including segmentation strategies characterised by packaging, distribution, and promotion strategies.

8.3.3 The Value Chain

Chapter 7 established the relevance of organisational linkages in the CSHB market. Before examining each type of strategy adopted in detail, it is useful to determine how the organisation linkages i.e. value chain, affects CSHB strategies. This is essentially from a corporate (industry) perspective. A unit analysis is undertaken in Appendix V. Examining the "functional" aspects of gaining and sustaining competitive advantage via a value chain analysis (Porter 1985) exposes areas of linkage occurring within or between organisation functions, allowing strategically important activities to be identified. Figure 8.3.3a shows the key value chain linkages within groups as established in Chapter 7, and therefore areas of fundamental strategic development.

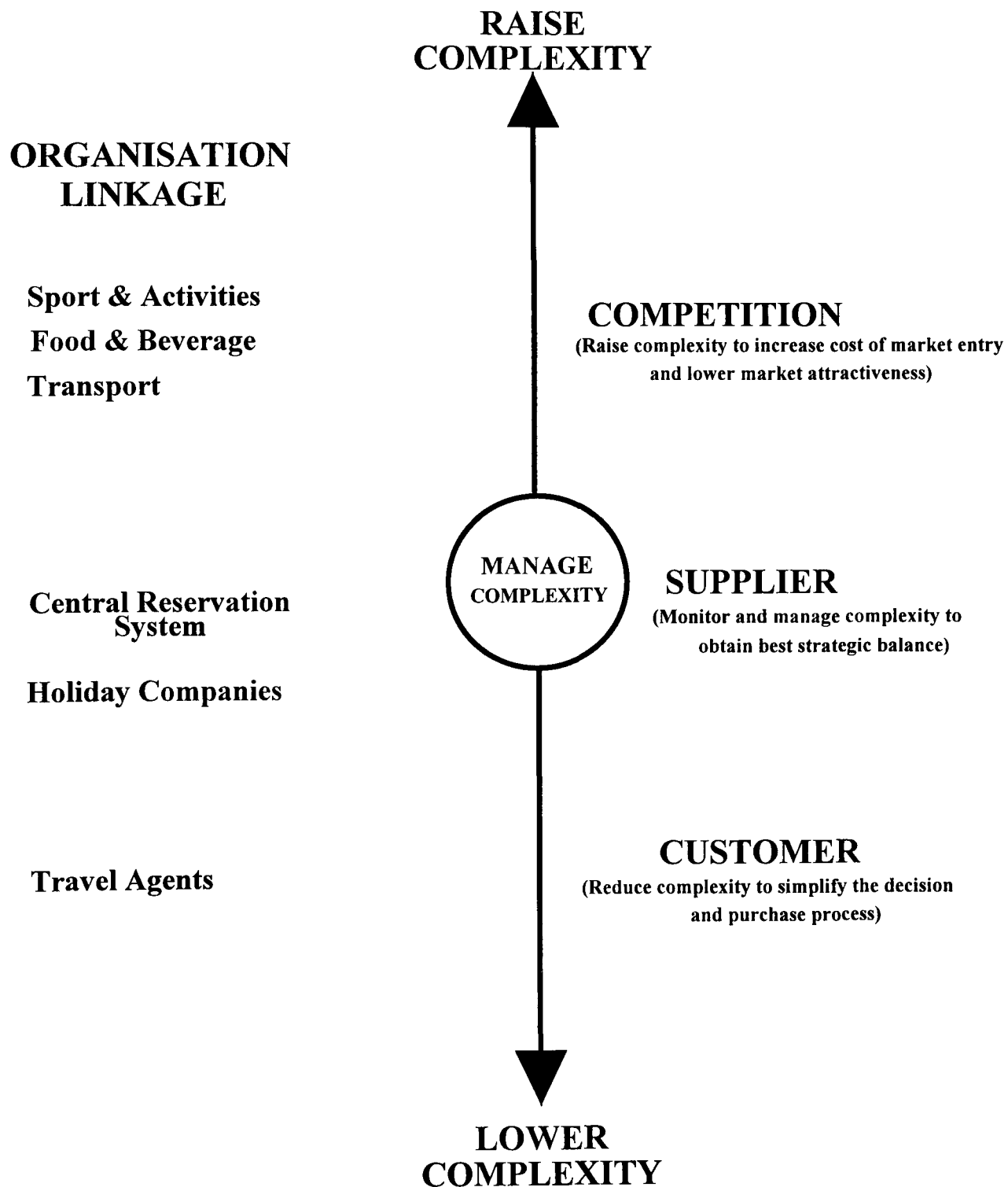
Figure 8.3.3a : Value Chain Linkages



Central reservation systems (CRS) are the most common form of linkage followed by travel agents, and sport/activity. The centre circle represents the CSHB market and the outer circle the hotel company. Importance of linkages is represented by size of blocks to the market. It would appear that CRS and travel agent linkages are most common due to companies raising the suppliers environmental complexity by using segmentation (to reduce new entrants), then attempting to manage the complexity

(Crichton & Edgar 1995) within their organisation to gain market share (figure 8.3.3b) by simplifying or reducing complexity for the consumer. The model in figure 8.3.3b is intended to show how hotel groups raise the complexity of the market through the development of products and services by developing organisational linkages either internally or through joint venture.

Figure 8.3.3b : Managing Complexity



On the right of figure 8.3.3b, there are the various stages of service delivery, the consumer (customer), the supplier (hotel group) and the competition or alternative

supply. The hotel groups will attempt to raise market complexity to deter competition, in effect lowering market attractiveness, while at the same time attempting to lower complexity making it easier for the customer to make the purchase decision. Organisational linkages can be used to achieve this essentially through the key elements of the CSHB i.e. the booking process, package construction, and distribution. Hence in order to simplify the customer purchase decision, linkages are formed with travel agents, holiday companies and CRS. These can often be costly if contracted out with travel agents charging around 12% commission, and holiday companies 30%. However, many groups are either integrating vertically, or forming joint ventures to lower costs of this linkage e.g. Queens Moat Houses (Q.M.H) and Mount Charlotte Thistle (M.Ch.Th) use the same brochure. At the other end of the spectrum, complexity is raised to deter competition by suppliers establishing linkages in the areas of food and beverage, sport and activity and transport. Such developments either attempt to offer a unique product, or attempt to lower operating costs and therefore achieve greater margins. By moderate pricing competitors who are unable to lower their operating costs or accept lower returns, will find the industry unattractive and not be willing to compete for market share.

The issue of complexity is one that warrants further investigation in terms of individual segments or different markets altogether. For the purposes of this research complexity is recognised as a spin-off effect of the strategies adopted and an area that hotel groups will undoubtedly recognise and develop in the future. The next section focuses on the strategies adopted by hotel groups in more detail.

8.4 CSHB STRATEGIES ADOPTED

Strategies adopted by hotel groups in the CSHB market consist of two types, defender and predator strategies. The previous section identified a range of strategies being adopted and the need to identify prime strategies to allow analysis of each group. Table 8.4a provides a summary of the prime strategies adopted in terms of defender and predator strategies before each is examined in detail.

Table 8.4a : CSHB Prime Strategies

Category	Prime Strategy	Description of Strategy	No.Groups
Defender	Pricing	emphasis on price reductions or alternatively focus on marginal pricing.	2 (10%)
	Differentiation	emphasis on unique location, market level, or facilities available.	0
Predator	Distribution	used to reach target segments, often involving a third party and incurring considerable commission levels.	6 (30%)
	Segmentation / Packaging	consisting of a bundle of goods and services, composed to simplify market complexity, segmenting the market and allowing wider varieties of break to be offered.	6 (30%)
	Promotion	most evident in branding, brochure production, and advertising power. Used to create awareness and gain brand loyalty.	6 (30%)

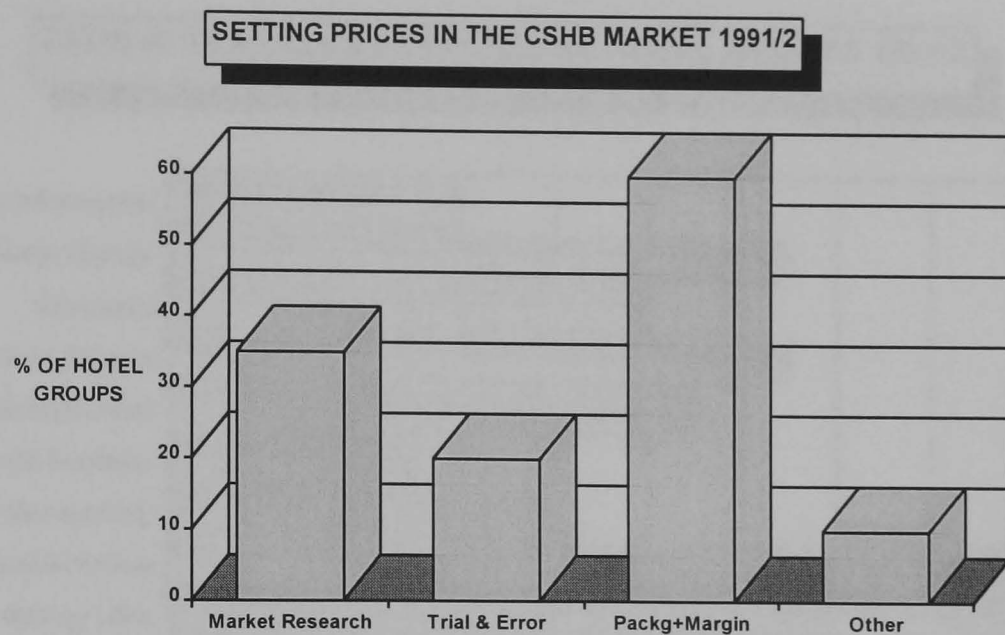
8.4.1 Defender Strategies

Defender strategies are adopted by companies to help sustain market share. There are two key types : (i) Pricing and (ii) Differentiation strategies.

(i) Pricing

In the CSHB market pricing strategies appear relatively unstructured, based primarily on location and market level, often at package cost plus margin. Essentially smaller operators are unable to compete on price due to the lack of flexibility for marginal contribution, thus groups are not forced to offer very low prices, as long as the customer is receiving perceived value for money. This provides hotel groups with a prime opportunity to maximise revenues from what was once an off-peak phenomenon but is now a market in its own right. Further more, the implications are that smaller operators may find difficulty in providing similar levels of perceived value for money and as a result may have to settle for lower margins. Figure 8.4.1a shows the various pricing strategies used in terms of CSHB pricing method.

Figure 8.4.1a



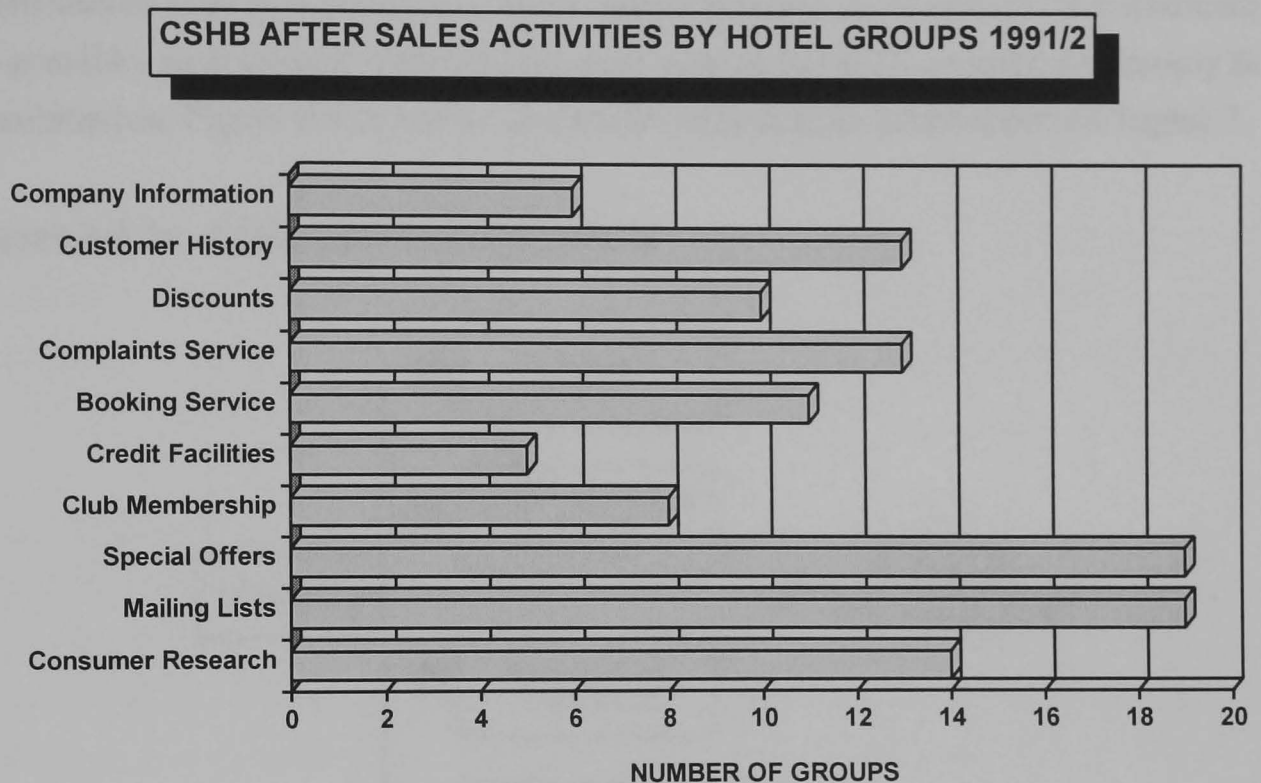
The pricing strategy used appears to revolve around constructing a package, costing it and adding a margin. Alternatively trial and error is a key method. Some hotel groups indicated the use of market research, usually in support of the packaging and margin method. These indicate the low levels of sophistication in CSHB pricing which will be an area of future group development and is becoming more evident through the intermediaries (short break operators e.g. Rainbow) pricing policies i.e. more demand and market based pricing. For the purposes of this research, pricing strategies as the prime strategy represent a form of discounting i.e. offer CSHB at a lower price than competitors.

(ii) Differentiation

In the CSHB market differentiation is by market level e.g. setting standards, raising values/expectations; by location i.e. city centre or resort; or by facilities e.g. offering leisure facilities. These forms maintain basic price command and create barriers to entry causing non-price based competition and therefore raising profitability and reducing loss of market share. In essence the three forms all raising perceived value, increasing market complexity (comprehension of the operating environment - Duncan 1972), and preventing new entrants/substitutes by setting basic standards and raising start up costs.

The differentiation methods are often supported in their role by the level of after sales service offered by the hotel groups. There are a wide range of services offered, as shown in figure 8.4.1b.

Figure 8.4.1b



The main forms of after sales can be seen to be directed towards encouraging return custom, which combined with the frequent nature and strive for new experiences by CSHB consumers would indicate attempts to maintain market share. Most popular methods here include special offers, mailing lists, maintaining a customer history and having a complaints services. Thankfully for the industry, discounting appears relatively low down the list. From these after sales services, most groups will offer four services, followed by six and eight. The minimum number of services offered is two, with ten the most. As may be expected the larger groups offer the most services so not only are they striving to gain market share but they are also ensuring they protect the share they have obtained. In some cases hotel groups are selling-on these services to other companies thus increasing revenue further, e.g. Highlife, owned by Mount Charlotte Thistle hotels allows Queens Moat Houses to enter hotels.

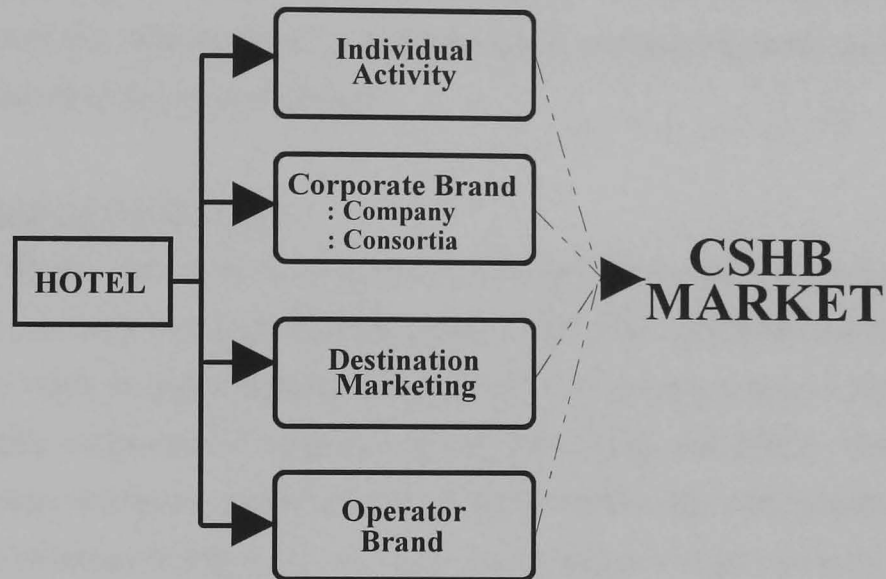
8.4.2 Predator Strategies

These strategies are categorised under three headings : (i) Distribution; (ii) Segmentation/ Packaging ; and (iii) Promotion. Their prime function is to gain market share.

(i) Distribution

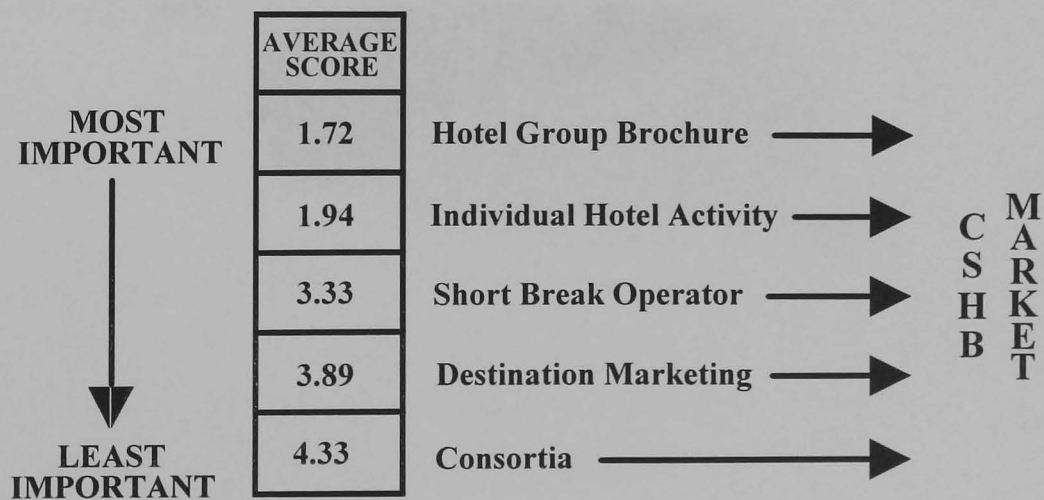
Distribution strategies are used to reach target segments as effectively and efficiently as possible, each form of distribution can be used in isolation, or more commonly in combination. Figure 8.4.2a shows distribution channels as established in Chapter 7.

Figure 8.4.2a : CSHB Distribution Channels



As may be expected, not every distribution channel carries equal importance with each supplier. The most important form and therefore most common usage of distribution methods by hotel groups is shown in figure 8.4.2b where channels are ranked in order of importance as identified by the hotel group sample. The closer to one the ranking the most important, the closer to five, the least important.

Figure 8.4.2b Importance of Distribution Channels



It can be seen that the most important forms of distribution ranking one (hotel group brochure) and two (individual hotel activity) are very close, while ranking three (SBO) is almost half their importance, perhaps due to high associated costs e.g.

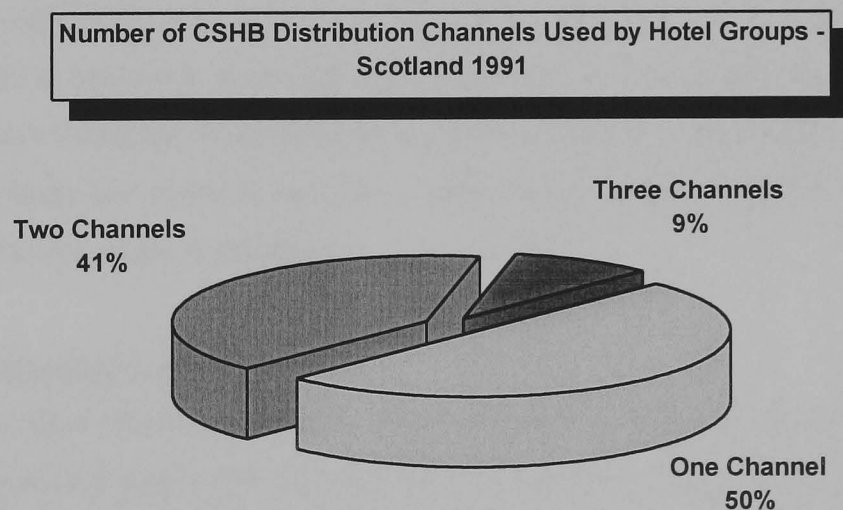
commission. Destination marketing is of less importance (four), with consortia used least, probably as they are essentially designed for and used by smaller operators. It therefore appears that hotel groups use the top three distribution methods most, while the lower ranking channels are used by independent, smaller hotels.

Associated with these key forms of distribution are the number of distribution channels used, the specific distribution methods by volume (not identified importance), and the intermediary brochures used, concluding with an indication of commission payable to intermediaries.

Number of distribution channels

Figure 8.4.2c shows the number of distribution channels used by hotel groups. Most groups (50%) use only one distribution channel, usually corporate brochures or intermediaries such as travel agents or SBO. 41% of groups use two distribution channels usually a mixture of corporate group brochures and SBOs. Only 9% use three distribution channels, again emphasising the relatively unsophisticated marketing distribution being used, and the unwillingness to pay commission.

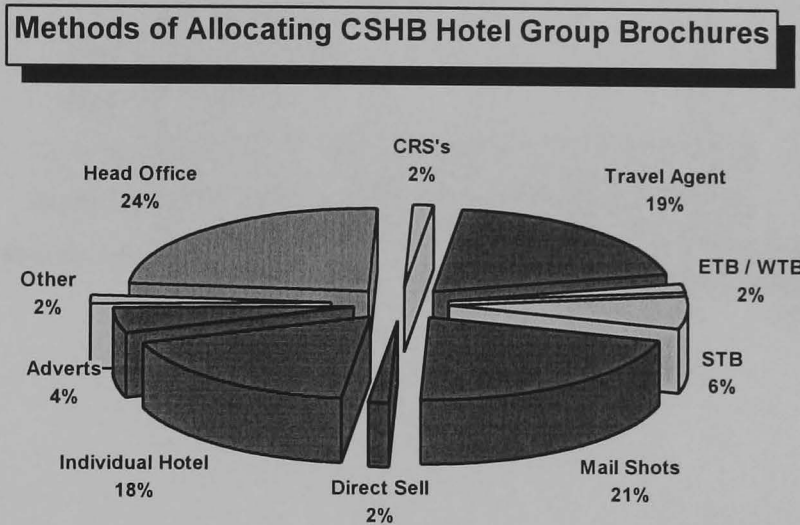
Figure 8.4.2c



Specific distribution methods

The distribution of CSHB was categorised into five areas as shown in figure 8.4.2a. The most important form of distribution identified was the hotel group brochure representing the corporate brand. A detailed breakdown of how this specific form of CSHB distribution is delivered to the market produces figure 8.4.2d.

Figure 8.4.2d

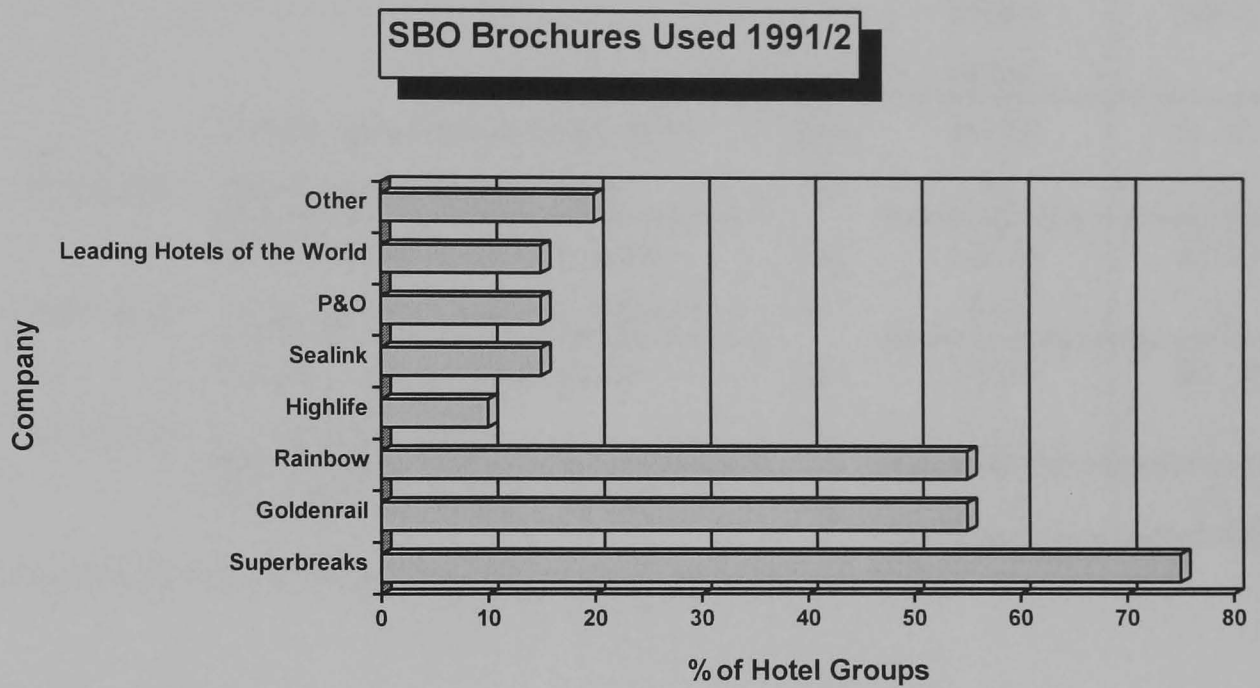


From the CSHB hotel group brochure distribution it can be seen that head office, mail shots, travel agents and individual hotels play a key role. It would therefore appear that CSHB group brochures are being used as the key form of distribution and are being allocated to the consumer via methods that will help create a group brand and incur minimum commission payments. It also becomes immediately evident that these forms of allocation are more accessible to the larger hotel groups and provide areas of potential marketing scale economies.

Intermediary brochures used

In terms of the short break operators, a number of intermediary brochures are used. These are essentially restricted through cost, conditions, and viability to larger hotel groups, who are seeking additional contribution to their own CSHB efforts. Figure 8.4.2e shows the main intermediary brochures used, indicating the percentage of hotel group who use short break operators using each brochure. It should be noted that many of the large groups will use two or three of these operators.

Figure 8.4.2e



Commission payable

With usage of short break operators, consortia, and travel agents comes the requirement of commission payments. The intention of this section is to briefly establish the cost to hotels of commission payments and thus the resulting reluctance of smaller groups to use such operators. It is also worth noting that the higher commission payable to intermediaries of this type, the lower the return on investment and therefore performance, (especially when brochure inclusion and membership fees are added). As SBOs charge different levels of commission and inclusion fees for different groups, (apparently to no set formula), average commission and inclusion fee rates can only be established. On average SBOs will charge 30% commission and inclusion fees ranging from £200 to £600, travel agents average commission being 11% or 12%, with no inclusion fees. Table 8.4.2a shows the value of commission paid by hotel groups in the CSHB market to short break operators and travel agents in 1991. Figure 8.4.2f relates these commission values to revenue generated in other tourism sectors.

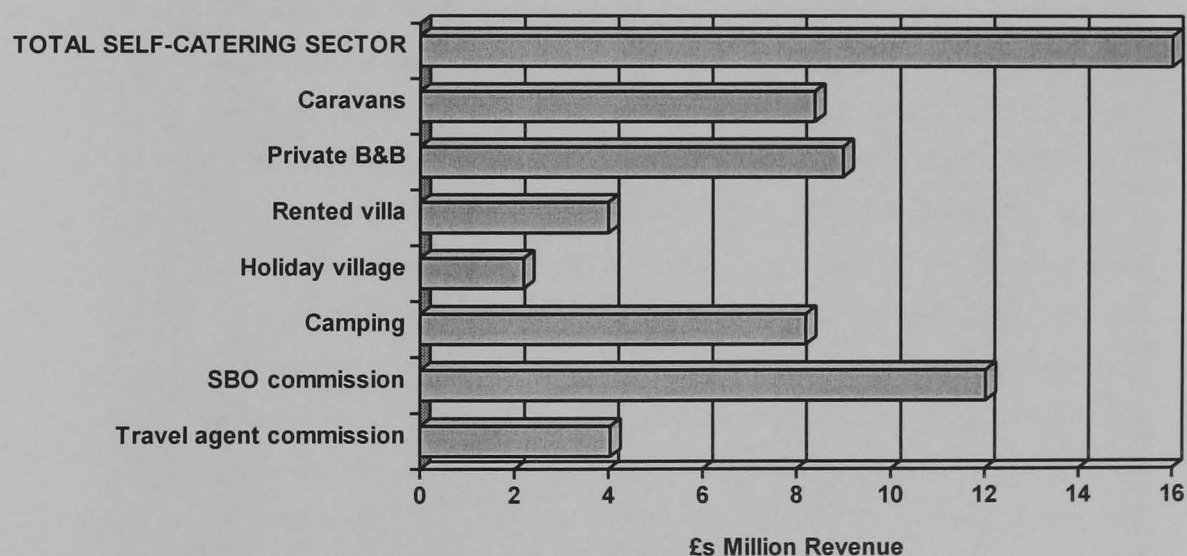
Table 8.4.2a : The Value of CSHB Commission 1991

		Travel Agent	SBOs	
	CSHB spend in Scotland 1991	£m	56.25	56.25
(multiply)	Hotel groups market share	%	76	76
=	CSHB spend in hotel groups	£m	42.75	42.75
(multiply)	Hotel groups using TA or SBO	%	87.5	94
=	Possible spend attributable	£m	37.41	40.18
(multiply)	Commission level	%	10.8	30
=	Potential commission payable *	£m	4.04	12.02

* includes double counting, only to be used as a reference point.

Figure 8.4.2f

Value of CSHB Commission and Market Segments - Scotland 1991



From figure 8.4.2f it is clear that the potential value of commission alone in the CSHB market is greater than the revenue generated by many tourism sectors. While there is a degree of double counting and ratios are never accurate, the purpose here is to emphasise commission payment value. These figures therefore act as a guide. This not only emphasises the value of the CSHB market but shows where hotel groups are losing revenue, perhaps unnecessarily to SBO. Hotel groups need to develop more

sophisticated distribution and pricing systems to plug such revenue leakage's. From this section, it is evident that while distribution strategies are deemed predatorial in nature they incur considerable outlay and as such affect the performance of groups. This should be considered in determining the strategic direction and performance of hotel groups in the CSHB market.

(ii) Segmentation

Predatorial strategies include segmentation. Segmentation strategies not only segment the market, reducing or increasing complexity, but also raise the customers perceived value of CSHB. This is achieved by (a) raising the ease of purchase, (b) disguising contributions to fixed costs and enhancing product synergy (Ansoff 1968) through packaging, or (c) creating identifiable and interchangeable target markets with a variety of price and activity brackets while maintaining a degree of flexibility. Table 8.4.2b shows the number of market segments and brands by various hotel groups.

Table 8.4.2b : Number of CSHB Brands and Segments - Hotel Groups 1991

HOTEL GROUP	CSHB BRANDS	No. SEGMENTS
Coast & Country	1	4
Copthorne	1	1
Forte	1	4
Friendly	2	3
Gleneagles	1	6
Hilton	3	5
Holiday Inns	1	3
Jarvis	1	5
Marriott	1	3
Milton	2	4
M.Ch.Th	1	9
Principal	3	3
Q.M.H	1	4
Scandic Crown	1	1
S.H.H.	1	5
Sheraton	1	1
Stakis	1	5
Swallow	1	2
Turnberry	1	5
Voyager	1	2

A key method of achieving segmentation is via packaging. Packaging ranges in style, number, and components, and is an essential strategy adopted by many groups. The packages appear to take two forms - (a) Pure packaging or (b) Mixed packaging.

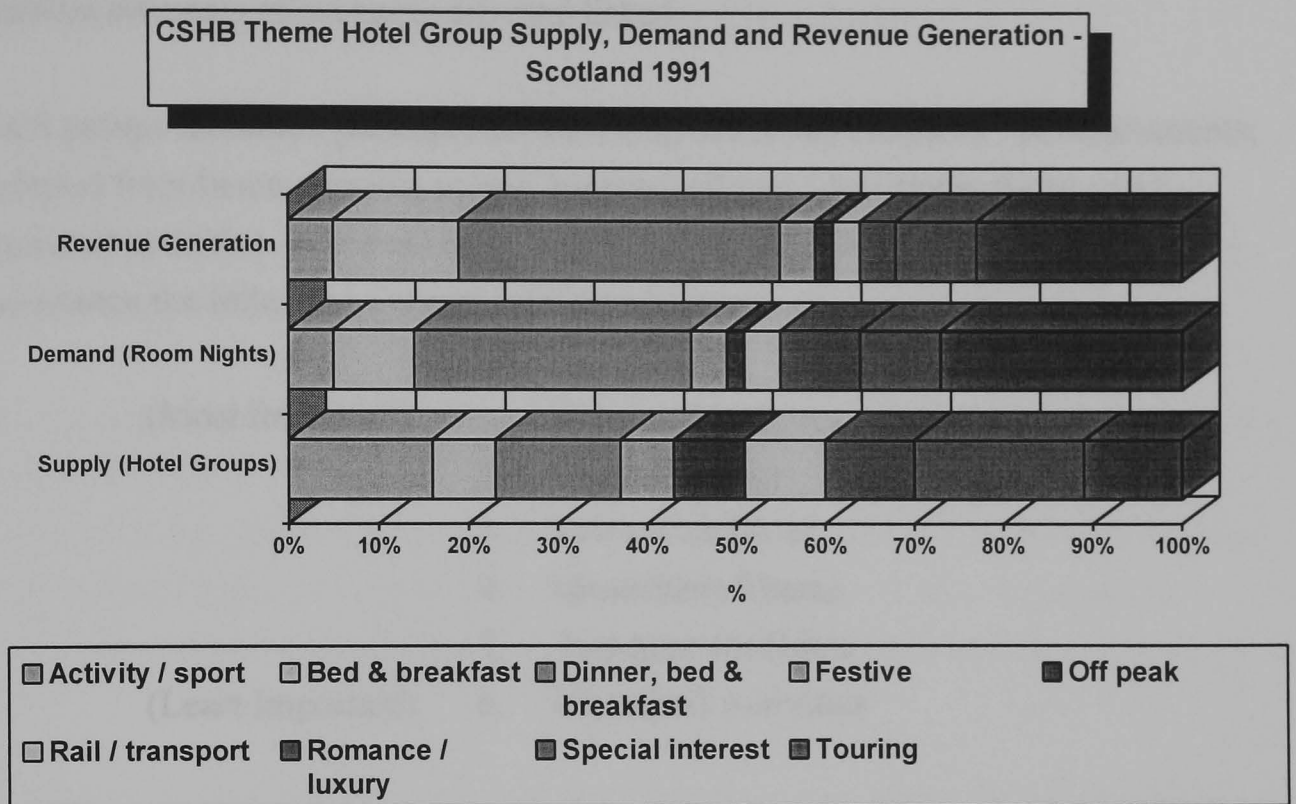
Pure packaging relates to a bundle of components offered as a single product, not added to or broken down e.g. a coach touring break. These packages tend to be inflexible, targeted at mass markets, and distributed via holiday companies such as Wallace Arnold. Mixed packages on the other hand, offer a basic theme allowing the consumer to pick and mix various "extras" to add to the theme e.g. DBB with the option of golf, resulting in market segments containing a range of packaged themes. Mixed packages are most evident in the CSHB market with 20 groups producing 68 packages in the nine market segments under 26 brands.

Key CSHB package themes reflect core market segments and as such are identified as :

- (i) activity/sport; (ii) bed and breakfast; (iii) dinner, bed and breakfast,
- (iv) festive, (v) rail/transport inclusive, (vi) romance/luxury, (vii) special interest, (viii) off peak and (ix) touring.

The popularity (and availability) of these themes in terms of room nights and the revenue they generate vary theme by theme. Figure 8.4.2g shows from a supply perspective the range of themes offered by hotel groups, the popularity of themes demanded in terms of room nights, and revenue generated by each theme.

Figure 8.4.2g



If one presumes that figure 8.4.2g represents a single hotel group then the CSHB sales mix offered can be seen to consist primarily of special interest, dinner bed and breakfast, and activity/sport breaks. However, the consumer demands dinner bed and breakfast and touring breaks. Revenue generated reflects the consumer demand. This would imply that suppliers are expanding the range of segments beyond basic consumer demand. Packaging strategies can therefore be seen as attempts to segment the market further to raise complexity for competitors. This is essentially achieved by catering for the consumers core CSHB requirements in the form of dinner, bed and breakfast and then seeking additional market share by offering the consumer a new experience hence the wide range of special interest, and sport and activity breaks.

Hotel groups adopting a packaging strategy will therefore develop packages within the key themes. As such, packages are created and abolished with great frequency making it difficult to establish an exact number of packages at any particular time. With the development of packages and the attempts of groups to obtain the best package or product mix there is an obvious need by groups to ensure the components of the package are correctly mixed and assembled. The package components are resources that have varying degrees of availability or may cost a considerable outlay to supply. Hence package components can be analysed with more ease as they will be more evident and long lasting in nature, with their mix changing, not the package

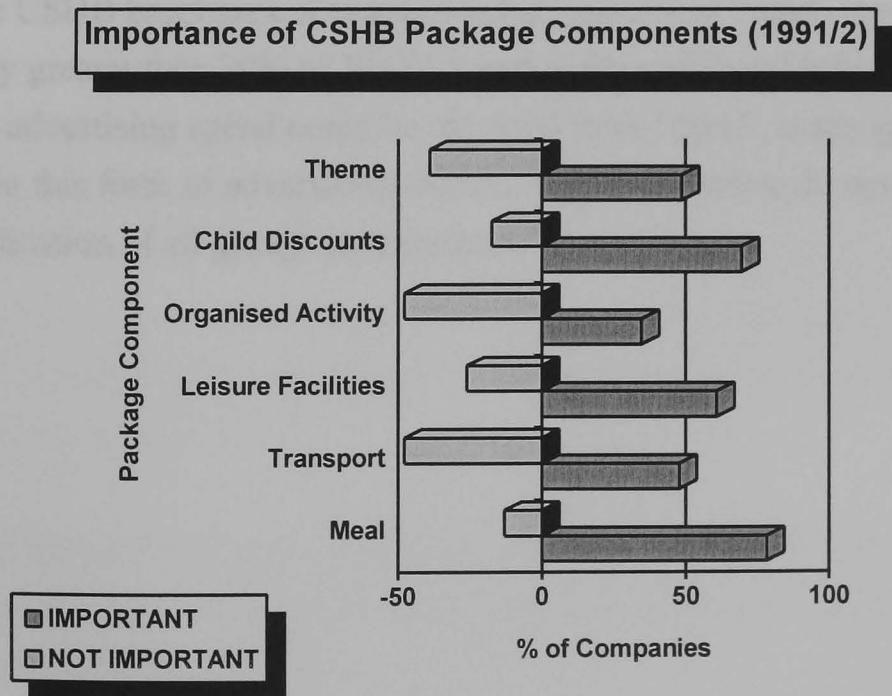
components. By determining the importance of various package components, the essential elements of packages are established.

Hotel groups identified packages as consisting of six key elements : child discounts; transport from home; evening meals; leisure facilities; identifiable theme; and organised activities. When asked to rank these package components in order of importance the following average ranking was achieved.

- | | |
|-------------------|-------------------------|
| (Most Important) | 1. Evening Meal |
| | 2. Child Discount |
| | 3. Leisure Facilities |
| | 4. Identifiable Theme |
| | 5. Transport for Home |
| (Least Important) | 6. Organised Activities |

From these rankings, the core element of a package can be seen to be an evening meal, followed by child discounts, and leisure facilities. While these represent the core elements of a package, it is useful to determine how essential each element is in package construction. Figure 8.4.2h shows the components most and least important to compiling a CSHB package.

Figure 8.4.2h



From figure 8.4.2h it is evident that the areas that constitute a package that are seen as of most importance are those that are closest to the core hotel product of accommodation (child discount), food and beverage, and leisure. These are the same

areas likely to generate greatest addition revenue and therefore contribution for hotels and represent areas of considerable threat for smaller operators.

In addition to pure and mixed packages, groups can utilise add-ons. Add-ons are additions to the perceived value of the break which are not directly related to the principal theme. They increase the perceived value/price ratio at no apparent cost to the customer, e.g. toiletries, chocolates.

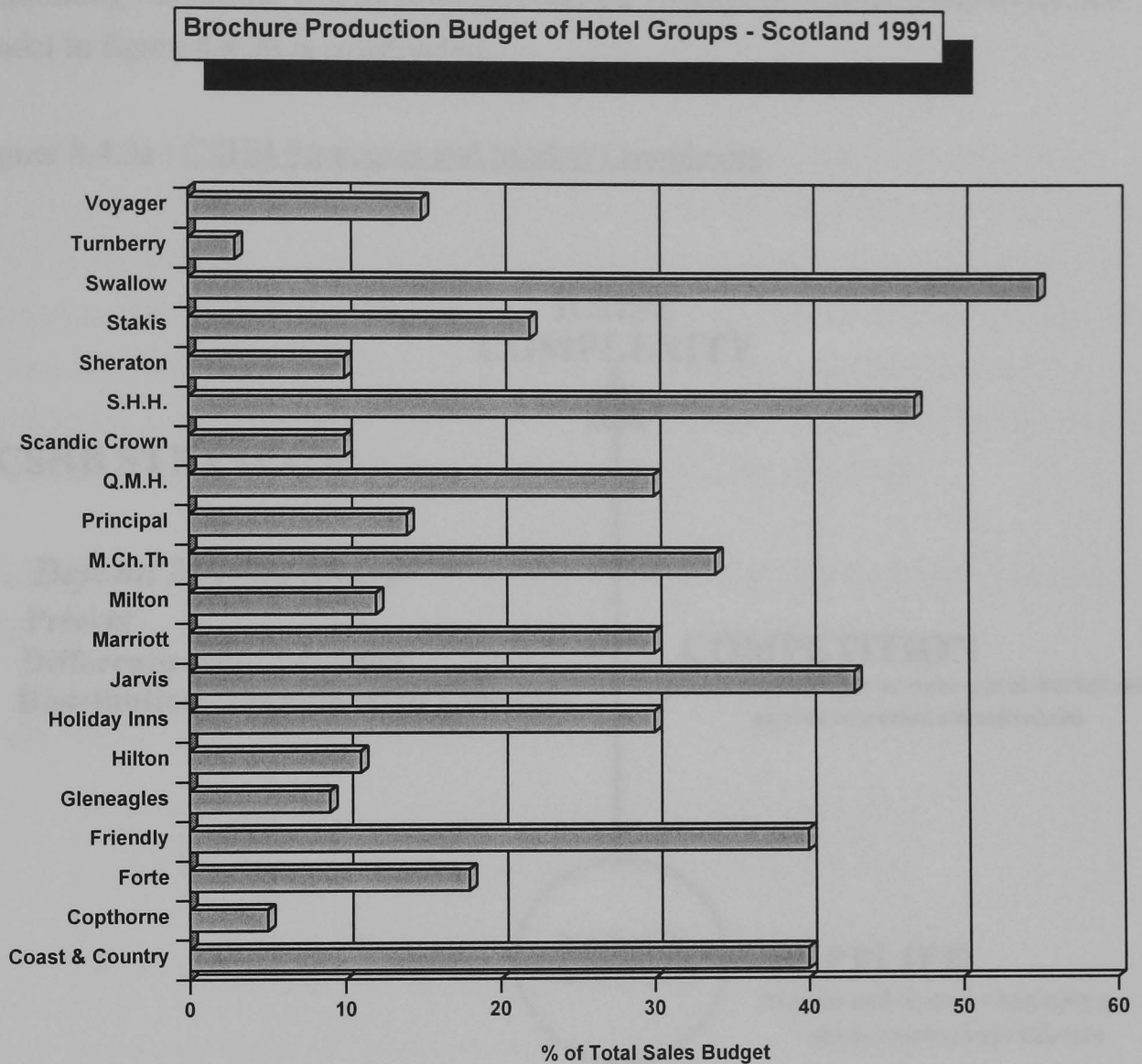
Hotel groups adopting segmentation strategies, essentially through packaging can be seen to be those focusing on raising market complexity, offering a wide range of breaks, and utilising packaging to increased perceived value and therefore command higher prices. Segmentation strategies are open to a range of units at a range of opportunity costs and as such are a highly attractive CSHB strategy.

(iii) Promotion

Promotional strategies are based on brochure production, advertising, and branding and are closely interlinked.

Brochure production is the main medium for CSHB distribution. It plays a differing role for hotel groups. Figure 8.4.2i shows the relative percentage of hotel groups total promotion spend used on brochure production, providing some indication of priority to corporate CSHB brochures. It is appreciated, that 2% of Forte's revenue is considerably greater than 20% of W.H.L's and while additional information on key hotel group advertising spend could be obtained from MEAL, many groups are not mentioned in this form of advertising. MEAL figures therefore do not provide an accurate indication of all groups involvement.

Figure 8.4.2i



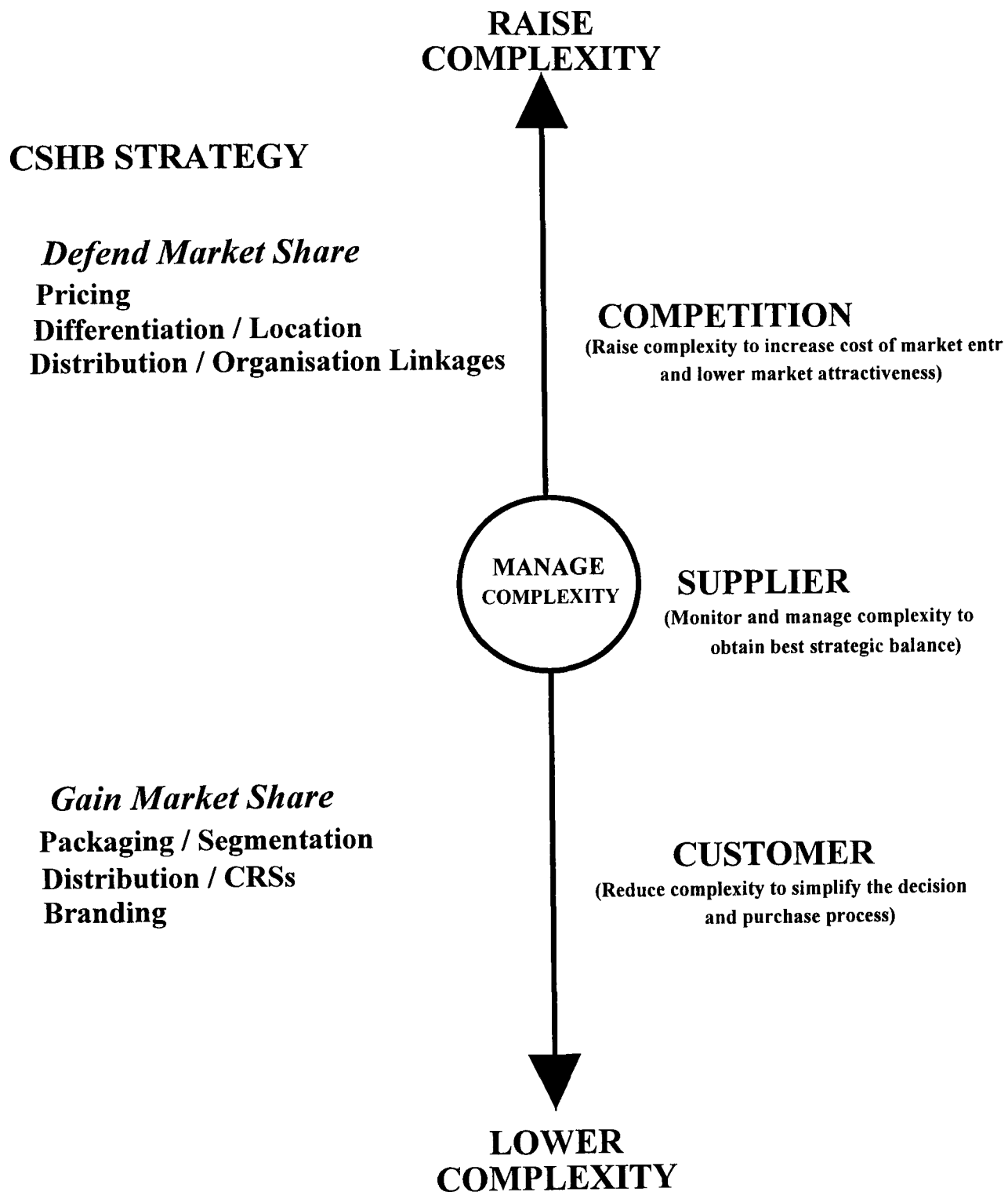
Advertising is becoming more widespread among hotel groups in attempts at non-price competition. Focus appears to be on creating brand loyalty to gain market share. Such branding is product based and reflects segments and brochures used. Hotel groups adopting such promotion strategies will tend to have considerable capital, and produce and distribute their own CSHB brochure. Usually brochures are offered under a group or product based brand.

Having determined the nature of strategies adopted in the CSHB market, emphasis can be placed upon the purpose of such strategies, and the need to gain and sustain competitive advantage.

8.4.3 Gaining and Sustaining Competitive Advantage

Combining the former CSHB strategies and the concept of market complexity, the model in figure 8.4.3a is constructed.

Figure 8.4.3a : CSHB Strategies and Market Complexity



It can be seen that lower order defender strategies (pricing and differentiation) are used to sustain and protect market share. The strategies raise market complexity for competition, reducing initial market attractiveness and creating barriers to entry.

Organisation linkages as an element of distribution are also present at the operational level allowing synergistic advantage. However, distribution strategies are essentially predatorial in nature as they seek to gain further market share, usually via a CRS.

The higher order predator strategies are used to gain market share by managing complexity e.g. simplifying the purchase decision for the consumer, and maximising achievable marginal contributions. This is achieved by segmenting the market and packaging the CSHB thus providing specific segments with the desired product. The complexities of implementing such strategies are managed through the use of distribution strategies - essentially CRS or intermediaries - and branding allowing the consumer to easily recognise the product and develop brand loyalty.

Table 8.4.3a summarises the prime strategies adopted by various groups operating in the CSHB market.

Table 8.4.3a : Prime Strategies Summarised

Category	Prime Strategy	No.Groups
Predator	Distribution	6
	Segmentation/Packaging	6
	Promotion	6
Defender	Pricing	2
	Differentiation	0

Summary

Strategies adopted by major companies vary across market segments, and appear to be relatively primitive. The packaging component appears to be the most developed.

While pricing, and differentiation exist, these seem to act more as barriers to entry, with value chain linkages creating cost economies (essentially in the area of CRS) for widening and targeting markets, reducing commission payable, and using packaging to gain additional market share.

CSHB strategies are adopted by a wide range of companies, all with differing levels of ownership, cost structure, location, market level, and tariff, yet some companies perform significantly better in the market than others. The next chapter seeks to establish performance categories of the hotel groups to allow relationships between

performance, and strategy and structure variables to be established. However, to allow analysis of hotel groups in terms of identifying areas of structure, strategy, performance relationships requires the organisation of complex data on strategy into manageable units. When examining strategy, a widely accepted method of doing this is to collect hotel groups adopting the same or similar strategies into overall encompassing groups, termed strategic groups.

The next section establishes the concept of strategic groups and which hotel groups belong to which strategic groups, in relation to structure and strategy variables (Edgar et al 1994).

8.5 STRATEGIC GROUPS AND STRATEGIC SPACE

The concept of a strategic "group" of firms, defined as a set of firms competing within an industry on the basis of similar combinations of scope (Cool & Schendel 1987), customer patronage (Harrigan 1985), and commonality of strategies (Hunt 1972, Caves & Porter 1977), provides a framework for determining the relationship between strategy, structure, and performance within and between industries (Dess & Davis 1984, Hergert 1983, Barney & Hoskisson 1990).

Since Hunt (1972) introduced the term "strategic groups", a growing body of literature has adopted this analytical concept to determine relationships between industry competitors (Porter 1980, Hatten 1974, Cool 1985, McGee & Thomas 1986). Such studies have been further developed to demonstrate performance linkages (Newman 1978, Kotabe & Duhan 1993) and to suggest forms of competitive benchmarking through strategic modelling (Kumar, Fiegenbaum & Thomas 1990) and frameworks for group formation (Fiegenbaum & Thomas 1990).

Although Meyer and Rowan (1977) identified that organisations are adaptable and will try to adapt to environmental changes, little research has been undertaken in the dynamics of this field. Mascarenhas (1989) provides some direction in this area by establishing the three types of strategic change, essentially representing movement in strategic space (defined by Fiegenbaum and Thomas 1990 as the map of characteristics of the competitive environment) linked to economic activity. He concludes that environment and industry structure may not totally determine strategic changes. Rather, strategic choice and individual firm characteristics play an important

role, a view much supported by those endorsing the cognitive perspective on strategic groups (Reger & Huff 1993).

While the potential of the strategic group concept as an analytical decision making tool is obvious, there are many ambiguities surrounding the application (Hatten & Hatten 1987). Key issues appear to be the definition of "strategic groups", absence of empirical analysis over time, and lack of evidence that strategic groups exist at all, or determine performance variances (Cool & Schendle 1987, 1988). Hence, although strategic group mapping can be a useful way of tracking industry dynamics (Harrigan 1985), with clusters of firms in strategic space being identified and group membership defining the essential characteristics of a firms strategy (Reger & Huff 1993), the explanatory power of the strategic group concept is fundamentally dependant on the strength of the scheme adopted to "operationalise" strategy (Thomas & Venkatraman 1988). As such, the hotel group sample can be divided into initial strategic groups based upon identified CSHB prime strategies, as shown in table 8.5a. However, these strategic groups must be related to market structure variables before the scheme is "operationalised", thus allowing performance of the groups to be examined in Chapter 10.

Table 8.5a : Prime Strategies of Hotel Groups

DISTRIBUTION	PROMOTION	PACKAGING	PRICING
Copthorne	Coast &	Gleneagles	
Marriott	Country	Jarvis	Milton
Scandic Crown	Forte	M.Ch.Th	Principal
Sheraton	Friendly	S.H.H	
Swallow	Stakis	Hilton	
Voyager	Holiday Inns	Turnberry	
	Q.M.H		

The next section establishes the relationships occurring between the strategies adopted by various hotel groups and their market structure.

8.6 CSHB STRATEGY - STRUCTURE RELATIONSHIPS

The purpose of this section is to identify any areas of correlation between the three key structural variables established in Chapter 8 and the strategies adopted by hotel groups.

(i) Structure Variables

The structural determinants have been established as variables relating to market scope, group size, and sources of competitive advantage. As such, three structure - strategy group maps are created and conclusions drawn from each.

(ii) Strategy Variables

It has been established that strategy and therefore strategic groups may change with organisation levels (corporate; business; functional) giving rise to the concept of "overlapping" strategic groups (Fombrun & Zajac 1987) and that such groups may be the result of combinations of strategies that are internal or external in orientation (Wright, Kroll, Chan, & Hamel 1991). The research has established what the hotel groups identify as their prime CSHB strategy with other secondary strategies supporting the prime. As such, the prime strategies consist of the organisations' variables that cannot easily be changed (Tang & Thomas 1992) or replicated (mobility barriers - Caves & Porter 1977), and form the dimension of strategy.

In addition, as hotel companies are multi-site in nature, any analysis of corporate groups could possibly neglect "the subgroups of firms employing different mixes of substantially the same strategic variables" (Hatten 1979). This is the subject of Appendix V, where the model is applied at unit level. For this section, the view of Miller (1981) is adopted, where the identification of tightly integrated and mutually supportive parts are best understood by adopting a holistic approach. Hence the prime strategy of each group are related to market structure. Taking each of the three key structural variables, and linking them to CSHB strategies adopted by hotel groups the following strategic groups emerge.

8.6.1 Market Scope - CSHB Strategy

When prime strategy is mapped against market scope, i.e. the number of market segments targeted, figure 8.6.1a is formed. Each black dot represents a hotel group as a member of the strategic group formed. The number in the dot corresponds to table 8.6.1a. The results appear clearly grouped.

Figure 8.6.1a : Market Scope - CSHB Strategies

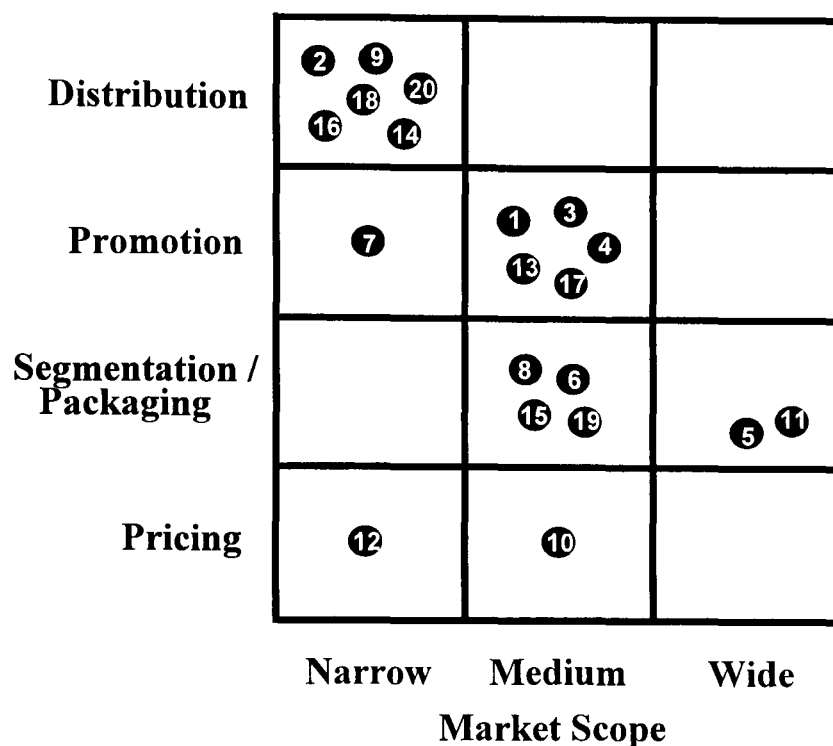


Table 8.6.1a : Legend of Hotel Group Codes

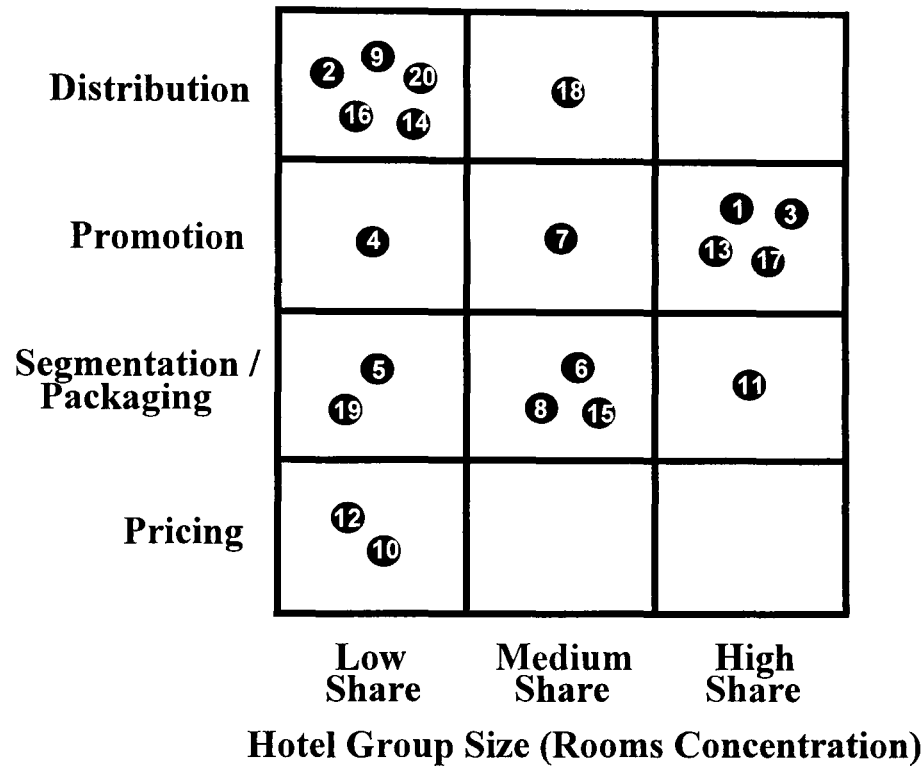
Hotel Group Codes					
1	Coast & Country	8	Jarvis	15	SHH
2	Copthorne	9	Marriott	16	Sheraton
3	Forte	10	Milton	17	Stakis
4	Friendly	11	MChTh	18	Swallow
5	Gleneagles	12	Principal	19	Turnberry
6	Hilton	13	QMH	20	Voyager
7	Holiday Inn	14	Scandic		

From figure 8.6.1a it is evident that all hotel groups which adopt distribution strategies have a narrow market scope, that is they focus on a few market segments, essentially creating and protecting niches. Hotel groups with a medium market scope have a mixture of strategies mainly mixed between promotion and segmentation/packaging strategies. The only strategies adopted by wide market scope hotels groups is segmentation/packaging.

8.6.2 Group Size - CSHB Strategy (Scotland)

Combining CSHB strategy and group size, in terms of room concentration produces figure 8.6.2a.

Figure 8.6.2a : Group Size - CSHB Strategy



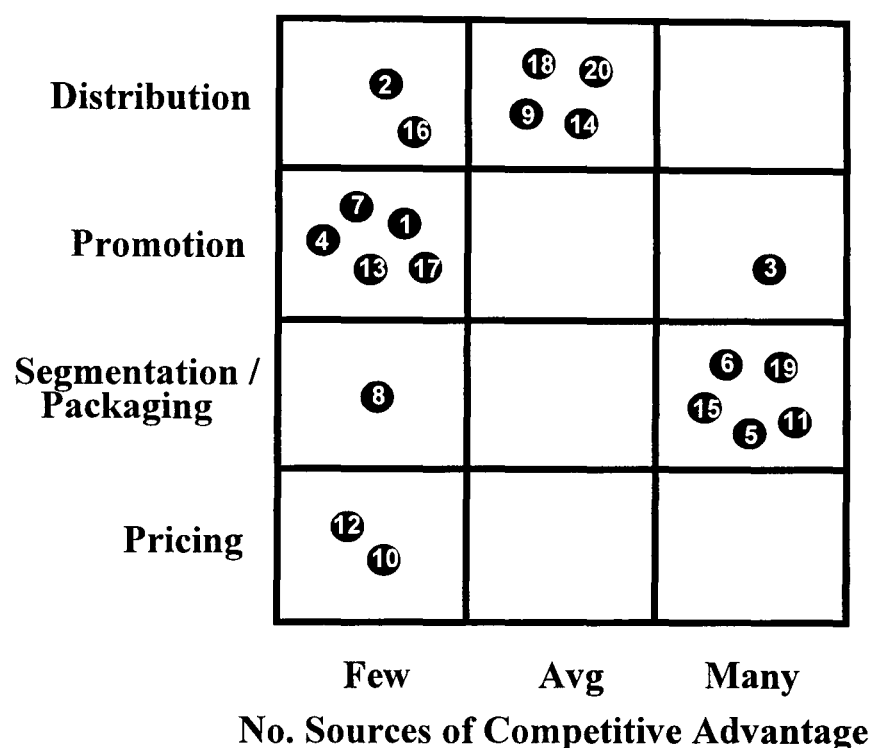
From figure 8.6.2a it can be concluded that strategic group clusters are not as clearly evident, however, from the clusters appearing it would seem to be the case that hotel groups with a high market share adopt predominantly promotion strategies with one hotel group having a prime strategy of segmentation/packaging. Other apparent clusters are evident with low share groups adopting distribution strategies and medium share groups adopting segmentation/packaging strategies. Both defender strategy (pricing) groups appear to be of low market share.

The importance of these structure - strategy relationships will be most evident when the performance of hotel groups is determined, establishing whether group size is a major element of performance and what strategies enhance performance of groups with differing market shares.

8.6.3 Sources of Competitive Advantage - CSHB Strategy

From figure 8.6.3a it can be seen that hotel groups adopting promotional strategies and pricing strategies (defenders) as their prime strategy have few sources of competitive advantage. Distribution strategies have medium to few sources of competitive advantage and segmentation strategies have many sources of advantage. This results in the former strategies being more focused and cost driven, while the segmentation strategies are more broad, innovative, and are essentially driving and steering CSHB market development.

Figure 8.6.3a : Sources of Competitive Advantage - CSHB Strategy



In summary to this section it would appear that distinct strategies are adopted by groups relative to certain market structure conditions, with the key structural determinants seen as group size, segmentation, and sources of advantage. The question arising is what differences in performance exist between strategies adopted i.e. the vertical relationship, and between structural variables, i.e. the horizontal relationship. For example, the difference in performance between hotel groups adopting a pricing strategy in a narrow scope compared to distribution strategies would be vertical relationship. The horizontal relationship would be the difference in performance between hotel groups adopting promotion strategies in a narrow and medium scope.

Once performance relationships are determined in Chapter 10 the potential of moving in strategic space to enhance performance, can be discussed. Movement in strategic space is for example a hotel group adopting a promotion strategy with a narrow market scope trying to either widen market scope or move to a different strategy, or both - to improve performance. This would cause movement in strategic space. Such moves in strategic space are fine in theory but in practice they are often not possible in terms of horizontal moves i.e. changing the structural variables due to mobility and entry barriers (Caves & Porter 1977, McGee 1985, Mascarenhas & Aaker 1989, McGee & Thomas 1986, Bain 1956) such as strategic capabilities and resource availability.

The next stage is therefore to establish if there are any performance differences between these group clusters and to explore the possibilities of movement between strategic group clusters, within the constraints of entry and mobility barriers.

8.7 CHAPTER SUMMARY

Having explored the structural profile of CSHB markets in Chapter 7. This chapter has identified the prime strategies adopted by hotel groups in the CSHB market. Such prime strategies appear to be of two general types : defender strategies designed to protect market share, and predator strategies designed to gain market share.

In general, strategies adopted by major hotel companies vary between market segments, and appear relatively primitive. The packaging component is the most developed.

While branding, pricing, and differentiation strategies exist, these seem to be acting more as barriers to entry, with packaging being used to gain additional market share. Various components of the package are mixed to target different market segments. As such the revenues of packages contribute to fixed costs and return on investment in varying degrees.

CSHB strategies are adopted by a wide range of companies, all with differing levels of ownership, cost structure, location, market level, and tariff yet some companies perform significantly better in the market than others. The correlates of structure and strategy have determined that distinct strategic groups clusters do emerge. This begs the question of what performance differences exist between groups on horizontal and vertical planes, providing clues as to the best strategy-structure mix and identifying the basic strategic capability of hotel groups. In establishing any performance linkages of companies adopting specific strategies in the CSHB market in Scotland it is necessary to determine what measures of performance exist and how hotel groups are performing in the market. The next chapter explores performance variables before Chapter 10 constructs a performance model to determine the dynamics of competition in the CSHB market and establish the driving force behind the successfully performing companies.

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CHAPTER NINE

PERFORMANCE IN THE CSHB MARKET

9.1 INTRODUCTION

In this chapter, measures of corporate and business level performance are determined in terms of financial and non-financial measures. The performance of each hotel group is established to prepare the reader for associating structure, strategy and performance variables, and drawing conclusions and contributions to knowledge.

9.2 THEORETICAL FOUNDATIONS

The concept of strategy is generally believed to have effects on financial performance for a firm (Beard & Dess 1981, Rumelt 1974, 1982, Channon 1978, Bettis 1981, Bettis & Hall 1982, Christenson & Montgomery 1981, Ginyer & Yasai-Ardekani 1981, Luffman & Reed 1984, Hambrick 1983, McDaniel & Kolari 1987, Miles & Snow 1978, Smith; Guthrie & Chen 1986, Snow & Hvenbiniak 1980).

The structure - strategy - performance paradigm implies that the structural characteristics of an industry, (particularly the level of concentration of firms), and the height of entry barriers will have a significant influence on the ability of firms within an industry to price above the competitive price, i.e. its strategy leading to performance. This being the case, the market characteristics can be expected to determine the performance potential of individual firms or strategic groups. Montgomery (1979) supports this view, finding performance differences in firms linked to differing market characteristics.

Porter (1976, 1979) and Caves (1977) were among the first to examine potential effects of strategic group membership for group and firm performance. They found that strategic groups did exist and systematically affected distribution of industry profits. Since this time, the relationship between strategic group membership and firm performance has been a central and controversial theme in strategic group literature (Hatten & Schendel 1977, Schendel & Patten 1978, McGee & Thomas 1986, Thomas & Venkatraman 1988, Cool & Schendel 1987, 1988, Newman 1978, Harrigan 1985). Empirical evidence linking performance differences with strategic groups is not extensive and is conflicting, with a number of authors establishing no structure, strategy, performance linkages (Mascarenhas & Aaker 1989, Cool & Schendel 1987, Johnson & Thomas 1987, Schendel & Hofer 1979, Lawless, Bergh & Wilsted 1989, Frazier & Howell 1983, Vredenburg & Alutto 1977). However, a wide body of research supports and confirms the existence of a relationship between the structure,

strategy, performance paradigm (Caves & Porter 1977, Caves 1984, Hage & Dewar 1973, McGee & Thomas 1986, Thomas 1988, Baldrige & Burnham 1975, Dess & Davis 1984, Feigenbaum & Thomas 1987, 1990, Oster 1982, Porter 1979, Lewis & Thomas 1990), including studies specific to the service sector (Channon 1978) and hospitality and tourism industry (West & Anthony 1990).

These findings do not imply that strategic groups have any performance implications at all. Part of the appeal of the strategic group construct stems from the fact that intra-group rivalry and inter-group rivalry differ, and with such differences come performance differences. What it implies is that strategic group membership is not the only variable of performance, (as performance is not a unitary concept), meaning some groups will display closer similarities in performance than others. This should be recognised in any structure - strategy - performance research. In addition, as returns on a given strategy dissipate over time, firms must adapt and respond to changing conditions (Jacobson 1992). Hence, if firms recognise greater performance in other strategic groups they will attempt to join such groups i.e. move in strategic space. The likely result of such activity is, reduced performance for original members of the group, and in response the erection of mobility barriers. Mobility barriers (Caves & Porter 1977) prevent firms from moving from one strategic group within an industry to another, and thus provide an explanation of differences in intra and inter industry and market performance (McGee 1985).

The variations in inter and intra industry profitability and performance may be explained on the basis of strategic group membership. The strategic groups model also serves to explain differences in performance among firms of equivalent sizes, where a close association between market share and profitability is already strongly acknowledged (BCG 1974, Gale 1972, Woo 1983, Jacobson 1988). When firms are divided by size within an industry, each size category may contain members of more than one strategic group (Dess & Davis 1984) showing areas of performance difference independent of size alone (i.e. strategy is important), and has differing levels of viability for different firms (Zajac & Shortell 1989). Hence, as Cool and Schendel (1988) established, strategic group membership does not therefore imply "de facto" performance, but instead provides an indication of where and how groups may perform better.

In summary, it is commonly observed that the structure - performance model is seriously deficient on its own e.g. it lacks dynamism (Hay & Morris 1979) and that more complex causal links need to be taken into account. A strategic groups approach

allows such links (McGee 1985) and therefore goes some way to allowing analysis of dynamic markets by identifying areas of apparent association.

The chapter establishes the measures of performance for hotel groups in the CSHB market, and provides an indication of how each group performs thus allowing the performance of strategic groups to be examined and a model of performance enhancement to be constructed.

9.3 MEASURES OF PERFORMANCE

For the purposes of this research, (and in accordance with suggestions made by Oster (1982), Dess and Davis (1984) and Cool and Schendel (1987)), multiple performance indicators were used to test differences in hotel group performance. To allow a comparative analysis of the research findings, all hotel group performance measures were measured in exactly the same way and represented both financial and non-financial measures, the latter being a measure neglected by many researchers. While measures were consistent, the reader should be aware that for financial data obtained from CD-ROM (and cross referenced to company accounts) the financial year reporting differed between groups. Hence, some groups had financial years from April 1991 to April 1992, while others are from January 1991 to January 1992. Although the financial years 1991/2 were considerably turbulent, these differences in financial reporting are not deemed to have any major effect upon the investigation of strategic group structure - strategy - performance relationships, as they essentially act as benchmarks of analysis.

Financial performance was measured on two levels, the (i) industry level, and the (ii) market level.

9.3.1 Industry Level Performance

The industry/corporate level performance is measured to provide an indication of how the hotel group is performing as a whole. It should be recognised that when these measures are applied to the strategic group clusters in Chapter 10 that the resulting performance is only partially attributable to the CSHB market and indeed to strategies within the CSHB market. They do however provide a benchmark to compare groups at an industry level in relation to CSHB strategies adopted. Industry financial performance indicators were selected as return on capital employed (ROCE), gearing, and profitability. These indicators represent the key measures of performance

indicated by previous management and industrial organisations research and are widely regarded by industry as critical measures of performance (Coats et al 1991, Dess & Davids 1984, Lesser & Rubin 1993, West & Anthony 1990, Slattery et al 1995, 1994, Slattery & Johnson 1993, 1992, 1990).

(i) ROCE

A key performance measure used by many industrialists and researchers is that of return on investment or return on capital employed - ROCE (Buzzell & Gale 1972, Schoeffler, Buzzell & Heany 1974. Lesser & Rubin 1993). The ROCE can be seen as the ratio of net, pre-tax operating income to average capital employed. Where, operating income is what is available after deductions of allocated corporate overhead expenses and any financial charges on assets employed. Capital employed is equity and long term debt plus total assets less current liabilities.

This measure therefore indicates the performance of the hotel group in terms of financial returns to capital, and as such reduces the influence of large group dominance skewing figures.

(ii) Gearing

Coats et al (1991) recognised that in the UK there appeared to be a pre-occupation with financial stability, and attention to gearing i.e. a company's debt situation, among corporate objectives and performance measures. This is probably due to the importance of interest rates, which as has become evident with the growth of companies in receivership, plays an ever increasing role in organisations operations. Gearing in this context is taken as the debt to equity ratio, and then scaled to 100% as maximum gearing, in other measures this figure can be found to be two or three hundred percent.

(iii) Profitability

Probably the most widely accepted measure of organisation performance is profitability (Porter 1976, 1979), not only among researchers but also among companies themselves (Coats et al 1991). However, there are many measures of profitability, ranging from profit ratios, to actual figures, before tax, after tax, before expenses, after expenses, before wages etc. To allow comparison of strategic group profitability this research uses the ratio of percentage profit after interest and tax to sales, (PAIT). In effect this provides a bottom line comparable performance figure between groups, accounting for debt repayments and any taxation payable or rebateable.

The three financial measures adopted represent a comprehensive attempt at establishing the key performance indicators at industry level. While some may argue a need for more financial figures, (Hansen & Wernerfelt 1989), such as market capitalisation, share price, efficiency ratios etc., one should consider the need for focus to allow reduced complexity of analysis thus allowing clarity of results. The measures selected are clearly the most relevant to operations in the CSHB market and have been confirmed as such by the industrial focus group. In addition, when looking at the relevance of alternative measures the reader is reminded of trends towards revaluing hotel groups after a series of overvaluations in the late 1980's and early 1990's and the implications of over borrowing on other financial measures e.g. Queen Moat Houses share suspension in 1993, and the subsequent trend by major hotel groups to revalue their portfolios.

This makes analysis difficult, and the general reluctance or ability of some hotel groups to provide financial data adds to the difficulty. The measures provided represent commonly used and accepted measures of the three key areas of managerial finance analysis : investment (ROCE), liquidity (gearing) and profitability (PAIT) and as such are appropriate measures of financial industry/corporate performance.

9.3.2 Market Level Performance

While the industry performance may be attributable to a number of market segments and their various components. The market level performance is specific to the CSHB market in Scotland and as such provides an indication of performance at market segment level. Again, a number of alternative variables apart from strategy - structure relationships may influence the market performance but this allows a more focused approach and provides a means of determining the differences in hotel group relationships.

Only one financial measure is used here, that of the average CSHB revenue per room per annum 1991/2. This is the average CSHB revenue for the hotel group divided by the number of rooms available, and provides an indication of market performance from a hotel group perspective. One should consider also that each hotel group contains a range of individual hotels, all with different strategies and performance levels, these are discussed in Appendix V. By calculating CSHB revenue per room, the element of market dominance of groups is reduced and relative market share established.

9.3.3 Non-Financial Market Level Performance

To provide an additional dimension to performance measurement, a non-financial performance measure was also introduced. A number of measures were considered, including employee satisfaction (Cameron 1986, Goodman & Pennings 1977), number of employees, consumer return rates, growth in room stock etc. Given the competitive nature of the market and the danger of overlap between market structure measures and performance measures (i.e. growth in market share), a measure of non-financial performance was taken as the strength of competitive identity.

The strength of competitive identity represented the perceived threat posed by various hotel groups as identified by peers, and as such reflected the competitive nature of the market and an element of the qualitative balance of the research approach. Hotel groups were categorised into strong, with 27% or above of companies identifying the hotel group as competition, medium (16%-26%) or weak (0%-15%) bands according to their level of competitive identity. The competitive identity being determined by establishing which groups were most often identified as competition by other hotel groups. The quantitative translation of the determinants of strong, medium and weak peer competitive identity was calculated by establishing, from research, the average degree of competitive identity, this being 21.5% of groups. Below the average figure represents a weaker competitive identity, above the average represents a stronger competitive identity. To reduce the affect of a number of strong identity groups skewing the data, a one hotel group variance was allowed either side of the average. The one hotel group variance represented 5.5% making below 15% a weak peer competitive identity in the CSHB market, 16%-26% an average or medium peer identity, and 27% or above a strong peer competitive identity. Having determined the indicative measures used to identify hotel group performance, the measures can be applied to the hotel group sample.

9.4 HOTEL GROUP FINANCIAL PERFORMANCE

1991/2 was a very turbulent year for many groups and as such some groups performed poorer than in previous years, e.g. Stakis, S.H.H, and M.Ch.Th.

The purpose of this section is to highlight potential differences between hotel group performance clusters, hence measures should be treated as benchmarks and focus should be upon the underlying concepts and principles of the linkages between structure and strategy, representing methodology, not the performance results of specific years.

9.4.1 Industry Level Performance

The three industry level performance measures used, ROCE, gearing, and PAIT when related to the hotel group sample result in table 9.4.1a. This table shows hotel group financial performance for 1991/2.

Table 9.4.1a : Industry Level Performance 1991/2

HOTEL GROUP	INDUSTRY PERFORMANCE		
	ROCE	GEARING %	PAIT %
Coast & Country	3.4	68.0	11.0
Cophorne	0.5	92.6	1.1
Forte	4.1	50.4	4.3
Friendly	6.0	34.3	6.6
Gleneagles	3.0	49.6	8.0
Hilton	8.7	11.9	10.1
Holiday Inns	5.7	19.1	12.8
Jarvis	1.4	n/a	5.6
Marriott	8.9	12.6	5.5
Milton	5.3	n/a	3.1
M.Ch.Th	-1.0	59.8	-3.8
Principal	1.6	90.1	5.0
Q.M.H	7.0	100.0	14.2
Scandic Crown	5.1	17.4	14.0
S.H.H	-5.0	80.0	-5.6
Sheraton	9.3	58.7	18.5
Stakis	6.0	48.0	0.3
Swallow	7.9	36.4	12.6
Turnberry	2.0	79.1	8.0
Voyager	3.8	n/a	10.0
AVERAGE	4.19	53.4	7.07

Source : CD-ROM - FAME (Confirmed with company reports where available)

Performance is relatively varied with group size appearing to play a minimal role in terms of performance in Scotland. It should be noted that in three cases no figures for gearing were available from the CD-ROM or the hotel group concerned. The average ROCE for the sample is relatively low at 4.19, due essentially to a tough operating year 1991/2 and the presence of two negatives, 4.32 without the negative figures.

9.4.2 Market Level Performance

Performance specific to the CSHB market is measured as the CSHB revenue per room in 1991/2. This performance indicator is shown in table 9.4.2a below.

Table 9.4.2a : Market Level Performance 1991/2

HOTEL GROUP	CSHB REVENUE PER ROOM PER ANNUM 1991/2
Coast & Country	£ 2162
Cophorne	£ 905
Forte	£ 6193
Friendly	£ 1579
Gleneagles	£ 6607
Hilton	£ 3335
Holiday Inns	£ 2900
Jarvis	£ 2512
Marriott	£ 890
Milton	£ 989
M.Ch.Th	£ 5577
Principal	£ 5052
Q.M.H.	£ 1650
Scandic Crown	£ 1084
S.H.H.	£ 3210
Sheraton	£ 800
Stakis	£ 3740
Swallow	£ 1272
Turnberry	£ 2900
Voyager	£ 850
AVERAGE	£ 2710.35

The average CSHB revenue per room per annum 1991/2 can be seen to be £2710.35, again this is an average for all the groups in the sample operating in Scotland and each individual hotel will operate at different levels, with different market shares, segments and levels of performance. Performance at market level appears to indicate the more active CSHB groups as the better performers. This contention shall be tested in group situations in the performance enhancement model in Chapter 10 and at unit level in Appendix V.

9.5 HOTEL GROUP NON-FINANCIAL PERFORMANCE

In terms of non-financial performance, table 9.5a shows the groups identified peer competitive identity, ranging from strong to average to weak.

Table 9.5a : Peer Competitive Identity

HOTEL GROUP	IDENTIFIED BY % OF COS.	COMPETITIVE IDENTITY
Coast & Country	5	Weak
Copthorne	10	Weak
Forte	60	Strong
Friendly	10	Weak
Gleneagles	5	Weak
Hilton	35	Strong
Holiday Inns	20	Average
Jarvis	20	Average
Marriott	20	Average
Milton	20	Average
M.Ch.Th.	50	Strong
Principal	10	Weak
Q.M.H	35	Strong
Scandic Crown	10	Weak
S.H.H	20	Average
Sheraton	10	Weak
Stakis	55	Strong
Swallow	25	Average
Turnberry	5	Weak
Voyager	5	Weak
AVERAGE	21.5	Average

The average peer competitive identity can be seen to be "average", with the average identity being recognition by 21.5% of hotel groups. In general, the larger groups appear to be the best performers in terms of peer competitive identity, probably due to the ability to utilise more distribution channels and the general market coverage dominance, often through a recognised brand.

9.6 PERFORMANCE MEASURES

This chapter has indicated the potential for linkages between structure-strategy-performance establishing the key measures of performance used in the research, as being financial and non-financial in nature and on industry and market levels. The key measures for performance can therefore be summarised in table 9.6a.

Table 9.6a : Performance Measures

MEASURE	PERFORMANCE	
	CORPORATE / INDUSTRY	MARKET / BUSINESS
FINANCIAL	ROCE Gearing PAIT	CSHB revenue per room per annum 1991/2
NON-FINANCIAL		Recognised peer competitive identity

The relative performance for each of the hotel groups has been established on each of the former measures.

9.7 CHAPTER SUMMARY

The chapter has focused on alternative measures of performance, highlighting two levels of performance analysis : industry level and market level. Measures of industry level performance are determined as ROCE, gearing and PAIT, while market level performance is examined in terms of CSHB revenue per room per annum, and a non-financial measure of peer competitive identity.

Having determined the measures of performance adopted for the research, the chapter has highlighted distinct performance differences between different hotel groups. The causes of such performance variations currently provide little indication of influences of why performance is different. The combination of CSHB market structure data based upon the dominance of hotel groups and highly segmented and complex market structure, and the specific strategies adopted by hotel groups - either defender or predatorial in nature - may provide some clues as to the differences in performance. Such relationships allow some indication of the strategic capabilities of the hotel groups and how such groups can enhance performance.

The next chapter combines CSHB market structure-strategy and performance variables in order to determine strategic capability and construct a performance enhancement model for companies operating in the market.

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PART V

CONCLUSION AND CRITIQUE

	<i><u>PAGE</u></i>
<u>CHAPTER 10</u>	
SUMMARY DISCUSSION, CSHB PERFORMANCE MODEL & CONTRIBUTIONS TO KNOWLEDGE	275
<u>CHAPTER 11</u>	
METHODOLOGICAL CRITIQUE AND FURTHER RESEARCH	319

CHAPTER TEN

SUMMARY DISCUSSION, CSHB PERFORMANCE MODEL & CONTRIBUTIONS TO KNOWLEDGE

10.1 INTRODUCTION

This chapter establishes whether structure - strategy - performance relationships exist between hotel groups in the CSHB market in Scotland. The structure - CSHB strategy - performance framework is established. Industry performance is then examined to determine strategic capability, followed by a market level analysis to suggest means of enhancing CSHB market performance. The concept of movement in strategic space is discussed, and the results combined to construct a model of CSHB performance enhancement. Contributions to knowledge are summarised.

10.2 THE STRUCTURE - STRATEGY - PERFORMANCE ANALYSIS FRAMEWORK

To provide a measure of performance for strategic groups, the strategy, structure and performance variables are combined. Cool and Dierickx (1993) recognise that "a firm's assets result from the pattern of its strategic decisions over time and must fit the current strategy for good performance." Hence, there will be a strong link between a firm strategy and industry structure. Assuming this to be the case allows an analysis of performance within and between strategic group clusters. The measure of performance is structured in three steps : (i) individual hotel group performance, (ii) cluster performance, and (iii) comparisons between clusters.

10.2.1 Individual Hotel Group Performance

Chapter 9 established the measures of performance adopted and the individual performance of each hotel group. These are summarised in section 10.3. The research approach, by its nature, clusters individual hotel groups into CSHB structure-CSHB strategy clusters. Thus results in individual performance of hotel groups are combined to form cluster performance.

10.2.2 Cluster Performance

The measure for cluster performance in this research is based on work by McNamee and McHugh (1987). This represents performance as an ellipse. The horizontal and vertical axis of the ellipse are derived from the performance achieved and the standard deviation of the performance data used (i.e. the spread of performance of cluster constituents) and, therefore, the closeness of performance in the group. This determines the stability of the cluster group relating to prime strategy and structural variables. The measure of standard deviation is intended as an indication of group

stability only, and is calculated by averaging the sample, subtracting the average from each sample value, squaring each difference, adding the squares and dividing the sum by the number of values in the sample minus one, concluded by computing the squared root¹ (O'Neal 1989). Where hotel group clusters have a negative measure of performance, the ellipse is shaded black.

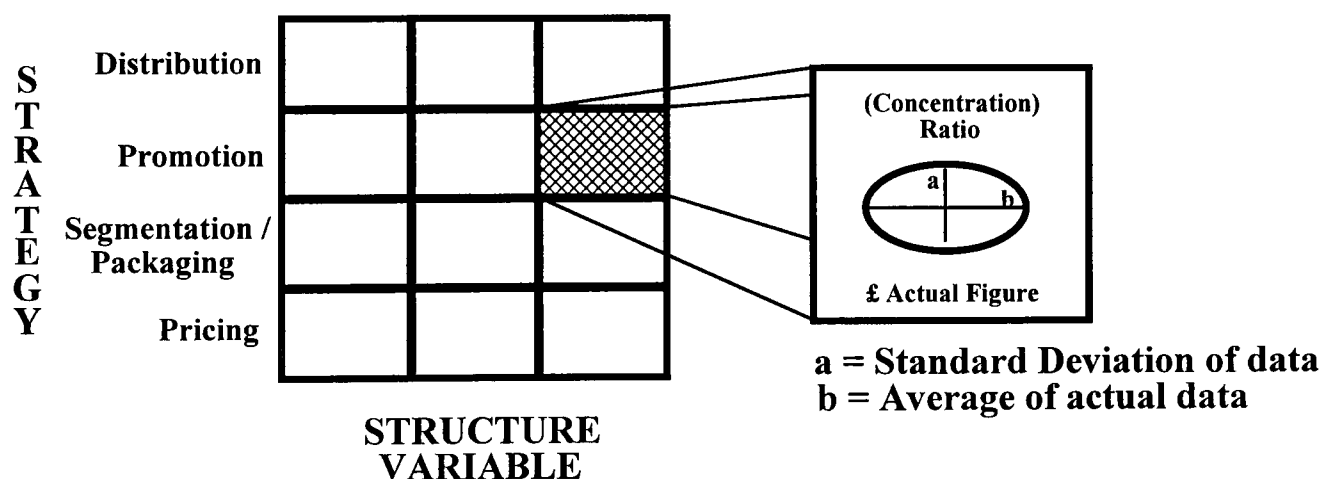
10.2.3 Comparisons Between Clusters

A prime purpose of the CSHB structure - CSHB strategy - performance framework is to determine performance differences between clusters. To allow this, each hotel group cluster's performance is indicated in actual figure terms as an average for the cluster group (below the ellipse), and as a concentration ratio (Miriyawitt & Veendorp 1989, Akehurst 1984, Scherer 1980, Saving 1970) for the cluster group (above the ellipse). The results provide an indication of relative market share and therefore relative monopoly power. Comparisons in cluster performance can be drawn and recommendations made as to the potential to move in strategic space.

10.2.4 Displaying CSHB Performance

Figure 10.2.4a shows the basic layout of how performance is displayed, representing a dynamic approach to Scherer's (1980) Industrial Economics framework as advised by the neo-Austrian school of economics (Reekie 1989, Jacobson 1992, Kirzner 1976, Stata 1989).

Figure 10.2.4a : Relationship Between Structure - Strategy - Performance Framework



¹ Mathematical formula for ungrouped data being $\sigma = \sqrt{\frac{\sum(x-\bar{x})^2}{n}}$

The structure variables, (horizontal axis) are applied to market scope, market share and source of competitive advantage. The axis measures from left to right indicating incremental changes in structure. In addition to this basic layout, the number of hotel groups present in each strategic cluster group is indicated in the top right hand corner of the box representing that group's strategic space.

Having determined the means by which relationships will be displayed and the performance measures used, the next section combines CSHB market structure with CSHB strategy and evaluates resulting industry level performance.

10.3 THE STRUCTURE - STRATEGY - PERFORMANCE ANALYSIS FRAMEWORK APPLIED : INDUSTRY LEVEL

This section applies the strategic framework to hotel groups operating in the CSHB market in Scotland. Industry relationships are established, determining which strategic groups appear to perform best in terms of ROCE, gearing, and PAIT. The results provide an indication of performance and allow the construction of a model to suggest potential strategic capability i.e. an organisation's resources available as a whole and, therefore, the potential to develop and nurture CSHB.

Following the industry analysis section, specific CSHB market analysis is undertaken to highlight which strategic group clusters appear to perform best in terms of CSHB revenue, thus constructing a CSHB performance enhancement model. Table 10.3a provides a summary of the key elements of structure (Chapter 7), strategy (Chapter 8) and performance (Chapter 9) established for each of the hotel groups operating in the CSHB market in Scotland 1991/2.

Table 10.3a : Summary: Hotel Group: Structure-Strategy-Industry Level Performance

GROUP	STRATEGY	CSHB STRUCTURE			INDUSTRY PERFORMANCE		
		MARKET SCOPE	MARKET SHARE	SOURCES OF ADV.	ROCE	GEARING	PAIT
Coast & Country	Promotion	Medium	High	Few	3.4	68	11
Copthorne	Distribution	Narrow	Low	Few	0.5	92.6	1.1
Forte	Promotion	Medium	High	Many	4.1	50.4	4.3
Friendly	Promotion	Medium	Low	Few	6	34.3	6.6
Gleneagles	Segm / Pkg	Wide	Low	Many	3	49.6	8
Hilton	Segm / Pkg	Medium	Medium	Many	8.7	11.9	10.1
Holiday Inns	Promotion	Narrow	Medium	Few	5.7	19.12	12.8
Jarvis	Segm / Pkg	Medium	Medium	Few	1.38	n/a	5.6
Marriott	Distribution	Narrow	Low	Average	8.86	12.6	5.5
Milton	Pricing	Medium	Low	Few	5.28	n/a	3.1
M.Ch.Th	Segm / Pkg	Wide	High	Many	-1	59.8	-3.8
Principal	Pricing	Narrow	Low	Few	1.58	90.1	5
Q.M.Hs	Promotion	Medium	High	Few	7	100	14.2
Scandic Crown	Distribution	Narrow	Low	Average	5.1	17.4	14
S.H.H	Segm / Pkg	Medium	Medium	Many	-5	80	-5.6
Sheraton	Distribution	Narrow	Low	Few	9.3	58.7	18.5
Stakis	Promotion	Medium	High	Few	6	48	0.3
Swallow	Distribution	Narrow	Medium	Average	7.9	36.4	12.6
Turnberry	Segm / Pkg	Medium	Low	Many	2	79.1	8
Voyager	Distribution	Narrow	Low	Average	3.8	n/a	10

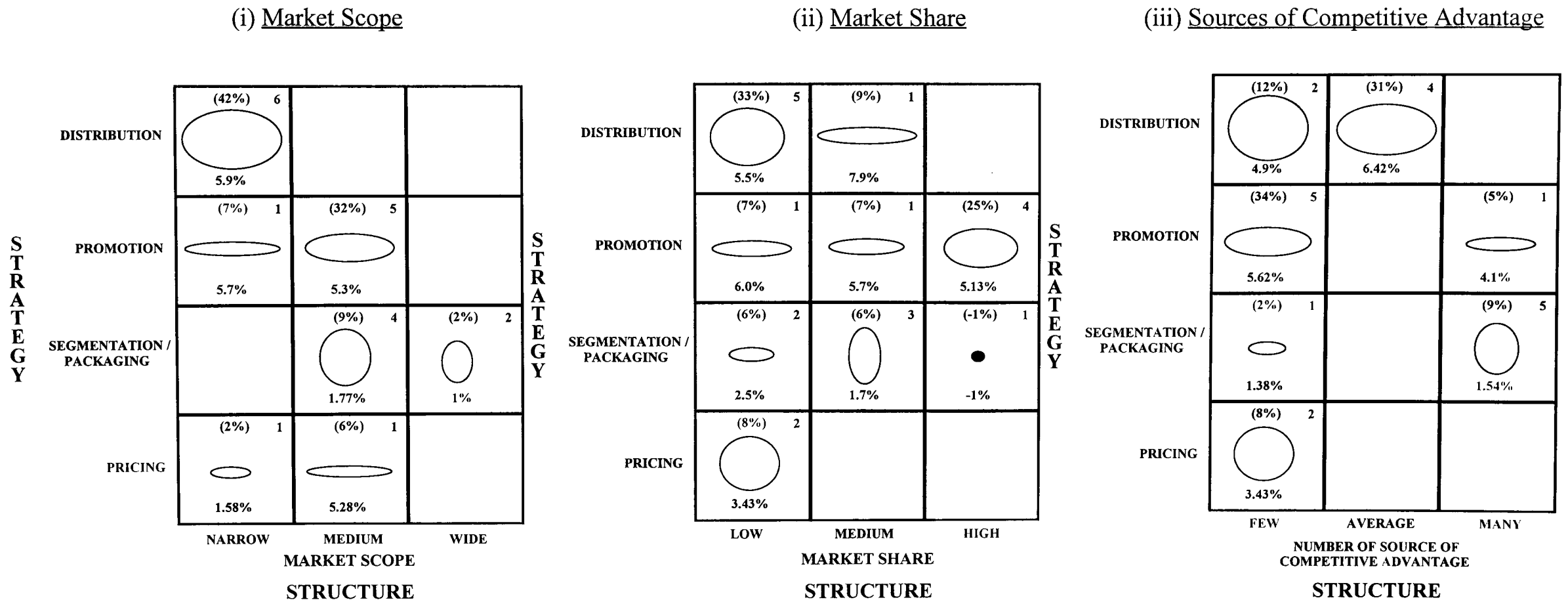
Further analysis of relationships between structure, strategy and performance can be examined. It should be noted that the initial relationships are taken in isolation, before the key elements of each analysis are drawn together in the performance model section.

10.3.1 Structure - Strategy - ROCE

Figure 10.3.1a shows the structure-strategy matrix for the ROCE measure.

Relationships between structure-strategy-performance can be determined on the three forms of structure, market scope, market share, and number of sources of competitive advantage and along the vertical and horizontal planes, allowing comparisons of strategy and structural differences.

Figure 10.3.1a Structure-Strategy-ROCE



Taking each measure of market structure in turn and examining vertical and horizontal relationships, relative to performance of each cluster. The relationships and associations emerging are bilateral in nature, and can not be related directly to cause and effect factors. This section highlights the apparent relationships or associations between strategy and structure variables from a neutral perspective before the development of the model examines each relationship flow in terms of strategic capability and enhancing performance.

(i) Structure : Market Scope

Market Scope : vertical relationship

With *narrow market scope*, no hotel groups employ segmentation/packaging strategies, perhaps representing a market focus on individual niches. Distribution and promotion strategies appear to produce best performance with 5.90% and 5.70% ROCE respectively, compared to pricing strategies with 1.58% ROCE. Most companies opt for distribution strategies (six companies) and achieve the greatest share of all group performance concentration 42%. With *medium scope*, distribution strategies are not adopted. Promotion and pricing strategies relate to best performance, with ROCE at 5.30% and 5.28% respectively. Promotion strategies produce 32% concentration share from five hotel groups in a close cluster. Segmentation/packaging strategies result in poor performance, essentially due to negative ROCE values and a wide spread of data within the group clusters. *Wide market scope* companies all adopt segmentation/packaging strategies which are relatively poor performers, due to data spread and negative values.

Market Scope : horizontal relationship

From the mix of strategies employed, it is evident that hotel groups adopting a distribution strategy perform relatively better in terms of ROCE, followed by those adopting promotion strategies and pricing strategies, clusters being closer in promotion and pricing strategies. The results highlight that performance appears to differ between strategy - structure mixes. In terms of segmentation/packaging and pricing strategies, performance can be seen to improve if in a medium market scope structure, although the spread of data in hotel groups adopting segmentation/packaging strategies is considerable.

(ii) Structure : Market Share

Market Share : vertical relationship

When *market share is low*, best performance appears to be achieved by hotel groups adopting a promotion (6.00%) or distribution (5.50%) strategy, although data is widely skewed. Pricing strategies show more skewed data but good levels of performance (3.43%), while segmentation/packaging strategies display poorest performance when in low market share (2.50%). Distribution strategies are clearly the best ROCE performing strategy in *medium market share* structures (7.90%), followed by promotion (5.70%) and then segmentation/packaging (1.70%). *High market share* structures clearly show that segmentation/packaging strategies result in negative ROCE performance (-1.00%), while promotion strategies, (used by most groups with high share) produce considerably better levels of ROCE (5.13%). No other strategies are adopted by high market share hotel groups.

Market Share : horizontal relationship

In general, distribution and promotion strategies produce best performance and are adopted by the majority of hotel groups - (these are also two strategies most likely to be available to hotel groups as opposed to independent unaffiliated hotels and as such emphasise the dominant nature of hotel groups in the market). Distribution strategies appear to provide further improved performance when adopted in medium market share structures, while promotion and segmentation/packaging strategies provide increasing performance as market share is lowered. Promotion strategies perform considerably better than segmentation/packaging. Pricing strategies display a wide spread of data with poor performance.

(iii) Structure : Competitive Advantage

Competitive Advantage : vertical relationship

Promotion strategies show a clear cluster when related to *few sources of competitive advantage*, and show a considerable resulting ROCE performance (5.62%). This indicates a useful strategy for hotel groups with few sources of advantage. Performance is better where distribution (4.90%) and promotion (5.62%) strategies are used, and poorer when pricing (3.43%) or segmentation (1.38%) strategies are used. In clusters with *average sources of competitive advantage*, all hotel groups with this number of sources, adopt distribution strategies with an excellent performance (6.42%) and large ROCE concentration share (31%). For groups with *many sources of competitive advantage*, two strategies are adopted, promotion, and

segmentation/packaging. Promotion strategies appear to offer best ROCE (4.1%) while segmentation/packaging are poorer performers (1.54%) and have data that is widely skewed, although more commonly used.

Competitive Advantage : horizontal relationship

Hotel groups adopting distribution or segmentation/packaging strategies appear to perform better with the more sources of competitive advantage they can achieve. On the other hand, those hotel groups adopting promotion strategies appear to perform better with fewer sources of advantage. Pricing strategy again shows a wide spread of data. The main form of competitive advantage can be seen to be image or brand (Chapter 8) which may explain why groups with few sources of advantage adopt promotion strategies, in an attempt to gain brand image with the resources available. This may also reflect the maturing nature of the CSHB market.

(iv) Market Structure-CSHB Strategy-ROCE Performance : Summary

Using ROCE as a performance measure, the relative performance of each structure-CSHB strategy measure can be summarised as :

Market Scope

Distribution strategies in narrow scope, and promotion strategies in narrow or medium scope appear to produce good ROCE performance. When using segmentation/packaging strategies performance appear lower particularly in a wide scope market, as is performance of pricing in a narrow scope market. The implications of such market scope-strategy relationships are that hotel groups may consider moving to distribution or promotion strategies to improve their ROCE performance. Alternatively, if they are intent on maintaining a segmentation/packaging strategy, or pricing strategy, they may attempt to move towards a medium market scope structure to enhance ROCE. Either way, such developments would influence conduct in the market and ultimately the market structure of the future.

Market Share

Performance in terms of ROCE appears to be enhanced by hotel groups adopting distribution and promotion strategies, with indications that reducing market share enhances ROCE. This contradicts concepts of scale or experience curve economies (Hedley 1987), yet supports work by Porter (1980), establishing that large market share does not necessarily enhance performance. The implications of such findings are considerable to the improvement of CSHB performance of smaller operators (60% of

the hotel industry in the UK) or to individual hotels which are part of the larger group but display characteristic of smaller operations i.e. low market share.

Competitive Advantage

While it may appear obvious that in general, the more sources of advantage the better performance. An interesting development is the performance achieved by hotel groups adopting promotional strategies with few sources of advantage. This may imply that groups that are "stuck" with few sources of competitive advantage should consider developing a promotional strategy based upon the advantage(s) they hold.

The overall implications of market structure-CSHB strategy relationships upon ROCE appear to indicate that hotel groups produce higher ROCE by achieving certain structure-strategy mixes.

- Distribution strategies appear to provide best results in narrow market scope and medium market share structures, with average sources of competitive advantage.
- Promotion strategies appear to enhance ROCE if adopted in medium market scope, high market share and with few sources of competitive advantage.
- Pricing strategies appear to enhance ROCE when adopted in medium market scope, low market share structures with few sources of competitive advantage.
- Segmentation/packaging strategies generally perform poorer than the other strategies in terms of ROCE.

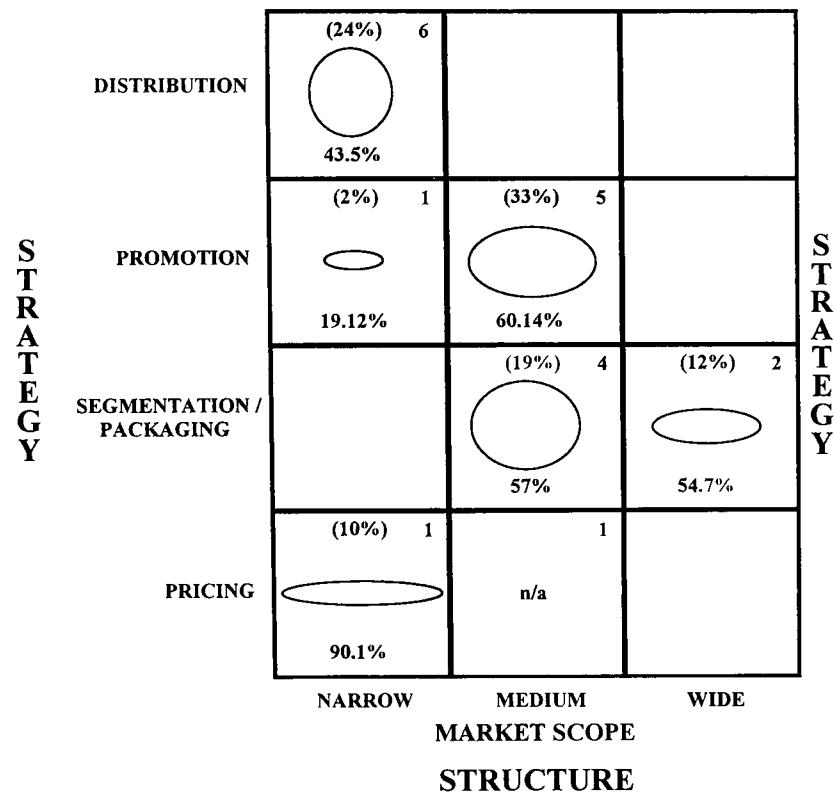
As shall be explored later (10.3.5), the performance measure at industry level may also be an indication of strategic capability. Given this perspective, the hotel group with the greatest strategic capability (and perhaps available resources) may adopt a wider range of CSHB strategies. In attempts to gain competitive advantage such groups are more able to implement the more costly prime strategies of distribution and promotion and perhaps use other less costly strategies (or tactics) in support of the prime. This summary represents the strategy perspective implying that strategy follows market structure. This in itself is an area for further debate but is justified in that strategy is potentially more susceptible to dynamic change than the market structure and therefore highlights an area allowing operationalisation.

10.3.2 Structure - Strategy - Gearing

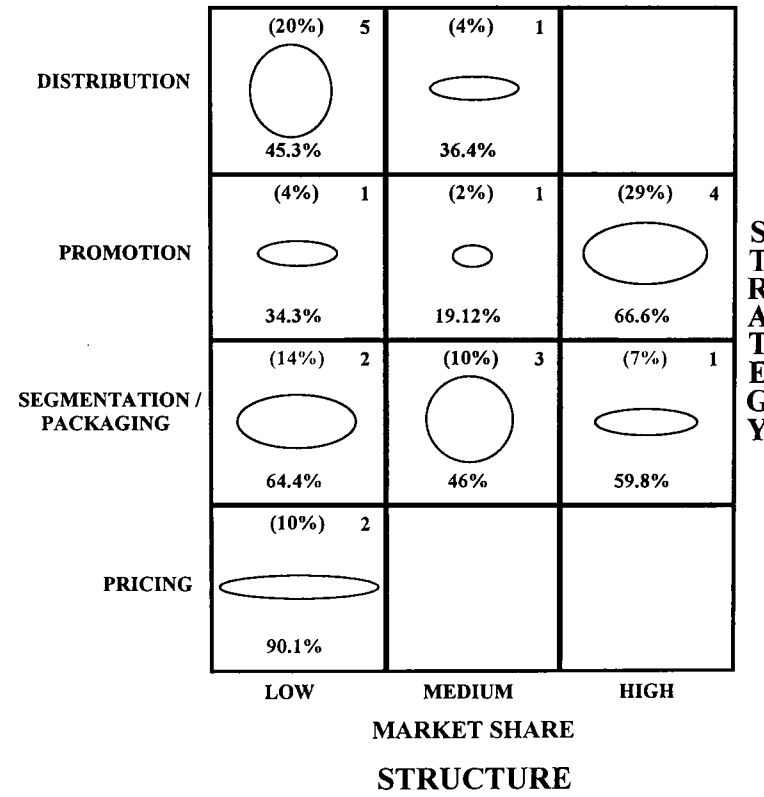
This section determines the relationship between hotel groups using gearing as a performance measure. Again, each structure variable is examined, beginning with market scope. Figure 10.3.2a shows the structure-strategy matrix for the performance measure of gearing. Each market structure measure is examined in turn, exploring key vertical, horizontal and summary relationships.

Figure 10.3.2a Structure-Strategy-Gearing

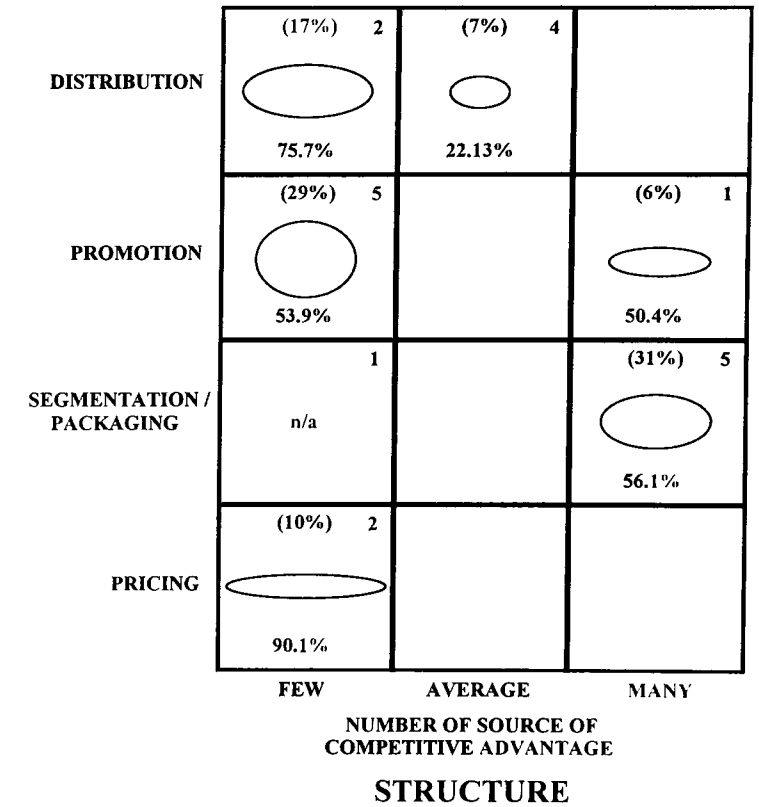
(i) Market Scope



(ii) Market Share



(iii) Sources of Competitive Advantage



(i) Structure : Market Scope

Market Scope : vertical relationship

In this case, the higher the gearing figure, the more debt burden is being incurred by the strategic group cluster. While it is equally dangerous to have no debt, this section, in the absence of industry norms, will treat low gearing as a higher form of performance.

In terms of *narrow market scope*, it appears that poorer performers are the hotel groups adopting pricing strategies, with 90.10% gearing. Promotion strategies provide the lowest gearing of 19.12% and distribution strategies 43.50%, although widely skewed, this could be seen as an acceptable level of gearing and therefore good performance. Hotel groups operating in the *medium scope markets* appear to have consistent levels of gearing between 60.14% for promotion strategies and 57.00% for segmentation/packaging. Promotion strategies have a relatively close cluster while segmentation/packaging clusters appear widely skewed. The two hotel groups with *wide market scope* adopt segmentation strategies and appear to perform well with gearing of 54.70% and closely related in terms of data spread.

Market Scope : horizontal relationship

All companies adopting a distribution strategy appear to be in narrow market scope and produce a highly skewed, but good level of performance. The hotel groups adopting a promotion strategy appear to perform better when in narrow scope markets as opposed to medium, while the hotel groups adopting segmentation/packaging strategies appear to perform better in a wide market scope as opposed to medium. Companies adopting pricing strategies are poor performers.

(ii) Structure : Market Share

Market Share : vertical relationship

The hotel groups operating in a *medium market share* appear to achieve lower levels of gearing, especially when adopting promotion (19.2%) or distribution (36.40%) strategies. The poorest performer is the pricing strategy (90.10%) in the *low market share*, while performance in a low market share appears to be enhanced by adopting promotion (34.30%), or distribution strategies (figures for distribution are highly skewed), or even segmentation/packaging strategies (64.40%). In a *high market share*, most hotel groups appear to adopt promotion strategies and have high gearing

(66.60%), while in the same market structure hotel groups adopting segmentation/packaging have lower gearing (59.80%).

Market Share : horizontal relationship

In all forms of strategy adopted, gearing performance appears to improve as the market scope moves away from the poles and into a position of medium market share. Again, the pricing strategy is a poor performer, presumably due to the perils of what could be classed as discounting, (see Chapter 3).

(iii) Structure : Competitive Advantage

Competitive Advantage : vertical relationship

The hotel groups operating in the CSHB market with *few sources of competitive advantage* on the whole, appear to show poorer performance than the groups with average or many sources. Performance appears worse when the few sources hotel groups adopt a pricing strategy (90.10%), yet is improved, moving to distribution (75.70%), and promotion (53.90%) strategies, the latter being considerably skewed. All the groups with *average sources of competitive advantage* (i.e. between 3 and 4 sources) adopt distribution strategies and show considerably better gearing performance with 22.13% and a solid cluster. Of the two strategies adopted in the *many sources of competitive advantage* structure, promotion strategies appear to perform better than segmentation/packaging strategies.

Competitive Advantage : horizontal relationship

Hotel groups adopting distribution strategies in average sources structure appear to perform better than those in few sources. Similarly, promotion strategies with many sources appear to perform better than those with few. It would therefore appear that the more sources of advantage, the better the gearing performance, again, pricing strategies perform worst.

(iv) Market Structure-CSHB Strategy-Gearing Performance : Summary

Using Gearing as a performance measure, the relative performance of each structure-CSHB strategy relationship can be summarised as :

Market Scope :

Performance in terms of gearing appears closely linked between groups. Two clear patterns emerge. Hotel groups adopting pricing strategies in a narrow market scope

appear to be poor performers. Hotel groups adopting promotion strategies in a narrow scope seem to be high performers. The implications are that to improve performance with regard to market scope, hotel groups may seek to widen market scope with segmentation/packaging strategies or narrow market scope with distribution or promotion strategies.

Market Share :

Enhancing gearing performance appears to be achievable if moving towards a promotion or distribution strategy and/or medium market share. However, if keeping a wide market share, moving towards a segmentation/packaging strategy appears to improve performance. The implications are that hotel groups may seek a medium market share to enhance performance or identify specific strategies to enhance their position within their current market share.

Competitive Advantage :

Performance in terms of gearing appears to improve with the greater number of sources of advantage. Hotel groups should consider moving to either an average number of sources with a distribution strategy, or if they have few or many sources of advantage they may consider a promotion strategy to enhance performance. Such characteristics have obvious implications upon strategic dynamics in the CSHB market. As it is presumed that sources of competitive advantage are always utilised to their full potential, consideration should be given to seek additional sources of advantage, perhaps through joint ventures or synergy from acquisition.

The overall implications of structure-CSHB strategy relationships on gearing performance appears to indicate a need for distribution strategies in narrow market scope and medium market share, with average sources of competitive advantage. Similarly, promotion strategies perform better with narrow market scope, medium market share but many sources of competitive advantage.

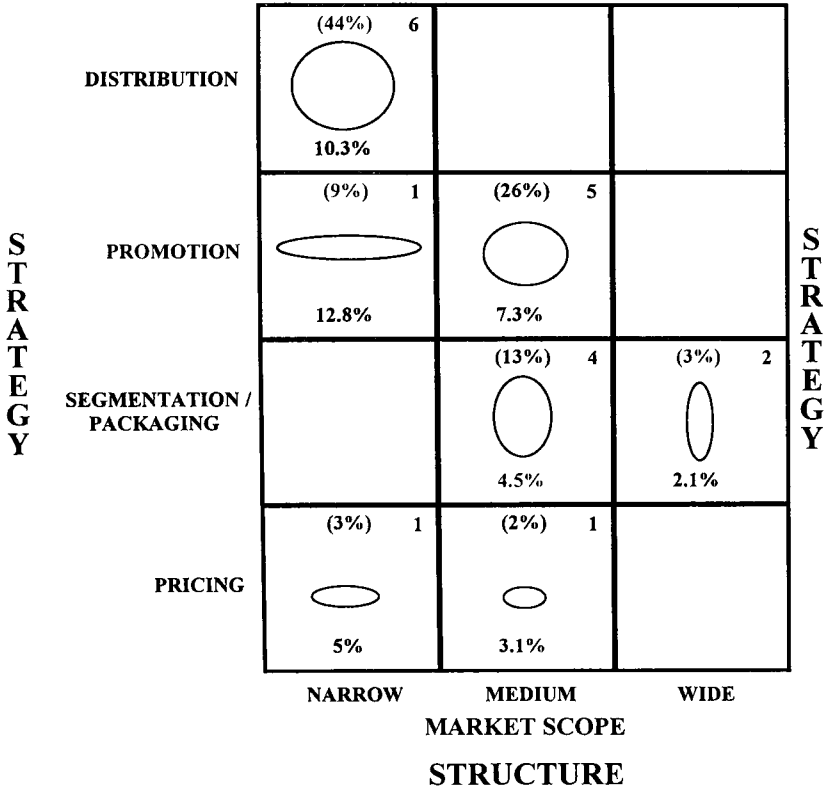
Segmentation/packaging strategies provide best performance when adopted in wide market scope, medium market share and many sources of competitive advantage. Performance indicators of pricing strategies are only available in narrow market scope, low market share, and few sources of competitive advantage, resulting in very poor (90.10%) gearing performance.

10.3.3 Structure - Strategy - PAIT

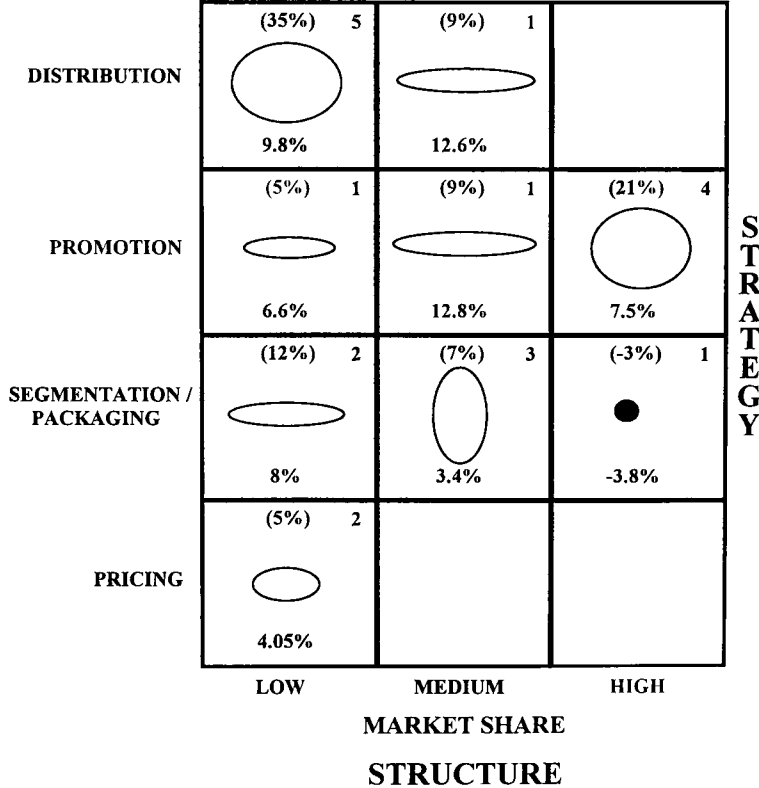
This section establishes the relationship between each of the structural variables, CSHB strategy and performance in profitability terms. Figure 10.3.3a shows the structure-CSHB strategy matrix for the performance measure of profit after interest and tax (PAIT).

Figure 10.3.3a Structure-Strategy-PAIT

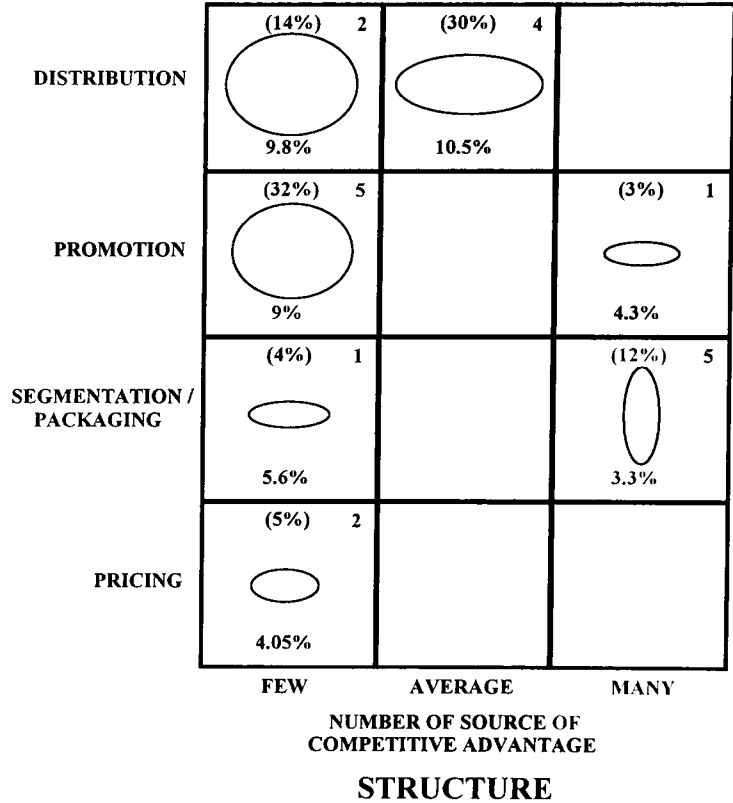
(i) Market Scope



(ii) Market Share



(iii) Sources of Competitive Advantage



(i) Structure : Market Scope

Market Scope : vertical relationship

The emerging pattern of pricing strategies producing the poorest performance in the *narrow market scope* structure is maintained in terms of profitability. Hotel groups adopting pricing strategies achieve a PAIT of 5.0% compared to 12.8% by groups adopting a promotion strategy and 10.3% by groups adopting a distribution strategy. In the *medium market scope* promotion strategies appear to perform best (7.3%), followed by a very highly skewed segmentation/packaging strategy (4.5%) and finally pricing strategies with on 3.1% profit. The lowest performance is held by the two hotel groups in a *wide market scope* adopting segmentation/packaging strategies and only achieving 2.1 % profit.

Market Scope : horizontal relationship

All distribution strategies are adopted in the narrow scope and show good performance in profitability terms. The promotional strategies are adopted in narrow and medium market scopes with narrow scope producing best performance and medium scope being highly skewed. Of the segmentation/packaging strategies, performance appears to be better as the market scope is narrowed from wide to medium. This trend is shared by the pricing strategy hotel groups who improve performance when market scope is reduced from medium to narrow.

(ii) Structure : Market Share

Market Share : vertical relationship

Of the hotel groups with *low market share*, the groups operating a distribution strategy appear to perform best with 9.8% profitability, followed by segmentation strategies with 8.0% and promotion with 6.6%. Again pricing strategies display low performance (4.05%). As *market share increases*, the emphasis switches towards promotion strategies as higher performers (12.8%), followed by distribution strategies with 12.6% and some way behind segmentation/packaging with 3.4%. In a *high market share*, performance is better in the promotion strategy group (7.5%). This is the strategy which appears to be adopted by most groups in this structural variable and shows considerable variance between group member performance. In the high market share, promotion would appear a more desirable strategy than segmentation/packaging, producing 7.5% profitability compared to 3.8% loss.

Market Share : horizontal relationship

The hotel groups adopting a distribution strategy can be seen to improve performance as market share increases. Groups adopting promotion strategies have greatest performance in a medium market share. These trends in essence reflect work by Porter (1979) in establishing performance and the U-curve, highlighting that large market share does not necessarily imply greater performance. Segmentation /packaging strategies show greatest performance in the low market share sector, perhaps reflecting their niche nature. Pricing strategies perform poorly, with only 4.05% profit.

(iii) Structure : Competitive Advantage

Competitive Advantage : vertical relationship

In structures with *few sources of competitive advantage*, strategies of distribution and promotion seem to produce best profitability with 9.8% and 9.0% respectively. Both strategies produce highly skewed ellipses. Segmentation/packaging and pricing strategies result in lower levels of performance with 5.6% and 4.05% but are less skewed. All the hotel groups with *average sources of competitive advantage* adopt distribution strategies with the best overall performance of 10.5% and relatively solid group cluster i.e. low variance in data. Of the companies with *many sources of competitive advantage*, most adopt segmentation strategies which are poorer performers than the promotion strategies and have very highly skewed figures within the group.

Competitive Advantage : horizontal relationship

The general trend in terms of sources of advantage would appear to be that groups adopting a distribution strategy improve performance with the more sources of advantage. Hotel groups adopting promotion and segmentation strategies improve performance with the fewer sources of competitive advantage. Pricing strategies display poor performance, but on this occasion better than promotion or segmentation strategies of companies with many sources of competitive advantage.

(iv) Market Structure-CSHB Strategy-PAIT Performance : Summary

Using PAIT as a performance measure, the relative performance of each structure-CSHB strategy relationship can be summarised as :

Market Scope :

In general terms, profitability appears to improve as market scope narrows. Given that profitability is a key measure for practitioners, this may explain the large number of hotel groups that have a narrow market scope. As strategies move more to a distribution or promotion orientation, performance appears to improve. In the long run, hotel groups are therefore likely to either adopt a narrow market scope or adopt distribution or promotion strategies to enhance performance.

Market Share :

In general, hotel groups with a medium to high market share should attempt to adopt distribution or promotion strategies to improve performance. Over time, groups may attempt to reduce market share to a medium level and further enhance performance. Hotel groups with low market share should adopt either distribution or segmentation/packaging strategies, thus maximising profit potential. This has implications upon the developments in market share in terms of the number of rooms hotel groups are willing to release to CSHB markets.

Competitive Advantage :

In general hotel groups should direct themselves towards developing distribution or promotion strategies. Distribution strategy performance improves with more sources of competitive advantage, while all other strategies improve with less sources of competitive advantage. The implications of such developments provide potential for smaller operators and perhaps expose the associated costs of widening sources of competitive advantage e.g. profit share or joint venture costs.

As profitability is likely to play a key role in an organisations perception of performance, this measure is likely to be the driving force behind CSHB strategy development. The implications of this section are therefore likely to impact greatly in terms of industry measures.

The implications are that :

- Distribution strategies appear to produce best profitability in narrow market scope, medium market share and with average sources of competitive advantage.
- Promotion strategies also appear to perform best in narrow market scope, medium market share but with few sources of competitive advantage.
- Segmentation/packaging strategies seem to perform best in medium market scope, medium market share and with few sources of competitive advantage.
- Pricing strategies appear most common with narrow/medium market scope, low market share and few sources of competitive advantage, but provide poor (4.05%) profitability.

The next section provides a summary of all CSHB structure-strategy and industry level performance measures.

10.3.4 Summary of Industry Performance Strategies.

This section briefly summarises the single strategy from each measure which appears to indicate the greatest industry level performance. Table 10.3.4a shows the relationship between financial measures, market structure and the best performing strategy. From table 10.3.4a it is evident that a number of strategies appear to clearly provide enhanced performance across a range of market structure and performance measures. The implications of such patterns is the potential to suggest how organisations, at an industry level, may enhance performance. In adopting such an approach there is a danger that such industry level performance is a result of other markets or factors, not just the CSHB market. This perspective is taken here. What is suggested in this case is that industry level performance is not necessarily the result of the CSHB strategies adopted but instead, the industry performance is the driving force behind which CSHB strategies can be adopted.

Table 10.3.4a : Summary of Industry Performance Strategies

MARKET SCOPE			
PERFORMANCE MEASURE	NARROW	MEDIUM	WIDE *
ROCE	Distribution	Promotion	Segmentation / Pckging
GEARING	Promotion	Segmentation	Segmentation / Pckging
PAIT	Promotion	Promotion	Segmentation / Pckging

MARKET SHARE			
PERFORMANCE MEASURE	LOW	MEDIUM	HIGH
ROCE	Promotion	Distribution	Promotion
GEARING	Promotion	Promotion	Segmentation/Pckging
PAIT	Distribution	Promotion	Promotion

No. SOURCES ADVANTAGE			
PERFORMANCE MEASURE	FEW	AVERAGE *	MANY
ROCE	Promotion	Distribution	Promotion
GEARING	Promotion	Distribution	Promotion
PAIT	Distribution	Distribution	Promotion

* All hotel groups in same strategy cluster.

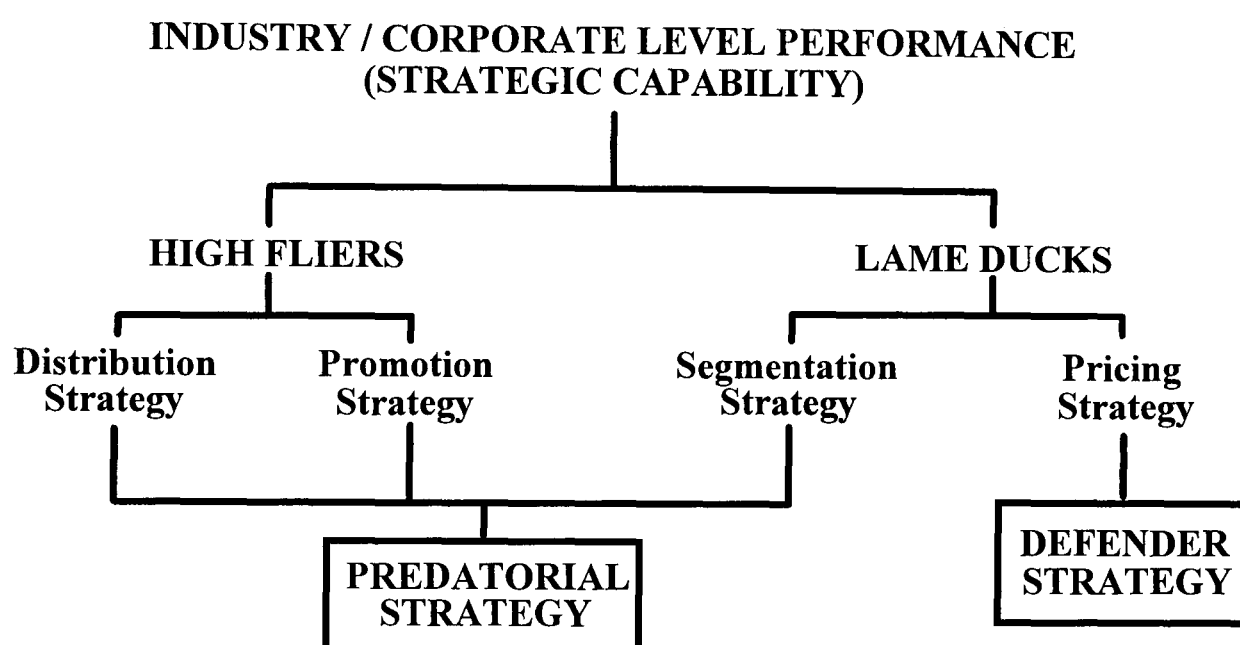
This research so far, has taken a strategy leading to performance approach to analysis, the inverse at industry level appears equally true, that is - a performance leading to strategy approach. What is suggested is that the various CSHB strategies are a function of the industry performance of hotel groups i.e. performance leads to the CSHB strategic capability of hotel groups. By example, consider the structural variable of market scope, the CSHB strategies adopted and the performance measure of ROCE. From the analysis to date, it has been established that hotel groups with a narrow market scope and adopting a distribution strategy will perform better in terms of ROCE (at industry level) than other hotel groups with narrow scope adopting different strategies. The alternative view, and the one the research adopts is that the performance identified is driving the CSHB strategy i.e. the hotel groups ability to develop a certain strategy. From this view point it could be argued that, using the same example as previously, hotel groups in a narrow scope market and high ROCE will be able to adopt distribution strategies in the CSHB market. These are essentially characterised by the more established hotel groups being able to access the more costly distribution methods (Chapter 8).

This raises a number of issues and is an area for further investigation. In the meantime, the research is of the view that these industry performance indicators should act as drivers of strategy essentially having determined the strategic capabilities of hotel groups and as such provide a grounding for analysis of CSHB market performance and the development of the CSHB market performance model.

10.3.5 A Model of CSHB Strategic Capability

From the analysis of industry level performance and the CSHB structure-strategy relationships established, a model of CSHB strategic capability can be constructed. The model is shown in figure 10.3.5a.

Figure 10.3.5a : Determinants of Strategic Capability



This research has established that in general terms hotel groups will adopt either predator or defender strategies to gain or maintain market share. The type of strategy adopted appears to be related to hotel groups industry level performance i.e. strategic capability. Figure 10.3.5a, shows the poor performers (lame ducks) being restricted to pricing and segmentation/packaging strategies. Such strategies provide the lame ducks with an option to either defend market share (i.e. pricing strategies) or to attack market share (i.e. segmentation strategies). The good performers in the industry (high fliers) adopt more costly promotion and distribution strategies. Both strategies are predatorial in nature and seek to expand market share.

Having determined the strategic capability of organisations in the CSHB market, the question arises as to how performance specifically in the CSHB market can be enhanced by the way in which hotel groups organise their resources i.e. strategy, within the confines of their strategic capability. The next section determines CSHB level performance relative to CSHB strategies adopted and highlights areas of performance enhancement.

10.4 STRUCTURE - CSHB STRATEGY - PERFORMANCE FRAMEWORK APPLIED : CSHB MARKET LEVEL

The structure-CSHB strategy-performance relationship is measured in terms of a (i) financial measure of CSHB revenue, and (ii) non-financial measures competitive identity at the CSHB market level only. A summary of the structure-CSHB strategy-CSHB market level performance relationship is shown in table 10.4a.

Table 10.4a : Summary : Hotel Group Structure-Strategy-CSHB Market Performance

GROUP	STRATEGY	CSHB STRUCTURE			CSHB PERFORMANCE	
		MARKET SCOPE	MARKET SHARE	SOURCES OF ADV.	CSHB REVENUE	COMP. IDENTITY
Coast & Country	Promotion	Medium	High	Few	2162	Weak
Copthorne	Distribution	Narrow	Low	Few	905	Weak
Forte	Promotion	Medium	High	Many	6193	Strong
Friendly	Promotion	Medium	Low	Few	1579	Weak
Gleneagles	Segm / Pkg	Wide	Low	Many	6607	Weak
Hilton	Segm / Pkg	Medium	Medium	Many	3335	Strong
Holiday Inns	Promotion	Narrow	Medium	Few	2900	Average
Jarvis	Segm / Pkg	Medium	Medium	Few	2512	Average
Marriott	Distribution	Narrow	Low	Average	890	Average
Milton	Pricing	Medium	Low	Few	989	Average
M.Ch.Th	Segm / Pkg	Wide	High	Many	5577	Strong
Principal	Pricing	Narrow	Low	Few	5052	Weak
Q.M.Hs	Promotion	Medium	High	Few	1650	Strong
Scandic Crown	Distribution	Narrow	Low	Average	1084	Weak
S.H.H	Segm / Pkg	Medium	Medium	Many	3210	Average
Sheraton	Distribution	Narrow	Low	Few	800	Weak
Stakis	Promotion	Medium	High	Few	3740	Strong
Swallow	Distribution	Narrow	Medium	Average	1272	Average
Turnberry	Segm / Pkg	Medium	Low	Many	2900	Weak
Voyager	Distribution	Narrow	Low	Average	850	Weak

The previous section established the industry perspective and what potential power groups may possess relative to strategic capability. This section focuses on market

level performance specific to CSHB to determine how CSHB market level performance can be enhanced.

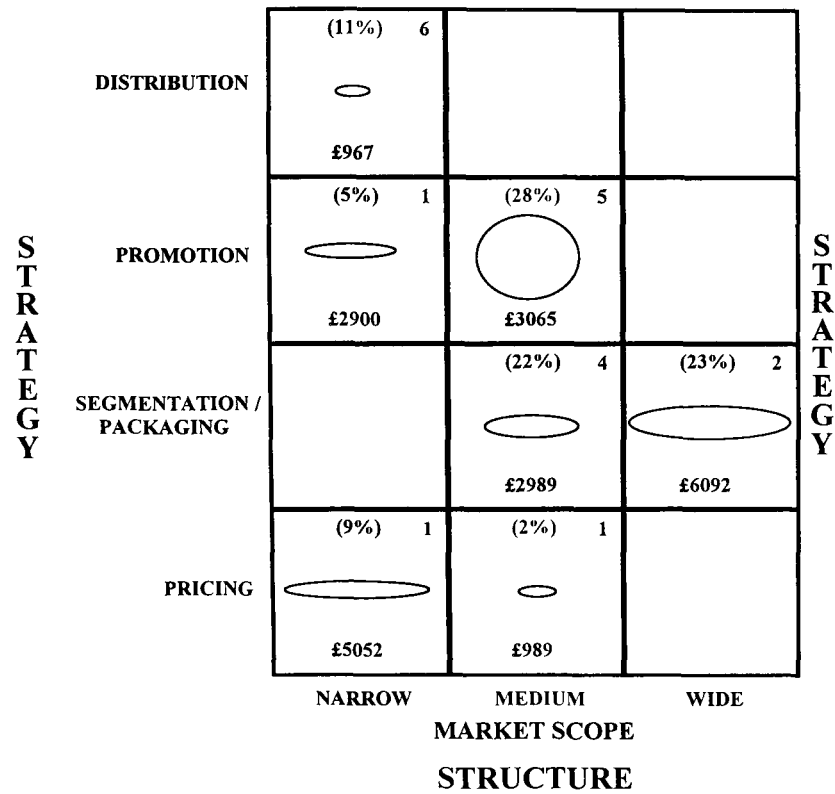
10.4.1 Structure - Strategy - CSHB Revenue

The former sections have provided an industry analysis that relates industry performance measures to a specific market strategy i.e. the CSHB market. There are obviously many factors affecting the overall performance of a hotel group in an industry of which CSHB strategies are a part. However, what the previous section has established is the underlying performance relationships (or associations) between CSHB strategies and the companies general performance, providing indications of where environmental factors may effect results and adding a further dimension to the research design. This section focuses on the CSHB market and provides a market level perspective to the structure-CSHB strategy-performance relationship to be considered in the context of the industry performance as a whole. The findings of this section are the core of the CSHB performance enhancement model developed in section 10.6.

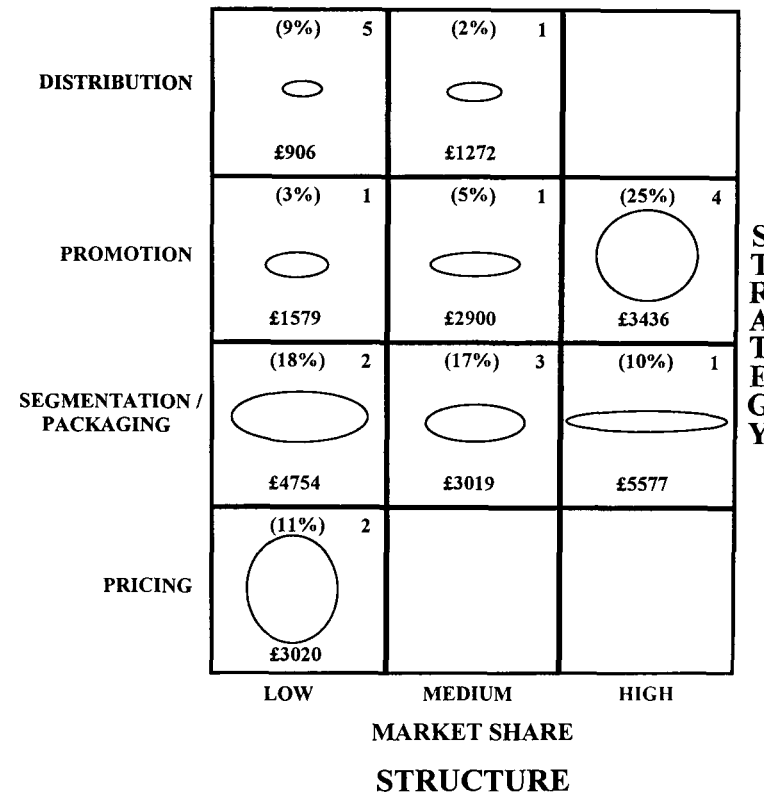
The performance measure for the CSHB market level analysis is the average CSHB revenue per room per annum 1991/2. This measure represents direct CSHB market value and provides an indication of "top line" performance. Such a measure reduces the effect of any potential scale economies upon the cost base of the operation not necessarily specifically related to CSHB provision. Figure 10.4.1a shows the structure-CSHB strategy matrix using CSHB revenue as a performance measure.

Figure 10.4.1a Structure-Strategy-CSHB Revenue

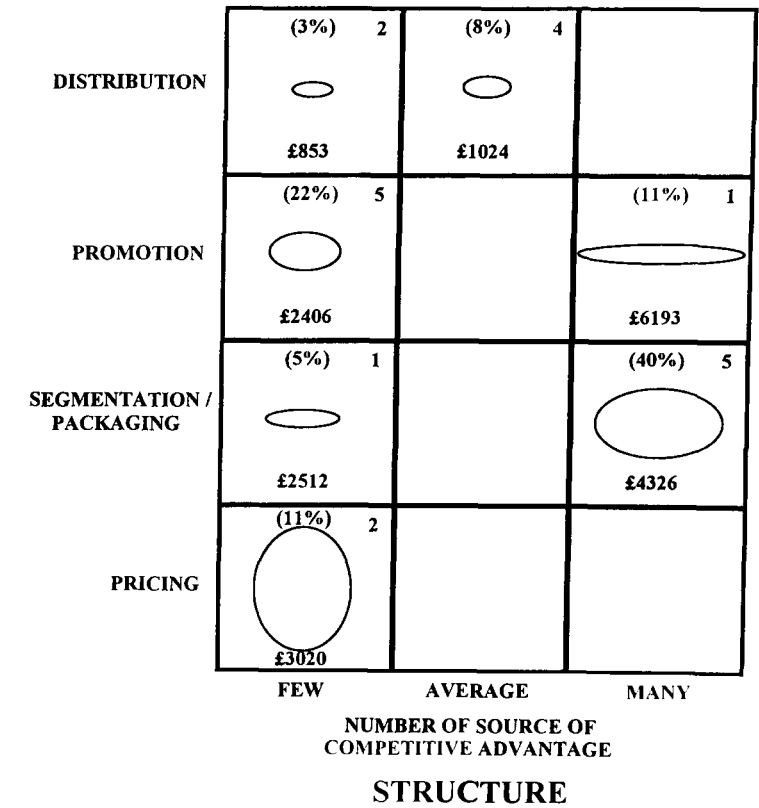
(i) Market Scope



(ii) Market Share



(iii) Sources of Competitive Advantage



(i) Market Scope

From figure 10.4.1(i) it can be seen that all the companies adopting a distribution strategy appear to also have narrow market scope and considerably lower performance £967. This is contradictory to industry level analysis and supporting the concept that industry level analysis provided an indication of strategic capability, not performance.

The greatest stable revenue earning cluster appears to be composed of companies implementing segmentation/packaging strategies, with medium market scope £2989, and even better with wide market scope, £6092. The *wider the market scope the more revenue appears to be generated*. This is the only prime strategy adopted by companies with a wide scope, and none of the companies adopting this strategy have a narrow scope. This area warrants further investigation, particularly in the field of entry barriers, (Porter 1980).

Most companies adopting a promotion strategy are of medium scope with an average CSHB revenue per room per annum of £3065 but a very large spread of data indicating instability in the cluster performance. This would provide opportunities for members of this cluster to enhance performance by attempting to shift in strategic space to a strategic cluster offering higher financial rewards.

The remaining three companies are not members of specific clusters, however, they do reveal the individual hotel group market scope-CSHB strategy-performance relationship, with pricing strategies in a narrow scope producing considerable performance per room (presumably in volume terms, as a percentage of total revenue, or an upward niche pricing policy), and pricing in a medium scope indicating poorest performance, perhaps indicating a need to focus more on niches to improve performance.

(ii) Market Share

While the clusters are considerably more widespread and generally smaller in nature, some patterns do emerge.

Hotel groups with a *high market share* of room stock offered to CSHB markets adopt promotional strategies essentially in the form of branding, with a performance level of £3436 and a wide spread of data (high ellipse). Other hotel group with high market share adopt packaging strategies and achieves considerably higher performance at £5577. This indicates a potential option for companies in the promotional strategy space to perhaps move into a segmentation/packaging strategy space. In general, high

market share companies only adopt segmentation/packaging or promotion prime strategies. Of the *medium market share* clusters, the results indicate poorer performance by the hotel group adopting a distribution strategy and comparable performance between those adopting packaging and promotion strategies. None of the medium share clusters adopt pricing strategies. The *low market share* clusters indicate the full range of strategies employed, with segmentation/packaging showing £4754 and low skew. This indicates stable results and high revenue potential. Pricing strategies produce for some hotel groups high performance based on small size. Promotion strategies are used less by low share hotel groups and result in poorer performance than other companies adopting promotion strategies with a higher market share.

Again, the poorer performance of clusters adopting distribution strategies is highlighted, indicating that most hotel groups using distribution strategies as their prime are of low share, and perform less well £906 with fairly consistent results (low skew). Such hotel groups should perhaps consider moving in strategic space from a prime strategy of distribution to one of segmentation/packaging, supported by distribution. Segmentation/packaging and promotion strategies appear to be adopted across the range of hotel group market shares, with higher performance in the segmentation/packaging strategy clusters and more of an emphasis on market share in the promotion strategies with performance improving with market share.

(iii) Number of Sources of Competitive Advantage

From figure 10.4.1a, it is evident that hotel groups adopting a segmentation/packaging strategy tend to have many sources of competitive advantage and achieve higher performance than the hotel groups that have fewer advantage sources. This may be due to the composition of the packages and areas of potential synergistic advantage. As such, this area warrants further more detailed investigation, and forms a separate study. In contrast, hotel groups adopting a promotion strategy appear to have fewer sources of competitive advantage and achieve lower performance. In general, it would appear that the sources of competitive advantage have a considerable affect on the type of strategy adopted either at the strategic choice stage, or simply the capabilities to implement the strategy. This concept is reflected in the strategic capability model developed in section 10.3.5.

Of the hotel groups adopting distribution strategies, performance is again relatively stable. Higher performance (although comparatively poorer than other strategies adopted) is achieved by clusters with an average as opposed to few sources of

competitive advantage. The main source of competitive advantage being image or brand (Chapter 8). Both pricing strategy hotel groups have few sources of competitive advantage and result in a wide spread of data.

(iv) Structure-CSHB Strategy-CSHB Revenue : Summary

The result of this analysis has found considerable differences between market and industry measures of performance. While industry level performance has established CSHB strategic capability, CSHB market level performance has highlighted distinct differences in hotel group clusters.

- Distribution strategies are adopted in narrow market scope only and perform better when combined with medium market share and average sources of competitive advantage. Overall however, this is the worst performing strategy.
- Promotion strategies perform best in medium market scope structures, with high market share and many sources of competitive advantage.
- Segmentation/packaging strategies appear to perform best in wide market scope, high market share market structures and with many sources of competitive advantage.
- Pricing strategies performance is enhanced in niche markets (narrow market scope) and with low market share and few sources of competitive advantage.

These issues imply the potential for hotel companies to move between clusters by changing strategy and/or structure in attempts at improving CSHB performance. This issue is termed movements in strategic space and is examined in section 10.5 before the construction of a CSHB performance enhancement model. Before constructing the model, the next section explores the non-financial performance of CSHB market strategic clusters to highlight a more qualitative measure of performance.

10.4.2 Structure - Strategy - CSHB Competitive Identity

This section relates non-financial performance in the form of peer competitive identity to strategies adopted by hotel groups operating in the CSHB market in Scotland, revolving around the various structure variables. This provides a further qualitative element to the research and indicates which structure-CSHB strategy combinations appear to offer greatest CSHB peer competitive identity. While the results of this section are not an integral part of the CSHB performance enhancement model - due to their dynamic nature - they are an important element of understanding the market perspective for operationalising the model. It is anticipated that organisations with strong competitive identity will be viewed as market leaders and will be subjected to closer scrutiny by competitors. Such developments imply that the strong identity organisations will play a major role in shaping the future structure of CSHB markets as less "identified" organisations seek to follow their evident strategies. From this perspective a further proactive and dynamic element is added to the research. Figure 10.4.2a shows the structure-strategy matrix using CSHB peer competitive identity as a performance measure.

Figure 10.4.2a Structure-Strategy-Peer Competitive Identity

(i) Market Scope

STRATEGY	DISTRIBUTION	6 4 weak 2 average		
	PROMOTION	1 1 average	5 2 weak 3 strong	
	SEGMENTATION / PACKAGING		4 1 weak 2 average 1 strong	2 1 weak 1 strong
	PRICING	1 1 weak	1 1 average	
		NARROW	MEDIUM	WIDE
		MARKET SCOPE STRUCTURE		

(ii) Market Share

STRATEGY	DISTRIBUTION	5 4 weak 1 average	1 1 average	
	PROMOTION	1 1 weak	1 1 average	4 1 weak 3 strong
	SEGMENTATION / PACKAGING	2 2 weak	3 2 average 1 strong	1 1 strong
	PRICING	2 1 weak 1 average		
		LOW	MEDIUM	HIGH
		MARKET SHARE STRUCTURE		

(iii) Sources of Competitive Advantage

STRATEGY	DISTRIBUTION	2 2 weak	4 2 weak 2 average	
	PROMOTION	5 2 weak 1 average 2 strong		1 1 strong
	SEGMENTATION / PACKAGING	1 1 average		5 2 weak 1 average 2 strong
	PRICING	2 1 weak 1 average		
		FEW	AVERAGE	MANY
		NUMBER OF SOURCE OF COMPETITIVE ADVANTAGE STRUCTURE		

(i) Market Scope

Hotel groups with a strong competitive identity tend to have medium to wide market scope. Distribution and pricing strategies display no indications of strong group identities, which when combined with the CSHB market analysis previously would imply that the better performing strategies are also where hotel groups have been identified as strong forms of competition.

(ii) Market Share

The competitive identity is clearly reflected in the size of market share rooms allocated to CSHB by hotel groups. The larger share hotel groups are recognised as major competitors and have strong competitive identities. It can be seen particularly in the areas of promotion and segmentation/packaging strategies that the greater the market share the hotel group has, the higher the level of competitive identity. This is of particular importance in these two strategies as they are based upon image, theme, and corporate brochure distribution.

(iii) Number of Sources of Competitive Advantage

In general, no clear patterns emerge, except perhaps to state that pricing strategies result in lower peer competitive identity i.e. hotels adopting pricing strategies are seen as less of a threat in the CSHB market. Competitive identity is strong for hotel groups adopting promotion strategies with many sources of advantage and weak for distribution strategies with few sources of advantage. As competitive identity indicates a perceived threat, these groups are likely to be higher profile operations and subject to "follower" strategies by other hotel groups.

(iv) Market Structure-CSHB Strategy-Competitive Identity : Summary

The structure-strategy relationships relative to peer competitive identity indicate that hotel groups with strong competitive identity appear to adopt promotion or segmentation strategies in market structures that are medium in market scope, high in market share and varied in sources of competitive advantage. Alternatively, hotel groups that have weak competitive identity tend to adopt distribution strategies in narrow market scope, low market share structures, with few sources of competitive advantage.

This measure of performance represents a dynamic and proactive element which highlights the future implications of the market. The implications of such characteristics are that hotel groups may wish to alter strategic direction in the CSHB market to improve performance or alternatively attempt to reposition their group in a

different market structure variable, i.e. increase room stock available for CSHB to increase market share concentration. The groups identified as strong in competitive identity are the ones likely to be subjected to follower strategies by less successful organisations. Hence, promotion or segmentation/packaging strategies may be favoured by the majority of followers, resulting in more sophisticated strategies emerging in these two areas as the market matures.

To allow a more proactive and structured approach to strategy development in the CSHB market as opposed to relying on "copying" apparently successful strategies. The next section determines how hotel groups may move in strategic space and determines the foundation of the need for a performance model to establish hotel group direction in the CSHB market.

10.5 DESIRE TO MOVE IN STRATEGIC SPACE

Teece (1984) identified that "a firm needs to match its capabilities to its ever-changing environment if it is to attain its best performance." Based on this grounding, it could be argued that if companies operating in the CSHB market could simplify the environment and determine areas potentially more lucrative, then they would attempt to revise their mix of resources (capabilities) in order to change strategy. The result would be a movement in strategic space aimed at enhancing performance. Following on from this, it could be argued that the methods put forward in this research go some way towards simplifying the environment and thus allow general "implications" to be drawn with regard to hotel group movements in strategic space - on both a theoretical and a practical level. The following examples are suggested based upon this premise.

1. Hotel groups adopting a pricing strategy, with a medium scope, low market share, and few sources of competitive advantage should, in an attempt to improve performance, move towards promotion strategies (with a longer term view of increasing scope and adopting segmentation/packaging strategies). A short term response may be to narrow market scope to enhance performance.
2. Distribution strategies should be avoided as the prime. Hotel groups adopting these strategies should attempt to move strategic space firstly by increasing market scope, followed by a movement towards segmentation/packaging strategies. If it is not possible to widen market scope, then they may consider maintaining a narrow scope and adopting a pricing strategy.

In general, *segmentation/packaging strategies* would appear to be available to any size of company operating in, or capable of operating in, a market with medium to wide market scope. Performance improving with the larger number of sources of advantage. *Promotional strategies* would be the direction for companies with few sources of advantage, a medium market scope but with a medium to high company market share of rooms. *Distribution strategies* would be recommended as a support strategy, not a prime one. *Pricing strategies* are recommended for companies with low market share, narrow scope, and few sources of competitive advantage. Moving towards these strategies will be in incremental steps and will require environmental scanning to monitor competitors reaction, but should enhance performance in the CSHB market.

The general content of the research thus far has been the potential of CSHB performance enhancement through movement in strategic space. However, mention must be made of the inevitable attempts by company clusters to prevent not only market entrants but also movement between markets, also applicable to strategies (Caves & Porter 1977, Mascarenhas & Aaker 1989) making it difficult to move between strategic space zones, if at all possible (Oster 1982). This area warrants further investigation and is an area for further research.

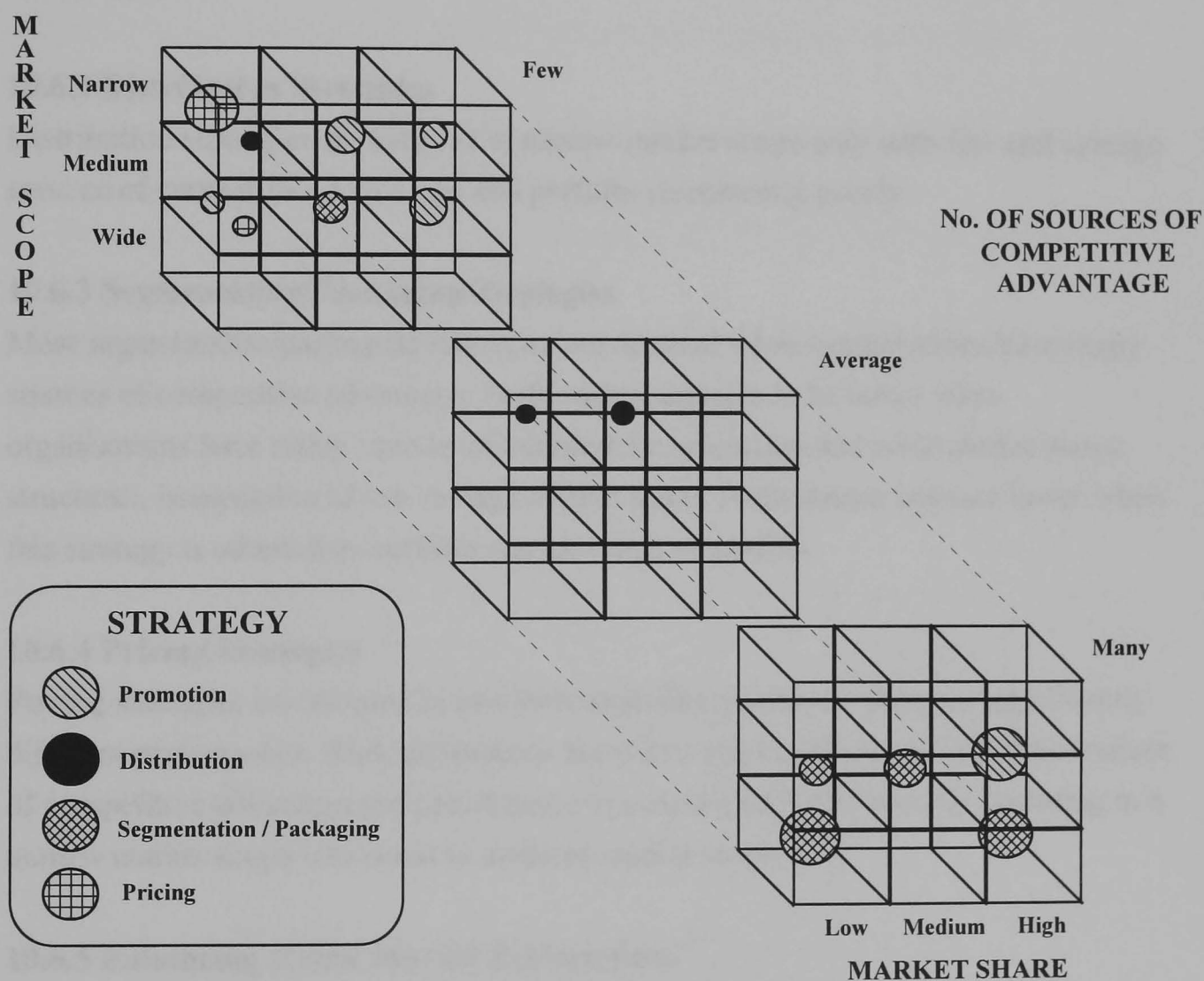
To develop the concept of movement in strategic space, and to provide a more structured and proactive approach to CSHB performance enhancement, a model of CSHB structure-CSHB strategy-CSHB market performance has been constructed. This model attempts to provide direction for hotel groups operating in the CSHB market in Scotland. It is constructed from the combined results of structure, strategy, and the measure of CSHB market level performance (CSHB revenue). Section 10.6 establishes the construction and implications of the model.

10.6 MODEL OF ENHANCED CSHB PERFORMANCE

At the CSHB market level, the performance of the hotel groups appears to be a function of structure and CSHB strategy and as such provides an opportunity for hotel groups to move in strategic space. Each structure-CSHB strategy-performance relationship to date has been examined in a two dimensional manner, i.e. structure and strategy coming to form strategic groups with a resulting performance. In order to "operationalise" the strategic framework the approach requires to be modelled on the three dimensions of structure, combined with CSHB strategy and performance. By

modelling all the key market dimensions in such a manner, an holistic perspective can be gained to provide a "best case" scenario. The model will therefore provide some indication of how hotel groups may move in strategic space, and what directions would enhance performance in the CSHB market in Scotland. The model has been constructed as shown in figure 10.6a. Figure 10.6a shows the three dimensional model of CSHB performance enhancement, and how hotel groups may be able to move in strategic space.

Figure 10.6a : Model of Enhanced CSHB Performance - Strategic Space



To provide a three dimensional representation, the model has been exploded. The vertical axis provides the market scope measure, the horizontal axis represents the market share measure, while the final axis represents the number of sources of competitive advantage. The three dimensional combinations represent different structural dimensions of strategic space. The size of the circle is indicative of the level of performance achieved in that particular area of strategic space i.e. the larger the

circle, the greater the level of CSHB performance. Each strategy adopted is coded as per the coding legend in the figure. From the model, a number of patterns emerge.

10.6.1 Promotion Strategies

Promotion strategies are adopted most when organisations have few sources of competitive advantage, resulting in average levels of CSHB performance.

Organisations with average sources of competitive advantage also adopt promotion strategies but the performance is poorer. Performance improves as organisations obtain more sources of advantage and move to a medium market scope with high market share.

10.6.2 Distribution Strategies

Distribution strategies are adopted in narrow market scope only with few and average sources of competitive advantage and perform consistently poorly.

10.6.3 Segmentation/Packaging Strategies

Most segmentation/packaging strategies are adopted when organisations have many sources of competitive advantage. Performance appears to be better when organisations have many sources of competitive advantage and wide market scope structures, irrespective of low or high market share. Performance appears lower when this strategy is adopted in medium market scope structures.

10.6.4 Pricing Strategies

Pricing strategies are adopted in two structural dimensions, resulting in significantly different performance. Both dimensions are of low market share and with few sources of competitive advantage yet performance is considerably enhanced by operating in a narrow market scope compared to medium market scope.

10.6.5 Enhancing CSHB Market Performance

Applying the model, it can be seen that hotel groups can identify the potential to move in strategic space. Hotel groups must identify their structural dimensions, and (subject to their strategic capability) may identify the most appropriate CSHB strategy to adopt. Based on this premise, it is suggested that :

- Hotel groups with narrow market scope, low market share and few sources of advantage should adopt pricing strategies to enhance performance.

- High market share hotel groups should consider using promotional strategies when in medium scope, and segmentation/packaging strategies when in wide market scope.
- Distribution strategies are not advised as a prime strategy as they result in poor performance and as such should be used as a secondary or support strategy.

The former has established the changing strategy perspective, (although one should also consider the strategic capability of hotel groups established in section 10.3.5). While changing structure is difficult (if not impossible) it appears from the model that performance is enhanced with the following market structure combinations :

- low market share, wide market scope, many sources of competitive advantage, and segmentation/packaging strategy
- high market share, wide market scope, many sources of advantage and segmentation/packaging strategy
- low market share, narrow market scope, few sources of advantage, pricing strategy
- high market share, medium market scope, many sources of advantage, promotion strategy.

The model has conceptualised linkages between segmented CSHB markets, strategic activity, and enhancing performance. As such, the research contributes significantly to academic and industrial knowledge both at market level and in terms of methodological approach. The next section highlights the key areas of contribution to knowledge made by the research.

10.7 SUMMARY OF CONTRIBUTIONS TO KNOWLEDGE

The research, through its process, approach, and findings has highlighted a range of valuable contributions to knowledge in the field of hospitality strategic management, mainstream strategic management and in the area of CSHB markets. It has analysed the nature and methods of provision of CSHB in Scotland, with a particular emphasis on the strategic dimensions of corporate ventures and resulting performance, and thus provided a model of enhancing performance at corporate and unit level. Such contribution to knowledge are split into three areas highlighting contributions to

academic knowledge, industry knowledge and additional contributions through testing the model at unit level.

10.7.1 Academic Knowledge

The contribution to academic knowledge has essentially arisen from three key areas, the methodology adopted, the performance model and the findings of the research.

(i) Methodology Adopted

From the methodology adopted, an approach has been established that combines an evolving research design with cross discipline frameworks. Such methodology allows analysis of dynamic and complex markets, with an approach determining inter and intra relationships (or associations). The framework allows for more than just forecasting for future events and is proactive to allow determination of how, where, possibly even when and who are likely to move in strategic space. Such an approach has constructed an understanding of the strategic capabilities of hotel groups in CSHB markets and highlighted how barriers to entry and mobility may be created. As industry performance appears to influence strategies adopted i.e. strategic capability, a greater understanding of corporate development has been achieved.

While the research approach has been applied to CSHB markets, it is by no means exclusive to such a market. One of the key contributions to knowledge the author offers is the overall research approach as a means of exploring organisation and market dynamics in what is a highly complex, and fragmented and volatile tourism environment. This contribution to knowledge implies that the methodology adopted could be applied to other hotel group or tourism markets (i.e. business, or leisure markets); from a locational perspective (in terms of other countries) or from a combination of structure; strategy and performance variables, to determine the dynamics of variable relationships (or associations). Similarly, the approach could be applied to a range of service industries or sectors of the hospitality and tourism industry i.e. brewing; contract catering; tour operating; casinos etc.

Contributions have also been made to what may be termed hospitality and mainstream strategic management disciplines. Chapter one literature review highlighted the evolution of strategic management. This research contributes to the development of Hospitality strategic management research through aligning current thought in hospitality fields with the developments in mainstream strategy. From the mainstream perspective, the research provides a contextual bridge to the two core schools of strategic thought - namely positioning and core competencies. This research through

application to the hospitality industry has allowed analysis of an industry that has a distinct product/service mix that may be identified as a core evolutionary factor in developing mainstream thinking (founded from manufacturing bases shifting to service oriented organisations). The contribution has been to explore the dynamics of the market and provide an inductive approach to contextual theorisation of strategic developments within a hospitality paradigm.

(ii) Performance Model

The prime focus of the research has been the development of a performance enhancement model. The model has been constructed through analysis of the key market structure-CSHB strategy-performance paradigm. The resulting model establishes how hotel groups can improve CSHB performance and what relationships appear to exist between market structure, CSHB strategies and various levels of performance. In a market where understanding industry and strategic dynamics can greatly assist an understanding of the market itself and therefore operational and strategic decision-making. Such contributions are essential to advancing the field of hospitality strategic management. The development in constructing the model and the final performance model therefore offer considerable contributions to knowledge both from the perspective of understanding the dynamics of the CSHB market relative to hotel group activity and performance, and from the general research philosophy and approach.

These methodological developments are all contributions that assist in understanding and researching hospitality markets. In addition to such contribution, the research findings also highlighted areas of understanding relative to the CSHB market itself.

(iii) Research Findings

The findings of the research provided knowledge in the areas of understanding the dynamics of the CSHB market from a supplier perspective. The research has attempted to standardise a definition of CSHB for future researchers and has established the complex, dynamic and highly segmented nature of the CSHB market in Scotland. In addition, a consolidation of the nature of tourism markets and hotel operations within these markets has been established.

The growth and nature of CSHB markets has been explained in more depth than before, and a number of distinct characteristics highlighted essentially relating to the considerable value of the market, the nature of market growth and distribution of the CSHB concept. The result being that the market has been highlighted as having

distinct monopolistic competition tendencies and therefore influences the means by which hotel groups compete. Such competitive strategies were found to revolve around enhancing contribution to hotel returns. An examination of each of the strategies has provided considerable contribution to knowledge by profiling each strategy and highlighting its component characteristics. An indication of how hotel groups and other suppliers compete in the market and what structural determinants appear to lead to which types of competitive strategy has been established. This analysis showed that competitive strategies in the CSHB market are developing from a primitive state to one that is increasing in sophistication, and that as a result, distinct strategic groups are emerging.

The question was posed as to what was the potential effect of implementing different strategies in the market upon organisation performance. Performance was therefore analysed, and contributions to knowledge made in terms of performance measures and CSHB performance. Such contributions to knowledge allow the development of the performance model.

From the market perspective, the understanding of the nature of CSHB markets established allows for further analysis of what has been proven to be an extremely valuable and important market to Scottish and UK tourism. Areas for further research are established in Chapter 11.

10.7.2 Industry Knowledge

In terms of contributing to knowledge at industry level, i.e. practical usefulness, a number of key findings have been established.

The nature and underlying structure of the CSHB market and hotel industry in Scotland have been determined, consolidating previous demand based research and providing an holistic review of the market. A profile of short break takers has been provided and detail of the value and nature of CSHB growth have been established highlighting contribution and fit between market developments, the environment, and yield management. Differences between locations in Scotland have been highlighted and their implications upon operations in different locations determined. In addition, the nature of competition for CSHB markets was established as being in terms of market share, with smaller operators losing market share.

The competitive environment has been analysed providing indications of the key competitors, value of various market segments, strategies adopted, components of

packaging and detail of strategic dimensions of competition. The range and effectiveness of various competitive strategies has been determined through the structure, strategy, performance paradigm and the strategies categorised into performance levels through the performance enhancement model. Concepts of strategic space and movements in strategic space have considerable potential benefits for public and private sector organisations in CSHB markets.

The research in general provides operators in the CSHB market in Scotland with an indication of direction and potential consequences and as such would allow consolidated reviews of performance, and indications of future developments. If combined with the methodology adopted, the research may act as a means of strategic planning at market/business level for specific markets or market segments.

The research has examined the industry and market level of CSHB structure, strategy, performance relationships contributing significantly to knowledge in the field, and providing practitioners with information that assists in operating and strategic decision making. However the research has not fully explored the individual hotel unit (i.e. the operational or functional level). Such a multi-site perspective is adopted in appendix V where the CSHB performance model is applied and tested at unit level, combining the importance of location and the contributions to knowledge established at industry/market levels.

10.7.3 Model Testing - The Unit Level

As the unit level is recognised as an important yet difficult and costly level to research, Appendix V provides a consolidated review of the multi-site unit level perspective of CSHB market structure, strategies, and performance. This analysis tests the methodology and performance model at unit level, and establishes further contributions to knowledge, determining areas requiring further research.

The contributions to knowledge at the unit level analysis are found through applying the CSHB research framework. Similar results are achieved at unit level as were evident at corporate level, in terms of the relationships between structural variables of market scope, market share, number of sources of competitive advantage, CSHB strategies and performance. Such results imply that the model can be operationalised and as such can be a valuable contribution to unit level managers.

In addition, location appears to affect the performance of certain strategies in the CSHB market. While the framework has been tested at unit level and proved successful in the process a number of additional contributions to knowledge emerged.

The research established that the unit level offers CSHBs for different reasons than the corporate level, essentially displaying the short term operational nature of the unit as opposed to the longer term perspective of corporate head offices. As such there appears to be a high degree of head office intervention, perhaps in attempts to ensure a degree of longer term planning is introduced at the units level. In some cases, most notably QMHs the intervention by head office appears to cause a degree of confusion due to inconsistency i.e. allowing units to formulate CSHB strategies but compiling the CSHB packages almost entirely from head office. This may account for the poorer performance of QMHs and the degree of discontent shown in terms of head office communications.

In terms of market structure, at unit level the market scope of hotel appears to be wider and packaging more prominent. In market share terms, market share of rooms increases as one moves from tertiary, to secondary, to primary locations.

Pricing is still very primitive with head office maintaining tight controls. In general, pricing strategies appear most evident in tertiary locations, segmentation/packaging strategies in secondary locations and promotional strategies in primary locations.

Performance appears to vary between locations, with good and poor performance mainly in primary and tertiary locations. When examining the structure, strategy, performance relationships, it becomes evident that performance relationships are very similar to the corporate level, with the exception of market share structure variables which show some variation. Such findings at the unit level contribute significantly to an understanding of potential strategic gaps occurring and the operational level of offering CSHB.

10.8 CHAPTER SUMMARY

This chapter has examined the relationship between the CSHB market structure, strategies and performance, on industry and market level. Relationships occurring have been established and a CSHB performance enhancement model based upon the concept of movement in strategic space constructed.

From the chapter findings it was established that the industry/corporate level performance provides an indication, not just of comparable performance for market analysis, but that the industry level performance appears to determine the type of CSHB strategies adopted (i.e. the hotel groups strategic capability). As such, this introduces a new dimension to the research requiring further study out with the focus of this thesis.

The CSHB strategies were seen to combine with structure variables to produce different levels of performance. The most prominent finding being the poor performance from distribution strategies and enhanced performance from segmentation and promotion strategies.

Finally the concept of strategic space was established within the context of the CSHB performance model. This established that hotel groups may change strategies to move to areas of greater potential performance. Alternatively, if possible, they may attempt to change the structure of their market to enhance performance. How such developments effect the future structure of the CSHB market and the industry as a whole is another area that through a longitudinal study will provide potential future research and further contributions to academic and industrial knowledge.

The analysis of the nature and methods of providing CSHB in Scotland, focusing on strategic dimensions of corporate ventures and resulting performance and providing a model for enhancing CSHB performance has highlighted key areas of contribution to knowledge and exposed the need for a multi-site perspective. This multi-site perspective was examined in Appendix V testing the CSHB performance model at unit level and confirming that the model can be operationalised, holds to be consistent at corporate and unit levels and therefore making a major contribution to both academic and industrial knowledge.

The next (and final) chapter provides a critique of the research methodology and highlights areas for further research.

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CHAPTER ELEVEN

METHODOLOGICAL CRITIQUE & FURTHER RESEARCH

11.1 INTRODUCTION

This chapter provides a critical review of the research methodology and highlights areas warranting further investigation. The methodology adopted in this research has proven to be most satisfactory, providing an informed rationale for research design which was appropriate for the research problem, and thus achieving the aims and objectives set and contributing substantially to knowledge in the field. In hindsight, while the research is highly original and provides a significant contribution to the study of the management of hospitality services, some areas could have been conducted more efficiently and effectively based upon the cumulative experience now gained. The first part of this chapter provides a critique of the methodology, suggesting how it may be refined to repeat the research in the future, and what problems may be avoided. The latter section of this chapter highlights areas for further investigation.

11.2 CRITICAL REVIEW OF METHODOLOGY

The research can be critically reviewed in six areas. The six areas represent key sections of the research approach and process - (i) general research approach, (ii) research framework, (iii) research design, (iv) research process, (v) predictive value of the research, (vi) replication of the research.

11.2.1 General Research Approach

Chapter 1 established that the general approach to the research has reflected an inductive (soft) research paradigm as opposed to scientific. deductive (hard) paradigm - thus making the general context of the research a balance between qualitative and quantitative techniques (Cohen & Manion 1989) and maintaining a degree of order through a balance of subjective and objective methods (Morgan & Smircich 1980). The approach (detailed in section 1.4.1, Chapter 1) has minimised weaknesses often associated with the purely positivist paradigm (Easterby-Smith et al 1993, Keat 1981) including the notion of scientism; value freedom; generalisation and assumptions that science itself should be based only on data that can be observed and measured directly.

The inductive approach was deemed appropriate and necessary to allow theory to be built and tested in an area that has proven to be very under theorised. It allowed analysis of a constrained sample, and a balance of qualitative and quantitative

methods. As the inductive approach adopted was circular in nature, it encouraged additional exploration and insight of theory rather than experimentation of existing theory. As such it has facilitated a more proactive, dynamic and holistic approach to analysing and understanding the dynamics of the subject, requiring the development of concepts rather than purely numbers to understand complex organisational problems (Checkland 1981). Adopting a flexible, evolving and proactive approach to the research was extremely effective. The approach allowed for an analysis of the nature of the hospitality and tourism industry through cross and interdisciplinary research design (Wentz 1972, Churchill 1992). Such design allows an “holistic and synthesised understanding of the problem” (Pearce & Butler 1994), taking the research beyond description towards the fundamental goal of explanation, and providing a platform to tackle the unique challenges of “traditional tourism research” (Ritchie 1975, Ritchie & Goeldner 1987) essentially derived from gathering and interpreting reliable data in a timely manner. Such an approach helped focus and develop the methodology and research design and process by providing a balance of both normative and positive research at both macro and micro levels. However, the approach means that findings are not necessarily mathematically certain as may be achieved through more objective approaches. In a similar manner, the research is more difficult to reproduce given its evolving and flexible nature were theory has been borrowed, adapted and developed from other disciplines. In this context the research itself may be worth considering as a paradigm in its own right, adaptable to a range of markets or industry contexts, as opposed to a scientific model (which as Tuckman 1992 stated is “systematic, logical, and empirical and can be replicated). The next section focuses on the specific elements of the research framework applied, establishing the development and refinement of the theory building..

11.2.2 Research Framework Applied

The research framework reflected the general research approach. This section highlights issues involved with the evolution of the research framework from the segmentation model and industrial economics approach and reviews the concept of strategic groups employed.

(i) Segmentation Model

The CSHB segmentation model evolved from work by Guiltinan and Paul (1982) was examined in Chapter 1 and 6. A short coming of this model was a lack of supply side analysis, which was resolved by developing the model in relation to Scherer's (1980) industrial economics approach. While the model development worked excellently in that there were high degrees of compatibility, the reader should be cautious when

undertaking research and developing models in such an evolutionary manner as such compatibility may not be possible. The perspective adopted reflects that of Buffa and Dyer (1978) who categorically state that a model is a “device for aiding rationale thinking” and that the “model builder must hypothesise the logical relationships among elements to create the model. In some cases, these relationships may be based on empirical data, while in other cases we can only appeal to the criterion of reasonableness.” The segmentation model provided a platform for understanding the foundations of the research area and form a degree of preknowledge.

(ii) Industrial Economics Approach

The developed structure-conduct-performance (SCP) model proved to be highly satisfactory in analysing the CSHB market. It allowed varying relationships to be established, and modelling of CSHB market performance.

The SCP approach postulates causal relationships between the structure of a market, the conduct of firms in that market and their economic performance (Dixit 1982). As such the approach has been subject to widespread criticism (Reekie 1989, McKie 1970, Baumol 1982, Demsetz 1973). Main debate centres around the complexity and stability of relationships and S-C-P variables, the need for inclusion of such elements as transaction costs (Arrow & Hahn 1971) accommodation of advances in oligopoly and game theory (Spence 1977, Clarke et al 1984) and reliance on linear relationships (although Donsimoni et al 1984 highlight that a significant relationship says nothing about the direction of causation). The most comprehensive critique of traditional analysis comes from the work of the Austrian school, where the theoretical approach is very much at variance with that of the neo-classical mainstream.

The Austrian approach differs from the neo-classical mainstream in three crucial respects (Ferguson 1988, Littlechild 1986). Austrians reject the :

- assumption that economic agents possess perfect knowledge of all aspects relevant to their decisions, preferring to assume knowledge as partial;
- neo-classical concern with the state of equilibrium and its properties (i.e. Austrians believe the economy will be in a state of dynamic flux);
- neo-classical view of competition, where knowledge is perfect, competition as a process or an activity can not exist.

Therefore, Austrians are interested in the competitive process, the dynamics of market forces and how decisions are made in conditions of uncertainty and limited

information. The implications are therefore that the S-C-P approach is inflexible and therefore requires caution when analysing dynamic and complex markets such as the CSHB market.

The use of the segmentation model in the early stages, the adoption of an Austrian economics approach in terms of qualitative as well as quantitative measures, and the development of concepts of strategic groups and strategic space added to the flexibility of the framework and countered core criticisms of the S-C-P approach, making the framework more appropriate, which when analysed as a matrix and combined with the overall research approach proved most appropriate. Such developments to the original model allowed a more proactive approach to market and industry analysis and enabled analysis of dynamic and complex markets to be undertaken. The resulting model developed in this research is therefore suitable for analysing most static and dynamic markets. However, it requires further development in terms of mobility barriers, forecasting movements in strategic space, and considering cognitive elements of the decision process. These are essentially longitudinal studies for work after the PhD completion.

(iii) Strategic Groups Modelling

Using strategic group modelling within the industrial economics approach allowed a degree of flexibility, and bilateral "association" to be added to the research framework, forming an integral part of the framework. In developing strategic group theory, care must be taken in a number of areas - (i) to ensure artificial groups are not created (Punj & Stewart 1989, Hatten & Hatten 1987) and (ii) that the performance of such groups is measured accurately and reliably, with the results cross referenced in some form. This research provided a number of measures and structural variables to achieve this task before establishing the CSHB performance model and then repeating the process at unit multi-site level to confirm and subsequently reinforce the results. Areas that require refining here can be seen to be the extension of non-financial measures of performance, a review of the accuracy of financial measures in the hospitality/tourism industry per se, recognition of the variety or breadth of structural variables, and a greater degree of analysis of the multi-site nature of hotel groups.

11.2.3 Research Design

Issues relating to research design are determined in quantitative and qualitative dimensions. The research design by its approach has attempted to provide a balance of qualitative and quantitative data, analysis and methods.

It is recognised that qualitative and quantitative dimensions are not mutually exclusive and as such the qualitative elements have attempted to provide depth and flexibility in analysis while the quantitative approaches have attempted to provide indications of mathematical relationships and a degree of objective empirical association of variables being researched.

In exploring such methods the constraints imposed by the industry play a key role. These constraints are essentially related to the lack of available data, through either the unwillingness or the inability to supply the data. Such a problem results in variable data sets and a generally smaller sample size. Such problems lead to a need for a wider usage of qualitative techniques for data collection and analysis. The research represented a form of applied research, concerned with understanding the dynamics of the market and improving the performance of business. The qualitative approaches therefore reflected an area of research where predominantly the decision-making process and market variables were closely related and often the variables occur concurrently. This highlighted the need for a research methodology that adapted to change (Gummesson 1991).

The qualitative methods therefore sought to achieve two key roles. The first was to provide “rich” in-depth data from a relatively narrow purposive (yet clearly representative) sample. The second element of qualitative methods is evident in the selection and presentation of structure, strategy and performance variables, where not every possible variable could be employed. Therefore, logical and rational decisions had to be made as to the variables to be further explored. These decisions were made in consultation with the focus group and founded on the preunderstanding of the market.

In presenting the variables on the model, qualitative approaches were adopted to provide indications of ellipses where technology was not available to the researcher (although currently the model is being developed in computer format to allow detailed presentation of empirical results).

Quantitative techniques were also used for cross checking initial theories, preunderstanding assumptions and providing indications of mathematical relationships or associations between variables.

The problem of available data and its reliability is undoubtedly echoed throughout hospitality research and is an area requiring addressed in terms of standardised data,

the scope of hospitality research and indeed the purpose of hospitality research, be it basic research or problem-solving research. (Hunt 1991, Myers et al 1979, Taylor & Edgar 1995). Indeed, as Black (1993) highlights “the support for the theories will only be maintained by the validity and appropriateness of the methodological processes.”

11.2.4 Research Process

This section highlights issues relative to implementing the research methodology. The general operational issues relating to the research approach are explored, followed by issues relating to the implementation of methods and means of data analysis.

(i) General Operational Issues

The researcher must maintain control over the realities of the project and ensure that the research is not only rigorous, but also provides a degree of practical usefulness. A key issue here is to ensure that the research does not become too theoretical in nature and as such divorce the research from the discipline’s problems (Arndt 1985) and that when conversing with industry there is clear understanding from both academic and practitioner sides as to concepts and terminology being adopted. Arguably, one of the key strengths of research in the hospitality industry not present in mainstream business subject research, is the vocational orientation (Taylor & Edgar 1995). By adopting cross and interdisciplinary approaches, the theoretical rigour and contextual dimensions must be balanced. While there are dangers of overemphasising the contribution to theoretical knowledge, if the overemphasis is upon the industry problems the results can be shallow pragmatism and conceptual malnutrition (Anderson 1983). This is an issue to be addressed by hospitality researchers as a whole. A balance must be struck to ensure contributions to knowledge within a contextual framework. This research has provided such an approach, and through the industry focus group, ensured relevance in concepts and terminology, making results more reliable.

A further limitation is essentially related to specialist knowledge of cross-disciplinary subject areas. The researcher must ensure competence in the disciplines or parts that are adopted. If the researcher is unclear of the foundations of any concepts, frameworks or basic principles that are used misinterpretation of results can occur. In this research this problem was overcome by continual reference and liaison with specialists in the areas, and ensuring that the cross-disciplines - essentially marketing, economics and corporate strategy - were areas where the researcher had an existing high degree of understanding and competence.

(ii) Methods

The methods adopted can be split into the core areas of : literature review, supply side information, CSHB definition, fieldwork, sampling, technology and data, and scheduling.

Literature Review

The literature review was used to establish past works in the research area, providing background to the CSHB market in terms of growth, demand characteristics, and value of the market. This allowed an appreciation of market conditions and evolution to the 1990's to be formed, and provided a degree of preunderstanding of the dynamics of the market.

The main problems encountered essentially relate to the available data, which was often dated, unstructured, reportive, and demand based. This is a problem identified by other researchers in the field (Pearce & Butler 1994). Such researchers argue that as tourism has become recognised as a leading industry, it's visibility has attracted much more attention and criticism, putting greater emphasis and scrutiny on available data. Indeed this is compounded by the recent EC directive on tourism statistics (95/57EC 1995). Different definitions of CSHB emerged and the level of comparability of literature was negligible. Such literature could only reliably be used to gain an understanding of demand and general demand characteristics. As such literature provided only demand based information, and many hotels did not have available detailed information with regard to CSHB markets. This caused a number of problems in terms of accuracy and comparability of data. While this is a major problem, widely recognised by researchers in hospitality and tourism, it provided a major opportunity to examine the supply side of the CSHB market, and contribute significantly to knowledge in the field. Exploring the supply side of the market in Scotland arguably provided a more representative, richer and potentially more proactive data sample, than the reactive and dated demand analysis.

Since conducting the research a number of alternative sources have emerged for consideration these include electronic journals, the WHATT CD-Rom database of hospitality and tourism texts and a range of focus and discussion groups emerging via the INTERNET and thus opening the discussion of research topics out to a potentially world-wide audience.

Supply Side Information

Analysis of fragmented markets, and the lack of available data raised a requirement for information relating to the supply side of the market; key indicators of the dynamics of the market and geographical variability.

The requirement for supply side data required the construction of a hotel groups database, supported by short break operators and consortia databases. The hotel groups database provided valuable information in terms of estimating the overall revenue of various hotel groups in the CSHB market and extended the work by Litteljohn (1991), exploring performance of hotel companies in Scotland.

The accuracy of estimates is debatable, yet the usage of key market indicators is essential in analysing fragmented markets. By using information from companies and from using industry norms for costs and sales mix, a profile of the CSHB market in Scotland was established. To enhance the accuracy of the database it may be advisable to calculate the various revenues and costs for CSHB on a monthly basis allowing for structural and seasonal fluctuations throughout the year, as opposed to a one point in time analysis (thus allowing greater flexibility of analysis by time period).

Additionally faxing hotel groups each month to try to gain verification of the accuracy of results would improve confidence in findings. This is a time consuming task, and hotel groups may lose interest quickly but it would allow some confirmation of the results achieved by the database. The short break operators (SBO) and consortia databases also require updating as more information is released. For the purposes of this research the SBO and consortia databases were for comparison and cross referencing only. However, should they be given a more prominent role they would require more detailed information updated on a regular basis.

To allow comparisons of structural, supply and demand variations by location, the databases were analysed by location in terms of seven regions of Scotland. While this had never been done before in such research for Scotland, the results did show distinct differences in locational characteristics. These divisions of the seven regions reflected the highly qualitative nature of the research, balanced with quantitative measures of hotel group concentration, area tourist board boundaries, and population densities. Since undertaking this research, the UKTS (1993) has adopted a similar division but by the nine Regional Councils of Scotland (to 1996). The division of Scotland by region seems acceptable but has little logic in terms of the nature of the hotel industry. The fact that often regional councils span and overlapped local Area Tourist Boards, and indeed the changing area tourist board numbers and boundaries adds to this

problem. The suggestion here is that distinct boundaries must be established when examining hotel activity within a country (as no two parts of the country provide the same operating environment), but the boundaries for locational differences of hotel operations should be determined by "industry" boundaries, not political boundaries (such as Regional Councils or Tourist Boards). However, as to how the boundaries and indeed number of regions are determined requires a research investigation in its own right, thus establishing a consistent measure for future researchers to use.

CSHB Definition

In defining CSHB a wide range of definitions were examined and little if any consistency found. The definition adopted was the result of a combination of evolutionary development of past research and the focus of the subject area i.e. commercial accommodation, predominantly hotels, holidays, and breaks. The definition adopted was ***"Hotel packages of one to three nights which for a single price together with accommodation include one or more of the following : meals; transport; entertainment; or a programme of activities."*** This definition proved highly satisfactory. However one area could be exposed as weakness in that, by definition, CSHB are "packages" and as such all hotel groups must adopt some form of package by definition. Fortunately no groups identified this as a problem and all had a degree of packaging occurring, although not necessarily as their prime CSHB strategy.

While It is implied that the definition used is suitable for relating to CSHB markets. The implications must be recognised when using such a definition, and transferring the research to different markets or different country situations. It is therefore necessary to construct specific definitions as a result of the preknowledge stages of the research. This ensures focus and allows research parameters to be determined.

Fieldwork

Questionnaires formed the main element of fieldwork. The questionnaires were conducted in three phases representing an evolution of the research design and providing data of an increasingly strategic nature. All questionnaires proved highly successful essentially due to the focus group advice in terms of types of questions and terminology to adopt. The first two phases of questionnaire were semi-structured telephone interviews with executives from hotel group head offices. In the first questionnaire it was found that the questions had terminology which executives were unfamiliar with and lists of terminology had to be produced. In addition, the wording of the questionnaire was on occasion too long for telephone interviews meaning

interviews lasting around 20 to 25 minutes instead of the original intention of 15 minutes.

Having corrected these basic errors, conducting Phase Two interviews ran very smoothly, on time and with no or little respondent hesitation. However, it was recognised that while telephone interviews displayed a wide range of distinct advantages over other methods there were also a number of disadvantages. These disadvantages included having to use short questionnaires, not being able to observe the respondents reactions, and having to co-ordinate calls at particular times around various work schedules and other business calls. In addition, with the nature of information required, often the respondent had to obtain data from a number of support sources. In an attempt to eliminate these fundamental errors the phase three questionnaires were conducted as semi-structured one to one interviews with general managers. These worked very well, eliminating the former problems, although the cost was considerably higher and an intensive programme can lead to fatigue. Distinct relationships were built allowing further contact in related research and providing informal feedback to research methods, and findings to date. In general, the mix of telephone and personal interviews was adequate and provided results that the researcher has a high degree of confidence in.

Sampling

The problems of changing samples was examined in Chapter 6. The changing sample should however be highlighted here, as the economic climate of the 1990's caused some degree of sample changes in terms of hotel groups operating in Scotland. The researcher would be advised to anticipate such developments and have contingency samples of a comparable nature ready in the event sample shifts.

Technology and Data Processing

Technology has changed rapidly during the research. In analysing data for the research, technology has played a prime role, particularly with the nature of data analysis. It was found that the most compatible and user friendly database for data analysis was Paradox by Borland. This allowed importing into Excel or Lotus and also enabled importing into Microsoft Access which allows a great deal of flexibility in terms of cut and paste technology. The key elements here must be understanding, compatibility and standardisation. The researcher must ensure they build an understanding of the software available and ensure they select software that is compatible with the other applications they are using and above all be consistent with the packages used so that files can be accessed within one operating environment.

Scheduling

Scheduling the research, in particular questionnaires and financial analysis is of utmost importance. It was found that when interviewing marketing executives in questionnaire phases one and two that most were available in mid September to October but not in August as many are on holiday. Similarly November caused problems as they are preparing for Christmas advertising. January and February are favourite times for international conventions and sales fares and March is coming into the Easter and summer preparation periods, making these unobtainable periods. In terms of Phase Three interviews, (with general managers) the end of April was found to be a good time, with the Easter holidays over and the hotels relatively quiet but not too quiet that the General manager is on holiday.

In examining financial information it was found that the hotel groups have a wide range of reporting years by different start and finish months and as such care should be taken to ensure that no major event occurred in particular months that may skew results of some hotel groups in the sample e.g. Lockerbie disaster (1988) leading to a sharp reduction in international business.

11.2.5 Predictive Value

The research undoubtedly offers a degree of proactive prediction as to potential for movements in strategic space. While the value of such relationships (or associations) are highly evident an issue for consideration is the concept of the “user-gap”. The user gap is a concept coined by Argyris (1985) and relates to the relevance of research in practice, where Argyris states “most managers will be unaware of research or, if aware unable to effect the transfer to their own situations.” Given that the nature of this research benefits from a range of applications, the predictive value can be enhanced by encouraging wider usage of the approach and methods. To this end a future task is to further prescribe the research approach at industry level and through the curriculum to highlight the predictive value of the research.

11.2.6 Replication of Research

“One goal of scientific research is to be self-policing through rigour and consistency of practice. This is necessary if the conclusions drawn at the end of a piece of complex research are to be valid and replicable” (Cohen & Manion 1989). The inductive approach to theory construction adopted in this research means things change so radically during the research process (e.g. hotel group or market environments) that not only is generalisability difficult but replication is impossible (Guba 1978). Given this fundamental replication problem, there are a number of

changes that may be made in attempts to repeat the research process. Two key areas are identified. The first is the introduction of the hotel or hotel group organisation structure into the research framework. While this research examined the relationship of market structure, CSHB strategy and performance, it may be considered to analyse a further dimension of how the strategy is implemented. It would therefore be useful to analyse the relationship between market structure, CSHB strategy, organisation structure, and performance. This could be taken one step further to examine how the market structure, CSHB strategy, organisation structure, and performance determine the next phase of market structure. This is longitudinal in nature and would represent a further area of study.

The second area requiring refined is in relation to the nature of the CSHB market. The CSHB market has been established as highly complex and segmented. More research may be conducted into the nature of specific market segments in terms of cost structure, attractiveness, contribution, and construction. This area is currently under further investigation, however its nature forms a separate research project in its own right and as such forms an area for further investigation.

This section has highlighted the limitations of the research through a critical review of research methodology. A number of suggestions have been made as to how the research could be applied in a more efficient and perhaps effective manner. Overall, the researcher is satisfied that the research is original; valid; reliable; and objective. The next section determines the most prominent areas warranting further investigation established from this research to date.

11.3 AREAS FOR FURTHER RESEARCH

This section provides an overview of key areas warranting further investigation. The areas of further research are a result of contributions to knowledge or the research approach adopted. They are split into three areas relevant to key stages of the research process adopted. The three areas are therefore : (i) market related developments, (ii) organisation related developments, and (iii) testing the research model.

11.3.1 Market Related Developments

In terms of the CSHB market, it is clear that further research is required. A number of specific areas can be identified.

There is a clear need for a longitudinal study to document the size and growth of the CSHB market and to identify any clear patterns of environmental influences.

The area of segmented markets and comparative analysis of differing segments is an area warranting further analysis particularly in relations to the value of segments, packaging segments and the relative elasticity's of markets. Such research not only assists in reducing the complexity of tourism markets but exposes valuable data with regard to hotel operators in such markets.

Further research is also warranted in the area of cost structures and performance in the CSHB market. Work by EIU (1992) identified the potential effects of hotel cost structures on pricing levels in international markets. As cost and contribution are key elements of CSHB provision, this area provides considerable opportunities for further research that may contribute to understanding hospitality operations and markets. Such research may be considered from the multi-site operational perspective (Berry et al 1991) or from an industry corporate perspective, determining the value of various segment sales mixes (Quain 1992) and cost structure ratios.

In addition, the elements of changes in seasonality, and fluctuations in exchange rate affects upon pricing (Muller et al 1990), and the perception of the hotel unit (market) level should be further investigated, to provide an understanding of CSHB market dynamics. An area of particular focus here is the role and strength of branding and positioning of hotels in various market segments (Dibb & Simkin 1993), as well as the ability to move between distribution channels (Stern 1993). The research areas linked to distribution provide further opportunities for additional contributions to knowledge. This research has highlighted the range and usage of distribution channels however, questions arise as to the value of commission in the market, the most effective mixture of channels used, and the role of technology in distributing CSHB.

11.3.2 Organisation Related Developments

Further research opportunities exist in relation to the dynamics of the hotel or hotel group itself as opposed to a market perspective. In this area differing organisational structures affecting strategy or performance in the market (Boschken 1990) offer major research opportunities. Introducing the organisational structure into the research framework allows a further dimension to the research to be analysed. In addition, research may determine if such variables as asset specificity or ownership (Balakrishnan & Fox 1993, Sudarsanam 1992) affect CSHB or other market relationships.

The existence of barriers to entry or mobility provide opportunities to contribute to an understanding of organisation dynamics and how organisations react to such market and strategic developments, highlighting the value and development of joint ventures and the degree of organisational innovation.

A further area of potential research, and one of key importance is research into the role of secondary support strategies in enhancing strategy implementation. Determining not only the strategic capability of organisations but the suggested "best mix" of strategies for market structures provides an excellent tool for decision making. Organisation linkages also provide potential to determine their influence upon organisational performance, and within various market segments. One such example is the role of technology in increasing and managing market complexity and improving performance. In addition here further research is required into the nature of multi-site or multi-destination hotel units as opposed to and in comparison to the corporate perspective, and the strategic dynamics of such relationships; including advertising and promotion links. All of these areas warrant further investigation.

11.3.3 Testing The Research Model

Finally, in relation to the research methodology, major opportunity exists for further research by applying the research approach and model to other market segments, wider geographic areas, other industries, or different organisational levels.

Relative to the research approach, opportunities exist to widen the performance measures adopted and evolve the cross discipline design to analyse inter and intra relationships. This will ultimately be achieved by application of the model and approach.

In line with evolving the research and adapting the approach, further research may be designed to predict strategy developments through using cognitive mapping could be applied to the strategic groups to determine where the decision makers of hotel groups are directing themselves, and their operations. This would determine future developments and help predict future market structures, allowing predictions of movements in strategic space and indicating areas for developments and mapping future market structures to allow companies to position themselves for better performance.

The areas of further research provide major opportunities for other researchers in the field and allow for a range of research levels, timescales and resource implications. As Wong-Rieger and Rieger (1993) highlight, “are researchers concerned with studying things right or studying the right things?”. The areas of further research are therefore intended to be indicative and stimulate additional, perhaps more lateral thought.

11.4 CHAPTER SUMMARY

This chapter has established that the research has proven most satisfactory in achieving the aims and objectives set, and thus contributing to knowledge. It has provided a critical review of the research methodology adopted, highlighting problem areas and identifying how the research may be refined. Recommendations for refinement have been provided relative to the research approach, research methods, samples, technology and data processing, and general changes.

This has been followed by establishing the key areas warranting further research investigation in three categories of market analysis, organisational analysis and application of the research methodology.

From the areas identified as requiring further analysis considerable additional contributions to knowledge can be made either from an academic or practitioner perspective. In this respect, the research has not only contributed significantly to knowledge in the field of hospitality and tourism strategic management and to the cross disciplines utilised, it has exposed a wide range of areas warranting further investigation. In providing such opportunities the research acts as a milestone in further research developments in hospitality and tourism and makes this research contribution even more prominent and meaningful.

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APPENDICES

LIST OF APPENDICES

	PAGE
Appendix I Profile of Hotel Group Sample	352
Appendix II Phase I Questionnaire Sample	362
Appendix III Phase II Questionnaire Sample	379
Appendix IV Phase III Questionnaire Sample	385
Appendix V Testing the Model - A Multi-Site Unit Perspective	397

APPENDIX I

Profile of Hotel Group Sample

Balmoral International.

Units in Scotland 1	Rooms in Scotland 189
Locational Bias : City Centre Market Standard : Luxury Low participation in short break market.	
C.S.H.B. Provision Breaks mainly by season or special event. Short break operators used. Target high spend market.	
C.S.H.B. Marketing Main marketing media are hotel leaflets, short break operators, and Edinburgh marketing.	

Other Comments :

Balmoral International operates a strict no-discounting policy, on most tariffs and emphasises the quality aspect when marketing C.S.H.Bs.

Coast and Country Hotels.

Units in Scotland 14	Rooms in Scotland 1233
Locational Bias : Rural Market Standard : Low/budget High participation in market.	
C.S.H.B. Provision Packaged breaks offered throughout the year. Scottish experience is main theme. Target markets unclear, with an emphasis on coach tours.	
C.S.H.B. Marketing Marketing is by individual hotels, and corporate brochure.	

Other Comments :

As Coast and Country hotels are owned by Rank, they have the synergistic benefits gained by the fact that Rank also own Sheering Holidays, a coach holiday company.

Crown Hotels.

Units in Scotland 5	Rooms in Scotland 236
Locational Bias : Mix Market Standard : Mid / Low Low participation in the market	
C.S.H.B. Provision Weekend breaks offered, with no clear packaging. Mainly seasonal.	
C.S.H.B. Marketing No clear target market. Individual hotels market breaks. High use of short break operators in the past, now relatively low.	

Other Comments :

The hotel group portfolio has rapidly declined since 1990, in both size and quality, suffering major financial difficulties.

Forte (all brands).

Units in Scotland 12	Rooms in Scotland 1334
Locational Bias : Provincial Market Standard : Varied High participation in market.	
C.S.H.B. Provision Variety of themes offered all year and every day of the week. Highly segmented product. Various clear target markets.	
C.S.H.B. Marketing Marketing includes a corporate brochure, T.V.adverts, Press. Short break operators not used.	

Other Comments :

Forte is a large powerful company with a varied portfolio. They have been one of the major developers of short breaks since the 1960's and are presently developing an advanced reservation system to replace using the airline system.

Friendly Hotels.

Units in Scotland 5	Rooms in Scotland	443
Locational Bias : City centre Market Standard : Low Participation in market is medium.		
C.S.H.B. Provision Breaks are packaged themes, of a unusual nature. Short break operators are used. Corporate groups are targeted.		
C.S.H.B. Marketing Corporate, individual hotel, and short break operator brochures are used.		

Other Comments :

Low market level may cause a problem if the group wishes to target the individual short break market, rather than the corporate.

Gleneagles.

Units in Scotland 1	Rooms in Scotland	216
Locational Bias : Rural Market Standard : Luxury High participation in market.		
C.S.H.B. Provision Three main themes offered, culture, learning, and luxury. Product still fairly seasonal. High spend market is targeted.		
C.S.H.B. Marketing Marketing is through consortia, specialist brochure, status, and reputation.		

Other Comments :

Although participation is high, the market level, target markets, and relative small size/location spread will not at present be directly competing with the larger groups.

Holiday Inns (Core Brand).

Units in Scotland 2	Rooms in Scotland	452
Locational Bias : Provincial Market Standard : Mid Medium participation in market		
C.S.H.B. Provision Weekend breaks offered throughout the year. Short break operators used. Weekend,& family market targeted.		
C.S.H.B. Marketing Joint corporate brochure, and short break operators are main marketing methods		

Other Comments :

A joint brochure, and centralised reservation systems allow Holiday Inns (core brand) and Garden Court to maximise exposure with limited market presence.

Holiday Inn Garden Court.

Units in Scotland 1	Rooms in Scotland	118
Locational Bias : Provincial Market Standard : Mid Medium participation in market.		
C.S.H.B. Provision Weekend breaks offered throughout the year. Short break operators used. Weekend,& family market targeted		
C.S.H.B. Marketing Joint corporate brochure, and short break operators are main marketing methods.		

Other Comments :

A joint brochure, and centralised reservation systems allow Holiday Inns (core brand) and Garden Court to maximise exposure with limited market presence.

Hilton National.

Units in Scotland 2	Rooms in Scotland	264
Locational Bias : Provincial Market Standard : Mid High participation in market		
C.S.H.B. Provision Concentration on activity and special interest breaks. Mainly weekend, but available all year. Variety of markets targeted.		
C.S.H.B. Marketing Corporate, individual hotel, and short break operator brochures, and press are main marketing media		

Other Comments :

Although participation in breaks is high, the limited portfolio in Scotland means C.S.H.B. market presence is low.

Jarvis Hotels.

Units in Scotland 5	Rooms in Scotland	484
Locational Bias : City centre Market Standard : Mid High participation in market.		
C.S.H.B. Provision Market segment varied by location and hotel facilities. Short break operators used. Number of segments targeted		
C.S.H.B. Marketing Breaks marketed via the corporate brochure, partially funded by the inclusion of other hotel groups.		

Other Comments :

Jarvis hotels actively market short breaks through the established Embassy Breaks brand.

Milton Hotels.

Units in Scotland 5	Rooms in Scotland	444
Locational Bias : Town centre Market Standard : Mid/Budget High participation in market.		
C.S.H.B. Provision Highly seasonal product, mainly segmented towards senior citizens, coach, and ski-ing holidays. Senior citizens and skiers are the target market.		
C.S.H.B. Marketing The product is packaged and offered via a corporate brochure. Short break operators are used.		

Other Comments :

Milton is a privately owned Scottish hotel group, based in Fort William, and with a predominant market presence in Central and Northern Scotland.

Mount Charlotte Thistle.

Units in Scotland 23	Rooms in Scotland	2196
Locational Bias : Provincial Market Standard : Mid High participation in market.		
C.S.H.B. Provision A variety of packages are offered throughout the week and year. No use of short break operators. Various target markets.		
C.S.H.B. Marketing Highlife, corporate short break brochure, individual hotel leaflets and press are the marketing media.		

Other Comments :

The Highlife brochure is the main means of distribution and has recently grown in portfolio offered through the inclusion of Queens Moat Houses Hotels.

North British Trust.

Units in Scotland 16	Rooms in Scotland 1336
Locational Bias : Various	
Market Standard : Low/Budget	
Participation is by individual hotels and is therefore low.	
C.S.H.B. Provision	
Themes offered will depend on hotel facilities and location.	
Short break operators not used.	
No specific target market.	
C.S.H.B. Marketing	
Marketing usually by local press, of individual hotel flier.	

Other Comments :

Although a large portfolio and excellent locational spread, little attention is paid to the provision of C.S.H.Bs as a marketing strategy.

Principal Hotels

Units in Scotland 2	Rooms in Scotland 201
Locational Bias : City centre	
Market Standard : Mid	
Medium market participation.	
C.S.H.B. Provision	
Mainly ski-ing, festive, and season breaks.	
Short break operators are not used.	
No specific target market.	
C.S.H.B. Marketing	
Corporate brochures, and flexi-break mail shots are main marketing media.	

Other Comments :

In February 1992 Principal hotels have run into financial difficulties, thus restricting trading.

Queens Moat Houses.

Units in Scotland 8	Rooms in Scotland	1097
Locational Bias : Provincial Market Standard : Mid/Luxury High participation in market.		
C.S.H.B. Provision Weekend and short breaks offered. A selection of extras available. Low use of short break operators. Targeting mid-age market.		
C.S.H.B. Marketing Marketed through Corporate, and Highlife brochures. Also emphasis on individual hotel marketing.		

Other Comments :

Queens Moat Houses have increased their presence in "Highlife", since March 1992, possible in an attempt to improve distribution channels and expand market share.

Scottish Highland Hotels.

Units in Scotland 8	Rooms in Scotland	604
Locational Bias : City centre Market Standard : Mid Medium participation in market.		
C.S.H.B. Provision Offering seasonal, special occasion leisure and weekend breaks. Low usage of short break operators Mid market targeted.		
C.S.H.B. Marketing Corporate brochures, individual hotel fliers, and press are the main media favoured		

Other Comments :

Emphasis is placed on the available leisure facilities and the inclusion of meals.

Stakis Hotels.

Units in Scotland 15	Rooms in Scotland 1621
Locational Bias : Various Market Standard : Mid High participation in market.	
C.S.H.B. Provision Main segments include over 55's, and ski-ing. These are clear themes Medium use of short break operators Targeting over 55's, families, and skiers.	
C.S.H.B. Marketing Marketing is by press, corporate brochure, central reservations, and limited use of intermediaries.	

Other Comments :

Although a major market contender, an innovator of C.S.H.Bs, very little progress appears to have been made since the mid-1980's.

Swallow Hotels.

Units in Scotland 5	Rooms in Scotland 646
Locational Bias : Provincial Market Standard : Mid Medium participation in market.	
C.S.H.B. Provision Product offered is dependent upon hotel and its location. Short break operators are not used. Target markets are varied, and not very clear.	
C.S.H.B. Marketing Marketing is via a corporate brochure, and individual hotel initiative	

Other Comments :

Leisure facilities are emphasised as the main component of the package.

Turnberry.

Units in Scotland 1	Rooms in Scotland	132
Locational Bias : Rural Market Standard : Luxury Low participation in market		
C.S.H.B. Provision Packages are seasonal and relate to events or activities. Short break operators are not used. High spend target market.		
C.S.H.B. Marketing Hotel brochure, press, and consortia, are used to market the product.		

Other Comments :

Market presence is very limited due to location and small portfolio.

W.H.L.Hotels

Units in Scotland 6	Rooms in Scotland	302
Locational Bias : Town centre Market Standard : Low Low participation in market.		
C.S.H.B. Provision Weekend and midweek breaks as per occupancy, throughout the year. Short break operators not used. No specific target market.		
C.S.H.B. Marketing Corporate brochure, and individual hotel initiative.		

Other Comments :

None.

APPENDIX II

Phase I Questionnaire Sample

PURPOSE

To establish the basic market structure and nature of supply in CSHB markets in Scotland

SAMPLE

24 companies
(18 hotel groups, 4 SBOs, 2 consortia)

FORMAT

Telephone Interviews

INTRODUCTION FOR SHORT BREAK RESEARCH QUESTIONNAIRE.

1. THE QUESTIONNAIRE.

As directed in the interview confirmation letter, in order to prevent any bias I shall now read to you the standard introduction text.

This telephone interview will last approximately 15 minutes, within this time you will be asked a number of general and specific questions directed towards the short break markets.

The questions are split into three sections and are specific to the short break market in Scotland :

- (i) Company information e.g Volume of short breaks.
- (ii) Customer profile and role of short breaks. e.g market segments, occupancy, packages.
- (iii) General information with regard to competitors, marketing, and trends

Do you have any questions about the questionnaire format ?

2. USE OF QUESTIONNAIRE FINDINGS.

The questionnaire forms a part of my Mphil / Phd research degree. The intention is that through the use of a questionnaire I can clarify existing information and obtain primary data, thus enabling me to quantify the nature of the short break market in Scotland, and to further analyse the methods and characteristics of short break provision.

Do you have any questions with regard to the Questionnaire, my research intentions, or confidentiality ?

We shall now begin the questionnaire, from this point onwards I shall only read questions to you.

**NAPIER POLYTECHNIC
DEPARTMENT OF HOTEL AND CATERING STUDIES**

COMMERCIAL SHORT HOLIDAY BREAK

OPERATORS/CONSORTIA QUESTIONNAIRE
--

TELEPHONE INTERVIEW :-

DATE : ..././...

WITH :

COMPANY :

CODE :

Please note that all answers given will be treated in complete confidence. No company will be transmitted to any third party and no company will be individually identified.

1. COMPANY DETAILS.

1.1 Firstly, I would like generally to establish what hotel portfolio is represented in your brochure for Scotland, and the % of rooms provided at various market levels in 1991.

A working definition of the market levels is:

- : Luxury....5 Star or 4 Star (Equivalent)**
- : Medium....3 Star (Equivalent)**
- : Budget....2 Star or Less (Equivalent)**

Number of HOTELS	Number ROOMS	MARKET LEVEL % of Rooms
		Luxury :
		Medium :
		Budget :
		TOTAL :

1.2 To establish how short breaks have grown over the years, I would like to know some general information on the volume of your business in 1991:

how many C.S.B.H. room nights were sold in Scotland in 1991 :

how much revenue did C.S.H.B. account for in 1991.

YEAR	ROOM NIGHTS	TURNOVER £s
1991		

THE NEXT GROUP OF QUESTIONS RELATES TO THE OVERALL COMPANY CUSTOMER PROFILE AND THE ROLE OF SHORT HOLIDAY PACKAGES.

2. Could you estimate the rough % split between the following three booking methods:

	%
: Independently booked by customer.....	....
: Booked through an agency.....	....
: Booked through other intermediaries...	....

3. TIMING OF DEMAND.

3.1 On average, over the last six years, roughly what % of your yearly business comes in the following monthly groupings.

e.g If all business is in JAN. JAN = 100%

TIME OF YEAR											
MONTH											
Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec

3.2 Being more specific, rating 1 - 10, (1= no demand, 10= unable to satisfy demand) what is the level of demand at various times of the week, by night of stay.

TIME OF WEEK (NIGHT)						
SUN	MON	TUE	WED	THR	FRI	SAT

4. PACKAGING SHORT BREAKS.

Having established the various demand trends, we shall now turn our attention to the role of Short Holiday packages in the holiday market.

4.1 It has been suggested by various sources that packages are an integral part of the short break product, does your company offer short break packages.

YES / NO

IF YES :

What packages do you offer.

TYPE OF PACKAGE

1.....

2.....

3.....

4.....

5.....

6.....

Which are the most popular in terms of :

Bed nights : 1 2 3 4 5 6

Revenue generated : 1 2 3 4 5 6

4.2 On a scale of one to ten, how important is it that inclusive packages contain the following:

(10=essential, 1=of no importance)

(a) Evening meals included	10 9 8 7 6 5 4 3 2 1
(b) Transport from home	10 9 8 7 6 5 4 3 2 1
(c) Leisure centre in hotel	10 9 8 7 6 5 4 3 2 1
(d) Organised activities	10 9 8 7 6 5 4 3 2 1
(e) Child discounts	10 9 8 7 6 5 4 3 2 1
(f) " A Theme "	10 9 8 7 6 5 4 3 2 1

Would you like to add any additional comments :

.....

.....

.....

5. MARKETING COMMERCIAL SHORT BREAK HOLIDAYS.

I am now going to look at how the various short break packages are marketed :

5.1 Do you use your own specialist company brochure: YES / NO

IF YES : Taking each brochure in turn, can you provide me with some detailed information on its production and distribution.

: What is it called...When is it released

: How many are produced...how are they distributed

METHOD OF DISTRIBUTION							
NAME	RELEASE	No PRODUCED	HO	TA	ETB/W TB	STB	OTHER

5.2 Is there a selection criteria for hotels to be included in your brochure.

YES / NO

IF YES What is it :
.....

We shall now examine some basic financial factors with regard to the brochure and its production.

5.3 Do hotels have to pay a fee to be included in your brochure.

YES / NO

IF YES : How much is the fee : £..... per issue

7. ENVIRONMENTAL CHANGES AND THEIR EFFECT.

7.1 From your experience how do you feel companies will need to develop in the C.S.H.B. market, in relation to the following environmental factors.

ECONOMIC FACTORS	SOCIAL FACTORS
e.g Recession / single market.	e.g Ageing population.
TECHNOLOGICAL FACTORS	LEGAL FACTORS
e.g Transport / communication / CRS's	e.g Package travel directive
OTHER COMMENTS	

7.2 Do you feel the total holiday market has :

GROWN or DECLINED or REMAINED STATIC

7.3 Do you feel the market for short breaks has :

GROWN or DECLINED or REMAINED STATIC

7.4 How long do you feel this trend for short breaks will last.

SIX MONTHS ONE YEAR TWO YEARS FIVE YEARS

MORE THAN FIVE YEARS

7.5 Have other markets suffered/flourished as a result of the trends in the short break market.

YES NO

HOW :.....

.....

.....

.....

THANK YOU FOR YOUR TIME AND ATTENTION

**NAPIER POLYTECHNIC
DEPARTMENT OF HOTEL AND CATERING STUDIES
COMMERCIAL SHORT HOLIDAY BREAK**

HOTEL OCCUPANCY QUESTIONNAIRE
--

TELEPHONE INTERVIEW :-

DATE : .../.../...

WITH :

COMPANY : CODE :

Please note that all answers given will be treated in complete confidence. On the request of your company, no data will be transmitted to any third party. No executives will individually identified.

1. COMPANY DETAILS.

Firstly I would like to establish your hotel portfolio in Scotland and the % of rooms you provide in the various market levels.

A working definition of the market levels being :

- : Luxury....5 or 4 Star (Equivalent)**
- : Medium....3 Star (Equivalent)**
- : Budget....2 Star or Below (Equivalent)**

Number of HOTELS	Number ROOMS	MARKET LEVEL % of rooms
		Luxury :
		Medium :
		Budget :
		TOTAL :

To establish how short breaks have grown over the years, I would like to know some general information on the volume of your business in 1991.

1.1 How many room nights would you say C.S.H.B.account for in 1991 in Scotland (approx) :

1.2 What % of total sales did C.S.H.B. represent in 1991.

YEAR	ROOM NIGHTS	TURNOVER %
1991		

THE NEXT GROUP OF QUESTIONS RELATES TO THE OVERALL COMPANY CUSTOMER PROFILE AND THE ROLE OF COMMERCIAL SHORT HOLIDAY BREAK PACKAGES.

In relation to short break business to your hotel/group what would you say was the rough % split between :

:Business (Travel, Conference) and
:Holiday (Independently, Booking through an agency or intermediary) takers.

2.1 Of these business markets what % are travel only, and what % are attending a conference at the hotel.

From holiday takers, what % booked direct, and what % booked through an intermediary.

	BUSINESS %		HOLIDAY %	
MARKET	TRAVEL	CONFERENCE	INDEPENDENT	INTERMEDIARY
%AGE				

2.2 With regard to seasonality, when do you use C.S.H.B's to stimulate demand.

By Month : (Please circle months)

TIME OF YEAR
MONTH
Jan Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec

2.3 Being more specific, if one week is 100% short break trade, what % of short break nights does each night of the week account for.

Firstly during main season.

Please state what months are included in your main season.

J F M A M J J A S O N D

Now during other times.

FACTOR	Sun	Mon	Tue	Wed	Thr	Fri	Sat
MAIN SEASON %							
OTHER TIMES %							

3.1 It has been suggested by various sources that packages are an integral part of the short break concept, does your company offer short break packages.

YES / NO

IF YES :

What packages do you offer.

TYPE OF PACKAGE

- 1.**
- 2.**
- 3.**
- 4.**
- 5.**
- 6.**

3.2 Which are the most popular in terms of :

Bed nights : 1 2 3 4 5 6

Revenue generated : 1 2 3 4 5 6

3.3 On a scale of one to ten, how important is it that inclusive packages contain the following :

(10=essential, 1=of no importance)

(a) Evening meal included	10	9	8	7	6	5	4	3	2	1
(b) Transport from home	10	9	8	7	6	5	4	3	2	1
(c) Leisure centre in hotel	10	9	8	7	6	5	4	3	2	1
(d) Organised activities	10	9	8	7	6	5	4	3	2	1
(e) Child discounts	10	9	8	7	6	5	4	3	2	1
(f) "A Theme"	10	9	8	7	6	5	4	3	2	1

Would you like to add any general comments at this stage.

.....
.....
.....
.....

4. MARKETING COMMERCIAL SHORT BREAK HOLIDAYS.

I am now going to look at how the various short break packages are marketed.

4.1 Do you use your own specialist company brochure: YES / NO

IF YES : Taking each brochure in turn, can you provide me with some detailed information on its production and distribution.

: What is it called...When is it released

: How many are produced...how are they distributed

NAME	RELEASE	No PRODUCED	METHOD OF DISTRIBUTION					
			HO	TA	ETB/W TB	STB	SBO	OTHER

4.2 Do you use any other brochures to advertise short breaks.

YES / NO

Please tell me about these brochures, taking each in turn as before.

: What is it called, : When is it released

: Do you pay commission (what %)

: What does it cost to be included in the brochure.

NAME	RELEASE	COMMIS. % PER SALE	COST TO BE INCLUDED IN BROCHURE

4.3 If you use a Travel Agents, what commission do you pay to them %

4.4 Do you pay commission to anybody else.

YES NO

IF YES

Who to	%..... commission
.....	%..... commission
.....	%..... commission

4.5 Could you please provide an indication of :

The brochure production budget:::£.....

The promotional budget:::£.....

Is the brochure production budget included in the promotional budget.

YES NO

5. In this section I wish to establish which of the following Distribution Channels you use, and which are the most important in terms of customer exposure.

a)	Individual Hotel Activity, eg Local press, hotel brochure, or leaflets.		<u>RANKING</u>
		YES NO	...
b)	Hotel Group Brochure	YES NO	...
c)	Consortia Brochure	YES NO	...
d)	Short Break Operators	YES NO	...
e)	Destination Marketing, eg Edinburgh Marketing.		
		YES NO	...

Could you now rank these in order of importance, if any are of equal importance please state this.

6. I now wish to determine who you perceive as your major competitors in the categories of HOTELS or INTERMEDIARIES.

HOTELS	INTERMEDIARIES

7. ENVIRONMENTAL CHANGES AND THEIR EFFECT.

7.1 From your experience, how do you feel companies will need to develop in the short break market, in relation to the following environmental factors.

ECONOMIC FACTORS	SOCIAL FACTORS
e.g Recession / single market.	e.g Ageing population.
TECHNOLOGICAL FACTORS	LEGAL FACTORS
e.g Transport / communication / CRS's	e.g Package travel directive.
OTHER COMMENTS	

7.2 Do you feel the total holiday market has :

GROWN or DECLINED or REMAINED STATIC

7.3 Do you feel the market for short breaks has :

GROWN or DECLINED or REMAINED STATIC

7.4 How long do you feel this trend for short breaks will last.

SIX MONTHS ONE YEAR TWO YEARS FIVE YEARS

MORE THAN FIVE YEARS

7.5 Have other markets suffered/flourished as a result of the trends in the short break market.

YES NO HOW :.....

.....

.....

.....

THANK YOU FOR YOUR TIME AND ATTENTION

APPENDIX III

Phase II Questionnaire Sample

PURPOSE

To determine the CSHB strategies used by key suppliers in CSHB markets in Scotland

SAMPLE

20 companies
(All hotel groups)

FORMAT

Telephone Interviews

SHORT BREAKS QUESTIONNAIRE

PHASE TWO - COMPANY PERFORMANCE

1. MARKET CONDITIONS

1.1 What overall market share do you consider your company has in the Short Break (SB) market ? *(Tick)*

LOW *MEDIUM* *HIGH*

1.2 Which of the following markets do you target ? *(Tick)*

<i>ACTIVITY /SPORT</i>	<input type="checkbox"/>	<i>ROMANCE /LUXURY</i>	<input type="checkbox"/>	<i>RAIL INCL.</i>	<input type="checkbox"/>
<i>B&B Only</i>	<input type="checkbox"/>	<i>TOURING</i>	<input type="checkbox"/>	<i>OFF PEAK</i>	<input type="checkbox"/>
<i>SP.INTEREST</i>	<input type="checkbox"/>	<i>D, B&B</i>	<input type="checkbox"/>	<i>FESTIVE</i>	<input type="checkbox"/>

1.3 Which target market has grown fastest since 1990 ?

1.4 In your opinion which target market provides the greatest future potential ?

2. MARKET DEVELOPMENT / STRATEGIES

2.1 Is perceived quality important to SB demand ? *(Tick)*

YES *NO*

If YES what benefits occur when perceived quality is high ? *(Tick)*

<i>INCREASE SALES</i>	<input type="checkbox"/>	<i>HIGHER SPEND</i>	<input type="checkbox"/>	
<i>RETURN CUSTOM</i>	<input type="checkbox"/>	<i>STRONGER IMAGE</i>	<input type="checkbox"/>	
<i>RAISES VALUE</i>	<input type="checkbox"/>	<i>OTHER (specify)</i>	<input type="checkbox"/>	_____

2.2 Which of these words best describes your involvement in the SB market ? (Tick)

<i>INNOVATOR</i>	<input type="checkbox"/>	<i>FOLLOWER</i>	<input type="checkbox"/>	<i>DABBLER</i>	<input type="checkbox"/>
<i>DEVELOPER</i>	<input type="checkbox"/>	<i>IMPROVER</i>	<input type="checkbox"/>	<i>NO INVOLVEMENT</i>	<input type="checkbox"/>

2.3 Which of these best describes your SB marketing strategy ? (Tick)

<i>STRONG BRAND</i>	<input type="checkbox"/>	<i>LOW PRICES</i>	<input type="checkbox"/>	<i>DIFFERENT PRODUCT</i>	<input type="checkbox"/>
<i>QUALITY PRODUCT</i>	<input type="checkbox"/>	<i>WIDE CHOICES</i>	<input type="checkbox"/>	<i>PACKAGING</i>	<input type="checkbox"/>
<i>OTHER (specify)</i>	<input type="checkbox"/>	_____			

2.4 Why do you offer SBs ? (Tick)

<i>FOR GROWTH</i>	<input type="checkbox"/>	<i>ADDITIONAL REVENUE</i>	<input type="checkbox"/>	<i>GAIN MARKET SHARE</i>	<input type="checkbox"/>
<i>CONTRIBUTE TO FIXED COST</i>	<input type="checkbox"/>	<i>COMPENSATE OTHER MARKETS</i>	<input type="checkbox"/>	<i>COMPETITORS OFFER BREAKS</i>	<input type="checkbox"/>
<i>TEST NEW PRODUCTS</i>	<input type="checkbox"/>	<i>OTHER (specify)</i>	_____		

3. MARKET STRUCTURE

3.1 What do you feel are the main barriers to entry in the SB market for hotels ? (Tick)

<i>BRAND</i>	<input type="checkbox"/>	<i>RESOURCES</i>	<input type="checkbox"/>	<i>LOCATION</i>	<input type="checkbox"/>
<i>FINANCE</i>	<input type="checkbox"/>	<i>GROUP SIZE</i>	<input type="checkbox"/>	<i>NONE / DON'T KNOW</i>	<input type="checkbox"/>
<i>OTHER (specify)</i>	<input type="checkbox"/>	_____			

3.2 How do you or could you overcome these barriers ?

4. COMPETITIVE POSITION

4.1 What do you perceive as your company's competitive edge in attracting SBs ?
(Tick)

<i>LOCATION</i>	<input type="checkbox"/>	<i>OP's EXPERTISE</i>	<input type="checkbox"/>	<i>LOW OVERHEADS</i>	<input type="checkbox"/>
<i>SKILLED STAFF</i>	<input type="checkbox"/>	<i>RESEARCH</i>	<input type="checkbox"/>	<i>MARKETING</i>	<input type="checkbox"/>
<i>EXPERIENCE</i>	<input type="checkbox"/>	<i>IMAGE / BRAND</i>	<input type="checkbox"/>	<i>FINANCIAL STRUCTURE</i>	<input type="checkbox"/>
<i>FACILITIES</i>	<input type="checkbox"/>	<i>OTHER (specify)</i>	<input type="checkbox"/>		

4.2 In your opinion, what competitive position do your company hold in the SB market ?

STRONG *MEDIUM* *WEAK* *DON'T KNOW*

4.3 What were the Average Room and Sleeper Occupancies (%) for 1991 ?

ROOM OCCUPANCY % *SLEEPER OCCUPANCY* %

5. SHORT BREAK TARIFF

5.1 How do you determine what rate to charge for a SB ? (Tick)

<i>RACK RATE + EXTRAS @ COST</i>	<input type="checkbox"/>	<i>PACKAGE COST + MARGIN</i>	<input type="checkbox"/>
<i>MARKET RESEARCH</i>	<input type="checkbox"/>	<i>ROOM MARGIN + ACTIVITY COST</i>	<input type="checkbox"/>
<i>TRIAL & ERROR</i>	<input type="checkbox"/>	<i>OTHER (Specify)</i>	<input type="checkbox"/>

5.2 Which SB target markets are most price sensitive ?

5.3 Which SB target markets are least price sensitive ?

5.4 What was your companies Average Achieved Room Rate for 1991 ?

£'s

6. FINANCING

6.1 What is the breakdown of hotel ownership in your group ? *(Tick)*

<i>TOTALLY OWNED</i>	<input type="text"/>	%	<i>MNGT CONTRACT</i>	<input type="text"/>	%
<i>FRANCHISED</i>	<input type="text"/>	%	<i>OTHER (specify)</i>	<hr/>	

6.2 What % of the total costs are fixed ?

 %

6.3 Does your companies cost structure affect what SBs are offered ? *(Tick)*

YES NO

If Yes how does this determine breaks offered ?

6.4a When offering SBs, which department generates most revenue ? *(No.1)*

6.4b When offering SBs, which department generates most revenue - after No.1 ? *(No.2)*

<i>ROOMS</i>	<input type="text"/>	<i>RESTAURANT</i>	<input type="text"/>
<i>BAR</i>	<input type="text"/>	<i>SERVICES</i>	<input type="text"/>
<i>ACTIVITIES</i>	<input type="text"/>	<i>OTHER (specify)</i>	<input type="text"/>

6.5 Does the revenue structure of your company determine what SBs are offered ?

YES NO

If YES why is this ?

7. AFTER SALES & SUPPORT

7.1 What after sales activities and services does your company undertake ? (Tick)

<i>CONSUMER RESEARCH</i>	<input type="checkbox"/>	<i>BOOKING SERVICES</i>	<input type="checkbox"/>
<i>MAILING LISTS</i>	<input type="checkbox"/>	<i>COMPLAINTS SERVICE</i>	<input type="checkbox"/>
<i>SPECIAL OFFERS</i>	<input type="checkbox"/>	<i>DISCOUNTS</i>	<input type="checkbox"/>
<i>CLUB MEMBERSHIP</i>	<input type="checkbox"/>	<i>CUSTOMER HISTORY</i>	<input type="checkbox"/>
<i>CREDIT FACILITIES</i>	<input type="checkbox"/>	<i>COMPANY INFORMATION</i>	<input type="checkbox"/>
<i>OTHER (specify)</i>	<input type="checkbox"/>		

7.2 Why do you offer these services ?

7.3 In which of the listed areas do linkages occur with other parts of your organisation ?

(Please Tick)

<i>CRS</i>	<input type="checkbox"/>	<i>SPORT / ACTIVITY</i>	<input type="checkbox"/>	<i>BOOKING COMPANY</i>	<input type="checkbox"/>
<i>TRAVEL AGENTS</i>	<input type="checkbox"/>	<i>FOOD / BEV SUPPLY</i>	<input type="checkbox"/>	<i>HOLIDAY COMPANY</i>	<input type="checkbox"/>
<i>TRANSPORT</i>	<input type="checkbox"/>	<i>NONE</i>	<input type="checkbox"/>	<i>OTHER</i>	<input type="checkbox"/>

8. FUTURE

8.1 How do you think your group will have to respond to attract the SB market over the next five years ? *(Please Tick)*

<i>LARGER HOTELS</i>	<input type="checkbox"/>	<i>MORE VARIETY</i>	<input type="checkbox"/>
<i>LOWER COST</i>	<input type="checkbox"/>	<i>MORE FLEXIBILITY</i>	<input type="checkbox"/>
<i>BETTER AMENITIES</i>	<input type="checkbox"/>	<i>MORE LUXURIOUS</i>	<input type="checkbox"/>
<i>BETTER LOCATIONS</i>	<input type="checkbox"/>	<i>OTHER (specify)</i>	<input type="checkbox"/>

8.2 Any further comments ?

THANK YOU FOR YOUR TIME AND ATTENTION

Please return this form in the envelope provided to :

**David A Edgar, PhD Research Student, Department of Tourism & Hospitality,
Napier University, 10 Colinton Road, Edinburgh, EH10 5DT, (Tel : 031 455
2555)**

APPENDIX IV

Phase III Questionnaire Sample

PURPOSE

To provide data to allow a unit (market) perspective to CSHB markets in Scotland and the UK

SAMPLE

39 companies
(6 hotel groups)

FORMAT

Face to Face Interviews

SHORT BREAKS QUESTIONNAIRE FOR INDIVIDUAL HOTELS APRIL 1994

Hotel Code :

Date :

Time :

1. INTRODUCTION

This questionnaire forms an integral part of PhD research being undertaken at Napier University. Corporate interviews have already been undertaken into the dynamics and structure of the market. However, such interviews provide an industry perspective. It is recognised that the unit or market perspective is of equal importance if not more important, therefore this questionnaire is designed to establish the characteristics and nature of short break provision by individual hotels, thus allowing comparison with corporate results and establishing an industry and market perspective to the research. The interview will be structured into sections, each section clearly identified. All responses are the opinion of the interviewee, and as such are taken in confidence. No individual hotel, or opinion of managers will be identified.

The results from the questionnaire will be used in the compilation of the PhD thesis and may be used in part for resulting conference papers or academic articles, again individual data will not be identifiable.

For the purposes of this research, short breaks are defined as stays of one to three nights.

Summary results of the questionnaire will be made available to all respondents probably in July 1994.

2. SHORT BREAK INVOLVEMENT

This section is to determine what level of involvement you have within the Short Break (SB) Market.

When do you offer SBs ?

by month :

All Year

Low Season Only

J F M A M J J A S O N D

High Season Only

J F M A M J J A S O N D

Other

specify - _____

by days of the week :

All Week

Specific Days

Mon Tue Wed Thu Fri Sat Sun

(Low Season High Season)

What % of your total revenue would you say s attributable to SBs ?

 %

How many room nights did SBs account for in 1991/2 ?

 nights

3. *SHORT BREAK CONCEPT / PRODUCT*

This section determines the type of short breaks you offer.

Does your hotel compile its own SB packages ?

YES NO

What % of all packages offered are compiled specifically by your hotel ?

%

...who else compiles the packages -

No packages offered

Specialist Operator

Head Office

Other

%
 %
 specify - _____

In your opinion on a scale of 1 to 5, where 5 is essential and 1 is no importance, how essential are the following components of a SB package to its success ?

	Essential				No Importance
Evening Meal Included	5	4	3	2	1
Transport From Home	5	4	3	2	1
Leisure Centre in Hotel	5	4	3	2	1
Organised Activities	5	4	3	2	1
Child Discounts	5	4	3	2	1
A "Theme"	5	4	3	2	1
Other :	5	4	3	2	1

Why does your hotel offer SBs ?

Contribute to Fixed Costs Company Growth Gain Market Share
 Test New Products Compensate Other Markets Competitors Offer SBs
 Additional Revenue Head Office Decision Fill Spare Capacity
 Other ... _____

4. MARKET SEGMENTATION

This section determines the types of market you target or in some cases would like to target.

On a scale of 1 to 5 where 5 is highly attractive and 1 is not at all attractive, how attractive do you find the following market segments in terms of potential Volume, Revenue and Profitability ? (you may/not offer breaks in these areas at present)

	Highly Attractive					Not at all Attractive
	5	4	3	2	1	
Activity / Sport	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Bed & Breakfast Only	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Special Interest	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Romance Luxury	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Touring	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Dinner, Bed & Breakfast	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Rail Inclusive	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Off Peak	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Festive	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

Volume = Revenue = Profitability =

Which of the market segments identified does your hotel accommodate ?

All
 Specific :

5. PROMOTION

This section determines how SBs are promoted and what level of importance is placed on this promotion.

How do you promote SBs ?

In your opinion, which are critical (C) and which are additional/support methods ?

On a scale of 1 to 5, where 5 is critical and 1 is no role, what role does Head Office play in promoting SBs ?

Critical					No Role
5	4	3	2	1	

What % of your total sales budget is spent on promoting SBs ?

%

Does your hotel have direct control over this budget ?

YES NO

6. DISTRIBUTION

This section briefly establishes how the SB product is distributed.

On a scale of 1 to 5, where 5 is essential and 1 is not important, how important are the following forms of distribution ?

		Essential				Not Important
Individual Hotel Activity	<input type="checkbox"/>	5	4	3	2	1
Hotel Group Brochure	<input type="checkbox"/>	5	4	3	2	1
Consortia	<input type="checkbox"/>	5	4	3	2	1
Short Break Operators	<input type="checkbox"/>	5	4	3	2	1
Destination Marketing	<input type="checkbox"/>	5	4	3	2	1

Which of the above forms of distribution does your hotel use ?

Do you use any other forms of distribution not identified ? Y / N

Please provide details of these methods :

How important is this distribution channel to your hotel ? (1-5)

7. PRICING



This section determines how SBs are priced, and how flexible SB pricing is.

How does your hotel determine the price of SBs ?

Rack Rate + Extras @ Cost	<input type="checkbox"/>	Package Cost + Margin	<input type="checkbox"/>
Market Research		Room Margin + Activity @ Cost	<input type="checkbox"/>
Trial & Error		Head Office Decide	<input type="checkbox"/>
Other	<input type="checkbox"/>		

On a scale of 1 to 5, where 5 is totally and 1 is fixed, how flexible is this price (Up and Down) ?

	Totally				Fixed
	5	4	3	2	1

Upwards : 
 Downwards : 

Does Head Office influence SB prices ?

YES NO

..... if yes, HOW _____

Which of the SB market segments you target are most price sensitive ?
 Rank in order :

	Price Sensitive
Activity / Sport	
Bed & Breakfast Only	
Special Interest	
Romance Luxury	
Touring	
Dinner, Bed & Breakfast	
Rail Inclusive	
Off Peak	
Festive	

Other / additional :

8. PERFORMANCE

This section establishes general performance in terms of costs, non-financial and general performance indicators.

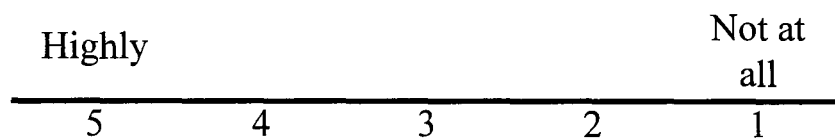
What was the total hotels room occupancy % 1991/2 ? & for SBs ?

Total % For SBs %

What % of guests are return visits - in total, and for SBs ?

Total % For SBs %

On a scale of 1 - 5, where 5 is highly and 1 is not at all, how seasonal is your demand ?



What was your Average Achieved Room Rate for 1991/2 in total, and for SBs ?

Total £ For SBs £

As % of the SB package rate, what is the average supplementary spend per SB guest ?

%

What is the typical % sales mix for an average SB stay - Revenue (R) and Profit (P) ?

	R	P		R	P
Rooms			Restaurant		
Bar			Services		
Activities			Other (specify)	_____	

Does this sales mix affect the type of SBs offered ?

YES NO

... if yes, HOW _____

What are your hotels fixed costs as a % of total costs ?

	%
--	---

By offering SBs, what happens to the following AVERAGE costs ?

	Decrease	No Change	Increase	Don't Know
Labour				
Food				
Drink				
Laundry				
Services eg electric				
Fixed costs				

Does your hotels cost structure affect the SBs offered ?

YES NO

... if yes, HOW _____

9. SHORT BREAK STRATEGIES

This section establishes what strategies are used in the SB market.

Do you think perceived quality is important for SBs ?

YES NO

What benefits do you experience as a result of high perceived quality ?

Increased Sales	<input type="checkbox"/>	Higher Supp. Spend	<input type="checkbox"/>
Return Custom	<input type="checkbox"/>	Stronger Image	<input type="checkbox"/>
Raises Rack Rate	<input type="checkbox"/>	Other (specify) _____	

Which words would best describe your involvement in the SB market ?

Innovator	<input type="checkbox"/>	Follower	<input type="checkbox"/>	Dabblers	<input type="checkbox"/>
Developer	<input type="checkbox"/>	Improver	<input type="checkbox"/>	No Involvement	<input type="checkbox"/>

Which of the following SB marketing strategies do you adopt ?

Strong Brand	<input type="checkbox"/>	Low Prices	<input type="checkbox"/>	Different Product	<input type="checkbox"/>
Quality Product	<input type="checkbox"/>	Wide Choices	<input type="checkbox"/>	Packaging	<input type="checkbox"/>
Other (specify)	<input type="checkbox"/>	_____			

Which ONE of these strategies is your core / prime SB strategy ? (C)

Do you decide on the SB strategy or does head office ?

You Head Office Joint

What do you perceive as the main barriers to SB market entry ?

Brand	<input type="checkbox"/>	Resources	<input type="checkbox"/>	Location	<input type="checkbox"/>
Finance	<input type="checkbox"/>	Group Size	<input type="checkbox"/>	None / Don't Know	<input type="checkbox"/>
Other (specify)	<input type="checkbox"/>	_____			

How can hotels overcome these barriers ?

10. COMPETITION / COMPETITIVE ADVANTAGE

This section establishes who are perceived as competition and what the hotel believes it's competitive advantage is.

Who do you perceive to be your five main competitors in the SB market ?

1. _____
2. _____
3. _____
4. _____
5. _____

What is your hotels main competitive edge ?

Location	<input type="checkbox"/>	Op's Expertise	<input type="checkbox"/>	Low Overheads	<input type="checkbox"/>
Skilled Staff	<input type="checkbox"/>	Research	<input type="checkbox"/>	Marketing	<input type="checkbox"/>
Experience	<input type="checkbox"/>	Image / Brand	<input type="checkbox"/>	Financial Structure	<input type="checkbox"/>
Facilities	<input type="checkbox"/>	Other (Specify)	_____		

How do you maintain this competitive edge ?

How do you use your advantage ?

11. HEAD OFFICE / CORPORATE INVOLVEMENT

This section establishes the relationship between head office and the unit in terms of short break autonomy and product provision.

In general what support services are offered in relation to the SB market ?

Consumer Research	<input type="checkbox"/>	Booking Services	<input type="checkbox"/>
Mailing Lists	<input type="checkbox"/>	Complaints Service	<input type="checkbox"/>
Special Offers	<input type="checkbox"/>	Discounts	<input type="checkbox"/>
Club Membership	<input type="checkbox"/>	Customer History	<input type="checkbox"/>
Credit Facilities	<input type="checkbox"/>	Company Information	<input type="checkbox"/>
Other (specify)	<input type="checkbox"/>		

Which of these are provided by :

Head Office	<input type="checkbox"/>	A
Joint Ventures	<input type="checkbox"/>	B
An outside company	<input type="checkbox"/>	C

What % of SBs are booked through Head Office ?

%

Do you suffer in any way as a result of Head Office links ?

YES NO

If Yes HOW ?

What are the main benefits of Head Office links ?

12. FUTURE MARKET

This section determine how you think the SB market will change in the future and what responses are necessary.

How do you think the SB market will change over the next five years ?

As a unit, how will you respond ?

How do you think your group will respond as a whole ?

Larger Hotels	<input type="checkbox"/>	More Variety	<input type="checkbox"/>
Lower Cost	<input type="checkbox"/>	More Flexibility	<input type="checkbox"/>
Better Amenities	<input type="checkbox"/>	More Luxurious	<input type="checkbox"/>
Better Locations	<input type="checkbox"/>	Other (specify)	<input type="checkbox"/>

Thank you for participating in this questionnaire, summary results will be made available as soon as possible.

APPENDIX V

***Testing the performance model - A CSHB multi site unit
perspective***

APPENDIX V

TESTING THE MODEL

THE MULTI-SITE UNIT PERSPECTIVE : A CONSOLIDATED REVIEW

A1. INTRODUCTION

Other researchers have identified the differing characteristics in multi product firms (Bradley & Baron 1993). In hospitality operations a similar approach can be adopted towards location. This appendix provides a multi-site perspective to the research, providing an indication of the structure-strategy-performance relationship at the third strategic level of functional management and over a range of location types. The underlying theme here is based on the premise that often within group variations in performance are greater than between group variations (Johnson & Thomas 1988). As such, areas of potential synergy (Ansoff 1965, Hofer & Schendel 1978) and the results of diversification strategies (Prahalad 1976) are established through determining similarities and differences in corporate and unit perspectives (Scott & Simpson 1989, Banks & Wheelwright 1979, Hobbs & Heany 1977) of the CSHB market and competitive strategies. The research model established throughout this research is applied at unit level to test the model and to provide a unit perspective to the model development. Each of the strategic group units, termed by Porter (1980), strategic business units (SBUs), are examined and their performance determined. The appendix is concluded by indicting areas of additional contribution to knowledge.

A2. MULTI-SITE Vs CORPORATE PERSPECTIVE

In this section the comparison is made between the corporate perspective of CSHB provision and the unit perspective. The sample consist the six most active hotel groups in the CSHB market : Forte, Milton, Mount Charlotte Thistle (MChTh), Queens Moat Houses (QMHs), Scottish Highland Hotels (SHH), and Stakis. The hotel samples are established in Chapter 6 and include a number of hotels operating in England, this is to provide an addition dimension to the CSHB multi-site analysis by widening the range of locations or consumer destinations.

To undertake the comparison between unit and corporate perspectives the general background of unit involvement in the CSHB market is established, followed by an analysis of the unit market structure, CSHB strategies adopted, and finally performance. At each of these stages of development, comment is made with regard to corporate versus unit similarities or differences.

Before examining unit performance it is useful to summaries corporate characteristics for each hotel group, the corporate perspective in the CSHB market is shown in table A.2a.

Table A.2a : Corporate Perspective Summary

GROUP	CSHB STRATEGY	MARKET SCOPE	MARKET SHARE	No. OF SOURCES	CSHB MARKET PERFORMANCE £s
Forte	Promotion	Medium	High	Many	6193
Milton	Pricing	Medium	Low	Few	989
M.Ch.Th	Segmnt./pckging	Wide	High	Many	5577
QMHs	Promotion	Medium	High	Few	1650
SHH	Segmnt./pckging	Medium	Medium	Many	3210
Stakis	Promotion	Medium	High	Few	3740

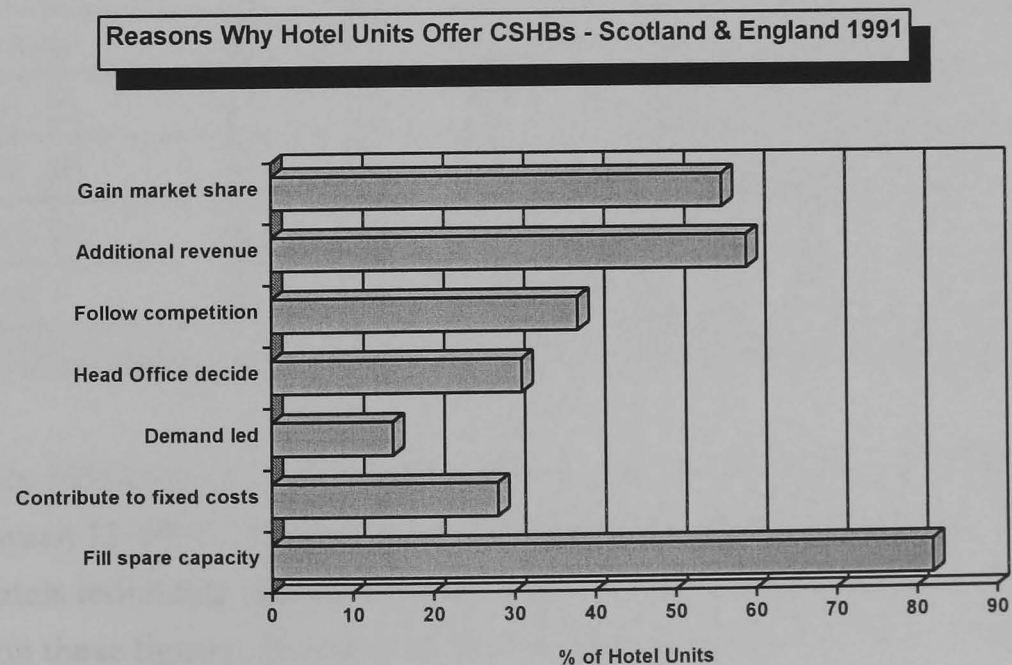
A.2.1 Background

This sections determines why hotel units offer CSHB, when they are offered, what percentage of sales CSHB account for, and the number of nights accountable to CSHB. At this stage, individual groups are not identified, nor are specific location types. This section is intended to provide an overview of unit market background.

(i) Why CSHB are Offered

Figure A.2.1a shows the main reasons for offering CSHB.

Figure A.2.1a



While at unit level, over 80% of hotel units indicated they offer CSHB in order to fill spare capacity, the corporate perspective indicated additional revenue as the main reason for offering CSHB. This in essence represents the gap between the strategic planning and longer term nature established through the industry/corporate perspective, while the operational level is depicted as shorter term and functional in nature attempting to fill spare capacity as it arises. In addition, the role of head office is highly evident with 30% of hotels claiming CSHB are offered in part, due to a head office decision.

(ii) When CSHB Are Made Available

The CSHB are offered all year round by 97% of hotel units, and every day of the week by 79% of the hotel units, a view reflected by the corporate/industry perspective, emphasising the shift away from off-peak provision.

(iii) The Value of CSHB

The value of CSHB to hotel units is shown in table A.2.1a which indicates the percentage of sales CSHB represents for each hotel unit.

Table A.2.1a : Value of CSHB to Hotel Units 1991/2

CSHB % of Total Sales	No. of Hotel Units by Hotel Group					
	Forte	Milton	MChTh	QMHS	SHH	Stakis
0-10	4	2	5	3	1	2
11-20			1		3	1
21-30	1		1			3
31-40	2		1	2	1	
41-50	1					
51-60	1					
61-70	2					
71 +	1					1

Note : CSHB revenue as a % of total sales is rounded to nearest whole percentage.

Most hotels 44% have between 0-10% of their sales represented by CSHB and 43% being between 11-50%. The average contribution of CSHB is 24.7% of revenue, with 13% of hotels indicating that over 50% of their revenue is attributable to CSHB.

Based upon these figures, the value of the CSHB market is obviously evident to hotel

units, even more so than at the corporate level where all hotel groups provide an average of 10-15% and the six hotel groups of this sample 10%.

It is worth noting here that only hotel units in Forte and to a limited extent Stakis, indicated that over 41% of revenue comes from CSHB. Both these groups are high profile in terms of CSHB markets compared to other market segments.

(iv) Volume of CSHB

Table A.2.1b shows the number of CSHB room nights reported by hotel units 1991/2.

Table A.2.1b : CSHB Room Nights in Hotel Units 1991/2

CSHB Room Nights	No. of Hotel Units by Hotel Group					
	Forte	Milton	MChTh	QMHs	SHH	Stakis
0-1000	1	1	4	1		
1001-2000	1		1	2	1	2
2001-3000	3		1		1	1
3001-4000	1		1		1	
4001-5000	1		1		1	1
5001-6000				1		
6001-7000						
7001-8000						
8001-9000	1					
9001-10000						1
10000 +	3			1		2

Three hotels were unable to provide the information required. The total number of room nights for 1991/2 was 160382, with an average of 4455 per hotel, or 12 rooms per night.

The volume of CSHB varies considerably with 74% having up to 5000 CSHB nights, and 26% having more than this figure. Again, Forte, and Stakis represent the most room nights, with QMHs also included. These three groups can be seen to be among the most prominent and active in the CSHB market in Scotland and the UK.

This section has established the general background to hotel unit CSHB provision. The next sections focus on the specific areas of market structure, CSHB strategies and CSHB performance.

A.2.2 CSHB Market Structure

As in the previous areas of industry level analysis the market structure is determined in relation to three key variables, (i) market scope, (ii) market share and (iii) number of sources of competitive advantage.

To identify the hotel groups corporate perspective of market structure, the corporate perception of structure is indicated in brackets on each figure.

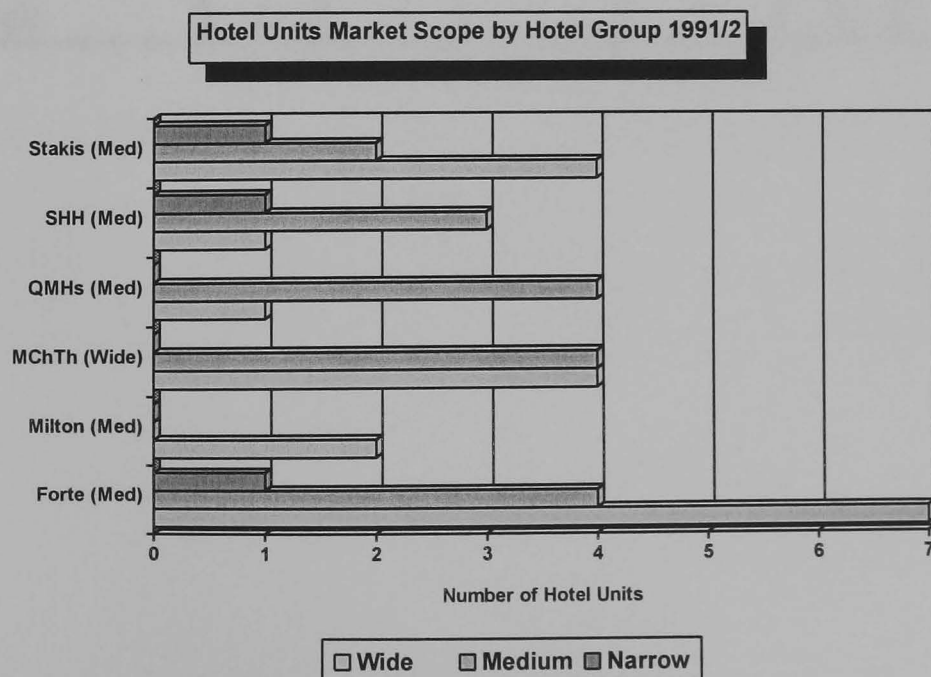
(i) Market Scope

Market scope refers to the breadth of CSHB markets targeted. Using the same scale as in chapter seven the following degrees of market scope are determined, shown in table A.2.2a and figure A.2.2a.

Table A.2.2a : Market Scope of Hotel Units 1991/2

Market Scope	No. of Hotel Units by Hotel Group					
	Forte	Milton	MChTh	QMHS	SHH	Stakis
Wide	7	2	4	1	1	4
Medium	4	0	4	4	3	2
Narrow	1	0	0	0	1	1

Figure A.2.2a



Hotels with the widest market scope are seen to be Forte, Stakis, Mount Charlotte Thistle and Milton hotels, of which Mount Charlotte Thistle is the only one indicative of the corporate perspective analysis.

Hotels indicating mostly medium scope, Scottish Highland Hotels, and Queens Moat Houses are consistent with their hotel group corporate perspective. This would appear to indicate that at unit level, the width of market scope i.e. the number of market segments targeted is of more evidence and importance than is perhaps perceived at corporate level.

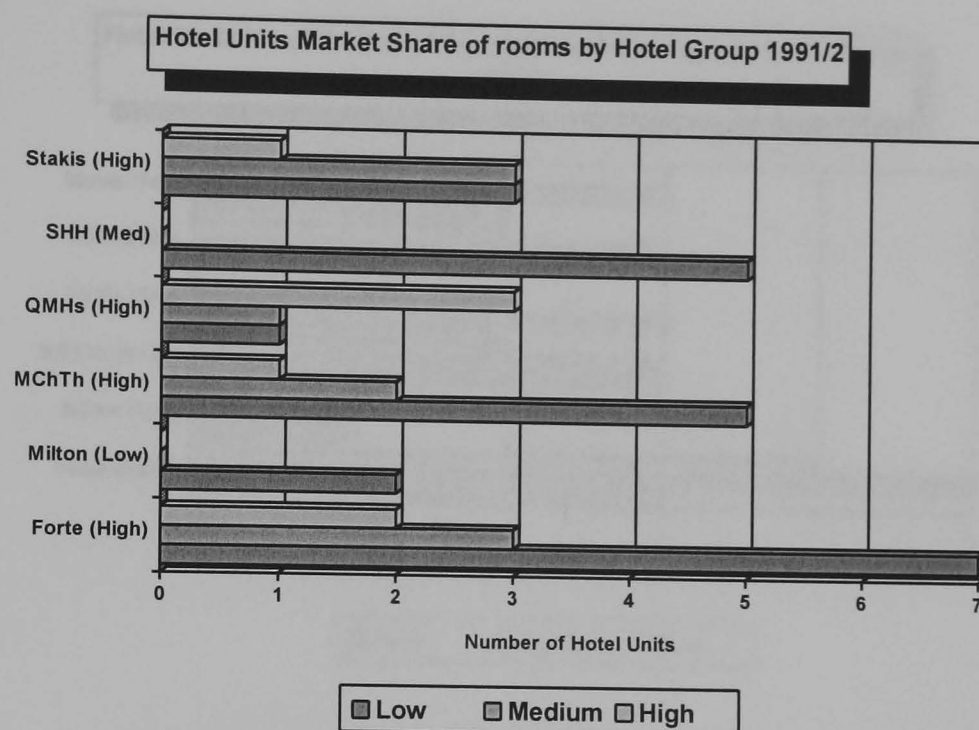
(ii) Market Share

Market share refers to the concentration of hotel rooms made available by each hotel unit for the CSHB markets to consume. Using the same concentration method as in chapter seven the following degrees of market share are determined. A concentration ratio of 0-2 is low share, 2.1 to 4 medium share, and 4.1 or over high share. These divisions are reached by taking the average market share concentration ratio of 2.9 as the average for the market and then determining a lower and upper band from this. Table A.2.2b indicated the number of hotels in each concentration band, figure A.2.2b indicates these graphically.

Table A.2.2b : Market Share of Hotel Units 1991/2

Market Share	No. of Hotel Units by Hotel Group					
	Forte	Milton	MChTh	QMHS	SHH	Stakis
Low	7	2	5	1	5	3
Medium	3	0	2	1	0	3
High	2	0	1	3	0	1

Figure A.2.2b



Perhaps unexpectedly, the size of individual hotels reflects the size of the hotel group as a whole in only one case, that of QMHs. While the other groups show distinct characteristics towards smaller average size hotels, particularly the Scotland based hotel groups i.e. SHH and Milton. Where in the corporate level analysis it was found that the size of group did not affect performance, the former may be the reason.

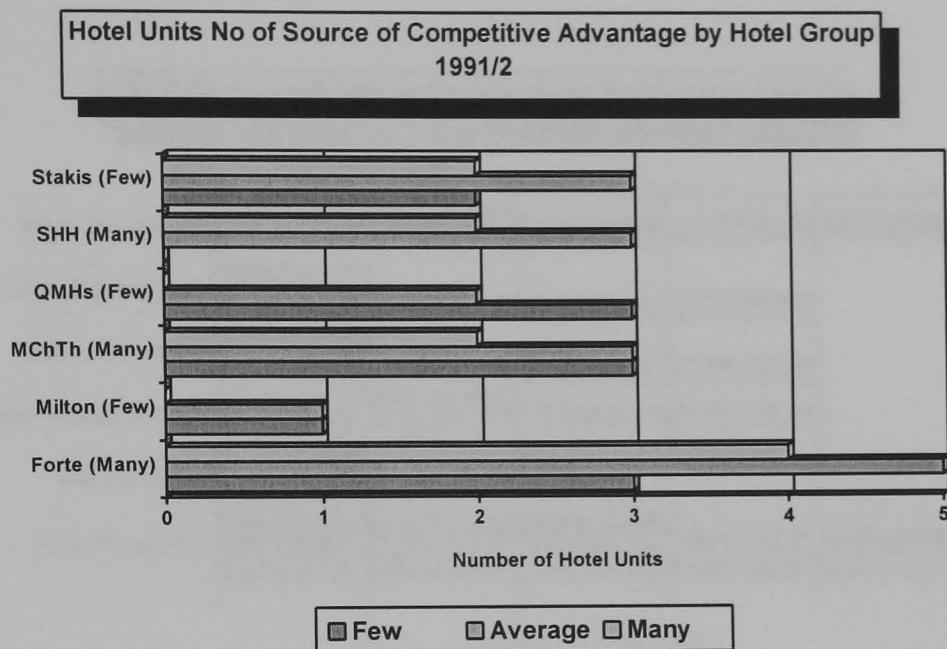
(iii) Number of Sources of Competitive Advantage

Table A.2.2c shows the structure of the unit level market in terms of sources of competitive advantage, this is again shown in figure A.2.2c.

Table A.2.2c : Source of Competitive Advantage by Hotel Group 1991/2

No. Sources of Advantage	No. of Hotel Units by Hotel Group					
	Forte	Milton	MChTh	QMHs	SHH	Stakis
Few	3	1	3	3	0	2
Average	5	1	3	2	3	3
Many	4	0	2	0	2	2

Figure A.2.2c

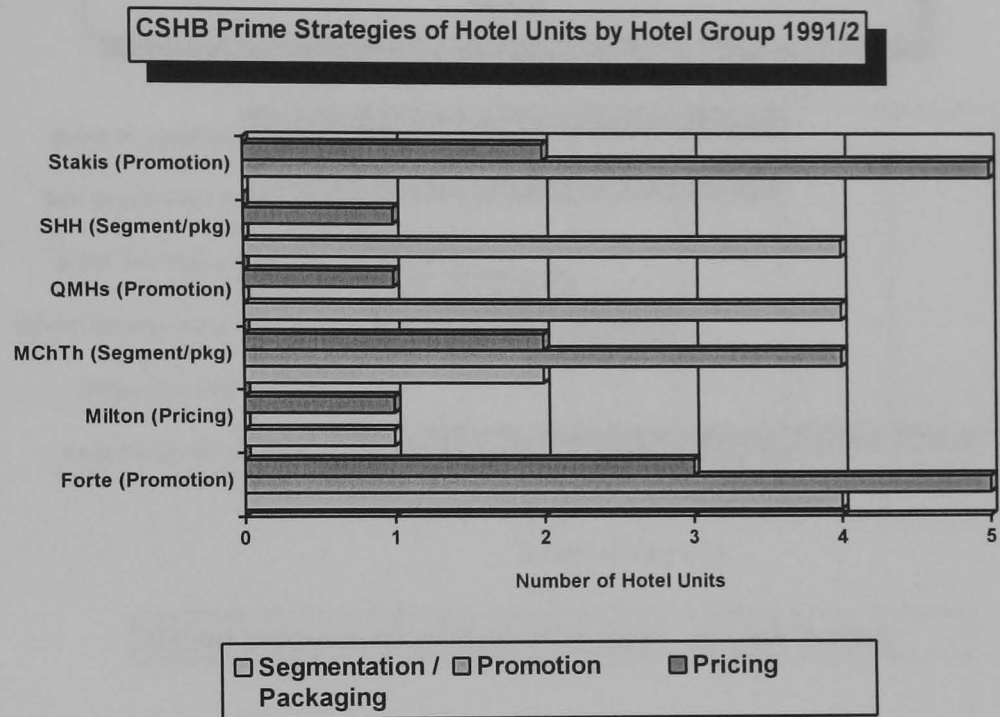


Comparing the sources of competitive advantage it can be seen that most hotel units have "average" number of sources of advantage (44%), yet none of the hotel groups had identified an average number in the corporate perspective. Milton and QMHs are the closest to their corporate perspective with few sources of competitive advantage. Generally, the implications here are that the strategic resources available for hotel units are different from those perceived at corporate level, with average sources being considerably more evident indicating a more balanced strategic capability at unit level. This may imply that some hotel groups may underestimate their competitive power at unit level.

A.2.3 CSHB Prime Strategies

As may be expected, in most cases, the same categories of prime CSHB strategies that are adopted by hotel groups are adopted by hotel units. Figure A.2.3a shows which strategies are adopted by hotel units in which hotel groups, the strategy in brackets being that identified by the hotel group as a whole.

Figure A.2.3a

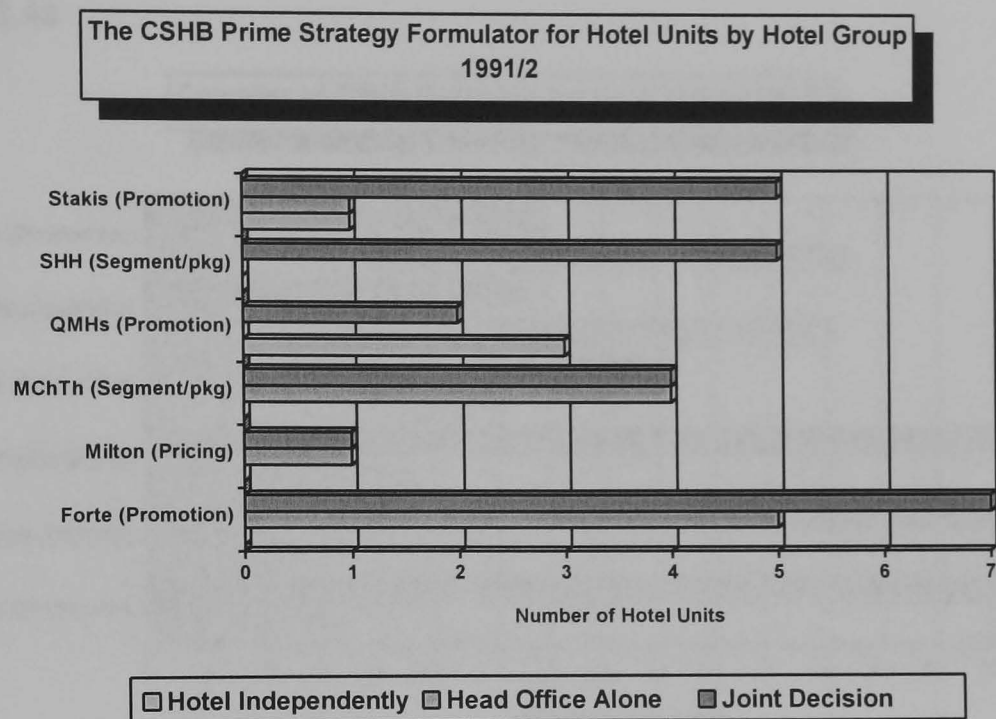


In the cases of QMHs and MChTh the prime strategies identified by hotel units differs from that identified by the corporate level. This illustrates the "gap" between corporate and unit CSHB strategy, the strategic gap (Edgar 1995) and also the differing strategy requirements by location. The two most prominent strategies by hotel units appear to be promotion and segmentation/packaging. No distribution strategies are adopted emphasising the likely poor performance of these strategies and their use as a secondary strategy, or as a specific function of head office.

As strategies vary so widely between hotel groups and units, it is useful to determine who sets a hotel units CSHB market strategy.

Figure A.2.3b shows who determines the CSHB strategy for hotels within each group.

Figure A.2.3b



It can be seen that most strategies are determined by joint decision, however, head office does play a key role. Two groups that displayed key variance from the corporate strategy, QMHs and MChTh. QMHs can be seen to make a wider degree of independent strategy formulation perhaps explaining the strategy discrepancy. MChTh on the other hand has joint decision and head office perhaps leading to confusion over strategic direction.

A.2.4 All CSHB Strategies

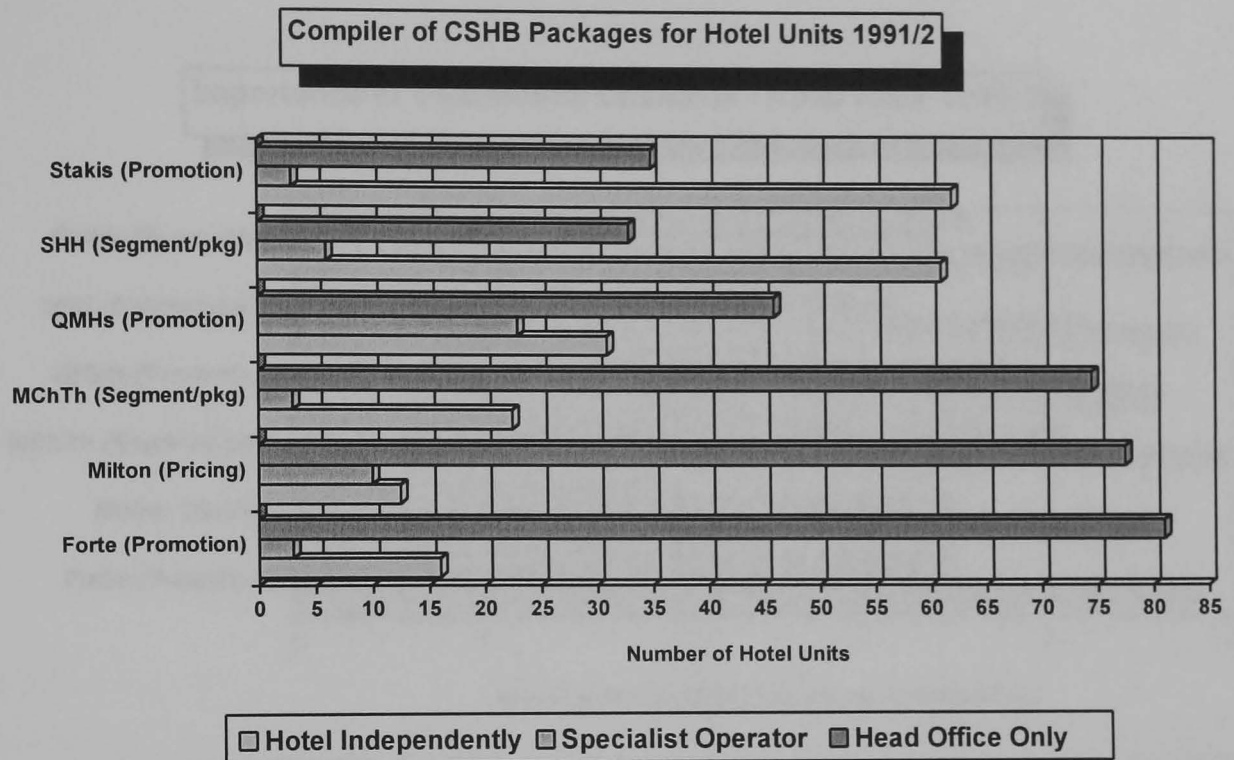
This section focuses on all CSHB strategies regardless of prime and as such determines characteristics of packaging / segmentation, distribution, promotion, and pricing.

(i) Packaging

Segmentation was established as a key profitable strategies for hotel groups at most levels of structure, of which packaging was a key element of the strategy. While hotels identified the elements of the package as being of the same importance as hotel groups, there is a question as to the role head office plays in the compilation of multi-site unit packages and indeed whether their knowledge of local operating environments and markets is adequate to take such an involvement in creating packages for units.

Figure A.2.4a shows the role of head office in compiling CSHB packages.

Figure A.2.4a



It can be seen that head office only, does appear to have a key role in the compilation of CSHB packages, particularly in the UK wide larger hotel groups such as Forte, MChTh, and QMHs. While this may represent attempts at centralisation in order to weather the recession and allow ease in control and construction of branded packages remains to be determined.

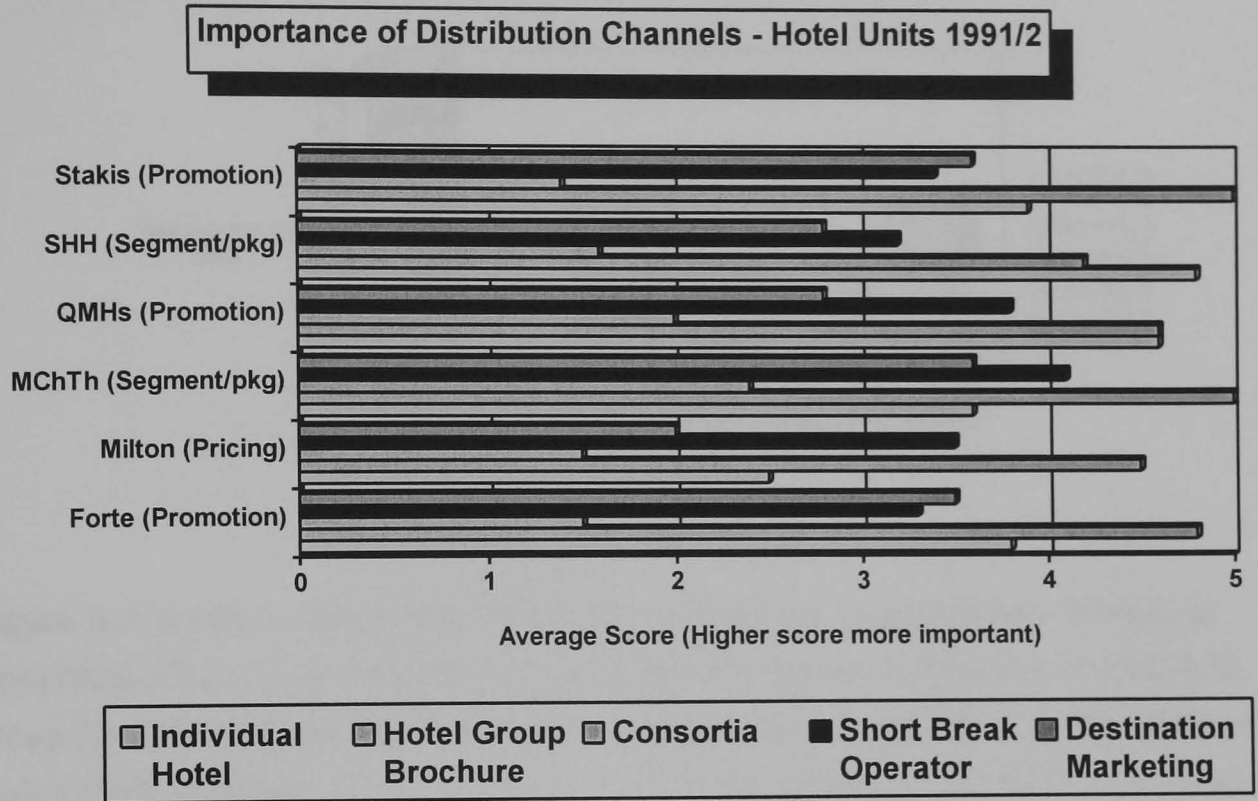
Two hotel groups' hotels identified the hotels independently as being the main compilers of packages. Both hotel groups, Stakis and SHH are similar in nature in terms of structural variables and formulate strategy through head office and joint decisions. This allows units to construct packages within the constraints of a jointly decided strategy.

An area of concern may be QMHs, where while hotels independently formulate CSHB strategies, head office appear to construct the packages. This could cause problems of communication and co-ordination and may lead to problems in terms of financial performance.

(ii) Distribution

The role of head office in packaging is clear. Figure A.2.4b shows the role of head office in distributing CSHB indicating the distribution channels used, while figure A.2.4c indicates bookings made through head office.

Figure A.2.4b



In a similar manner to hotel groups at corporate level, the ranked importance of distribution is portrayed as hotel group brochure, followed by individual hotel, short break operator (SBO) and finally consortia. Two key points to note are that QMHs, probably due to the independence of the hotel units, indicated equal importance to hotel group brochure and individual hotel activity. SHH on the other hand, indicate that hotel units are the most important distribution channel, probably due to their freedom in constructing CSHB packages within a group CSHB strategy of segmentation/packaging.

Figure A.2.4b

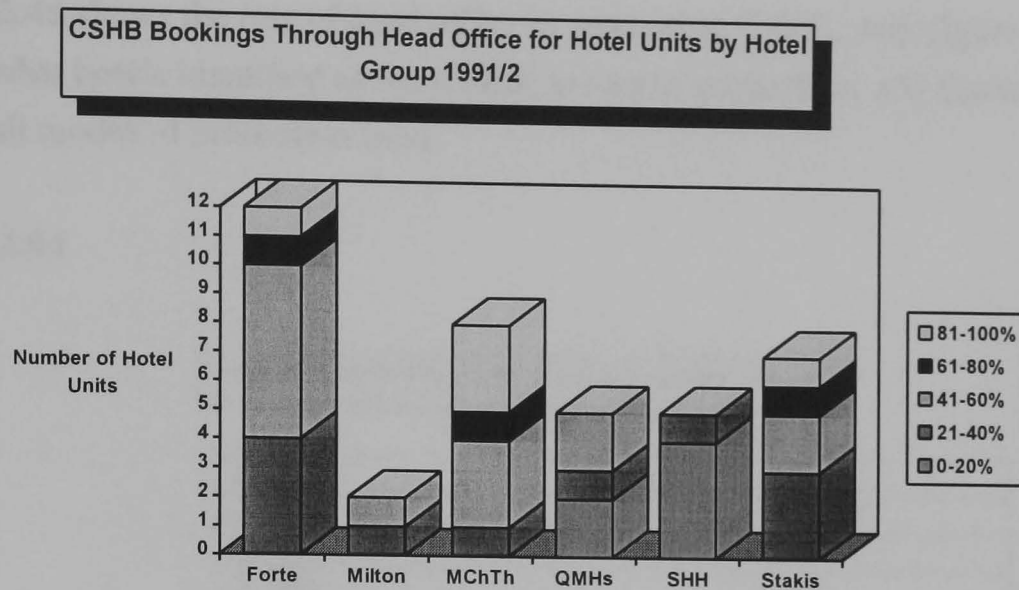


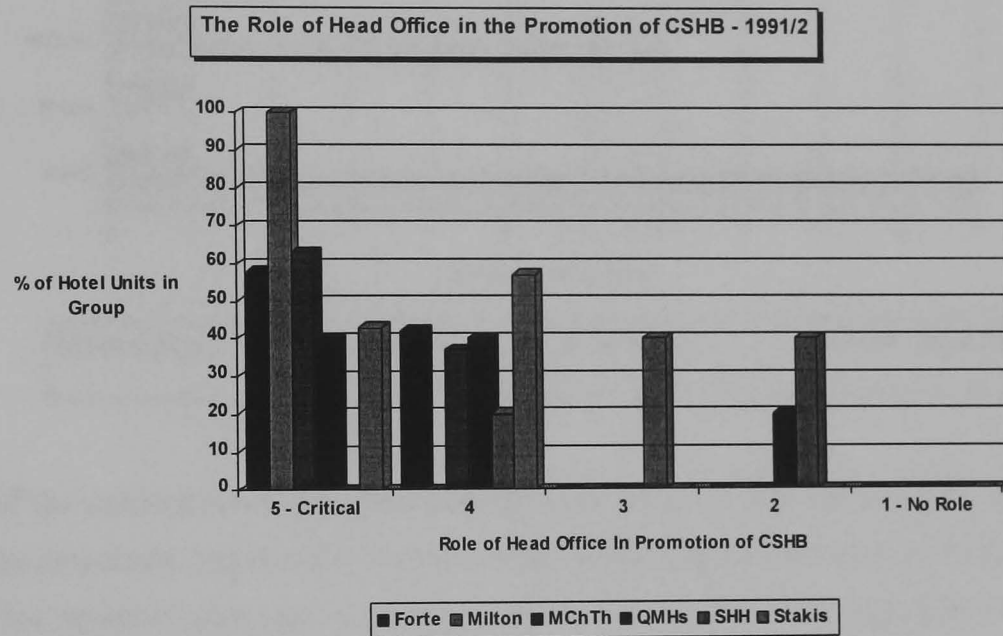
Figure A.2.4c shows the number of hotels receiving the various levels of booking from head office. It can be seen that a considerable number of hotels in the MChTh group (3) and one in the Forte and Stakis groups rely on head office for 81-100% of their CSHB bookings. At the other end of the scale QMHs (2) and SHH (4) rely on head office for only 0-20% of bookings.

These in effect reflect the identified importance of the hotel group brochure shown in figure A.2.4c and seem to indicate a narrow view by hotel units not necessarily looking to the "support" that head office may offer. Along a similar theme, it also reveals that the hotel units with little head office involvement in strategy formulation are less reliant on bookings through head office.

(iii) Promotion

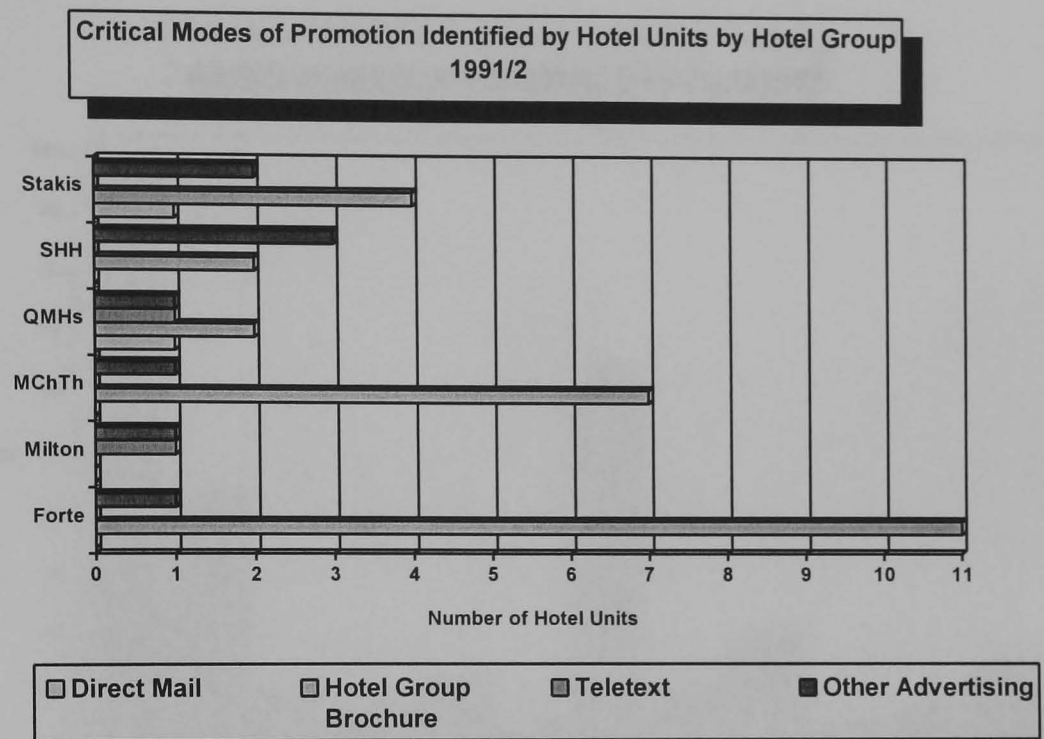
Figure A.2.4d shows the role of head office in promoting CSHB, with figure A.2.4e showing what hotels identified as the critical modes of promotion, and figure A.2.4f showing all modes of promotion used.

Figure A.2.4d



In general, smaller hotel group hotels appear to be more reliant on head office for promotion i.e. Milton, SHH. Hotels belonging to larger groups such as Forte, MChTh, and QMHs seem to indicate that there is less reliance on head office. The holistic view appears to be that hotel groups play a key role (4 or 5) in the promotion of CSHB.

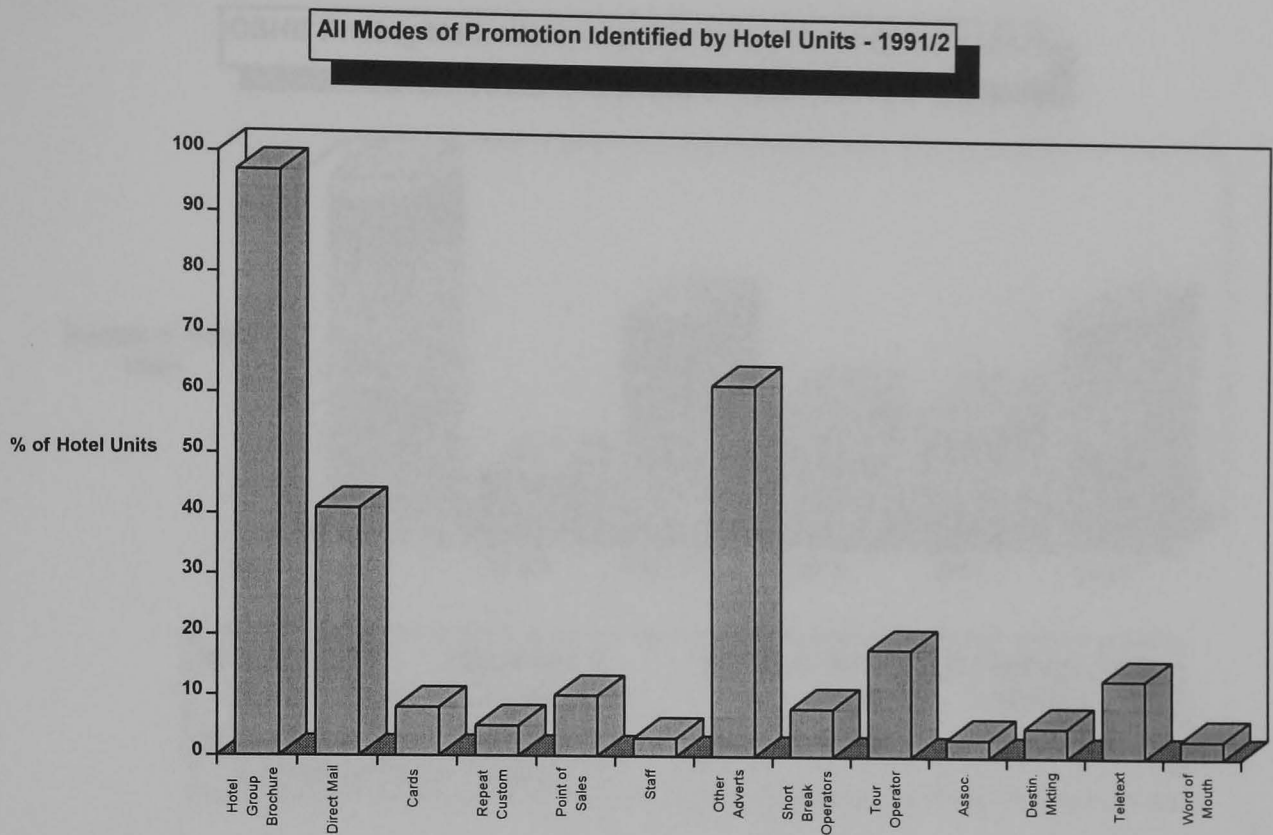
Figure A.2.4e



In terms of the critical modes of promotion, head office plays the key role through a hotel group brochure, essentially representing marketing economies and allowing exposure for smaller units and competing effectively against the unaffiliated hotel sector, particularly the case with hotel groups such as Forte and MChTh.

SHH appears to be more independent in its advertising and QMHs seem to strike a balance of methods, perhaps indicating a higher degree of sophistication of methods alongside greater strategy and market independence or even simply confusion over strategy and strategic direction.

Figure A.2.4f



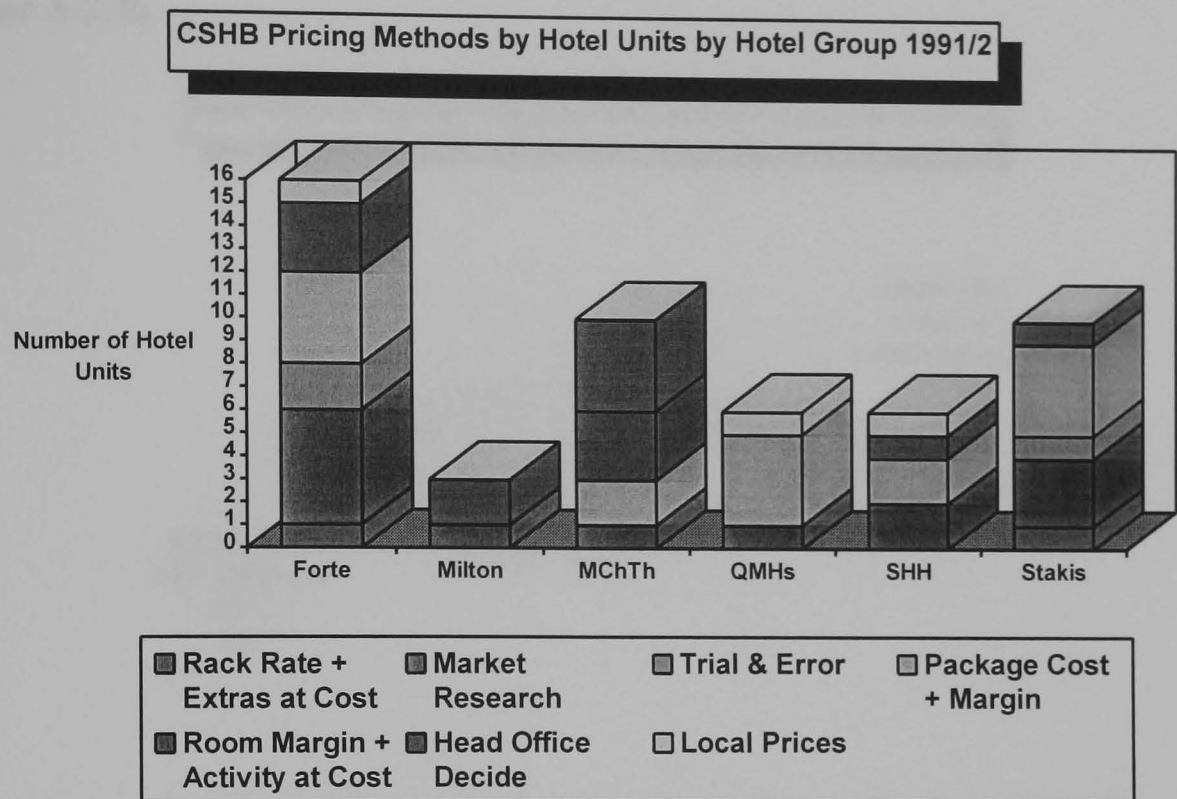
As may be expected, when examining all modes of promotion, the hotel group brochure is most used, by 98% of all hotels, followed by "other" general advertising 62% and direct mail 40%. These methods are typical of markets under monopolistic competition which requires more sophisticated marketing techniques that will not lead to price cutting. A great deal of reliance appears to be placed on head office to filter down marketing techniques and strategies to help units acquire valuable market share.

(iv) Pricing

This section determines how CSHB are priced and what influence head office has on the CSHB price.

Figure A.2.4g shows how CSHB are priced, while figure A.2.4h indicates the influence head office has on CSHB price.

Figure A.2.4g



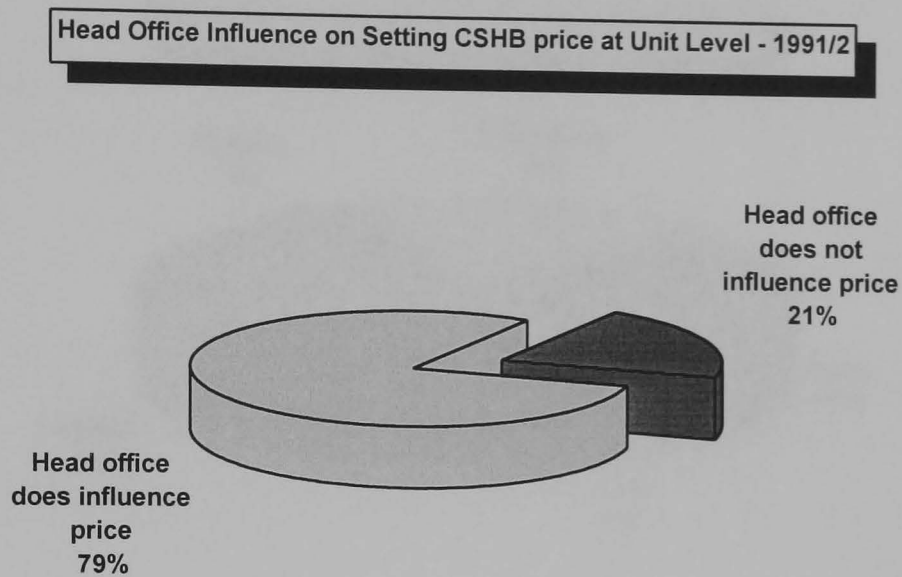
The most popular method of pricing by most hotels is package at cost plus margin, as with hotel groups. Perhaps of more interest is the role of head office in setting prices for units in separate markets.

Most groups, except QMHs who have no head office involvement perhaps due to more general manager independence through the management incentive scheme, have some degree of head office involvement. Such head office involvement may explain why in the corporate level analysis, little difference was seen in pricing by location and is thus the reason for what appears rather primitive pricing techniques.

In addition the place of trial and error in large groups such as Forte and Stakis seems ridiculous. What may be deemed as encouraging here is the degree of market research taking place and presumably underpinning pricing and perhaps indicating a policy / strategy towards more sophisticated pricing in the CSHB market in the future.

Figure A.2.4h shows the role head office plays in determining CSHB prices.

Figure A.2.4h



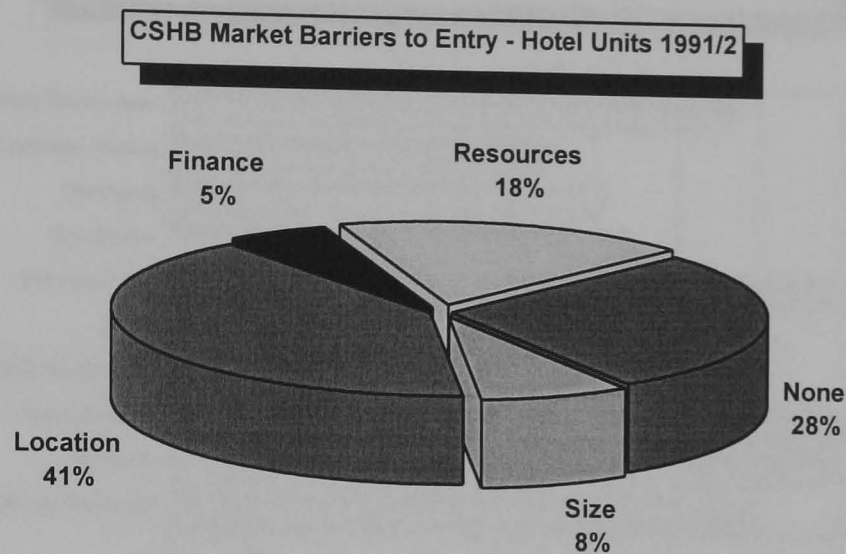
With head office influencing 79% of hotel units pricing the question is raised as to the level of knowledge head office has over the local market prices and indeed whether such knowledge is required. This is perhaps best determined by comparing the units average achieved CSHB rate with the rate indicated in the group brochure. This opens up an area for further investigation and shall not be taken further in this text.

11.2.5 CSHB Barriers to Entry

The importance of barriers to entry and mobility was established in Chapter 7.

Figure A.2.5a shows what hotels identified as the main barriers to entry in the CSHB market.

Figure A.2.5a



It is evident that the greatest barriers to market entry in the CSHB market is location, one of the most fixed barriers, except perhaps for Friendly hotels concept of flotel. This in essence reflects the "product" oriented nature of CSHB and the importance of destination which is examined in section A.3 where primary, secondary, and tertiary locations are examined.

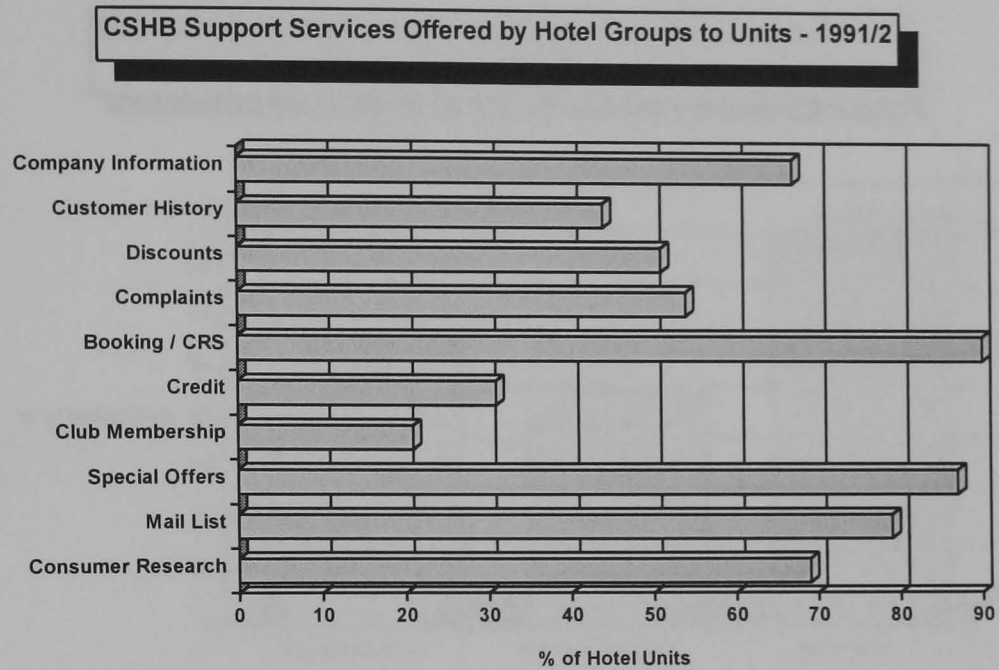
Size does not seem to pose much of a problem. Only 8% of units recognise hotel size as a barrier to entry, and 28% of units indicating that there were no barriers to entry at all. These findings emphasise the competitive nature of the market and the need to develop CSHB strategies that produce the best returns.

With the lack of barriers to entry, the importance of maintaining market share is emphasised particularly when location is fixed and appears to be the only serious barrier. This, combined with the other low barriers, places more reliance by units on head office and the support head office can offer in order that the units can compete against increased competition. Such head office support can be seen as a means of raising the number of areas of competitive advantage and may account for why units have more sources of advantage than hotel groups as a whole.

A.2.6 Head Office Support

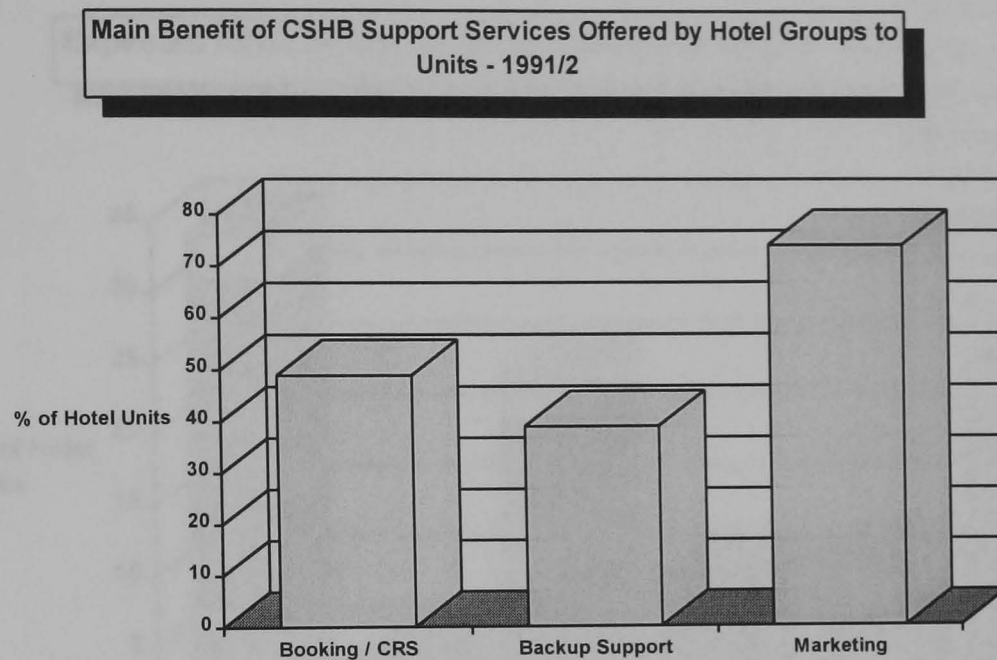
Figure A.2.6a shows how head office assist hotel units in the CSHB market.

Figure A.2.6a



The main support offered by head office can be seen to be booking via central reservation systems (CRS), special offers, company information, mailing lists, and consumer research, focusing on the distribution and marketing of CSHB. These benefits are reiterated by figure A.2.6b which shows the three main benefits of head office links in terms of the CSHB market. However, 26% of hotel units identified that there were considerable drawbacks of head office links, the main ones appearing to be a lack of communication and poor supply of critical information.

Figure A.2.6b

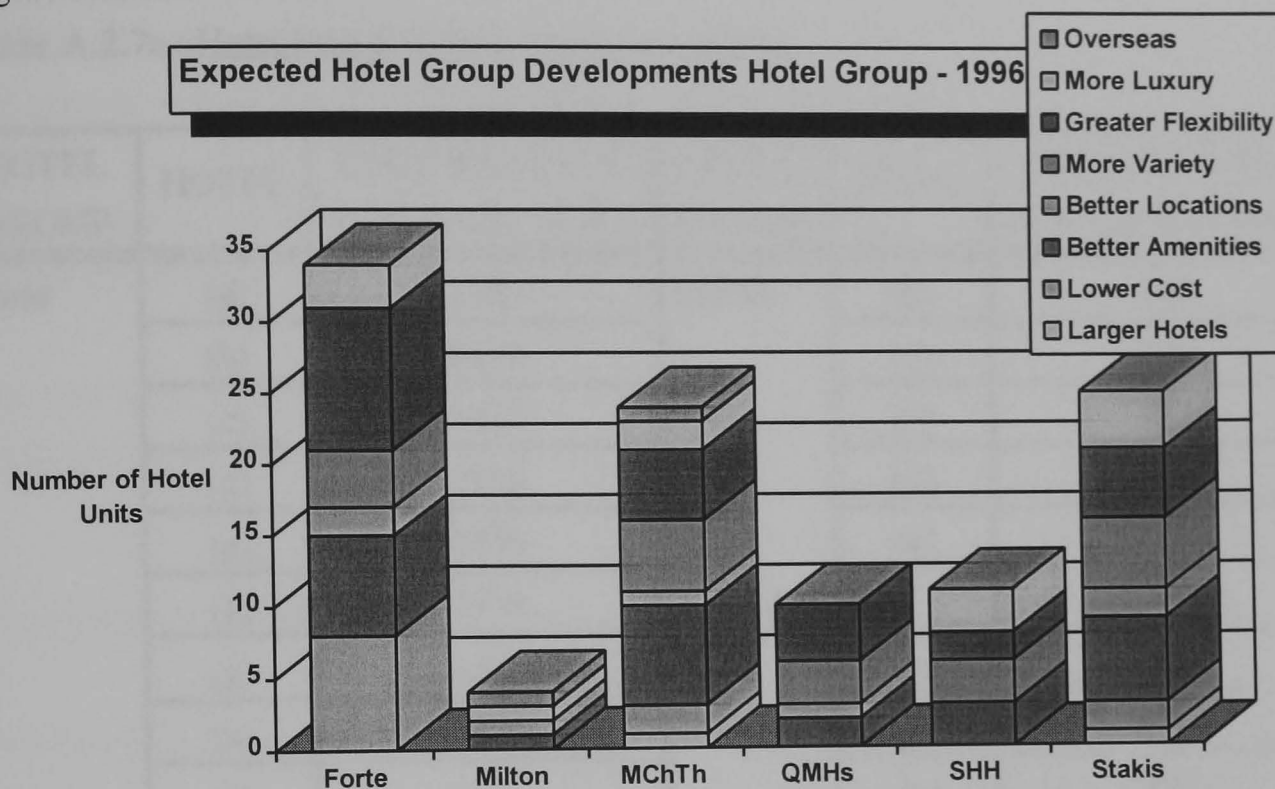


In conclusion to this section, the future direction of hotel groups is determined from the perspective of the hotel units and then compared to the future direction identified by the hotel groups themselves.

A.2.7 Future Hotel Group Direction

Figure A.2.7a indicates what individual hotels think their hotel group will do to react to changes in the CSHB market.

Figure A.2.7a



The most evident changes to 1997 are increased flexibility, more variety, and better amenities. This shows the increasing complexity and segmented nature of the market, and the need for hotel groups to develop and use technology to respond to such needs.

Some understanding of hotel group policy exists with hotel groups identifying flexibility and variety also, but followed by better locations and lower cost. These two latter developments being more corporate in nature.

11.2.7 CSHB Performance

The measure of performance used is the same as for hotel groups.

The average CSHB revenue per room per annum 1991/2 is calculated by the average achieved CSHB rate per room multiplied by the CSHB room occupancy for the year, e.g. if average achieved CSHB rate was £50, and CSHB occupancy rate was 20% then average CSHB revenue per room per annum would be £3650.

Based on these calculations table A.2.7a shows the performance of the various hotel units.

Table A.2.7a : Hotel Unit CSHB Performance 1991/2

HOTEL GROUP	HOTEL	CSHB REVENUE PER ROOM 1991/2	HOTEL GROUP	HOTEL	CSHB REVENUE PER ROOM 1991/2
Forte	(a)	2320	QMHS	(a)	589
	(b)	8410		(b)	372
	(c)	6424		(c)	183
	(d)	3056		(d)	3811
	(e)	7556		(e)	818
	(f)	3734		Average	1154.60
	(g)	6504	SHH	(a)	5256
	(h)	7480		(b)	2730
	(i)	n/a		(c)	6040
	(j)	5676		(d)	2146
	(k)	712		(e)	3610
	(l)	4928	Average	3956.40	
	Average	5163.65	Stakis	(a)	1505
	Milton	(a)		803	(b)	1825
(b)		730		(c)	2321
Average	766.50	(d)		1226	
M.Ch.Th	(a)	5834		(e)	1993
	(b)	350		(f)	872
	(c)	n/a		(g)	3504
	(d)	610	Average	1892.29	
	(e)	1278			
	(f)	606			
	(g)	5215			
	(h)	n/a			
Average	2315.50				

In terms of unit performance, Forte perform best with £5163.65, followed by SHH £3956.40 and MChTh £2315.50. Milton perform worse with £766.50 essentially reflecting the market level of the hotels and displaying how potentially valuable the CSHB market can be.

In summary to the corporate versus unit perspective, it can be seen that the unit level concentrates on predatorial type strategies striving to gain market share. Distribution and general strategy formulation are largely the responsibility of head office.

Competition at unit level is intense requiring head office assistance although on some occasions distinct corporate - unit gaps appear.

The next section introduces another key structural variable particularly relevant to multi site operations - location.

A.3 LOCATIONAL VARIANCE OF MULTI-SITE UNITS

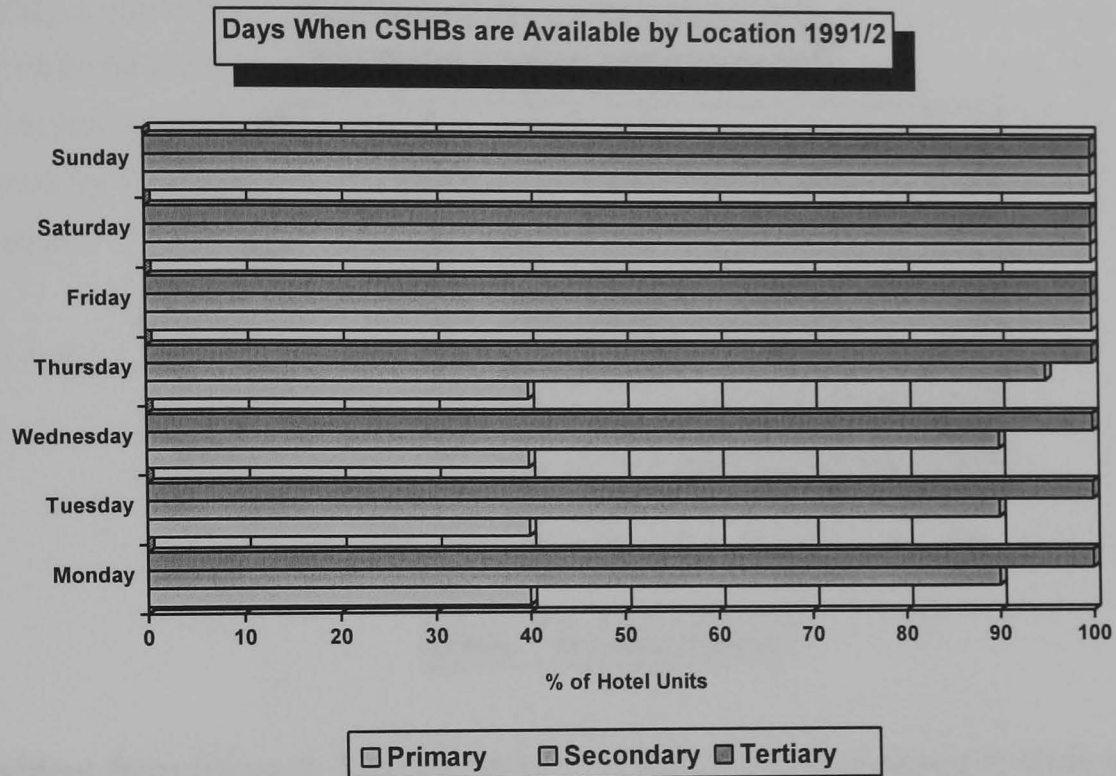
The locational variance of multi site units relates the three key location types, primary, secondary, and tertiary to the CSHB variables of market background, CSHB market structure, CSHB prime strategies adopted and distribution methods, and CSHB performance by location.

A.3.1 Background

Again, CSHB are offered all year round by location, however, when the days of the week are determined it becomes evident that CSHB are made available essentially at weekends in primary locations, and all week in other locations. The closer to primary location the unit becomes, the more weekend oriented the CSHB becomes.

This is shown in figure A.3.1a.

Figure A.3.1a



A.3.2 CSHB Market Structure

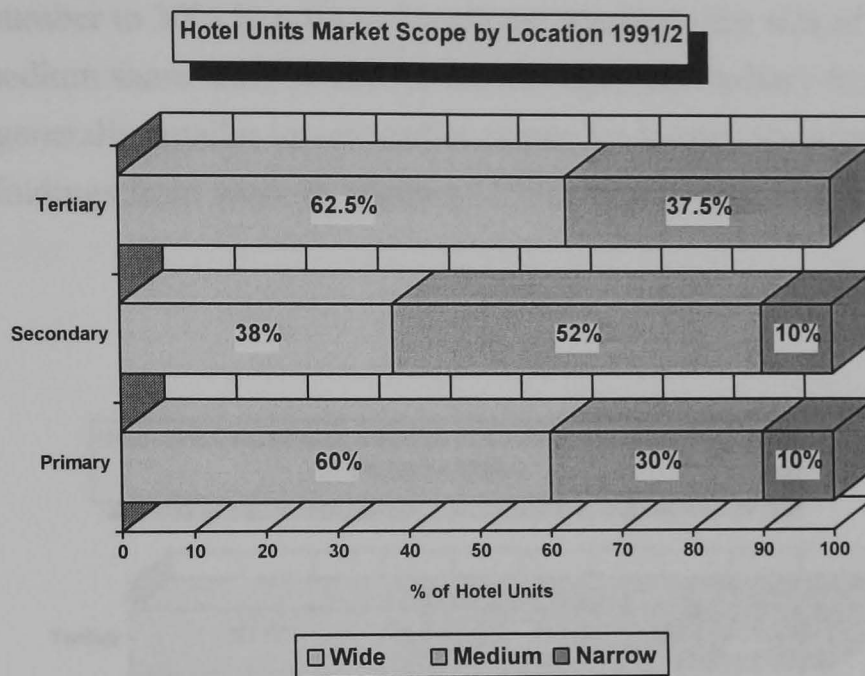
Market structure is determined in terms of market scope, market share, and number of sources of competitive advantage. Table A.3.2a shows these location variations.

Table A.3.2a : CSHB Market Structure by Location

STRUCTURE		Number of Hotels		
		Primary	Secondary	Tertiary
Market Scope	Wide	6	8	5
	Medium	3	11	3
	Narrow	1	2	0
Market Share	High	3	4	0
	Medium	4	4	1
	Low	3	13	7
Sources of Advantage	Many	2	6	3
	Average	5	8	3
	Few	3	7	2

Using this table, figures A.3.2a, A.3.2b, and A.3.2c are formed.

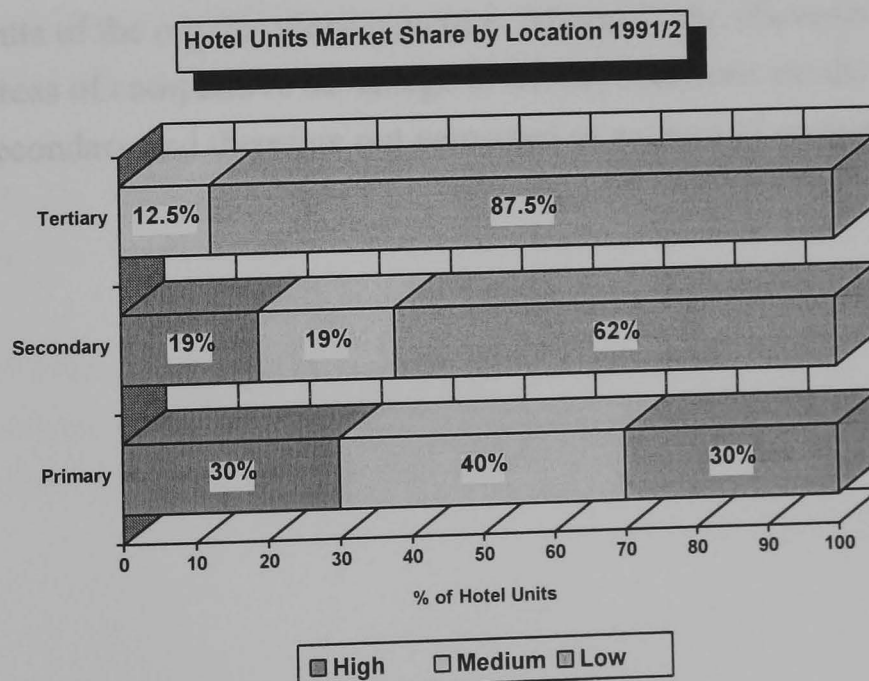
Figure A.3.2a



It is evident from figure A.3.2a that tertiary locations are predominantly wide in market scope as are primary locations, while secondary locations are essentially medium market scope in nature. Tertiary locations have no narrow scope hotels.

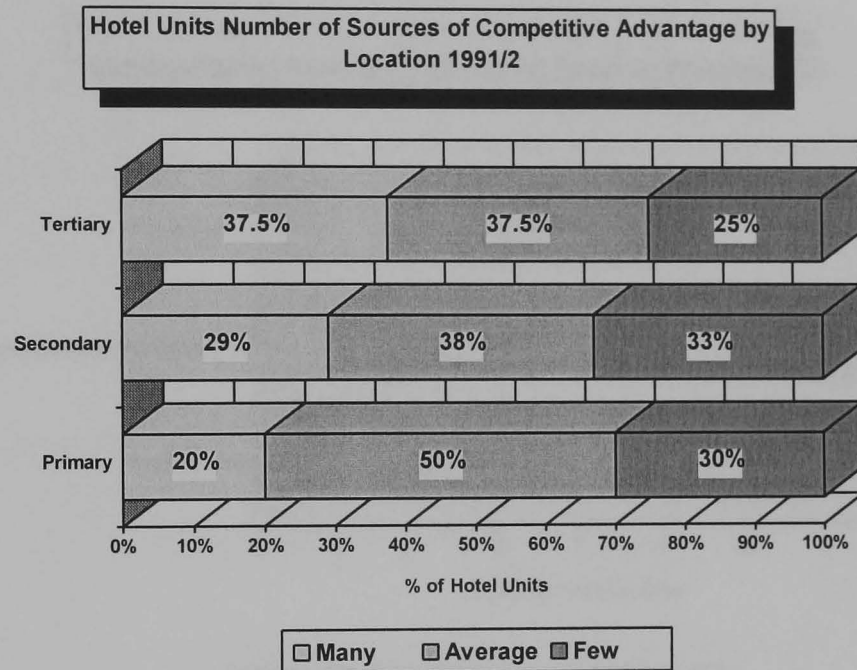
These findings would appear to indicate that tertiary locations will target a range of segments to encourage additional revenue. Secondary locations will specialise in a medium range of niches. Primary locations will provide a mix, allowing narrow market focus for specialisation and wide market scope for flexibility and to maintain consumer interest for return custom and fencing for different rate paying consumers.

Figure A.3.2b



From figure A.3.2b there are no high market share units in tertiary locations increasing in number to 30% in primary locations. Similarly the size of hotel is increased in medium share units as one moves through from tertiary to primary locations and generally smaller lower market shares for tertiary locations. This is supported by findings from work by Slattery (1992) establishing size of hotels linked to location.

Figure A.3.2c



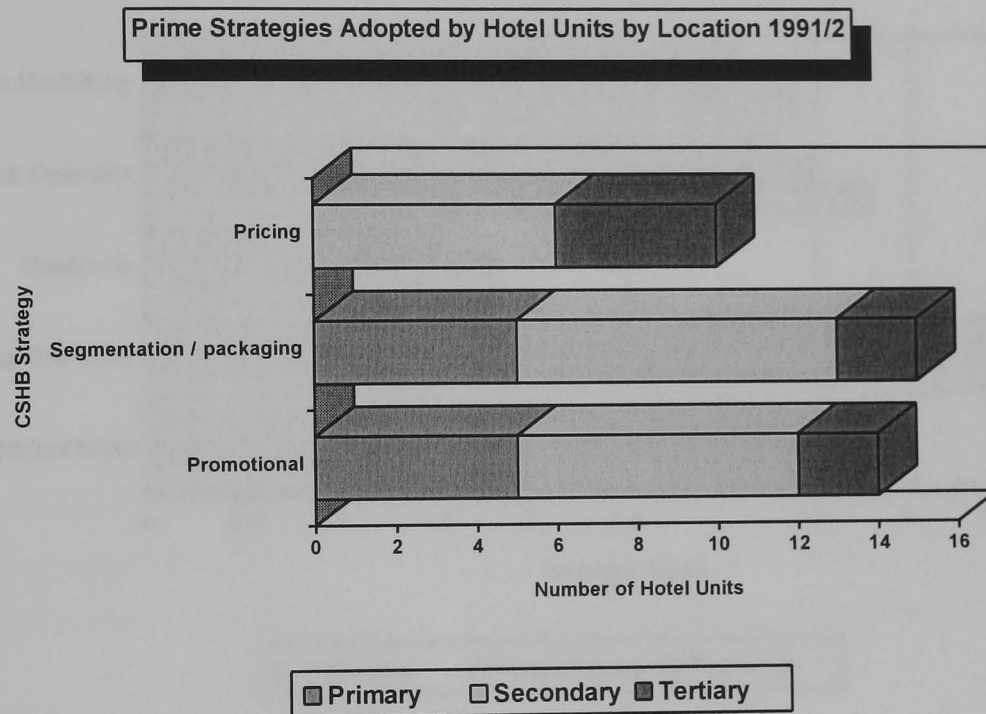
The number of sources of competitive advantage increases as one moves through the primary to tertiary locations. Fewer sources of advantage in secondary locations and average to few in primary locations. This would indicate that primary and secondary locations may exhibit a greater degree of competition and base strategies on more focused elements of the organisations structure. Alternatively, elements that are perceived as areas of competitive advantage in tertiary locations are the norm in primary and secondary and therefore not perceived as sources of competitive advantage.

A.3.3 CSHB Prime Strategies

This section establishes what strategies are adopted in each of the key locations. The three strategies have been established as promotion, segmentation/packaging and pricing.

Figure A.3.3a shows the prime strategies adopted by location.

Figure A.3.3a



Perhaps reflecting the highly competitive nature of primary locations. It can be seen that no hotels use pricing strategies. This should enhance contributions and improve the value of CSHB to such hotels helping maintain achieved room rates and not being treated as a form of discounting.

Hotels adopting pricing strategies can be seen to be secondary and tertiary in location, most evident in tertiary locations.

Segmentation/packaging strategies are used in the range of locations but mainly in secondary locations, while promotional strategies play a key role in primary locations. Location therefore appears to influence strategies adopted.

A.3.5 CSHB Performance

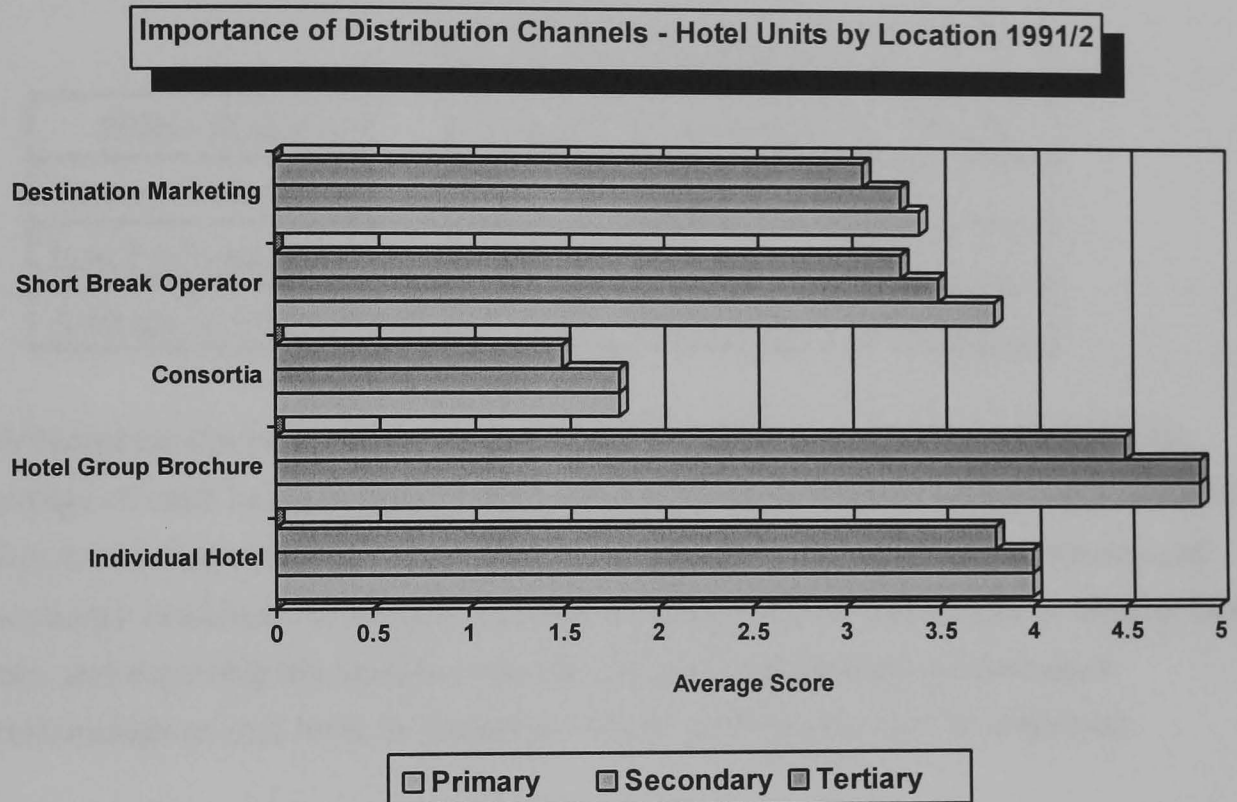
This section establishes the extent of performance in the key locations.

A.3.4 CSHB Distribution Methods

This section establishes if distribution methods are affected by hotel locations.

Figure A.3.4a shows the importance of distribution channels by location.

Figure A.3.4a



Location appears to have little if any affect on the order of importance of distribution channels used. The order of most importance being : hotel group brochure; individual hotel activity; SBO; destination marketing; and consortia. However, the importance of such channels is influenced by location in terms of importance per se.

Primary locations place more importance on each form of distribution, followed by secondary and tertiary. Essentially indicating the more sophisticated use of distribution as a secondary/support strategy for the prime.

The order of importance of each method of distribution is reflected by the hotel groups corporate perspective.

A.3.5 CSHB Performance

This section establishes the average performance of hotels in the six hotel groups.

Table A.3.5a shows the average performance of hotel units by location measured in terms of CSHB revenue per room per annum. Performance is calculated by multiplying the average achieved CSHB rate per room with the average CSHB room occupancy for 1991/2.

Table A.3.5a : CSHB Performance by Location 1991/2

PERFORMANCE	LOCATION		
	Primary	Secondary	Tertiary
Poorest Performance	183	350	730
Best Performance	7480	8410	7556
Average of Performance	4110.38	2242.40	4162.00

Performance can be seen to vary considerably within and between locations, the average of each being primary £4110.38, secondary £2242.40, and tertiary £4162.00. This shows that considerable performance is achievable out with the primary and secondary locations, essentially through adopting different strategies in smaller hotel units and exposing the need to examine the structure-strategy-performance relationships at unit level to determine where performance can be enhanced.

11.4 STRUCTURE - STRATEGY - PERFORMANCE RELATIONSHIPS

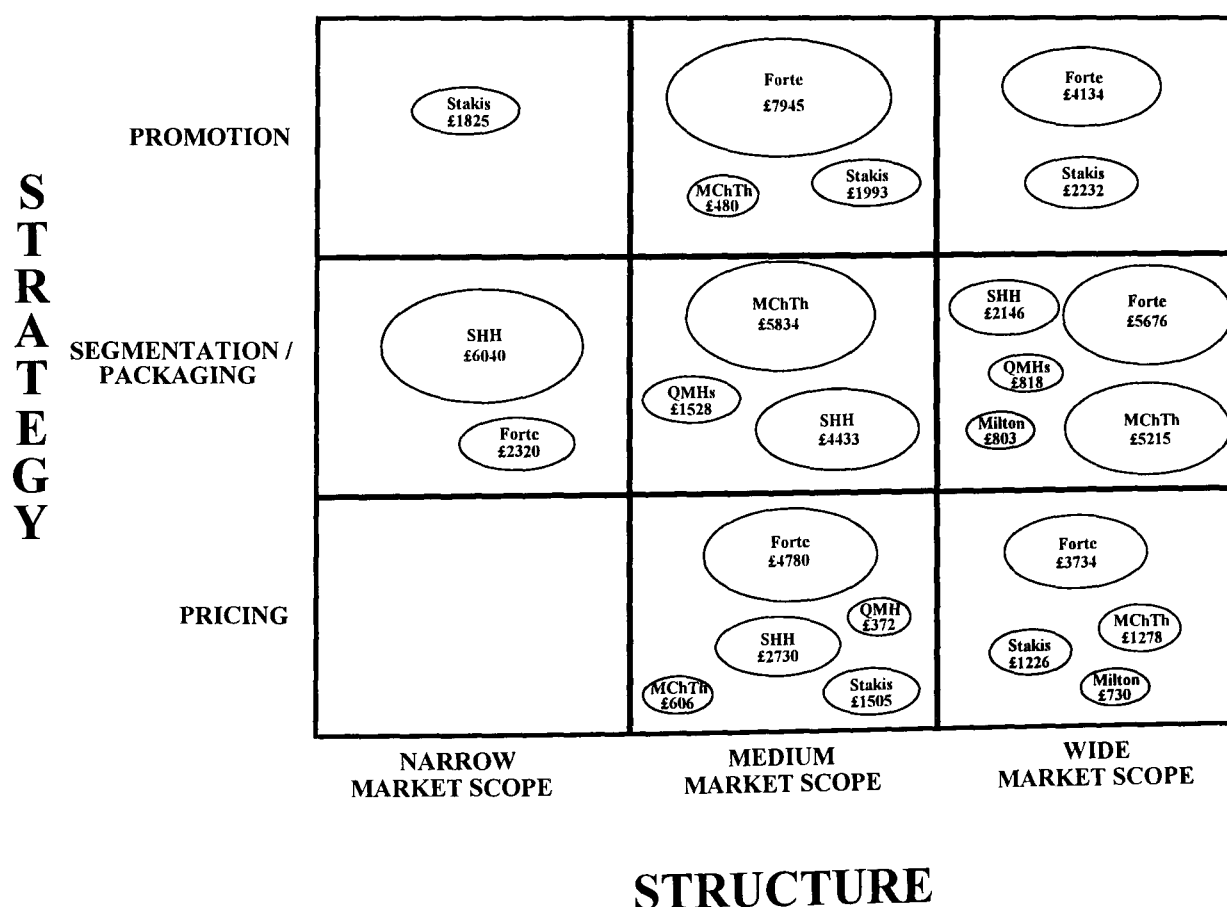
This section establishes the structure - strategy - performance relationships of hotel units in the CSHB market. The market structure variables used are market scope, market share, number of sources of competitive advantage, and type of location. The size of the ellipse in the area of strategic space represents the level of performance. i.e. the larger the ellipse, the better the performance. The hotel group to which the units belong is indicated in the ellipse as is the average CSHB revenue per room per annum 1991/2.

A.4.1 Market Scope-CSHB Strategy-CSHB Performance Relationship

On the premise that structure is permanent in the short to medium term (Johnson & Thomas 1987) and determining performance of strategy in general, with reference to specific hotel group membership where appropriate, the following results are obtained.

In a narrow scope performance appears to be enhanced by adopting segmentation/packaging strategies, figure A.4.1a. As no groups at corporate/industry level had a narrow scope this can not be compared.

Figure A.4.1a : Market Scope-Strategy-CSHB Performance



Hotels operating in a medium scope seem to improve for hotels moving from pricing through segmentation/packaging to promotion, best seen through Forte moving from £4780 with pricing to £7945 in promotion, and Stakis with £1505 to £1993. MChTh seem to perform better with segmentation/packaging strategies, the findings here being the same as at corporate level. In a medium scope market on the whole promotional strategies perform best.

When hotel units operate with a wide market scope, best performance is achieved by moving from a pricing strategy to promotion and then segmentation/packaging. As is displayed by the improving performance of hotels in groups such as Forte, MChTh, Milton, and Stakis.

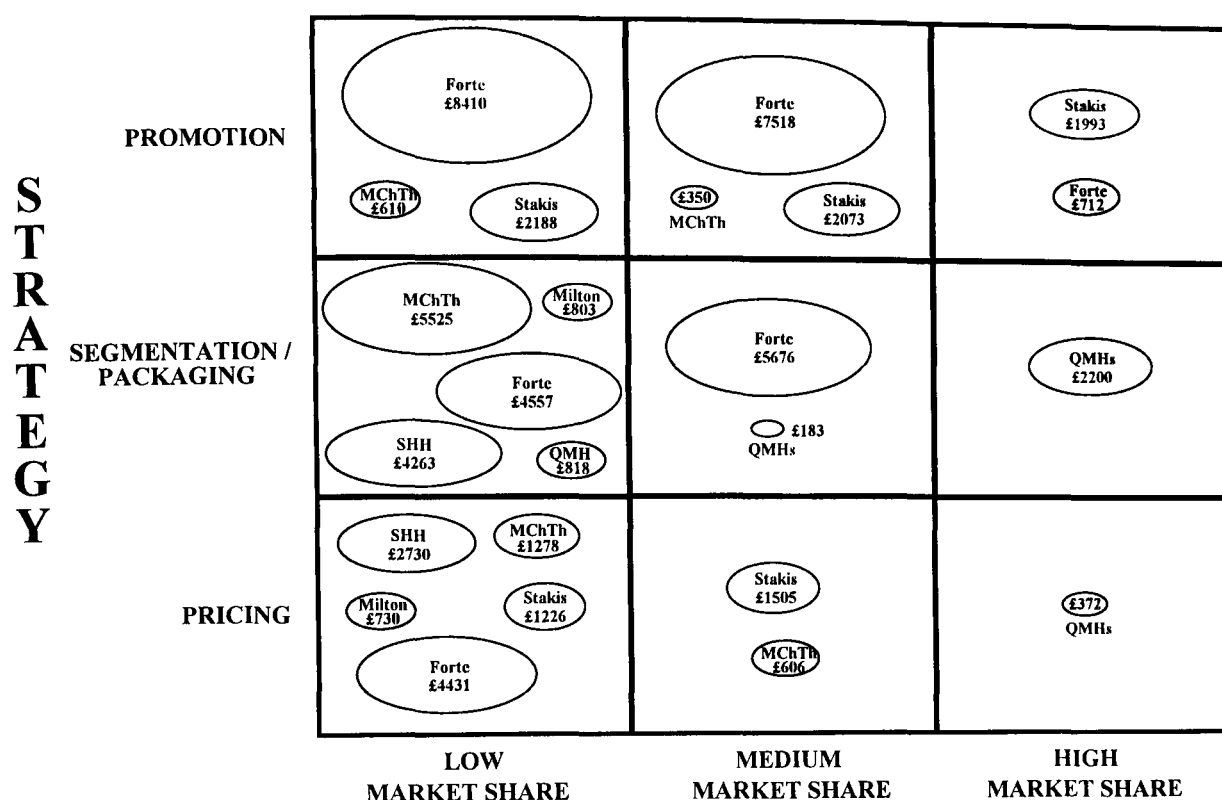
The enhanced performance is reflected at corporate level where performance is best for groups in a wide market scope adopting a segmentation/packaging strategy.

These structure-strategy-performance linkages at hotel unit level are generally consistent with the hotel group perspective and as such seem to allow the transfer of findings from the corporate analysis to the unit level.

A.4.2 Market Share - CSHB Strategy - CSHB Performance Relationship

From figure A.4.2a it can be seen that with a low share, performance for most hotels improves as the groups move strategy from pricing through segmentation/packaging and to promotion. This is the same for medium market shares, yet for high market share segmentation/packaging provides the best performance. The latter being the only consistent result with the corporate level analysis.

Figure A.4.2a : Market Share-Strategy-CSHB Performance



STRUCTURE

In terms of specific groups, it can be seen that the further to the top left corner of the matrix, Forte, Stakis, SHH, and Milton hotel moves the better the performance.

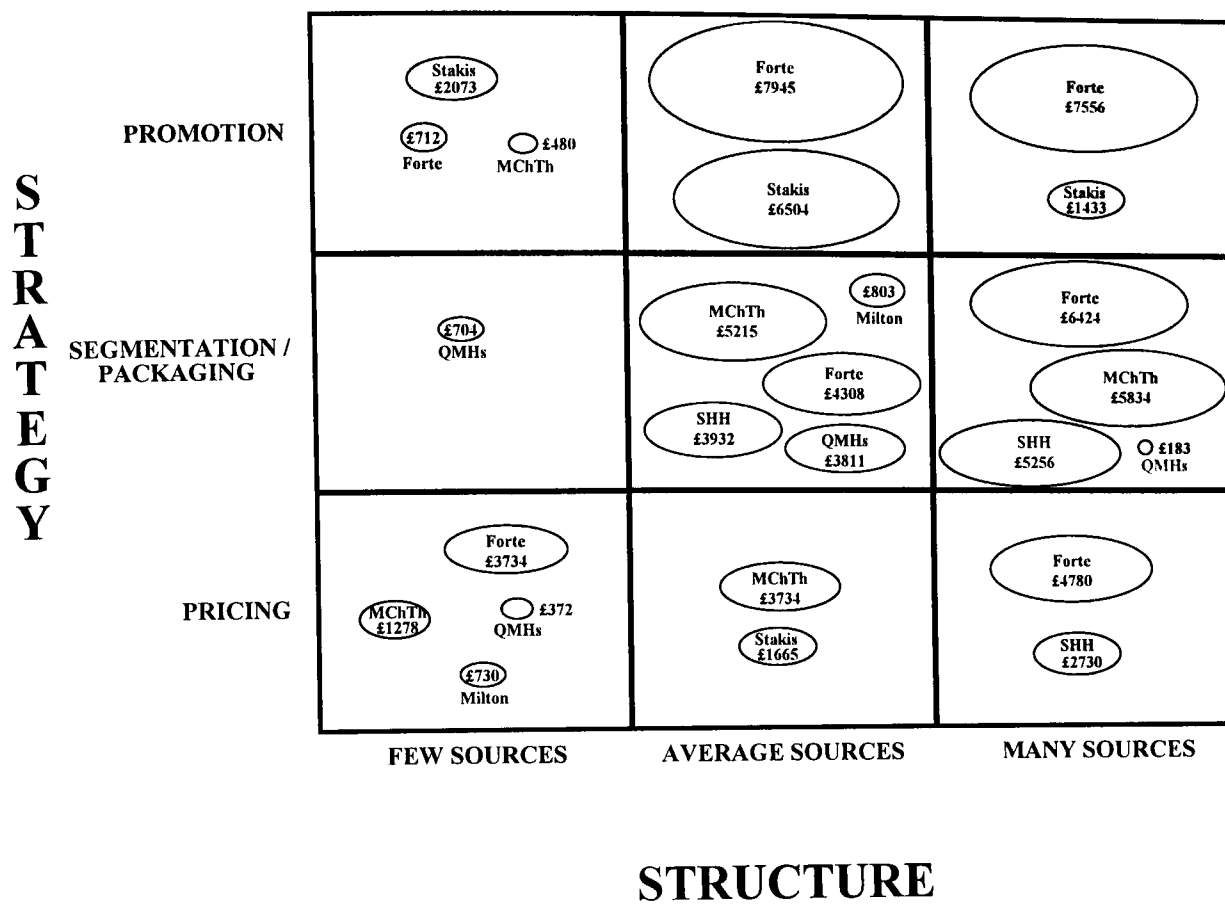
The high market share for QMHs the better performance, and closer to low share and segmentation/packaging strategies improves performance for MChTh hotels.

A.4.3 Number of Sources of Competitive Advantage-Strategy-Performance

From figure A.4.3a showing the relationship between the number of sources of competitive advantage-CSHB strategy-CSHB performance it can be seen that hotels with few sources of advantage and adopting pricing strategies generally perform better than hotels adopting other strategies with few sources of advantage.

This was also the case at corporate level, although an exception should be noted in the form of QMHs who perform better in within hotel group terms by adopting segmentation/packaging strategies. This performance is however considerably poorer than other groups.

Figure A.4.3a : Sources of Competitive Advantage-Strategy-CSHB Performance



Stakis show good performance adopting a promotion strategy which could be considerably enhanced if with average sources of advantage.

In terms of average sources of advantage, performance is enhanced moving from pricing to segmentation/packaging to promotion strategies again supported by the hotel group corporate level analysis.

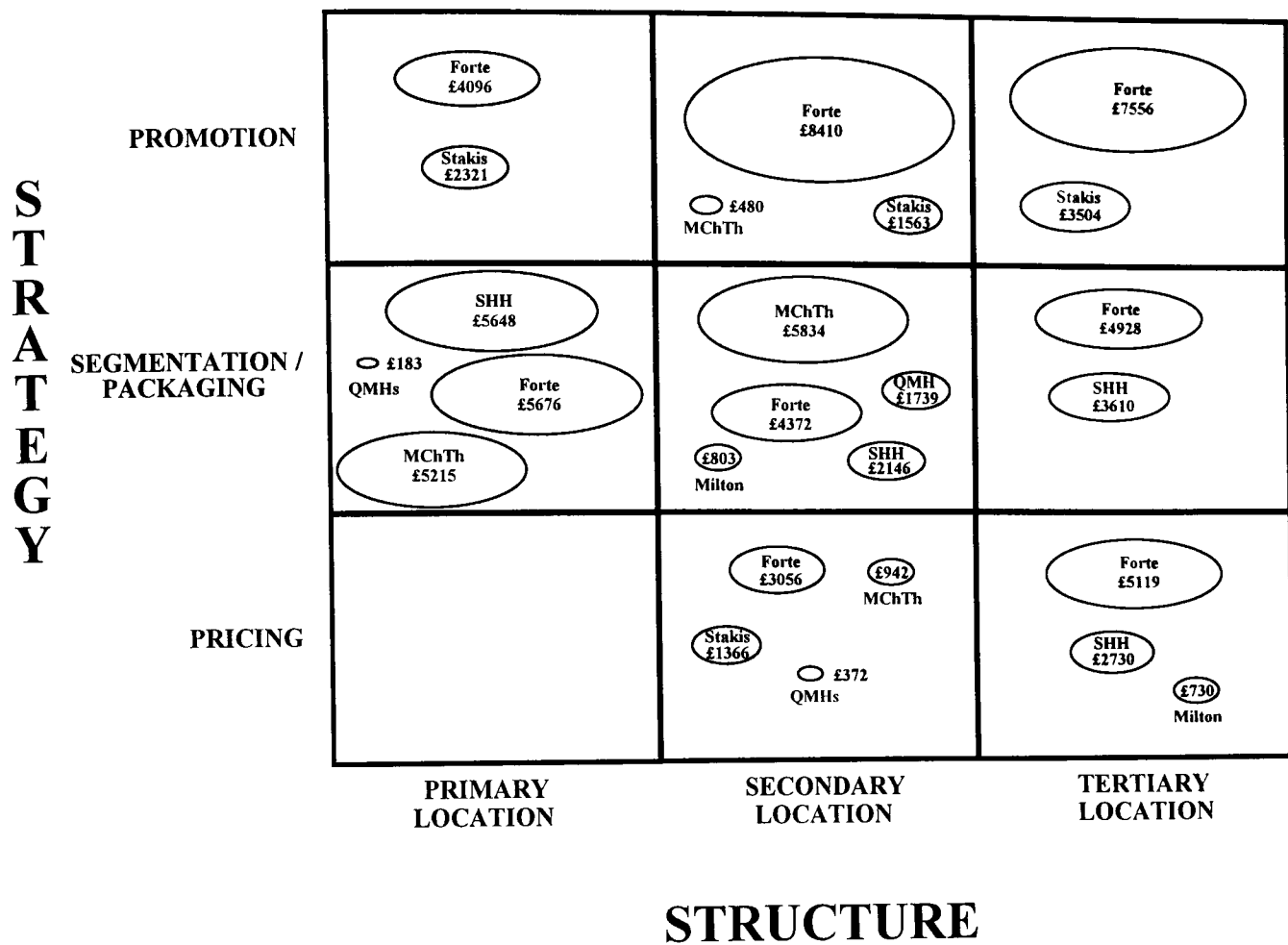
Hotels with many sources of advantage have more enhanced performance when adopting promotion strategies, followed by segmentation/packaging strategies.

Again there are strong correlation's between the results of the relationships established here and those established at the corporate level in Chapter 10.

A.4.4 Location-CSHB Strategy-CSHB Performance Relationship

Previous sections of this chapter have established the locational or destination differences of hotel group units. This implies potential differences in performance by location and strategy. Figure A.4.4a shows the relationship between location, CSHB strategy, and CSHB performance.

Figure A.4.4a : Location-Strategy-CSHB Performance



In primary locations segmentation/packaging strategies seem to reap the greatest benefits, while in secondary locations for most hotels moving towards promotional strategies provides the best performance, a trend supported in tertiary locations.

Location would therefore appear to have some form of strategy-performance linkages.

A.5 MULTI-SITE UNIT LEVEL SUMMARY

The multi-site unit level analysis has provided a summary review of the nature of the CSHB market and structure-strategy-performance relationships at unit level in what is a multi-site market by nature.

Through applying the CSHB research framework at unit level it has been established that very similar results are achieved in terms of the relationships between structural variables of market scope, market share, number of sources of competitive advantage, CSHB strategies and performance.

In addition it has been established that location appears to affect the performance of certain strategies in the CSHB market. While the framework has been tested at unit level and proved successful in the process a number of additional contributions to knowledge emerged - these are established in Chapter 10.

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