

The Marketing Strategies of International Hotels in İstanbul : A Case Study

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ABSTRACT

The purpose of the study is to obtain a better understanding of the marketing strategies of international service firms especially those in the international hotel industry. While analyzing each sampling unit in detail, the study also aims at comparing their marketing strategies to find out the differences and similarities among them and obtain a picture of the situation of the international hotel market in İstanbul.

After reviewing the literature on the subject of the marketing strategies of service firms and those of international hotels, an exploratory research was conducted focusing on marketing strategies of international hotels having branches in İstanbul. A total of four international hotels were studied, two of which belonged to larger hotel chains and the other to smaller hotel chains.

As a result of the study, it is observed that the İstanbul market is a very promising one and has attracted many investors and chain hotel managers to invest in this market and continues to do so.

In the study comparison is made both between the marketing strategies of each individual hotel and between the strategies of hotels belonging to smaller and larger hotel chains. It is observed that at hotels, marketing activities are taken care of under sales and marketing divisions. Analyzing their approaches to marketing in general, it is seen that, hotel managers have only recently started to approach marketing from the customer oriented point of view, not yet leaving the sales oriented point of view. Therefore, for the time being it is not

possible to conclude that marketing activities are strategically planned at the international hotels studied in this thesis.

Looking at the services being offered at hotels, it is seen that the hotel business although very standardized, still can be differentiated. Ultimately, what each hotel offers to its customers are basic services, but it is possible to differentiate the services being given and create different services and thus attract more customers. It is learned from this study that although larger hotel chains want to establish a standard image of that hotel all around the world, smaller hotel chains prefer to create individual images of each member of the chain. The reason for such a different approach depends on the missions and goals of each hotel chain. All of these different approaches of management affect the organizational structures, target customer groups, competitors and strategies being formed at these hotels.

ÖZET

Bu çalışmanın amacı uluslararası pazarlarda faaliyet gösteren hizmet firmalarının, özellikle otellerin, pazarlama stratejileri hakkında daha geniş ve detaylı bilgi edinmektir. Çalışma, herbir oteli tek tek incelerken, aynı zamanda birbirleri arasındaki benzerlikler ve farklılıkları da incelemeyi, İstanbul'daki otelcilik sektörünü kapsamlı olarak ele almayı da amaçlamaktadır.

Konu üzerine hazırlanmış yazınların araştırılmasından sonra İstanbul'daki uluslararası otellerin pazarlama stratejileri üzerine yoğunlaşan bir araştırma yapılmıştır. Toplam dört otelin satış ve pazarlama bölümleri üst düzey yöneticileri ile derinlemesine görüşmeler yapılarak oteller hakkında detaylı bilgi edinilmiştir. Çalışma kapsamında incelenen dört otel, ikisi büyük otel zincirlerini, diğer ikisi ise küçük otel zincirlerini temsil edecek şekilde seçilmiştir. Çalışmanın sonunda İstanbul pazarının, halen pazarda bulunan ve yeni gelecek otel işletmeleri için umut vaad etmekte olduğu saptanmıştır.

Bu araştırmada oteller hem kendi aralarında hem de büyük ve küçük otel zincirleri ayırımı yapılarak karşılaştırılmıştır. Otelerde pazarlama faaliyetlerinin çoğunlukla satış ve pazarlama departmanları altında yürütüldüğü gözlenmekte ve genel olarak pazarlama anlayışına bakıldığında, henüz satış odaklı anlayıştan müşteri odaklı anlayışa geçilemediği görülmektedir. Pazarlama faaliyetleri bir şekilde yürütülmekte, ancak planlı ve tüm pazarlama elemanlarını içeren bir birlikteliğin olmadığı gözle çarpılmaktadır.

Sunulan hizmetler açısından bakıldığında, otel işletmeciliğinin aslında standart bir takım hizmetlerden oluştuğu ancak her bir otelin bakış açısına göre sunulan hizmetlerin farklılaştırılabileceği ve böylece farklı müşteri gruplarına hitap edilebileceği gözlenmiştir. Büyük otel zincirlerinde dünya çapında standart bir imaj oluşturulup yerleştirilmeye çalışılırken, küçük otel zincirlerinde bunun aksine bireysel imajlar üzerinde daha çok durulduğu saptanmıştır. Böylesi bir farklılık, bu otellerin farklı misyonlara ve amaçlara sahip olmalarından ileri gelmektedir. Yönetimlerindeki bu farklı yaklaşımlar, bu otellerin organizasyon yapılarında, hedef müşteri gruplarında, rakiplerinde ve stratejilerinde de farklılıklar yaratmaktadır.



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INTRODUCTION

Today, the world is in the trend of turning into one huge market in which both goods and services are simply sold and bought by a vast number of people. Therefore, every firm operating in the national markets aims at operating in the international arena, too. For manufacturing firms, this move is easier compared to that of the service firms due to the characteristics of services.

Since services are mostly intangible, it becomes very hard for the customers to see or feel the “thing” they are to buy before they purchase it. For this reason, companies planning to become international cannot test their products beforehand and therefore are unable to know the reactions of their potential customers. It is possible that a service firm which is very successful in one market, can be totally unsuccessful in another. So service firms may face higher risks compared to manufacturing firms.

Besides intangibility, other characteristics of services also have an impact on the marketing of services in the international markets. The services given being inseparable from the producers, makes services hard to export or be sold in other markets. The heterogeneity characteristic of service firms, meaning that services cannot be provided always in a standard manner due to the human factor that may alter certain things positively or negatively, and their perishability characteristic all affect their marketing and make it impossible for them to become international as easy as is the case for manufacturing firms.

But still, due to the globalization of markets and competition many opportunities exist for services in the international markets. The importance of services in world trade is increasing day by day in today's economy. Trade in services accounts for between 20-25 % of all world trade, having grown at about 16 % a year for the past decade, as against a 7 % growth rate for merchandising trade (Terpstra and Sarathy, 1994).

In order for service firms to be successful in the international markets they enter, they have to be very careful in taking their steps in entry and afterwards. Although their strategies involve every managerial function, they should be extra careful in their marketing strategies since the strategic plan of a company most of the time is parallel with its marketing plans and is supported by other managerial functions such as; finance, accounting, production and organization

Although almost all of the service industries are on the move towards becoming international, this move had started long before in the hospitality industry and especially in hotels. The international growth in the hotel industry is induced by the growth of international business and international travel. It is a fact that most of the founders of today's successful international hotel chains were airline owners. Airlines that had the opportunity to invest in the hotel business, started to open hotels in every destination they flew. So, as the tendency toward doing business internationally and traveling to unknown, and interesting places increased, the number of new destinations that the airline companies added to their lists also increased. Parallel with this growth, the hotels invested in by the airline companies started to open new hotels at these new

destinations, too. This made it possible for today's known and successful "chains of hotels" to be introduced.

As can be observed even with the naked eye, internationalization is more common among these two industries namely, airlines and hospitality compared to others. Although financial services follow very closely. The reason is that all of their customers are leisure or business travelers who need to be accommodated at a place they are used to staying at and be able to find this comfort in any part of the world. They need to be able to do their financial transactions from anywhere around the world (they need to control and direct their money for any business or personal matters) and above all they need to be able to travel anywhere around the world either for business purposes or just for leisure purposes. So it can be concluded for all these industries that, since the world has started to become more of a unity, in which people travel and do business with each other, they also need services around them that they are used to in their native land. When they find these services around them, they feel at "home" again, always know what to do and have no problems in the foreign lands that they visit.

In order to make them feel comfortable enough and pleased about the service that they get, the companies offering these services have to set their strategies well and work hard to achieve their aims. As mentioned above, here one of the most important roles go to marketing. In order to be successful, these firms have to form their marketing strategies very carefully and apply them without any mistake.

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The aim of this study is obtain more insights about the international marketing strategies of international hotels having branches in Istanbul.

PART ONE : THEORETICAL BACKGROUND FOR THE STUDY

1. WHAT ARE SERVICES ?

1.1 Definitions of Services

If it is looked at how services have been defined over the years an enormous change is observed. In the 1750's, The Physiocrats used to define services as: "All activities other than agricultural production". Whereas Adam Smith (1723-1790), has added a very important word to the definition which is "tangible" and has defined services as: "All activities that do not end in tangible products". After this, others have brought out different concepts while defining services. The ways that people have defined services over the years are as follows

(Walters and Bergiel, 1982) :

J.B. Say (1767-1832)	: All non-manufacturing activities that add utility to goods
Alfred Marshall (1842-1924)	: Goods (services) that pass out of existence at the moment of creation
AMA definition (1960)	: Activities, benefits or satisfactions, which are offered for sale or are provided in connection with the sale of goods
Phillip Kotler (1990)	: A service is any activity, or benefit, that one party can offer to another that is essentially intangible and does not result in the ownership of anything. Its production may or may not be tied to a product

Services range across legal, educational, health, military, employment, credit, communications, transportation and information services. Services according to the International Standard Industrial Classification (ISIC), include wholesale and retail trade, restaurants and hotels, transport, storage and communications, financial, insurance, real estate and business services, personal, community and social services; and government services (Bradley, 1995).

1.2 Characteristics of Services

In order to distinguish goods from services these two groups are studied comparatively and in the end the characteristics that are not found in goods, but are present in services are brought out. These characteristics are (Cowell, 1990):

1- Intangibility : It is often not possible to taste, smell, feel, see or hear services before they are purchased. They may be talked about, opinions about them may be shared, a repeat purchase may rely on previous experience, but in the end the "thing" purchased is something intangible. Intangibility of services, though, might be further classified as pure intangible services (security service), services providing added value to a tangible (insurance) and services that make available a tangible (financial services).

2- Inseparability : Goods are produced, sold and consumed whereas services are sold and then produced and consumed.

3- Heterogeneity : It is often very hard to standardize the services offered. The same type of service may differ from customer to customer or due to the person giving that specific service.

4- Perishability : Services are perishable, they cannot be stored. Decisions regarding the fluctuations in demand for the services should be taken very carefully. For example, in the case of Hotels, programs like off season rates and theme weekends can be offered to be able to benefit from the occasions.

5- Ownership : The customer has access to, but not ownership of an activity or facility.

1.3 Classification of Different Service Firms

In a qualitative and quantitative mix research conducted by Patterson and Cicic (1995) on both internationalized and non-internationalized firms, service firms were classified along two dimensions: intangibility and degree of contact during service delivery. Service firms were positioned within this framework. Below Table 1.1. shows this classification (Patterson and Cicic, 1995).

Table 1.1: Classification of Service Firms

		<i>Degree of Face-to-Face Contact with Client in Service Delivery</i>	
		Low	High
<i>Degree of Tangibility</i>	Pure Services	<p>Cell 1 Location-Free Professional Services <u>Typical Firms</u> :Executive recruitment, market research, environmental science consulting, transportation, finance and insurance, information technology, product design services</p>	<p>Cell 2 Location-Bound Customized Services <u>Typical Firms</u> :Project management, engineering consulting, management consulting, human resource development consulting, larger market research firms, legal services</p>
	Services Bundled with Goods	<p>Cell 3 Standardized Service Packages <u>Typical Firms</u>: Software development, installation/testing of new hard ware equipment, development of distant education courses, compact disks</p>	<p>Cell 4 Value Added Customized Services <u>Typical Firms</u> :On-site training, computer hardware consulting, facilities management, <i>accommodation services</i>, catering, software training and support</p>

Source: Patterson, P.G. and M. Cicic (1995). A typology of service firms in international markets : An empirical investigation. Journal of International Marketing vol. 3 no. 4. p. 67

The reason why the first cell is named as "location free professional services" is that it is not a must for the personnel to be present in that foreign country permanently. These type of firms tend to be low-contact services of a short duration such as a marketing research assignment or an environmental impact study where the service firm spends a considerable time in the "field" and only periodically meets the client. And due to their being low-contact firms, the services offered are more standardized.

The second cell, which are location bound services, need high-contact between the customer and the service provider, and just the opposite of the first cell services, they are more customized. Therefore, they require the personnel to visit the customer more often which results in some form of a more permanent local presence, for example, a branch office. Major engineering, management consulting and project management firms belong to this group.

Standardized services are given in Cell 3, these type of services can be offered in a form of a good, therefore, they can also be exported. Examples of this group of services are software development, installation/testing of new hardware/ equipment, compact disks and so on.

Finally in the fourth cell, there the services that are more customized, but can be offered in the form of a good. These type of services need a high degree of supplier- client interaction for successful service delivery. Examples of such a service are accommodation, catering, software training and support service.

2. MARKETING OF SERVICES - HOW DO THEY DIFFER FROM THAT OF MANUFACTURED GOODS ?

During the development of marketing science, for the use of manufacturing firms the “marketing mix” concept was created first by Borden (1965) and later the most commonly used one, the 4 P’s (product, price, place and promotion) by McCarthy (1981). This classic approach was mostly suitable in the case of goods that are manufactured.

Some marketers, on the other hand, taking into consideration the different characteristics of services, claimed that the same marketing mix would not be suitable for services. Therefore they have created a new, modified marketing mix for services. Booms and Bitner (1981), the two marketers who supported this idea, brought out the modified marketing mix elements for services in one of AMA’s publications in 1981. The marketing mix for services is made up of seven elements which are : service product (plus physical evidence), price, place, promotion, people, process and customer service.

As can be seen from above, in addition to the classical approach, elements such as, people, process and customer services are introduced for the marketing mix elements of services.

2.1 The “Place” Element

Location and channel decisions involve considering how to deliver the service to the customer and where this should take place. This has particular relevance to services as very often they cannot be stored and will be produced and

consumed at the same point. Since place also indicates the environment in which the service is delivered, it also has importance.

The importance of location for a service depends upon the type and degree of interaction involved. Here we can talk about three types of interaction (Payne, 1990) :

- 1- The customer goes to the service
- 2- The service provider goes to the customer
- 3- The service provider and the customer transact business at arm's length

In the first type, the location - environment becomes very important for it will have a great impact on the customer. Examples for such an occasion are hotels, restaurants, post offices and banks. In the second type, site location becomes less important provided it is sufficiently close to the customers for good quality service to be received. Certain services are provided at the customer's location because of the nature of that specific service. For example, lift repair services, cleaning services, dry cleaning and car repair. In the case where the customer and the service provider transact business at arm's length, location may be largely irrelevant. Here, the relations are formed through efficient mail or electronic communication methods. Examples of to these type of services are electricity, telephone and insurance.

Decisions related with the choice of channel are decisions related to who participates in the service delivery in terms of both organizations and people. When the participants are looked at, three kinds are observed : service provider, intermediaries and customers.

Whether the sales of these services should be made directly or through intermediaries has been a debatable question. In services like hotels, airlines and leisure services travel agents play the intermediary role and sell the particular service to the customer without the service provider getting acquainted with the customer. But there are some services for which the customer must get acquainted with the service provider such as professional services. In Figure 2.1. channel options for services are outlined.

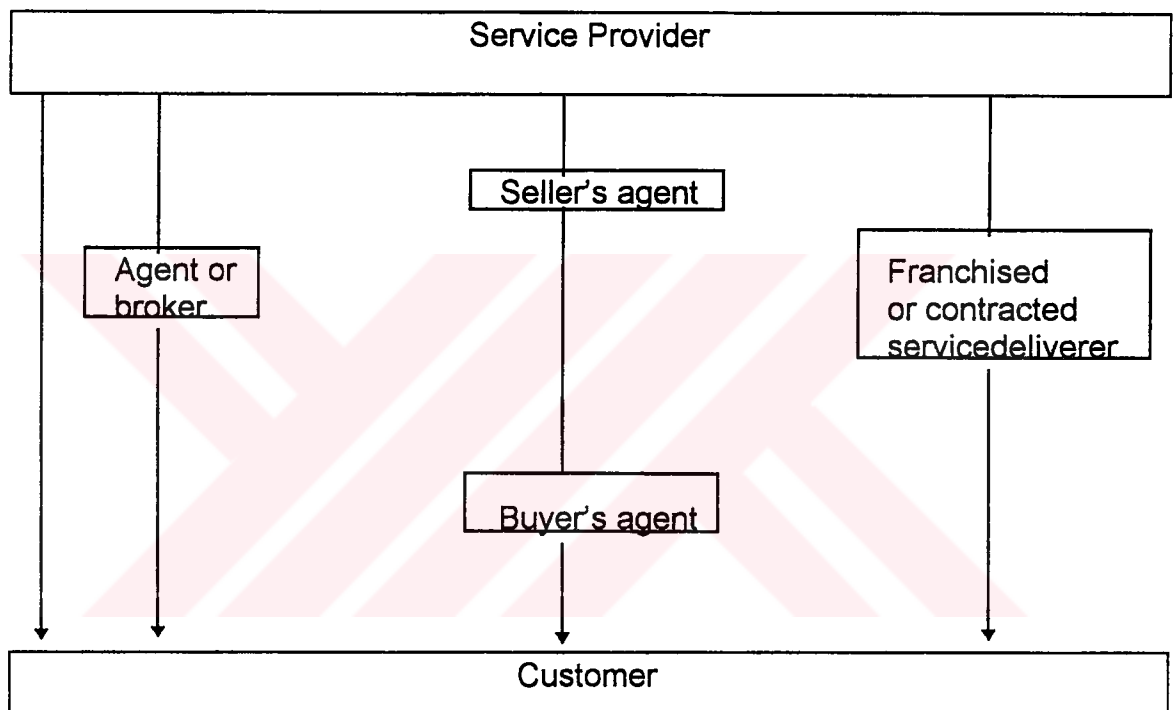


Figure 2.1 Channel Options for Service Companies

Source: Payne, A. (1993). *The Essence of Services Marketing*. UK: Prentice Hall International Inc. p.147.

The channels mentioned in the figure include :

- Direct Sales : accounting and management consulting services
- Agent or broker : insurance broker, estate agent and travel agent
- Seller's and buyer's agents or brokers : stockbrokers and affinity groups
- Franchises and contracted service deliverers : fast food, car services

These location and channel choice decisions that are largely dependent on the particular requirements of the market and the nature of the service itself, should be considered very carefully. The external and internal factors should also be taken into account while deciding which location and channel to choose for that service. Technology has affected the location design in many services and for channel decisions, using the improved technology in some services, the unnecessary intermediaries have been eliminated. For example, electronic banking has removed some of the need for banks to be located on high streets and also the requirement for long opening hours to deliver their services. On the other hand, for some services with the help of the technology the needed intermediary channels have been adopted. Again an example can be given from the banking industry, the automatic teller machines (ATMs) are a form of intermediaries that connect the banking services with the customers and also allow the customer to provide the service for herself/ himself.

2.2 The “Service” Element

A service product is a complex set of value satisfactions. People buy services to solve problems and they attach value to them in proportion to the perceived ability of the service to do this. Value is assigned by the buyers in relationship to the benefits they receive. There is always a core product, for example a bed in a hotel room for the night, complementing this there is the expected product, which is the other services that the customers expect to get together with the core product, for example their beds made every morning, a small cookie to greet them with and so on. There is also the augmented product which represents a means of creating product differentiation and thus added value from the customer perspective. And as the last stage there is the potential

product that consists of all added features and benefits that are or may be of utility to buyers (Levitt, 1983).

Talking of the service product, it should be mentioned that all customers are not the same and that customers' requirements for different configurations of benefits, features and attributes will vary by market segments. This is an important factor that differentiates the service product from manufactured goods. Since the service product is produced, in most cases, in the presence of the customers, customers play a more important role and they are present even at the "production" stage of the service itself. One of the most important things that the service marketers should learn from product marketers is to focus on what the customer wants and needs. In order to be able to do this, they should conduct researches, but should act with the assumption that they do not really understand what is going on in the customer's mind and that the customer probably does not understand what they are doing. If service marketers try to differentiate their products with something that is really unimportant in the customer's eye, they might be changing their total image in a negative way.

Customers may have different expectations from a certain service at different times (Bateson, 1989). Taking airline services as an example, a businessman who is traveling for business purposes will not care too much about the price being paid, but will be keen on the service he gets. On the other hand, the same person, when traveling for leisure purposes with his family will search in order to find the airline that gives the optimum service at a reasonable price.

Unless customer wants and needs are assessed well beforehand, the proper services cannot be offered and one cannot afford mistakes in service marketing. Some of the most successful product marketers pay little attention to corporate identity, preferring instead to establish independent brands that will stand alone within a specific category. This allows them both to enter the same arena with more than one brand and for a failure in an individual brand not to carry over for the remainder of the range. Also if that brand is badly positioned, there is always the chance to correct the mistake and relaunch it correctly under a different brand name. But for services the company itself is seen as the service provider. So what is damaged in such a case is the image of the company itself. It is also possible to alter the strategies of that specific company, but this takes longer and is more costly. In other words, while creating and marketing services, very careful steps should be taken and customer orientation should never be out of sight.

2.3 The “Promotion and Communication” Element

In order to be able to position the service being “sold”, the right promotion and communication activities should be planned. Unless this is done well, the service will neither be able to reach its target customer nor will it be able to “sell” . To reach the target customer, service firms plan many activities first to inform these customers then pull them in and in the end keep them.

In the services sector promotion and communication becomes a more important element of the marketing mix, compared to that present in the manufacturing sector. The reason is that the customers are for most of the time not able to hold, feel, see or smell the service being offered to them - the service that they are to “buy” - . Therefore, it becomes very important to be able to show this

service to the customers and help them visualize what they are offered (Payne, 1993).

While doing this, service companies most of the time, choose the promotable units of a service, bring them to the front and talk about these features of the service. For example, in airlines they talk of the comfortable seats, the quality of the food served, the activities available during the flight, the advantages following the flight(s) with that airline and so on.; hotels try to show their rooms, talk about their different service packages, prepare brochures that display the inner and outer parts of their hotel and talk about the services that they are giving. One important thing about hotels is that because it is impossible to take the hotel and go to the customer to show it, they have to somehow make the customers come to the hotel. In order to do this they prepare promotions such as "Come have a drink, your next drink will be on us" or "Be our guests for one night".

Below are shown the possible methods of promotion and communication :

- Advertising
- Personal Selling
- Sales promotion
- Public Relations
- Word of mouth
- Direct mail

The choice of which method(s) to use depends on the objectives of the company together with the type of service offered, the target customers of that service, the existing constraints, competitive intensity, geographic spread and the approaches of the managers toward promotion.

As mentioned above, the continuity of the communication is very important. Unless customers are continuously reminded of the service in question, they will in most cases forget it. Therefore at certain times they should be informed about the improvements made, the new services offered and anything that may be important from the customer point of view. In this way it becomes possible to keep the customers and turn them into loyal customers by also paying attention to the service being offered.

One important thing for the promotion of services is that in order to be successful, the employees as well as the customers, should be motivated. This is a part of internal marketing and is very important especially in the services sector since the people producing this service - most of the time in front of the customers - are the employees. If their motivation is low, it does not matter how well the service is promoted to customers, how suitable the price is and how good the service itself is, the service will not "sell" as it should be selling.

2.4 The "Pricing" Element

Due to the different characteristics of services mentioned above, forming the strategies related to the pricing of services becomes difficult. An important difference in comparing the manufactured goods with services is that people observe the price-quality relationship in services better than in goods. Because services are most of the times intangible, people tend to look at the price of the service by evaluating its quality (Rushton and Carson, 1989). That is why taking decisions on pricing becomes very important for the managers. Therefore making changes in the prices as a part of the promotions program may sometimes be very risky. This does not mean that service firms cannot

make price differentiations. There are some different ways that they can choose from in forming their pricing strategies and setting their prices.

a) Fixed price: Selling the same service to all the customers regardless of the characteristics of the customers. In this way, the customers will gain trust in the firm.

b) Price differentiation: In view of the different wants and needs of the customers, the services offered can be differentiated. According to this differentiation, for each different service different prices can be charged. For example, the business class in airplanes, suites - single-bed rooms in hotels.

c) Discount : Although this is not a very common practice in services, price discounts can be made in case of payments in cash (Koç, 1981).

One of the most critical factors that differs in marketing services and products is the pricing structure. In a lot of product situations, particularly package goods, the unit price is relatively small and frequency of purchase is high, with an inherent willingness on the customer's side to try new brands. By comparison in the financial services for example, many people have deep seated habitual loyalties that mitigate against their changing suppliers. Also the appeal of a lower initial price in stimulating a trial is less effective and may affect long-term positioning (Bateson, 1989).

2.5 The "Process" Element

Process involves the procedures, tasks, schedules, mechanisms, activities and routines by which a product or service is delivered to the customer. It involves policy decisions about customer involvement and employee discretion.

To be able to serve successfully to the customer, the "job" that is to be done should be broken down into logical steps or sequences to facilitate its control and analysis.

Processes can be analyzed in two ways : complexity and divergence. Complexity is concerned with the nature of the steps and sequences that constitute the process, while divergence refers to the executional latitude of the steps and sequences. Hotel processes for example, can be low in divergence, but high in complexity. However a general surgeon's work is high in both complexity and divergence.

One important thing that should always be kept in mind, is the balancing of operations, marketing and human resources. This balance becomes especially important in services which involve high levels of customer contact such as hotels, restaurants and airlines.

Lovelock (1984), points to seven key operational issues confronting high contact service firms (Payne, 1993). These issues are :

- Productivity improvement
- Standardization vs customization
- Batch versus unit processing
- Facilities layout and design
- Job design
- Capacity management
- Managing queues

Especially for these operations high coordination is necessary among marketing concerns, operational goals and human resources approaches.

2.6 The “People” Element

Apart from the classical marketing mix elements pronounced for manufacturing firms, in the marketing of service firms, a very important factor comes out which is, people. Since it is in most cases the people who serves the customers, this factor plays a very important role.

In services marketing it is almost impossible to control quality for it is a “human being” who gives and receives the service. A service might be provided by only one person, in this case due to the mood of that specific person the way that the service is being given might be altered. It could be that a specific service might be given by different people at different times, in this case due to the personalities of these different service providers the way that the service is being provided might differ. Since quality is in the perception of the customer, the customer side should also be taken into consideration. There could be differences in the perception of different customers for a specific service or the same customer might have different perceptions at different times for a specific service. All of these affect the perceived and present quality of the service being given. As can be seen it is not as easy and straight forward to control quality of services as it is in the manufacturing industry.

If enough importance is not given to this element of the marketing mix, all the effort put into all the other elements would mean just nothing because the service offered will not “sell” as expected. Therefore it can be said that the success of marketing a service depends on the selection, training, motivation and management of people working for that service firm.

There are many examples to prove this argument that ineffective (or effective) management of people directly affects the success of the marketing effort. One of these examples is, the experience of British Airways. During the 1980's British Airways was faced with declining profits, greater customer complaints, employee dissatisfaction and increased competition. Seeing this, the managers decided to launch a new program aiming to refocus on the people within the organization. Employees were involved in the process of turning the company around through the development of increased awareness of the critical importance of the customer. Employees were trained to develop new attitudes toward customers by emphasizing that the airline was in business to satisfy their needs. In turn the company made the employees feel that they were important, wanted and cared for. This approach was successful and brought increasing profits matched by greater customer and employee satisfaction (Payne, 1993).

This approach has created a new kind of marketing concept called internal marketing which recognizes the importance of attracting, motivating, training and retaining the quality of employees by developing jobs to satisfy individual needs. Internal marketing plays a more important role in services for which a great amount of customer contact is necessary and the ones in which the service given depends on the customer contact. Examples of such services are hospitality, banking and airline industries.

From the beginning the term "people" is used, but no mention has been made to the degree of customer contact of these employees and the extent to which the staff are involved with conventional marketing activities. Judd (1987) has

developed a categorization scheme taking into account the degree of contact of the employee with the customers. Figure 2.2 summarizes this categorization.

Contractors : These people have frequent or regular customer contact and are heavily involved with the conventional marketing activities. They can be found in positions including selling and customer service roles. They should be well trained, prepared and motivated to serve the customers on a day to day basis in a responsive manner.

	Involved with conventional marketing mix	Not directly involved with marketing mix
Frequent or periodic customer contact	CONTRACTORS	MODIFIERS
Infrequent or no customer contact	INFLUENCERS	ISOLATEDS

Figure 2.2 : Employee influence on customers

Source : Judd, V.C. (1987). Differentiate with the 5th P. Industrial Marketing Management, vol.16, p.p.243.

Modifiers : Examples of this group of people are receptionists, credit department and switchboard personnel. They have a vital role to play, but not exclusively. They are not in most cases involved with the conventional marketing activities, but they have frequent contact with the customers. Therefore importance must be given to the training of these people especially for customer relations. Also monitoring of the performance should be applied in order for the training programs to be successful.

Influencers : These people have a very important role in the marketing activities, but they have infrequent or no contact with the customers. They can be found in positions including product development and market research. To increase the motivation level of these people, opportunities should be given for them to contact the customers and thus be able to see the business they are a part of.

Isolateds : People performing support functions for the business are included under this group. These support functions are ones such as the purchasing department, personnel and data departments. Such staff need to be sensitive to the fact that internal customers have needs which must be satisfied. Therefore they need to understand the company's overall marketing objective and they need to know the quality of the delivered value to the customer.

2.7 Customer Services

Customers are becoming more sophisticated in their requirements and are increasingly demanding higher standards of service. Therefore, customer service has become an important differentiating factor for service firms and plays a vital role in competitive advantage. It should also be mentioned that this importance varies according to the service industries.

The results of some studies have shown that customer services should be analyzed as a separate mix element. According to this study, customer service was generally considered important by most of the respondents. Overall, it was rated ahead of advertising, promotion and sales effort in terms of importance and was ranked third behind product and price.

Taking into consideration the inseparability and intangibility characteristics of services, in service industries customer service is usually more important than it is in manufacturing firms. Some examples of customer services are given in Table 2.1. :

Table 2.1 Types of Customer Services

Pre-transaction elements :	Written service mission and customer service policies, written customer service objectives, information on use etc.
Transaction elements :	Managing demand patterns, timing, service levels, system accuracy etc.
Post-transaction elements :	Warranties, complaint handling, cross-selling, direct marketing etc.

Source : Payne, A. (1993). The Essence of Services Marketing. UK: Prentice Hall International Inc. p.176.

In order to create a successful customer service strategy the four main steps mentioned below should be taken (Payne, 1993).

1- Identifying a service mission : A firm has to set its goals in terms of how to satisfy its customers. Taking this into consideration, the company must decide upon such a company mission which would "say" why that firm is operating in the industry it is in.

2- Setting customer service objectives : Following a company mission comes the setting of objectives that would help the company apply what it has pronounced in its mission statement. These objectives have to be realizable objectives; that is, they must be objectives that the company is/ will be able to achieve. Since most of the times success is measured by how well the objectives are achieved, while setting the objectives one should neither be too generous nor too stingy. The ones putting the objectives first have to ask the

questions: how important are customer services among the other marketing mix elements, among different customer services which are the most important and how these vary by market segments. Answering these questions would help in setting the objectives.

3- Customer service strategy : Since not all customers seek the same services, a logical way in defining customer service strategy is to segment the market first. Next, among those segments the most important products and customers must be chosen followed by prioritization of service targets and finally developing the service package. Market research can be used while segmenting the market.

4- Implementation: Once the most effective service package is developed for each segment the company wishes to pursue, it should become a part of an integrated marketing mix.

Above, the marketing mix strategies of service firms are discussed briefly. In the following chapters, the main subject of this study, services in the international arena, will be analyzed. The environmental and cultural difficulties faced by service firms in the foreign markets, their foreign market entry mode strategies and marketing strategies in the foreign markets will be discussed in more detail.

3. INTERNATIONALIZATION OF SERVICE FIRMS AND ENTRY MODE CHOICE IN SERVICE INDUSTRIES

3.1 Internationalization of Service Firms

Firms that have been successful in their domestic markets want to operate in foreign markets, too. Especially manufacturing firms, after years of experience

in their domestic markets, want to sell their products in/ to foreign markets either through exporting or other modes of entry. The reasons for their entering foreign markets are a stagnant domestic market, growth in markets abroad, matching domestic competitors as they internationalize, opportunism, counteracting foreign firm action and exploiting a competitive advantage (Bradley, 1995). These firms have the chance to test the new markets through exporting a limited or reduced product line and seeing whether or not it will sell. Gradually as it succeeds the full product line can be introduced abroad. Later on, market commitment can be extended by setting up overseas production units and subsidiaries. Manufacturing firms can start from small-scale domestic experience, then move on to international markets first by exports followed by other modes depending on the success it shows, the nature of the product, environmental factors and company policies. On the other hand, service firms have to experience the foreign market as if starting from the beginning because most of the time they do not have the chance to gain any experience in that market before the official entry.

Though the entry reasons of service firms to foreign markets are almost the same with those of manufacturing firms (except for two additional reasons which are personal challenge to senior people in the firm and the need to service customers who have internationalized), things are very different due to the differences in their natures (Bradley, 1995). The most important difference is that, in most cases it is impossible to export the service and thus it is impossible to see whether or not it will be successful in the new market. Everything should be well planned and organized before starting. Nothing can be sold before everything is ready for "the big day".

Taking a hotel as an example, the managers have no chance to see whether or not their customers will be satisfied with the service they give before they experience it. Therefore after doing a lot of research and feasibility studies together with considering past experience, it is decided to enter a new foreign market, but after all this is done, the managers will not be able to foretell if their service will sell. It is impossible for the customers to touch, feel and experience the service that is aimed to be given before they themselves see and experience it. This is probably the hardest part in the marketing of services, and when it is the case in the international arena, things become even harder since the country to be entered brings with it many environmental and cultural differences that have to be coped with.

The service firm wishing to internationalize its business must be flexible, taking into consideration the nature and the definition of the service provided, be prepared to learn from initial experiences and attempt to develop reliable international networks and systems for the delivery of services (Bradley, 1995).

In order for service firms to be successful in international markets they need to fulfill the following three conditions :

- 1- A competitive advantage must exist in the service management system.
- 2- There must be a strong desire or ambition among senior management to internationalize.
- 3- The service firm must provide adequate commitment of time and resources (Bradley, 1995)

Looking at the study conducted by Patterson and Cicic (1995), differences are observed among the main four categories of service firms in their perceptions

of and approaches to internationalization. Table 3.1. illustrates these differences in detail.

Table 3.1: Different Perceptions of and Approaches to Internationalization

<p style="text-align: center;">Cell 1 Location-Free Professional Services</p> <ul style="list-style-type: none"> • Regarding internationalization moderate risk, moderate managerial commitment, moderate benefits and low costs are perceived • Preparedness to invest and competitive intensity in foreign market is not as much of a hindrance to internationalization • Client chasing and solicited orders are only moderate motivators to internationalize • Profitability in internationalization equivalent to domestic market 	<p style="text-align: center;">Cell 2 Location-Bound Customized Services</p> <ul style="list-style-type: none"> • Regarding internationalization: high risk, moderate managerial commitment, moderate benefits and costs are perceived • Preparedness to invest and competitive intensity in foreign market hindering internationalization • Client chasing, moderate unsolicited orders low motivation to internationalize • Profitability equivalent to domestic market
<p style="text-align: center;">Cell 3 Standardized Service Packages</p> <ul style="list-style-type: none"> • Regarding internationalization: moderate risk, moderate managerial commitment, moderate benefits and low costs are perceived • Preparedness to invest and competitive intensity in foreign market is not as much of a hindrance • Client chasing provides low, unsolicited orders moderate motivation to internationalize • Profitability equivalent to domestic market 	<p style="text-align: center;">Cell 4 Value Added Customized Services</p> <ul style="list-style-type: none"> • Regarding internationalization: high risk, high managerial commitment, very high benefits and moderate costs are perceived • Preparedness to invest and competitive intensity in foreign market hindering internationalization • Client chasing and unsolicited orders are moderate motivators • High profitability relative to domestic market

Source : Patterson, P.G. and M.Cicic (1995). A typology of service firms in international markets : An empirical investigation. Journal of International Marketing vol. 3 no: 4. p. 72.

The classification schema and accompanying profiles indicate that some service types lend themselves to international marketing more than others. The barriers, costs and perceived risks as well as the motivations and the benefits vary among the various groups of services. The services in Cell 4 which are

the value-added customized services, are the most interested and successful group of firms compared to others. Due to their being highly customized, face to face contact with the customers also increases. Consequently, they often demand direct representation and/or a local presence for successful market entry, and are thus associated with higher than usual costs and risks. Yet they reported profits higher than domestic markets, very high satisfaction and propensity to continue in international markets. Looking at the location free professional services (Cell 1) and standardized service packages (Cell 3), it is observed that they are less successful compared to firms in Cell 4. They reported lower managerial commitment to internationalization and lower profitability than the domestic market. For firms in Cell 1, it can be concluded that the domestic "push" does not motivate these firms enough and that external pressures to perform overseas are scarce. Managers of location-bound customized projects were found to have above average performance and satisfaction with their international activities. But firms in this cell, need to be aware that they should be on location from the day they start their operations and that they do not have the chance to try and see before officially starting.

3.2 External Variables :

Every firm entering a foreign market faces such situations that in order to be able to succeed in that market it has to assess these situations well and beforehand. Both the national and the international environmental factors may be effective in a firm's setting its goals and forming its marketing strategies (Hoffman and Schneiderjans, 1990).

1. Economic factors include variables such as tax rates, interest rates, currency parity, currency transfers, wage level, construction costs, price controls, business cycles, inflation and the overall economic condition.
2. Social factors are variables like demographics, language, roles of women and minorities, work ethics, career expectations, average education of the potential workforce, overall community atmosphere. For example, for the hotel industry projection numbers for tourists the crime rate and so on.
3. Political factors include variables such as relationships that might prevent the continuation of the foreign operations, protection laws, and any other government regulations or restrictions that could affect operations. For example, for the hotel industry the probability of tax relief on the importation of construction materials and machinery, tax relief on the purchase of local construction material and the probability of income tax holiday etc.
4. Technical factors like related cost factors, product and service quality, the general rate of technological change, raw materials and innovation.
5. Physical factors are variables such as climate, the probability of natural disaster, seasonality, accessibility - for the hotel industry , proximity to highways and airports, availability of existing facilities and equipment, and proximity to shopping, restaurants, night life, cultural activities, spectator sports and other outside attractions.
6. Task environment factors include variables such as the projected customer base, market growth, untapped demand, number and strength of competitors, and accessibility to supply sources.

Although a product / service may have been in a firm's home market (or some other foreign market), environmental differences can often force the company to make unexpected or costly changes. Business services like financial services, advertising agencies accounting firms, management consultants and marketing research companies tend to be more standardized, and more in demand worldwide, since the needs of companies are more uniform than those of individual consumers (Jeannet and Hennessey, 1988). Personal services are to a much greater degree subject to cultural and social influences and exhibit a greater degree for tailoring local circumstances. Since consumer purchasing and usage patterns between countries differ to a greater degree than industry usage patterns, many services have to be adapted to local conditions to make them successful. US based fast food chains were some of the first consumer service companies to pursue foreign opportunities. Mc.Donald's, Kentucky Fried Chicken, Dairy Queen and many others opened restaurants in Europe and Asia in large numbers. Though Mc. Donald's eventually succeeded, initially it faced certain difficulties and was unsuccessful in Europe. The company had anticipated differences in taste by serving wine in France, beer in Munich and Stockholm, and tea in England, where the company lowered the sugar content of its buns by 4%. But Mc Donald's based its first store locations on the US criteria and moved into the suburbs and along highways. When volume did not come out as expected it moved into the inner cities. Once this initial problem was overcome, it grew very quickly abroad. Although some local food variations were allowed, the company operated using the same standardized manual world-wide, indoctrinating all of its franchise operations abroad with the same type of operating culture (Jeannet and Hennessey, 1988).

Because services generally involve close interactions between the service provider and the customer, cultural variables affect user satisfaction together with product design and nature of interaction with the customer (Terpstra and Sarathy, 1994).

3.2.1 Government Limitations :

Service activities are often viewed by governments as having special cultural or social significance. There is a tendency for governments to exhibit more protectionism against foreign service firms. They frequently ban foreign providers of services, subsidize local firms and restrict incoming foreign direct investment (FDI) in service industries.

Government intervention in trade serves to keep out foreign competition from domestic markets. Restrictions are placed on the right of foreign firms to do business, sell to the government, repatriate profits, and transfer personnel. Trade barriers, licensing regulations, and divergent technical standards are also used to limit the competition from foreign firms. Looking at the key reasons for the success of other countries' service firms in the world markets were, it is observed that besides factors such as experience, technology expertise and superior quality being important, lower price, government support, preferential financing, political or regional bias and US government restrictions were also very important success factor (Toyne and Walters, 1991).

Banking, insurance, transportation and the communication sectors are the ones that confront more restrictions by the governments of host countries. The common strategy is not to allow foreign firms to make the FDI needed to

support their activities, encouraging them instead to share their know-how with local firms through licensing, or similar joint ventures.

Giving an example governmental restrictions: as a result of too much US television programming imports in England, only 14% of daily airtime was allowed to go to imports; and other countries enforced similar legislations. However as governments abroad have begun to tolerate more competition, independently owned stations started to open in many countries. This greatly increased the demand for import programs. In Italy for instance, independent commercial television was not allowed until recently. Suddenly fifty stations opened in Rome alone all looking for attractive programming (Jeannet and Hennessey, 1988).

Some firms view the competitive intensity in their target markets and regulations/ policies in the overseas markets as hindering their efforts to internationalize. As one legal firm put it: "Government regulations prevent us from going into Malaysia. Singapore only allows international law, and in some other Southeast Asian countries we cannot get government licenses." Or as one geo-technical engineering consultancy explained: "In Malaysia or Hong Kong it is not acceptable doing business independently, you are expected to engage a local partner. But a good reliable partner is difficult to find" (Patterson and Cicic, 1995, p.71).

The Uruguay round of talks on trade focuses on removing barriers to trade in services, with emphasis on protecting intellectual property rights on setting parameters for government intervention in trade in services (Toyne and Walters, 1991).

3.3 Foreign Market Entry Modes of Service Firms

A foreign market entry mode is "an institutional arrangement that makes possible the entry of a company's products, technology, human skills, management or other resources into a foreign country (Eramilli, 1990). Service firms do not have many alternatives to choose from in entering foreign markets as is the case for manufacturing firms. Since the products of manufacturing firms are tangible, storable, and are able to be produced before selling, it is possible to enter a foreign market through many different alternative methods such as exporting, contractual methods (franchising, licensing) or foreign direct investment (joint ventures or wholly owned subsidiaries).

Service firms have to choose from a more restricted set of entry modes which are made up of contractual and investment methods only. There are some cases where the service is tradable or exportable. These type of services can be produced in one country, embodied in some tangible form (such as a disk or document) and exported to another country. Examples are packaged software, engineering design, research and development services, architectural services and some types of banking. On the other hand, services such as healthcare, advertising, hospitality, fast food, car rental, management consulting and customized data processing cannot be exported. The producer and receiver should be in close physical proximity, enabling production and consumption to take place simultaneously.

In determining the method to enter, there are many factors that are effective. These factors are host country market size, presence of home country customers abroad, environmental risk and firm variables such as size,

international experience, product attributes and oligopolistic reaction (Eramilli, 1990).

Looking at a study made by Weinstein (1974,1977) to analyze foreign direct investment practices of US multinational advertising agencies, it is seen that they differ according to the date of entrance to the foreign markets. While "early" entrants (ones that went abroad before 1950) were almost wholly owned subsidiaries, the "later" entrants tended to form joint ventures. One other difference between these two groups is that the "early" entrants were mostly "client followers" that is since their domestic clients went abroad, in order to serve them in those new markets, the agencies went after them. On the other hand, the "later" entrants were "market seekers", that is they went to new markets in order to find new clients.

Analyzing this situation in detail, it is observed that higher integration is observed in cases where uncertainty is high, that is "client followers" for example had lower uncertainty and entered the foreign markets through wholly owned subsidiaries. As uncertainty increases firms tend to choose methods of entry that would affect them the least in case of something going wrong. Risk in the external environment pushes firms towards less integration.

One other factor that affects entry mode choice are product attributes such as customization. Firms marketing customized services are more willing to integrate than firms providing standardized services (Eramilli and Rao, 1988).

Taking into consideration the above mentioned factors that are effective in entry mode choices of service firms, it is possible to say that service firms practice a diverse pattern of entry modes with regard to the importance of these

factors in their operations. For example, advertising agencies, fast food chains and software firms choose widely differing patterns of entry.

In order to find out the different entry mode patterns and analyze in detail the reasons for these choices, a study was conducted by Eramilli (1990), among executives in charge of international operations or members from top management of 175 companies (463 were mailed and 175 replied). The different service industries that the sample was composed of are advertising and accounting agencies, computer services, engineering and architecture, management and consulting services, consumer services (includes hotels), banking and miscellaneous services.

According to this study, entries reported in the sample were largely associated with industrialized countries. While firms like advertising agencies, accounting firms and firms providing computer services mostly preferred to enter developed countries, engineering and architectural firms tended to enter developing countries.

Checking to see whether entry mode choice differs across different service industries, it is found that it does. Table 3.1 shows the most common entry modes practiced in different service industries.

Comparing the service industries on the basis of four major attributes namely, professional skills, specialized know-how, R&D intensity and degree of standardization, certain interesting differences were observed especially in R&D intensity and degree of standardization. For example, while standardization was mostly observed in consumer services and computer services, it was seen least in management consulting services, and other

service industries; meaning that in these service industries customization is higher. As customization increases, the integration in the entry mode also increases. This hypothesis holds true when the entry mode choices of these two groups of services are looked at. While wholly owned subsidiaries/ branches are preferred by industries giving more customized service, franchising or exporting are the modes of entry for firms providing more standardized services. Looking at R&D intensity, it is observed that it is highest in computer services and about the same extent in other service categories. Specialized know-how and professional skills seem to be important for almost all of the service categories (Eramilli, 1990).

Table 3.1 : Common Entry Modes by Different Service Industries

• Consumer Services	:Licensing/ franchising, wholly owned subsidiaries/ branch offices or joint ventures
• Computer Services	:Distributor exports, direct exports or wholly owned subsidiaries/ branch offices
• Advertising and Accounting	:Wholly owned subsidiaries/branch offices or joint ventures
• Engineering and Architecture	:Direct exports, wholly owned subsidiaries / branch offices or joint ventures
• Management and Consulting Services	:Wholly owned subsidiaries/ branch offices, direct exports or joint ventures
• Banking	:Wholly owned subsidiaries / branch offices/ licensing
• Miscellaneous Services	:Joint ventures, wholly owned subsidiaries/ branch offices, licensing/ franchising

Source : Eramilli, M.K. (1990). Entry mode choice in service industries. International Marketing Review vol. 7. no. 5. p.55.

Looking from another perspective and analyzing these firms according to their being “client followers” or “market seekers”, it is observed that the client following motive appears to be strong in advertising and accounting services

and banking. On the other hand, "market seeking" is observed mostly among other service industries. It can also be noted that while in the case of "client following" situations, higher integrity is observed, in the case of "market seeking" situations less integrity is preferred. Examples of this finding are advertising agencies and accounting firms and banks practicing higher integrity modes of entry (wholly owned subsidiaries/ branch offices) compared to others.

In the above mentioned study (Eramilli, 1992), the internal and external factors affecting the foreign market entry modes of service firms are also analyzed. It is observed and proven in the study that as foreign market size, unavailability of suitable partners in the foreign market and corporate policy on controlling foreign operations increases, the service firms' preference for integrated modes will also increase. In these cases firms will tend to choose methods like wholly owned subsidiaries or branch offices. On the other hand, as host country restrictions on ownership, reduction of external uncertainty and risk, desire for getting rapidly established in the foreign market and lack of personnel and capital resources within the firm increases, the propensity of the service firms to integrate decreases. Service firms experiencing these type of situations will tend to form joint ventures/ franchisees or find ways of exporting their services if possible (Eramilli, 1992).

4. MARKETING STRATEGIES OF INTERNATIONAL SERVICE

FIRMS

Managers engaged in the international marketing of services need to deal with essentially the same types of problems as marketers of physical goods yet, they need to keep in mind certain differences while determining their marketing policy.

The service sector tends to be less capital intensive and more labor intensive compared with the manufacturing industry. It is therefore feasible for local entrepreneurs to provide local services needed for foreign markets without putting in too much capital.

Most services exhibit a high degree of intangibility and perishability; service sales typically involve simultaneous production, exchange and consumption. For most of the services it is impossible to produce the service in the home country and export it to the foreign market. Therefore in most cases a physical presence is necessary in order for the service to be given.

The need for direct contact implies that each service transaction is unique and is influenced by the provider and receiver of the service which are difficult to control. Therefore, greater quality variance is faced in the services industry. By arranging training programs for the employees, this problem might be solved to some extent, but compared to the manufacturing firms it is impossible to give standardized services. Since for most of the services storage is impossible, the international scale of business allows managers to somehow reduce variance

in overall demand and balance the demand fluctuations occurring in different markets.

4.1 Place : Location and Distribution Strategies

For certain service industries like banking, finance, insurance and tourism, there is a stronger tendency for the demand and supply to be together compared to most of the goods. For these service industries, economies of location result in a high degree of localization (in a geographic sense) of the target market overseas. For example, the primary market for suppliers of international banking services are located at cities where financial markets have already developed, such as London, New York and Tokyo. Attractive opportunities do exist elsewhere, but these are once again centered in local financial centers (Toyne and Walters, 1989).

Service firms enjoy enhanced possibilities for controlling distribution channels. Interaction with and proximity to the customer are required in most service transactions. Short and direct channels are thus preferred. Since a service-supplier presence is frequently mandatory, the possibility of successful usage of third parties to undertake overseas marketing and distribution are limited. This may be a significant disadvantage for firms to rely on indirect channels. Service firms wishing to follow an indirect method will probably sell their expertise to local firms which then become responsible for providing that specific service in that particular market. This requires a transfer of knowledge and skills that is often not easy and is usually accomplished through licensing or franchising.

4.2 The Service Strategies

Due to the nature of services, firms are expected to provide their customers services that are just prepared for their special needs. Given the flexible nature of human beings, it is usually less costly and easier to satisfy such demands than is the case for manufactured goods. It is therefore very important for a service firm planning to enter foreign markets to learn about its potential customers and see beforehand their possible wants and needs regarding the service/s it is going to provide in that market. Although uniformity is important in order to be able to maintain a certain quality in the service given, it is not possible when other characteristics of services are taken into consideration.

In order to be successful against competitors, a service firm operating in international markets may try to satisfy a certain segment of the market via service differentiation. For example, in the area of international management consultancy, McKinsey and Company has specialized in meeting the needs of large enterprises reviewing their basic organization and strategic postures (Toyne and Walters, 1991).

The pursuit of strong penetration in market niches by means of offering a superior product - service, reflects a tendency towards less direct price competition in many service markets. Due to the intangibility of services, price comparison and arbitrage are not always possible. Therefore, price differentiation seems to be more attractive for international service suppliers (Toyne and Walters, 1991).

Due to the protectionist policy of governments of host countries, international service suppliers sometimes prefer to concentrate on services that demand a

high level of supplier resources and expertise since these type of services are not easily copied by local firms and are likely to generate high margin business.

In order to be successful in the international service offering, the marketer must first determine the nature and the aim of the services offering core - that is whether the service will be aimed at people or at things and whether it will result in tangible or intangible actions (Czinkota and Ronkainen, 1990).

4.3 Promotion Strategies

The reputation and image of international service suppliers is extremely important in the success of a service firm entering a foreign market for it is difficult for the customer to evaluate the service prior to purchase. Because of these reasons effective communication with potential customers is of primary importance. Choosing the way(s) to advertise a specific service in a foreign market needs some consideration.

There are many alternatives, most of the time there is no one way. It could be done by word-of-mouth, direct mail, satisfied customer referrals, or ads in newspapers and televisions. It should first be considered whether or not there are national differences in the relative appeal of these different forms of advertising of services. Later it should be decided how the theme of the advertising should be. One more important thing that needs to be thought over is whether the important aspect will be "the name and the image" of the company or "attributes of the product being sold". In every country these topics should be considered carefully in order to achieve a well established promotion strategy (Terpstra and Sarathy, 1994).

Apart from the use of advertising and other commercial media for reaching customers, noncommercial channels are highly important. Among these word-of-mouth is the most powerful. Thus poor and inconsistent service, even if it is relatively infrequent, may have a devastating impact on a firm's reputation. Consequently the maintenance of quality control standards and the cultivation of good working relationships with foreign customers is vital. If the customer relationship is sound, occasional problems are tolerable as long as they are reconciled quickly and effectively (Toyne and Walters, 1991).

4.4 The Pricing Strategies

Marketing services internationally makes the task of forecasting demand for services more complex because the notions of individual national markets affect demand in unique ways. Further, services must match demand in many different markets. It is likely that idle capacity exists in some markets while excess demand is encountered in other markets (Terpstra and Sarathy, 1994).

The intangibility of most services precludes arbitrage; direct price comparison is rendered more difficult. Price discrimination within and between overseas markets is thus likely to be more viable than is the case for many manufactured products. However this does not always follow, and intense price competition has characterized some service sectors, such as transport and tourism in times of excess supply (Toyne and Walters, 1991).

The opportunities for price discrimination are likely to be greatest for intangible services that do not lend themselves to arbitrage. For such service exports, integrating international prices may be relatively unimportant. Measuring the cost of service exports may not be given a high priority either.

Services are difficult to price because calculating the cost of producing them is difficult. Price can be set in relation to full costs, based on what the competition charges, or simply set at whatever the customer is willing to pay. Service businesses have a high fixed cost ratio. Hence, if the service can be offered without much modification in many national markets, prices can be lower because the fixed costs have presumably been recovered in the home market.

It can be said that a company first to market a new service is more advantageous in terms of scale. Credit-cards are good examples of such an innovation in services. In this case US firms have already recovered much of their fixed costs of developing the credit-card concept through sales in the US market. Hence their foreign credit-card service prices can be lower because they do not have to incur the fixed costs of product development a second time (Terpstra and Sarathy, 1991).

4.5 Strategies Concerning The Employees

Though also important in manufacturing industries, people are of much more importance in service firms due to the nature of the services. Since services are provided mostly by people and the customers are confronted with the service providers, the employees providing the services should be well trained on the service they are giving as well as on personal relations with customers. In case of international operations of service firms, this need for training increases due to cultural factors. In any international market, cultural sensitivity is crucial. It is not sufficient for managers to be technically competent; they need to be able to deliver the required service in a manner consistent with the customer's perceptiveness. Cultural training and sensitivity-enhancing programs should be

given a very high priority by international service firms (Toyne and Walters, 1991).

Another point about human resources strategies of international service firms is that, they mostly prefer to employ people from the local natives in foreign markets to succeed in their relations with their customers. Since the natives are more used to dealing with their own people and their problems and since they one way or another have similar perception on certain things, it becomes easier both for the service provider and the receiver to get along well during the production or initiation of a service (Toyne and Walters, 1991).

4.6 Organization Structures of International Service Firms

A decentralized organization seems more apt for service industries given the inherent heterogeneity of the service and the customer base (Terpstra and Sarathy, 1994). But if a firm moves to standardize the service performance, then it becomes more sensible to manage the organization in a more centralized way, but this point of view may change according to the policies of the firm and the nature of the service being offered.

While members of an international restaurant chain can have a decentralized organization taking into consideration the relationships with and reporting to the headquarters, those of an international bank might need more of a centralized organization to be able to accomplish their tasks.

5. THE NATURE OF THE INTERNATIONAL HOSPITALITY INDUSTRY

As the world has started to become more of a unity in which people travel and do business with each other, people also need services around them that would make them feel comfortable and even “at home” when they are away from home. At this stage the hospitality industry plays a very important role. Today, hotel management has become an enormous industry and competition has been increasing day by day. Today’s hotel customer wants more and of better quality service at the same time. Seeing this increasing demand both local and international hotel managers try to enter these markets. They aim at making use of this high demand through satisfying it completely. Especially in the towns of fast growing countries in the Third World, in Eastern Europe and in small cities of Europe and Southeast Asia, the need for hotels is even higher. Managers of international hotel chains are in the process of searching for new markets which are in need of such big hotels. As soon as they find “the” place they are looking for, they try to get in without losing much time.

International expansion offers firms in the hospitality industry access to new markets and a chance to enhance their economies of scale in the arena of purchasing, production, labor and marketing (Hoffman And Schniederjans, 1990). As Herr Ueli PRAGER - the founder of Mövenpick Hotels- puts it:

“You go through a process of maturing: you develop your business at home, you start playing with the idea “maybe we could also expand abroad”, and then you are presented with an opportunity and you grab it” (Buzzell and Quelch, 1988,p.150).

However, in order for expansion to be successful, these firms must follow a procedure composed of mainly three steps which are summarized in Figure 5.1 (Hoffman And Schneiderjans, 1995).

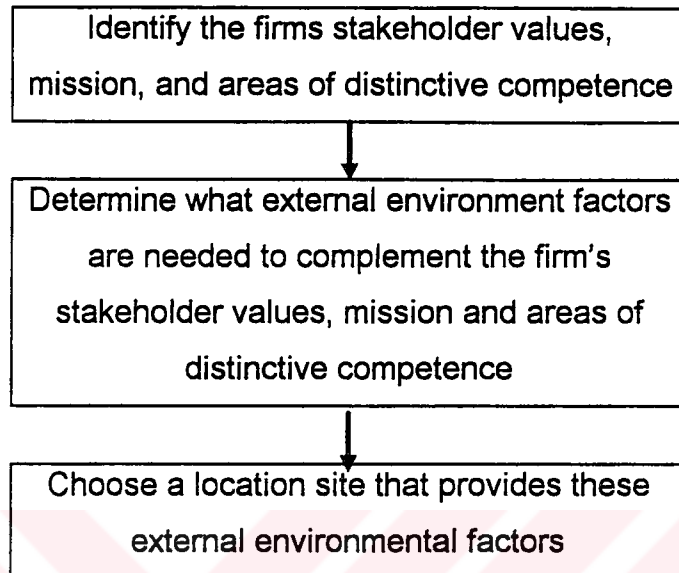


Figure 5.1 : Steps for Taking Global Expansion Decisions in the Hospitality Industry

Source : Hoffman, J. J. and M.J. Schneiderjans, (1990). An international strategic management/ goal programming model for structuring global expansion decisions in the hospitality industry : the case of Eastern Europe. International Journal of Hospitality Management vol. 9 No. 3, p. 175.

In the procedure mentioned in Figure 5.1., a firm's distinctive competence refers to organizational strengths that competitors cannot easily match or imitate. Distinctive competencies represent the unique strengths of the firm. These strengths can stem from the firm's structure, culture, and functional area resources. In the hospitality industry a firm's distinctive competencies could revolve around factors such as (Hoffman and Schneiderjans, 1990, p.178):

1. A culture that promotes a high service level and employee loyalty
2. An organizational structure that promotes flexibility and innovation
3. Financial resources that give the firm the ability to obtain new equity and

provides a steady cash flow

4. Human resources that include quality managers and provide the firm with low labor costs, low absenteeism and low worker turnover
5. Technical resources that promote a high service level and employee efficiencies
6. Physical resources that allow for flexible facility and equipment requirements. A large number of facilities that allow for economies of scale.
7. Organizational resources such as an effective MIS, good coordination of functional departments throughout the organization, effective marketing and a good public image.

Although international expansion offers many benefits to firms in the hospitality industry, there are also some complex issues regarding the global expansion.

Dymsza (1972, p.50) identified five of these issues as :

1. The firm must deal with multiple political, economic, legal, social and cultural environments as well as various rates of change within each of them.
2. Interactions between the national and foreign environments are complex because of national sovereignty issues and widely differing economic and social conditions.
3. Geographical separation, cultural and national differences, and variations in business practices all tend to make communication between headquarters and overseas affiliates difficult.
4. Analysis of present and future competition may be more difficult to undertake in a number of countries because of differences in industrial structure and business practices.

5. The degree of significant economic, marketing and other information required for planning varies a great deal among countries in availability, depth and reliability.

One of the most important factors in hotel marketing is the service being labor intensive. Tokyo's Hotel Okura has 1600 workers for 880 rooms, compared to about 1000 workers for 1008 rooms at the Helmsley Palace in Manhattan, both among the world's most prestigious hotels (Terpstra and Sarathy, 1994). Since employees are very important in this industry, they have to be well trained both on the service they are giving and personal relations. Since quality is very important and is very hard to maintain in the hotel industry, it is achieved through good training and keeping track of the performance.

Understanding the difficulty of managing overseas hotels is critical to the globalized hospitality industry. Staff attitude and lack of competence of the local managers are identified as the most difficult management factors, followed by language barriers, cultural differences and lack of local management support. Good service can be provided by local staff with the right attitude. Attitudinal change needs time and training. Professionalism and management competency of the local managers is another important factor identified by expatriates. Effective training is important for the improvement of their performance competence (Yu and Huat, 1995).

Especially the operations made and the steps taken before the official opening date are very important for an international hotel to survive in the market it is entering. Most of these hotels form a "pre-opening team" who are responsible for every large and small operation that is necessary to get ready for opening.

These pre-opening arrangements include recruiting and training of staff, setting of tariffs and prices, development of promotional programs and preparation of the provisional operating budget (Buzzell and Quelch, 1988). Members of hotel pre-opening teams need to be well qualified and experienced - attributes that are vital to the smooth running of hotel systems both before and after the hotel opening.

Hotels have a tangible side: their construction and ownership. Their management including marketing of hotel rooms worldwide and providing the hotel service itself, as well as offering related services, is their intangible side. Since hotels going international enter these foreign markets mostly via management contracts, the internationalization of the hotel industry means a separation of the above mentioned two aspects, with local investors often building and owning the hotel and foreign hotel conglomerates providing hotel management services on a commission fee and profit sharing basis. When they started going international, the founder of Mövenpick hotels, Herr Ueli PRAGER said that:

"A healthy attitude of caution and restraint has to be combined with a pioneering spirit and willingness to take risks. The recipe for the right proportions in combining these elements has not yet been found.... We see our task in the planning and management of hotels and restaurants abroad and not in playing the role of investors in foreign countries" (Buzzell and Quelch, 1988, p.133).

Although there are specific services given at hotels, certain differences are observed taking into consideration different characteristics of individual hotels. For example, the strategies of hotels belonging to larger chains and those belonging to smaller chains differ on certain aspects. While larger chain hotels

have a more centralized organizational structure, others are more independent. This is reflected in their marketing strategies, too. In case more centralized structure the services given, the promotional activities performed, the pricing method, the type of location chosen, the type of inner and outer decoration tend to be more standardized along other members of the chain. On the other hand, for the smaller hotel chains, one can see a comparatively small, city hotel and a deluxe hotel being a member of the same chain. In this study, these differences are going to be pointed out while analyzing the strategies of these two different group of hotels.

In the hotel industry mainly there are two groups of customers: businessmen and leisure travelers. Hotel managers have to set their strategies by first defining their target group of customers. Though the main service given would be the same i.e. accommodation and dining, the complementary services that are offered to businessmen and leisure travelers, their pricing strategies, the promotional activities would all be different for these two main group of customers. This study will mostly focus on business hotels and analyze their marketing strategies pointing out similarities and differences among themselves.

In a study conducted by Gilbert and Kapur (1990), on the strategic marketing planning approaches of four different business hotel chains, it was presented that these four companies fall into four quite distinct planning patterns, right across the board: from no strategic planning at Penta, to detailed corporate divisional and strategic business units (SBU's) planning at the Sheraton. Forum and Thistle are middle of the range though different on the basis of "thrust levels" which is the "unit" in the former and corporate in the latter. Meaning that

at Forum hotels the strategic planning decisions are mostly given by SBU's both by regional (made up of a group of hotels) and individual (each hotel), but at Thistle hotels plans are made directly at the corporate level and in view of these plans each individual hotel then prepares their own annual plans and reports them to the headquarters.

International services marketing is more of a contemporary subject compared to international product marketing. Therefore the literature available for this subject is not satisfactory. Going one step further and looking through literature on international hotel marketing, the resources get even less. There has been little investigation on the marketing strategies of international hotels.

The aim of this study, therefore, is to analyze in detail "International Hotel Management in İstanbul" with more emphasis on the "marketing strategies of international business hotels having branches in İstanbul". Turkey and especially İstanbul is a very attractive destination both for business and leisure travelers. Seeing this opportunity many of the international hotel chains try to find ways to get into the Turkish market either through opening a branch or through sales offices. Hotel chains that have left the İstanbul market, are now again trying to find ways to enter this market. The latest example is the Inter Continental hotel, which after 15 years decided to open a branch in İstanbul. The chairman of the Inter Continental Hotel Chain, Robert Collier has said that they have come back to Turkey because they believe in Turkey. He mentions that they expect Turkey to be one of the strong nations in the middle term and says : *"The credit rating institutions have given low scores for Turkey, but we do not look at the situation only in the short term. We, as investors look far ahead and believe in Turkey"* (MİLLİYET NEWSPAPER, June 2, 1995, p.9).

PART TWO: RESEARCH OBJECTIVES AND METHODOLOGY

6. Research Design and Methodology

In this chapter, the objectives of the study, the methodology and the limitations of the study will be discussed.

6.1 Research Objectives

The main objective of the study is to obtain a better understanding of the marketing strategies of international service firms especially those in the international hotel industry. While analyzing each sampling unit in detail, the study also aims at comparing their marketing strategies to find out the differences and similarities among them and take a picture of the situation of the international hotel market in İstanbul.

6.2 Methodology

This study has been compiled utilizing primary research of the marketing strategies of a sample of hotel groups. The findings are placed into the context of contemporary theory to create an overall understanding of the modern approach to international marketing strategies of international service firms.

Since services marketing is to some extent different from that of product marketing, some desk research is made on the marketing of services and the issues coming up in the international market.

This study is made up of multiple holistic cases in which different international hotels are analyzed. In this research more than one unit (hotels) is analyzed in

depth on the specific subject. Case studies are preferred when the investigator has little control over the events and when the focus is on contemporary phenomenon within the real life context (Yin, 1988).

A case study is an empirical inquiry that :

- investigates a contemporary phenomenon within its real life context; when
- the boundaries between phenomenon and context are not clearly evident; and
- multiple sources of evidence are used (Yin, 1988, p.23).

In general single case studies are justifiable under certain conditions - where the case represents a critical test of existing theory, where the case is a rare or unique event or where the case serves a revelatory purpose. On the other hand, multiple case designs have distinct advantages and disadvantages in comparison to single-case designs. The evidence from multiple cases is often considered more compelling and the overall study is therefore regarded as being more robust (Yin, 1988).

This case study is an exploratory one. Zikmund (1990), indicates that when a researcher has limited amount of experience with or knowledge about a research issue, exploratory research is a useful primary step. Exploratory research provides qualitative data. Usually it provides a greater understanding of a concept or crystallizes a problem rather than providing precise measurement or quantification. A rigorous statistical analysis is not performed. This method is adopted because the study is aimed at determining broad features rather than determining the quantity or extent of some phenomenon using quantitative information. Additionally previous work on the subject have been very limited.

The form of the study can be described as an experience survey. An experience survey consists of interviewing experienced people to obtain insights about the topic analyzed. The purpose of these interviews in an experience survey is to pull out the information available from inexpensive sources (Zikmund, 1990). To gather the needed information on international services marketing, face to face in depth interviews were conducted with people from the marketing and sales departments of the four selected hotels in İstanbul, during February to April 1996.

An interview guide was prepared to be used as a guide during the interviews. This guide was mostly made up of open ended questions giving chance for the conversation to flow in the right direction together with getting the needed information.

Since the people interviewed were very busy, it was very hard to arrange for a meeting. Sometimes the appointment had to be postponed. But in the end four detailed interviews were completed with the sales and marketing managers of the selected international hotels, each lasting for about 1.5 - 2 hours.

The sampling method is non-probabilistic judgment (or purposive) sampling. This kind of sampling involves personal judgment somewhere in the selection process of the units of analysis.

The hotels to be included in the study were chosen taking into consideration the following criteria :

- International hotels having branches in İstanbul
- Main customers visiting on business purposes

- Of the total four, two representing larger (Hilton International İstanbul, Ceylan Inter-Continental İstanbul) and the other two smaller hotel chains (Çırağan Palace Hotel Kempinski and Swissotel The Bosphorus)
- Solid background in the hotel industry in the world
- Willingness of participants to give information about their hotels

There are only 10 large international hotels in İstanbul and of these ten, only six concentrate mostly on business travellers; others are either hotels for leisure or airport travellers. Therefore, four of these six hotels were included in this study, two representing larger hotel chains and the other two representing smaller ones.

After the hotels to be analyzed were identified, the next step was to select the people to be interviewed in these hotels. While choosing these people, their experience and knowledge were the most important factors besides their being the managers of the sales and marketing departments of that specific hotel.

6.3 Research Questions

The study focuses on the following topics :

- Firm demographics
 - founding date in the world and in İstanbul
 - founders / owners
 - place of headquarters
 - total number of branches and operated countries
 - entry modes to the foreign markets
- Organization Structure
 - relations with headquarters
 - organizational structure of the hotel studied
- Target customer groups and competition

- Entry modes to the foreign markets and difficulties faced
- International marketing strategies of the hotels studied
 - marketing research activities
 - location strategies
 - service strategies
 - promotional strategies and image
 - pricing strategies
 - process
 - people (employees)
 - comparison with the strategies of other branches
- Planning and Control

The questions asked under each of these topics are :

- **Firm demographics**

- When was this hotel founded in Turkey and in the world ?
- In how many countries and cities does this hotel have branches? What are these countries and cities?

- **Organization Structure**

- Can you please describe the organizational structure of your hotel both in terms of this hotel and of the whole chain? Do the organizational structures of different hotels in the chain differ? Why ? What is your relationship with the headquarters? How do you report to headquarters ?

- **Target Customer Groups and Main Competitors**

- Who are your target customers ?
- Who are your main competitors? How do your competitors affect you and the strategies you are applying?

- **Entry Modes to the Foreign Markets and Difficulties Faced**

- How have the owners of this hotel entered the hotel business ? What strategies have they implemented ?

- What are the preferred entry modes of the management of your hotel? How has it entered the İstanbul market? Why do you prefer this method ?
- What are the advantages and disadvantages of operating in the international arena, especially in İstanbul for a service firm like your hotel?
- What are the most important barriers you have faced while operating in this market ? What kind of actions have you taken to overcome these barriers?
- Are there any legal or governmental barriers that you have come across in this market? What have you done against them ?

- **International Marketing Strategies of the Hotels Studied**

- How much importance is given to marketing research before and after entering a new market ? What kind of marketing research activities are being applied? What are aimed at when doing marketing researches?
- Are the results of marketing research applied while forming strategies for the future?
- Could you please give some information about the services offered in your hotel and give some detailed information on who they are targeted to? Do the services offered differ from one hotel of the chain to the other or from one country to the other ? Why? What kind of adaptations are applied? How do the special services offered in this hotel differ from others in the chain?
- How much importance is given to new service development? Who is in charge of this process? Who makes the decisions ? What is the role of headquarters in this process?
- Which one do you prefer at your company : standardization or adaptation ? Why ?
- Who are your main competitors? On which grounds do you compete with each of these competitors ?
- Could you please talk about the pricing strategies being applied in your hotel? Do this show differences across the other members of the chain? What is the role of headquarters in giving the decisions on pricing the services?
- In the services sector, the employees are much more important compared to the manufacturing industry. Their being confronted with the customers makes it a necessity to train the employees well and motivate them well. How do you

handle this situation? Do you have any training programs? What are the ways you follow to reward success ? What are the motivational factors you make use of in your hotel ?

- What kind of side services and side benefits do you offer to your customers? How do you make them satisfied apart from giving them the classical services that they can easily find in any hotel they go to? In other words, how do you differentiate your service?

- Place, location is a very important factor especially in the hotel industry. Could you please talk about the location of this hotel, its pros and cons and why specifically this location was chosen for this hotel? Could you compare the places the other members of the chain are located with this one?

- How do operations flow ? What are the divisions present and how is the job divided and how is this controlled ? Shortly, could you please talk about what kind of a process the services given in this hotel follow? What are the problems do you come across? How do you handle them ? What kind of actions do you take beforehand in order not to come across these problems?

- Could you please explain the promotional actives you make use of in your hotel ? Which one of the classical promotional methods do you apply mostly (advertising, sales calls, word of mouth etc.)?

- How much importance is given to public relations in your hotel? Does this change across the other members of the chain?

- Do you have any aim in creating a standardized hotel image all around the world? If yes, what kind of an image are you heading for? Are you happy with your current situation? What kind of steps are you taking to make it better?

• **Planning and Control**

- Could you please talk about the importance you give to planning and at which intervals are plans being made ? What kind of subjects do your plans include? How do you keep track of the plans made ? How and when do you revise them? How do you find solutions to any problem coming up?

- Are there still other markets that your hotel wants to enter in the future? Which ones are these ? Why do you prefer to enter to these markets?

6.4 Limitations of the Study

In this study, in depth interviews were conducted on the subject with top management people from the sales and marketing departments of the major international hotels in Istanbul. Because such an interview had to last for about 1.5 - 2 hours to give enough information on the subject, it was very hard to get an appointment with the people to be interviewed. Searching for a suitable time took a lot of effort.

Because of the nature of the study, detailed information about the strategies of the sample hotels were asked for, not all of the pre-interviewees agreed to provide information on this topic. They mentioned that they could not give information about their hotel. This was another limitation since the sample size had to be restricted to a total of four international hotels. If more information could have been obtained, while doing the market analysis and comparisons more distinct conclusions might have been drawn.

Also it was impossible to gather enough information from other branches of the hotels studied. The same type of interviews could have been conducted in other countries with top managers from the sales and marketing departments of those hotels. If this could have been done, the research could have revealed comparisons between the marketing strategies the same hotel applies in other parts of the world. But due to time and budget constraints of the study, such information could not be collected.

PART THREE: RESEARCH FINDINGS

7. SWISSOTEL THE BOSPHORUS * :

7.1 General Information :

Swissotel is an international management company 100% owned by Swissair, established to operate deluxe five star hotels situated at conveniently accessible locations in major cities of the world. Due to the boom in foreign trade with relaxations in trade regulations, the growth of the Turkish economy and better international relations, Turkey, especially İstanbul has become an attractive destination for business and leisure travellers. Evaluating this opportunity well, the managers of Swissotel, opened their branch in Turkey, İstanbul - "Swissotel The Bosphorus" on the 1st of March 1991.

Apart from the one in İstanbul, there are Swissotels in Switzerland (3), Germany (1), Amsterdam (1), Cairo (1), Thailand (3), China (1), Korea (1) and the USA (4), a total of 16 hotels belonging to the Swissotel chain. Swissotel is a partner with Swiss Air. The hotels are all connected to Swiss Air Swissotel Management Ltd.

Swissotel the Bosphorus is being operated in Turkey through a management contract. Owners of Swissotel (Swissair Company) do not wholly own Swissotel the Bosphorus, they have a small share. The owners of the hotel are "Anadolu Japan Turizm A.Ş" who are a consortium of Japanese companies together with smaller shares of Swissair and some Turkish companies. The aim of these Japanese companies is to make investments in the Turkish market. The land

* Based on the interview held with Director of Sales and Marketing Cem Çetintürk, and Marketing Manager Başar Eryöner, on 28th of March 1996

belongs to the Municipality of İstanbul and after 40 years the hotel will be transferred to the Municipality of İstanbul. In general, Swissotel managers do not have a standard practice in how to manage the different hotels in different countries. Some they fully own, some partly, in some they have licensing agreements and in some they have management contracts. These all depend on the situation, the type of agreement with that country and partners through whom management is to be carried out in that specific country.

Table 7.1: The Identity Card of Swissotel The Bosphorus

SWISSOTEL THE BOSPHORUS IDENTITY CARD	
• Founded in the world in	Zurich
• Total number of branches around the world	16
• Headquarters in	USA and Zurich
• Opening Date	1 March, 1991
• Entry Mode	Management Contract
• Owners of Swissotel chain	Swissair
• Owners of Swissotel the Bosphorus	Anadolu Japan Turizm A.Ş.
• Owners of the land	Municipality of İstanbul
• Target Customers	Businessmen , upscale leisure travelers mostly from USA, England, Japan, Middle East
• Class	Deluxe , is a member of " The Leading Hotels of the World"
• Primary Competitors	Çırağan Palace Hotel Kempinski, Hyatt Regency, Hilton, Conrad, Ceylan Intercontinental, Marmara, Four Seasons

Before entering a new country or city market, the managers of Swissotel conduct a feasibility analysis and decide to go or not to go according to the outcomes of this study. They first look at the daily/ annual occupancy rates in

that country/city. They analyze the customer profile of that place, find out about the marketability of that destination and in the end make a decision. Before entering the Turkish market, they applied the same procedure and found out that since there were only two big hotels (Hilton International and Sheraton) at that time their occupancy rates were almost 100 % and their rack rates (the rate for the walk-in customers, it is the highest rate) were considerably high. Seeing that Turkey and İstanbul are new destinations for most of the business and leisure travelers, they decided to invest in this market and they have done real well as a result. They have always kept track of their customers, and had them fill out the questionnaire that was prepared by the hotel management. This helped them a lot in designing their services in the future, sometimes in changing certain things, sometimes in creating a totally new service. They believed in the effectiveness and necessity of marketing research first before entering the market and second while analyzing customer satisfaction and expectations.

7.2 Organizational Structure

There are two headquarters: one in New York and one in Zurich. These two headquarters are headed by the same person, the other roles at these headquarters are Marketing, Accounting, Human Resources, New Technology and Global Sales Coordination. The 16 Swissotels are divided into geographic regions which are America, Asia and Europe (includes Turkey and Egypt). Under regional head offices there are both the hotels belonging to that region and the global sales offices of that region. The sales offices are also present in cities where there are no Swissotels. These sales offices are responsible for "selling" Swissotel even to the customers living in countries where there are no

Swissotels. In a case where a person from England, where there are no Swissotels, wants to go to for example Turkey and stay at Swissotel The Bosphorus, the sales offices in London come into action and arrange the reservations for this person. Examples of these kind of cities are London, Hong Kong, Tokyo, Paris and Frankfurt.

At the time this hotel was opened there was minimum contact with the headquarters. Every hotel was operating on their own, as if they were separate hotels. Nowadays, they mention that, this has changed a bit, that is they are in some issues in contact with the headquarters. Looking at the organizational structure, it is observed that everyone of the 16 Swissotels are connected to the headquarters headed by the chairman. As the relationship between the headquarters and the hotel management increases, reporting back and forth also increases. Although there is a similar structure in all of the members of the Swissotel chain, they are not one to one standardized. The reason for such a situation is the different goals, missions and capacities of these hotels. The Swissotel in Amsterdam being a 100 room capacity and city hotel makes it different from the one in Istanbul, a deluxe business hotel with 600 room capacity. These differences automatically affect the organizational structure. In an hotel with a larger capacity the divisions should be set so that they can handle every action being taken in that hotel. The same thing is valid for the case of different missions and target groups. For a hotel heading to be one of the best deluxe hotels, the job descriptions of every division and under divisions are a lot different from the ones of a four star city hotel. Therefore, organizational structures of members of Swissotel chain differ due to the sizes

of these hotels, the conditions present in the country/city the hotel is operating in and the type of the contract made in that country/ city.

But in general it can be said that the organizational structure of Swissotels are like the one of the owning company, Swissair. There is an executive committee headed by a general manager and composed of the managers of the divisions present in the hotel. These divisions are Finance, Front Office, Technical Services, Food and Beverage, Executive Administration, and Sales and Marketing. These managers report to their general manager and the general manager reports both to the headquarters and the owning company of Swissotel the Bosphorus, Anadolu Japan Tourism. The hotel managers are responsible directly towards the headquarters. The representative organization chart of Swissotel is presented in Figure 7.1.

7.3 Target Customer Groups

The hotels belonging to this chain are not standardized. Meaning that while one hotel serves like a deluxe hotel another one serves as a four star city hotel. That's why the target group of customers of each hotel varies. For example, while the target group of Swissotel the Bosphorus are mostly businessmen, the one of Swissotel Amsterdam are leisure travelers. Looking at the nationality of customers visiting Swissotels, it is seen that the customers of these hotels vary due to different visitors of the country/ city the hotel is operating in.

SWISSOTEL THE BOSPHORUS ORGANIZATION CHART

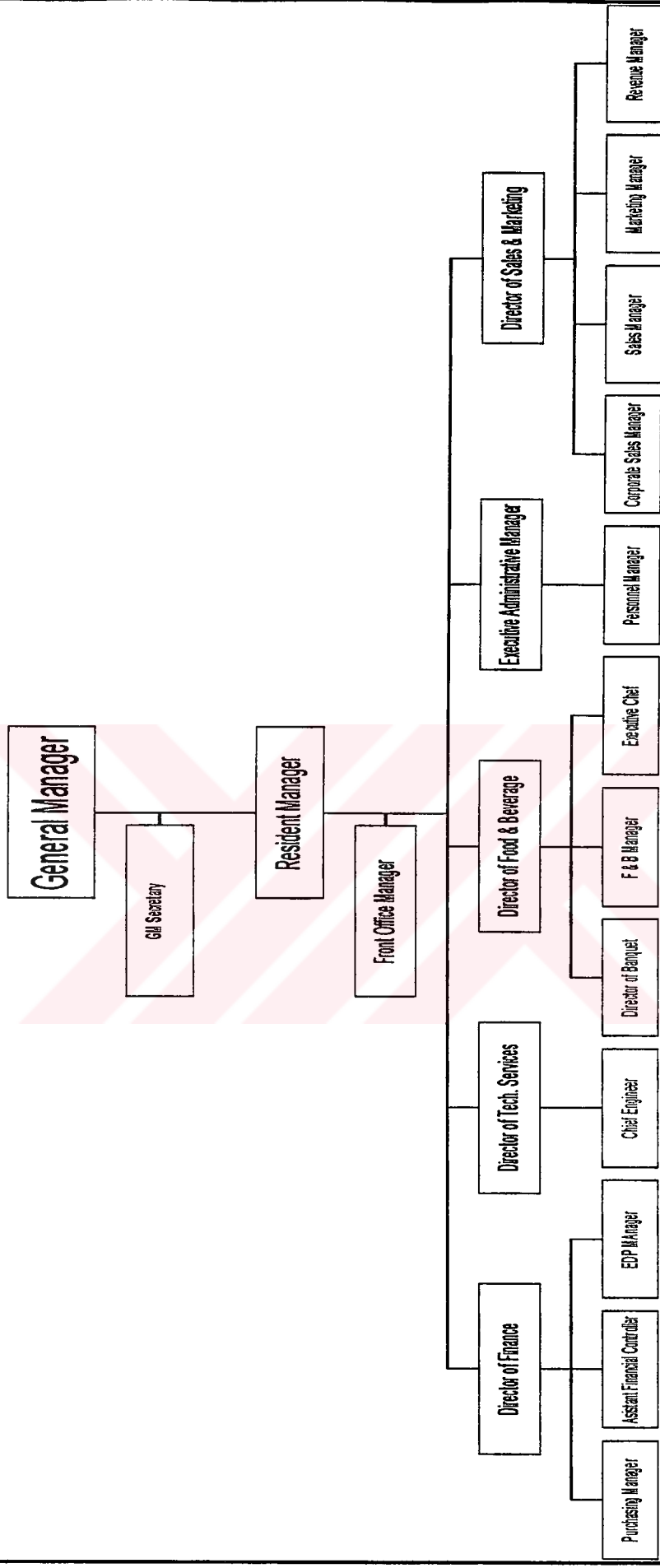


Figure 7.1: Organization Chart of Swissotel The Bosphorus

The managers of Swissotel The Bosphorus have tried to change their customer profile. Therefore, the customers of Swissotel The Bosphorus are not the same with the ones of a Swissotel in the USA. The services given to the customers in Turkey are more luxurious, therefore the customers are also upgraded people. They say that none of their customers walk in with a bag on their back , they mention that all of their customers come in wearing a tie. Even their leisure travelers are upscale. They believe that this is a result of what they have been working for and that they have achieved it.

As for the nationalities of the customers, Swissotel The Bosphorus is visited mostly by Americans, English, Japanese and people from Middle East. Because the owners of the hotel are Japanese and because Japanese are much different from people from other nationalities, Swissotel The Bosphorus gives much importance to their Japanese customers, this is explained in more detail when the facilities and services given are reviewed.

Looking at the major customer groups of Swissotel The Bosphorus, two main categories are observed, which are leisure and corporate customers. It is also possible to divide these two groups into two subgroups: individual and group customers (see figure 7.2) . The managers of Swissotel the Bosphorus see their customers in these four groups and make their plans taking into consideration the features of these four groups. Looking at the features of these groups roughly, the "group" customers are more likely to realize their reservations while the individuals either make less reservations or tend to cancel their reservations more often compared to the group customers. When the case is analyzed in terms of corporate and leisure account, it is observed

that corporate account is more profitable compared to the other and therefore wants more interest and effort.

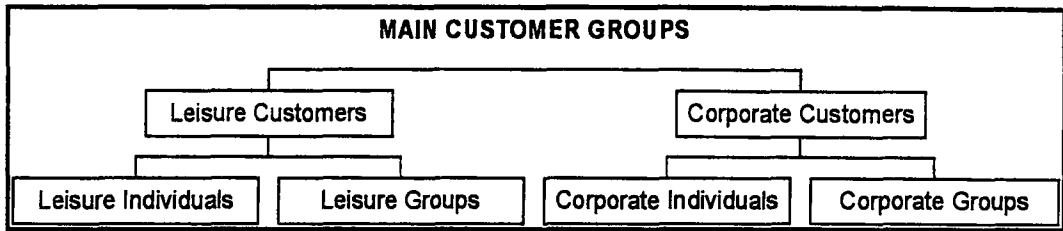


Figure 7.2 : Main Customer Groups of Swissotel The Bosphorus

Actually almost all of the big hotels have similar customer groupings and they compete with each other not only at hotel basis, but at customer group basis. For example, the competitors of Swissotel The Bosphorus are different in each of these customer groups. While at corporate individuals the primary competitors are Çırağan Palace Hotel Kempinski, Hyatt Regency, Hilton and Conrad, at leisure individuals group they compete with primarily Conrad, Ceylan Intercontinental, Hilton and The Marmara.

7.4 The Marketing Mix Elements

7.4.1 The "Place" Element

Swissotel The Bosphorus is being located in a place where it has a gorgeous Bosphorus view and is close to both the old city and entertainment areas. It has a satisfactory parking area. It is surrounded by green trees and gardens, together with the view giving one a secure feeling. The decoration of the hotel is very luxurious going parallel with it being a deluxe hotel. It is different from other hotels of the chain, it is, as is said "the flag ship" of the chain.

7.4.2 The "Service" Element

Swissotel the Bosphorus offers its guests a wide range of facilities some being standard in all deluxe type hotels, but being enriched with the perception of the management of Swissotel. The facilities present in Swissotel the Bosphorus are presented at Table 7.2.

Table 7.2 : Facilities Offered at Swissotel The Bosphorus

FACILITIES
<ul style="list-style-type: none"> • 600 rooms (including Presidential and Japanese suits, Swiss Butler rooms and one or two bedroom apartments with kitchen) • Air conditioning, satellite TV, minibar and direct dial phone in each room • Amenities like indoor and outdoor swimming pools, Jakuzzi, sauna, gym, Turkish bath, tennis courts, casino, beauty center • Health and relaxation facilities • Six restaurants all appealing to different tastes • Meeting and conference facilities

Swissotel the Bosphorus is also serving its customers with many different alternative packages both for meetings and private occasions. These packages although are similar to those given by the competitors, have been differentiated in order to attract people who always want something more apart from what is usually offered. Some of the packages offered at Swissotel the Bosphorus are shown in Table 7.3.

These package programs and new services are decided by each individual hotel and are put into action by themselves. They do not have to get the permission of the headquarters for everything they want to do. For example the "mini golf facility" was an idea engendered by the management committee of The Bosphorus. But sometimes the headquarters may give a suggestion and if found feasible by that particular hotel, it is put into action. An example to this in

Swissotel the Bosphorus is the introduction of the “Swiss Office” concept. Another alternative is the case where other members of the chain try to implement an activity or facility that is being offered by one/more of the hotels of the chain. For example Kidsotel project was successful in European Swissotels and was implemented in The Bosphorus, too.

Table 7.3 : Package Programs Offered by Swissotel The Bosphorus

PACKAGE PROGRAMS
<ul style="list-style-type: none"> • Breakfast Meeting Package • Three Day Executive Think Tank Meeting Package • Weekend Package • Honeymoon Package • Oasis Package • Wiener Opornball Weekend / Overnight Package • Swissotel Klasis Golf Package • Festive Package • New Year Packages • Senior Citizen Packages • Kidsotel Package

One does not know for sure whether a certain activity that has been successful in one of the hotels will again be successful in another one. Same thing is valid in a case where that innovation has been unsuccessful. Therefore, although one has some information about how that service will do once it's implemented, there is always a probabilistic result that may end up with just the opposite of what is expected. In the hotel business there is always the chance to see the results immediately. Customers can not try the new service planned to be offered before it is really implemented. This is a disadvantage in the services

sector. Whereas in the manufacturing industries it is easier to see whether the product will be liked by the consumers before the product is officially launched.

There are also some services that are available in almost all of the hotels of the chain. One of them is the "Japanese Corporate Business Travelers Program". Swissotel the Bosphorus managers give more importance to their Japanese customers than most of their competitors do. The reason for this is mostly, the Japanese being much "different" from other customer groups. The managers say that satisfying Japanese customers is harder than satisfying others. Everything they do and expect are different. For example, they prefer to eat raw fish and soup in the morning. Therefore offering them to attend the buffet type breakfast with almost "exaggerated" kinds of food and beverages in the morning may not mean anything to them. They prefer to sleep mostly on the floor with single beds. These are all taken into consideration and are applied to the rooms and services given to Japanese customers. There is a Japanese Information desk where they can ask in their own language about anything that they have questions on. Yukatas and slippers are put into their rooms with Japanese newspapers. Also Green tea is available in their rooms with a thermos of hot water. All restaurants summarize their menus in Japanese. The aim of this service is to make their Japanese guests feel at home.

Another service being offered and that includes all hotels of the chain is "Club Swiss" which has been created by Swissotel North America. This program is designed to express the appreciation for continued loyalty to the hotel. These loyal customers are offered special privileges and extra benefits above and beyond the accustomed attentiveness and service.

Swissotel The Bosphorus gives an interesting and very well thought service for their loyal customers. Since there is a well organized record keeping system, once a customer appears among the ones who have visited and accommodated in their hotel about 5-10 times a year, they are able to see what that person likes and does not like from his/her record. Looking at this data, they are able to serve him/her according to his/her expectations. For example through this method they are able to see before asking the customer his/her favorite newspaper/s and put this/ these newspapers in his/her room. They know whether that customer likes the room cool or hot, whether he/she wants his/her breakfast to the room, they even know how many pillows that person usually prefers and prepare the room accordingly. This creates a different relationship with those customers. These customers are then more inclined to choose Swissotel the Bosphorus though they have other alternatives.

7.4.3 The "Promotion" Element

The promotional strategies of Swissotel The Bosphorus are, like the ones of other hotels, mostly concentrated on personal selling. When an hotel is seeing the corporate account customers as its target group, it has to reach this group of people. This can only be done by giving these people service calls at certain periods, sending them news about the hotel, and in a way, keeping them always up to date with the hotel. Apart from these, there are other promotional activities in which the restaurants and their interesting cuisine weeks are announced. The advertisements of these restaurants are given in newspapers, magazines and for example, in Akmerkez around areas where people passing by might see. There are also public relation activities continuously going on.

Actually as mentioned above, once a hotel becomes one of the best ones in the market, what it does and any activity that takes place in that hotel is “news” for press and television. Therefore the managers of this hotel have to work hard in excepting programs or activities to take place in their hotel.

One can not talk of the image of “Swissotel” all around the world. The reason for this is related with the chain hotels being different from each other both in terms of mission and goals and capacity. Comparing Swissotel the Bosphorus, decorated and designed for people who like luxury and are willing to pay what it deserves, with another hotel from the chain with only 100 rooms and serves as a city hotel not even classified as a five star hotel, one can easily see the differences. The aim of the headquarters of Swissotel management is to leave every hotel of the chain on its own and let it create its own image and serving criteria. Therefore, Swissotels have their individual images. Actually nowadays the headquarters are planning to create a “Swissotel” image, too, but at the moment the case is individual images.

As a result of this “differentiated image approach” , Swissotel The Bosphorus, is mostly referred to as “The Bosphorus” without the name Swissotel. This hotel is the “flag ship” among other members of the chain. It is the only one that is a member of “Leading Hotels of the World”. It is a deluxe hotel with many facilities being offered in “crystal glasses” to the customers. Swissotel the Bosphorus has also been very innovative throughout its presence in İstanbul. The Wiener Opernball, Dog Shows, British Theater, Ladies Diamond Night are examples of such innovations. Another thing that was first started by Swissotel The Bosphorus was “lighted hotel decoration”. At first it was made only on

special occasions like bayrams, New Year's Eve, but now it is being done every night with differentiations being made on special occasions. For example, throughout the month of Ramadan together with a writing "Ramazan Bayramınız Mübarek Olsun" a moon shape was created with lights and it went parallel with the real moon: first small then full moon and last again small. These were all very innovative ideas, but once they are liked they are open to imitation. That's what happened to these innovations, too. Today one can see certain buildings and hotels being decorated with lights at nights. This has created a nice view in Istanbul and they are proud of what they have done. But sometimes imitations are not wanted by the innovators. The managers of Swissotel The Bosphorus say that since there are many dog show events taking place through different organizations, they will no longer organize dog shows.

7.4.4 The "Pricing" Element

The pricing strategies of Swissotel the Bosphorus is decided by the executive committee of the hotel itself. Rack rates are set by these people without any intervening from the headquarters. But the discount rates are decided from the headquarters and are applied as decided in all chain hotels. This is called the rate integrity. These discounts are applied for different customer groups like Corporate rate, Club Swiss, Employee rate, Seasonal discounts, Agency discounts, Group discounts etc. Once the rack rates are set by the executive committee other rates can be calculated from this price. The rack rates are decided taking into consideration the market capacity, the movements and the competition. The managers say that it would be committing a suicide if the rack

rates are increased at a time when number of customers coming to Turkey have decreased comparatively.

7.4.5 The "Process" Element

Looking at how things are being done at Swissotel The Bosphorus, it is seen that everyone is responsible of certain stages of the main service and complementary services being given in this hotel. The job to be done is divided very distinctively and the job descriptions are prepared very clearly. Therefore, the service is given without any problems occurring. Everything starts with selling the room. The service to be given to that customer starts from seeing whether the right room has been sold, the reservation has been made as he/she has wanted, and goes on until he/she checks out.

7.4.6 The "People" Element

The employees working at this hotel are very well educated, some before starting to work in this hotel and some after they have started working in this hotel. There is a tourism school that is operating inside Swissotel The Bosphorus with the help of Marmara University and other foreign lecturers. The employees of Swissotel The Bosphorus are being trained from every aspect according to their needs. The lectures are given in the meeting rooms, therefore the employees feel themselves important sitting in those meeting rooms prepared for big business meetings. They attend to certain conferences given by lecturers who are professionals in their job. Other than such training programs, there are cross training programs that are organized with other hotels of the chain. As a motivational activity "employee of the month" is being chosen and this person goes to a cross training program, and also gets a

money reward. Also the "employee of the year" is chosen and is awarded with a holiday abroad. There are also dinners and tours being organized for the employees of the hotel and their close relatives. The employees see that high level managers are not given more importance than themselves. Because of such an investment on the employees, the turnover rate is less than the one in other such hotels and accompanying this the wages are more stable. The managers of Swissotel The Bosphorus believe that "once you show your employee that you care for him/her, that you put too much effort to train them to make them a part of that organization, they start to put their best while working for that organization". In the services sector this is very important and needs to be adapted well by all such institutions. But this kind of a training and awarding system does not work in every country due to the general attitudes toward being a hotel employee. For example, although working in a hotel is somewhat a prestigious job in Turkey, it is not seen so in USA. Therefore, such programs are not given that much importance in hotels operating in these type of countries.

7.5 Planning and Control

In order for every action to be taken at the right time and with the correct attitudes, plans have to be made. In Swissotel The Bosphorus, like all other business units do, planning is a must for the success of their activities. Plans are being made for 3 years, but these plans are object to change and they may be updated under different circumstances. Marketing and Sales department has yearly plans. Together with the plans the budgets are prepared taking into consideration every aspect of marketing and sales. They have to decide

beforehand on an average room rate and set a target number of rooms to be sold in that year. Later to achieve that goal , they decide on what kind of promotional activities they have to make. The sales calls are very important in keeping the customers up to date and getting feed back from them. Therefore the schedule for the service calls are prepared at the beginning of that year, too. The training programs are also prepared and shown in the yearly budget.

7.6 Conclusion

Swissotel the Bosphorus belongs to a small chain of hotels (having a total of only 16 branches), but it is called the “flag ship” of this chain of hotels. Great investments were made and a lot of effort was put to turn this hotel into what it is now. With the help of good and well organized planning, the importance given to the training of the employees and the innovative approach of the management, the customers have always been well satisfied from the services they get from Swissotel The Bosphorus. This being the most important aim in the services industry, Swissotel The Bosphorus has achieved a great success throughout its presence in İstanbul. This success has made it both a member of The Leading Hotels of the World and “the flag ship” of Swissotel chain. The managers of Swissotel The Bosphorus believe that no matter how many competitors enter this market in İstanbul, they will still preserve their success and position with their innovative attacks and the great importance they give to their customers.

8. CIRAĞAN PALACE KEMPINSKI *

8.1 General Information :

Kempinski Hotels have been in the hotel business for many years, since they opened their first hotel in Berlin, Germany. They started the business from a small wine house - a cafe and developed it into a small patisserie later into a small hotel and in the end into the hotel chain known today as the Kempinski hotels. There are 22 Kempinski hotels all around the world which are placed mostly in Europe. Other than those in Europe there are Kempinski hotels in Far Eastern countries and North America. They do not have hotels in countries like Switzerland, France, England. They think that there are already too many hotels in these countries and investing in these countries would require too much money and effort. But on the other hand, they say that, Kempinski hotels probably would not reject the opportunity if they can find an appropriate partner- an investor who would want to invest as a Kempinski hotel into one of these highly attractive markets.

Each one of these hotels has its own special atmosphere reflecting the culture and lifestyles of the city as indicated by the various, individual hotel names. The name, in combination with the location, serves as the forename, indicating that the hotel is an individually operated, deluxe hotel belonging to the Kempinski family. When one sees this combination he/she will know for sure that he/she is guaranteed the highest standard of service and design.

* Based on the interview held with Director of Sales, Ülkü Yüksel on the 18th of March 1996

Çırağan Palace, home of the last Ottoman sultans, has been restored to its former glory and is once again a social center on the European shores of this ancient city of İstanbul. Guests at the Çırağan Palace Hotel Kempinski İstanbul may stay in a genuine Sultan's palace, built in wood at the end of the 16th century and then rebuilt in marble for Sultan Abdülaziz in 1857. It was badly damaged by fire in January 1910, and lay derelict and abandoned until the restoration in 1986.

Çırağan Palace Hotel Kempinski, was founded in 1991 on a 44.000 m² area right beside and including the Çırağan Palace placed on the coast of Bosphorus. It is a member of "The Leading Hotels of the World". This hotel in İstanbul, is being managed by Kempinski, but they have only a management contract that is they do not own the property. What they actually prefer is owning the hotel, but since it is a very big investment, the payback period of the investment is long due to high costs and low profit margins, therefore they have to enter new markets via management contracts.

Marketing research is given a lot of importance at Kempinski hotels both before entering a certain market and after starting operating in that market. Before entering the İstanbul market, they have conducted a feasibility study and made a cost and benefit analysis in which they examined the need for such a hotel in the İstanbul market through finding out the occupancy rates of each competitor hotel, the rack rates of the hotels, average rack rate in the market, total number of rooms in the hotel market in İstanbul (regarding the ones that are apt to being a competitor). Also they searched to find out the business transactions in the İstanbul and Turkish market in general. Collecting all these information,

they ended up with the decision to enter the market finding it a profitable one for the future.

The managers of Çırağan Palace Hotel Kempinski see their hotel as the number one among the international hotels operating in İstanbul. They believe that both in terms of the services they give to their customers and the place where the hotel is located, Çırağan Palace Hotel Kempinski overcomes its competitors.

Table 8.1 : Identity Card of Çırağan Palace Hotel Kempinski

IDENTITY CARD	
• Founded in the world in	Berlin, Germany, 1928
• Founders	Were once Cafe owners and slowly improved their business into Hotels
• Partners with	Lufthansa Miles & More
• Headquarters in	Geneva
• Total number of branches around the world	22
• Founded in İstanbul in	1991
• Entry mode	Management Contract
• Target Customer Group	Businessmen and upscale leisure travelers mostly from USA, Japan, Italy, Germany, England
• Class	Deluxe Member of "Leading Hotels of the World"
• Total number of rooms	296 rooms and 26 suits
• Main Competitors	Swissotel, Hyatt Regency

8.2 Organizational Structure

Looking at the organizational structure of Kempinski hotels and especially to the one of Çırağan Palace Hotel Kempinski, it is seen that their being a smaller hotel chain compared to other big chains of hotels, reflects on their organizational structure, too. The divisions are headed by a manager who reports to the general manager who is reporting to the general manager at the

head quarters. The organizational structure of Kempinski hotels is much or less the same.

The divisions present at Çırağan Palace Hotel Kempinski are mainly the rooms division, food and beverage division, the sales and marketing division, the executive administration division and the finance division. The departments under these main divisions are as follows : under rooms division: laundry and dry cleaning, front office, garage, stores, reception, lobby and customer money; under food and beverage division: banquet, restaurants; and under finance division: purchasing, cost controlling, cash box.

8.3 Target Customer Groups

The sales and marketing division of Çırağan Palace Hotel Kempinski, segments the market into eight main categories taking into account the services that the customers benefit from. The most profitable group under this segmentation is the corporate account group. Another group is the tour group who are traveling with touristic intentions - these tour groups are the ones making more than 10 room reservations at a time- , another group who travels with touristic intentions are called frequent international travelers (FIT's) - less than 10 room reservations at a time. There are also some people who do not travel via tours, but go to hotels on their own, making up the "rack group/ walk-in customers".

Looking at the nationalities of these customers, it is seen that they are mostly coming from USA, Japan, Italy, Germany and England. And the traveling dates of these different nationality groups differ, too. For example, while Japanese travel mostly during the touristic period July and August, Italians travel during May and June after the school holidays and Americans are mostly old age

group, coming to Turkey in the end of either April or October. Actually these are examples of people coming with touristic intentions. The businessmen may come throughout the year, the managers of Çırağan Palace Hotel Kempinski can not give an exact period of the year for these travellers.

8.4 The Marketing Mix Elements

8.4.1 The "Place" Element

Infact, the Çırağan Palace Hotel Kempinski is made up of two hotels: The Sultan's Palace itself and in the spacious grounds of the palace, a grand hotel built in the spirit of five-star deluxe luxury of its traditional neighbor. In the ancient Çırağan Palace itself there are 12 special rooms. These guests arrive via a private driveway and entrance where they are greeted and escorted to their rooms in the upper storey of the palace, and where they enjoy the greatest possible comfort throughout their stay. Most of the deluxe suits boast an unobstructed view of the Bosphorus, along with all other amenities.

8.4.2 The "Service" Element

Çırağan Palace Hotel Kempinski İstanbul, which, since its opening in January 1991, has hosted many princes, kings, presidents and artists, is the first member of the "Leading Hotels of the World" in Turkey. The Kempinski Group, with its long record of excellence in international deluxe hotel management, has insisted that Çırağan Palace Hotel Kempinski İstanbul be of the first order from the very start. The same strict standards for quality apply here as in any

other Kempinski Hotel, with one important difference - it is only here that guests can live in a palace fit for a Sultan.

Table 8.2 : Facilities Present at Çırağan Palace Hotel Kempinski

FACILITIES	
HOTEL	PALACE
• 310 rooms & suites	• 12 VIP suites
• Two restaurants (Brassiere and Çırağan), Two bars (Çırağan Bar and Gazebo Bar), Lobby Lounge	• Two restaurants (Tuğra , Bellini) Ballroom, Three private dining rooms, One bar, Cafe Saray
• Four meeting rooms, business center,	• Two pre-function rooms , two exhibition grounds, nine meeting rooms, Blue Salon with a built-in stage
• Health and Fitness club with sauna, Turkish Bath , Jakuzzi, massage, fully equipped gymnasium and aerobic center	• Historic Turkish bath
• Indoor & outdoor swimming pools and sports areas	• Casino, Exclusive Shopping Arcade
• Each room has a seating area, private bathroom with full range of guest requisites including bathrobes and towelling slippers, individually controlled air conditioning, color television, radio, direct dial phone and minibar	

Actually what makes an international hotel like Çırağan Palace Hotel Kempinski different from others is not the classical services it gives, but the small differentiations it offers while giving these services. Otherwise a hotel might operate as a “deluxe” hotel through just giving the required services in order to become a “deluxe” hotel. What makes it different from others, is the way it gives these services. The reason for this, is, as can be expected, the competitive environment the hotel is operating in. And another important reason is the traditionalized behavior of that hotel over the years and

throughout its branches all around the world, namely some sort of standardization.

Once a customer goes to the reception desk at Çırağan Palace Hotel Kempinski, the first thing that might pull his/her attention is the room keys. Different from what they see in other such hotels, customers are not given cards, instead they are given "big" keys which they see the need to leave at the reception desk each time they get out of and lock their room. The reason for such a practice, is making it possible for the customers and employees to be in contact with each other, say "Goodmorning / Good afternoon" to each other ; ask whether they have any problems, whether they are pleased with the service they are getting etc. At the same time looking at it from the other perspective -the employees side-, they become happy when complemented by the customers, when they talk with them and they feel themselves important and as hosts of that "big house". These kind of feelings and recognitions act as motivational factors for the employees.

Another differentiation made is in the services given to different customer groups. Meaning that knowing what customers from certain nationalities expect, makes it possible for the hotel managers to serve them the way they want to be served. Actually these services are not differentiated for every different nationality customer group. For the core target customers, this service is being applied to, but on the other hand, to other small groups of customers such a service is not given. For example there are magazines and newspapers like New York Times, Wall Street Journal in the guest rooms, but not those that are

published in Japan. Since the Japanese are not frequent customers, there are no Japanese bathrooms or Japanese kimonos in the rooms for the moment.

These important distinctions are made according to the number of served customers from different countries. Actually this situation is not just the result, but also the reason. Hotel Çırağan Palace Hotel Kempinski managers have chosen as their core customer groups the Americans, German, English, French and the Italians leaving Japanese customers to other hotels, they have put all their effort to pull these predetermined customer groups to their hotels. That's why they end up with serving these core customer groups in one way - the way that they had promised to serve - and other customer groups in another way. Here it should be mentioned that, although until two years ago, Japanese were not heavy users of Kempinski, in the last two years management attempts to attract Japanese customers and a Japanese manager is recruited to organize promotional activities aiming at Japanese customers, too.

Since it is aimed at providing the customers with anything they needed, a different practice is being applied at Çırağan Palace Hotel Kempinski. It is especially made so that there are no sewing kits in the rooms. Another reason for such a practice is to be able to increase contact of the customers with the hotel personnel. When the customer needs tailoring service, he/she shall call the bellboy or directly go to the hotel tailor, give the cloth to be repaired and receive it in about five minutes repaired, depending on the repair it needs. The managers of Çırağan Palace Hotel Kempinski believe that what makes the services a hotel offers different from others is these kind of small details.

There are the incentive groups that are actually traveling on a special package offered by the hotel. These group of people mostly are guests of some company either their employees, customer or some other group to whom, that particular company wants to show its appreciation to. The above mentioned ones were groups that were all benefiting from accommodation services of the hotel.

There are yet other customer groups of the hotel who do not accommodate in the hotel, but benefit from some services that the hotel is offering. For example, convention and meeting, actually these groups can be counted as a part of the corporate account yet they do not have to take the accommodation service. There are people coming to the hotel just to benefit from its special promotions.

At the restaurants of Çırağan Palace Hotel Kempinski, one can experience the flavours and cuisines from all around the world. Different meals from different cuisines are offered to the customers for a certain time period. For example, every Monday was "Taste of Asia" day, every Wednesday was "Taste of Lebanon" day and every Friday was Neptune (sea food) day. During spring and summer, in addition to the traditional terraces Tuğra and Bellini restaurants started serving the hotel customers. Barbecue nights were organized every Friday on the Brassiere Terrace and on Palm Court with soft music playing, exciting tropical drinks and a savory light-fare menu were offered to the customers. These kind of activities are all decided and offered by each hotel individually. The headquarters does not give any financial help to the hotels that it has management contract with. Therefore, each hotel acts as individual operation and profit unit and gives most of its decisions on its own.

In 1996, the managers of Çırağan Palace Hotel Kempinski have started a renovation project in which they are planning to do technical improvements in the rooms of the corporate account customer group. A two-line telephone as well as additional jacks for private in room fax machines and PC modems are some of the equipments to be placed in the rooms. Also they are planning to implement the voice mail system in answering the phones which will allow the customers to receive their messages from the original sound and language. This last mentioned service will apply to all of the customers staying at the hotel.

8.4.3 The "Promotion" Element

The most important promotional weapon at Çırağan Palace Hotel Kempinski is the sales calls. Sales calls are visits to important customers and potential customers. With these sales calls, Hotel Çırağan Palace is introduced to the potential customers and the yearly activity plans, package programs and room rates for that year are explained to both of these groups.

At Çırağan Palace Hotel Kempinski, a booklet, "FERMAN" is published to be sent to the customers in order to keep them up to date with the events taking place at the hotel and also to remind the customers that Çırağan Palace Hotel Kempinski is always there to serve them.

The aim of the managers of Kempinski Hotels was to create a standardized image of good quality in all Kempinski hotels and they have succeeded in doing so at Çırağan Palace Hotel Kempinski. But image of Hotel Çırağan Palace Hotel Kempinski came out to be an "unattainable" one because of the word

"Kempinski" and it's once being a palace. Although the managers are happy to have created a real "deluxe" hotel and one that customers are happy to accommodate in, they are also worried about this image. This hotel being an "unattainable" one, sometimes in a way "pushes" customers away from the hotel and unables them to get in even through the doors of the hotel. Through certain promotional activities the managers try to attract the customer group who are even afraid to enter the hotel to have a dinner or brunch.

8.4.4 The "Pricing" Element

At the time the hotel was opened, the room rates were set taking into consideration both the room rates given in other Kempinski hotels and the room rates given by the market leader among international hotels in İstanbul (the highest rate). For example, if the average rate of Kempinski hotels was \$ 200 and that of Hilton was \$ 150, they thought that the price to be set for Çırağan should be in between these two rates. In other words, the prices were set not with cost plus method, but rather with a price comparison method.

Besides this comparison method, the budget prepared at the beginning of the fiscal year should also be met. Therefore, while setting the price in between these two rates, an average rate that would meet the planned budget is determined. While determining this rate, the number of rooms to be sold for that season are calculated and under realistic estimations room rates of that season are announced. The prices, then, are revised each year taking into consideration the planned budget of that specific season. In August, the budget of the following year is prepared and according to this new budget, price revisions are made.

Pricing for the two main target markets that are present in this sector should be analyzed separately. The prices for people coming to Çırağan with touristic intentions are set for one year; the prices for the ones coming through companies and with business intentions are also given for one year, but it is mentioned at the end of the booklet prepared that the prices are object to change.

8.4.5 The "Process" Element

The service that customers get from the hotel starts before they even arrive at the hotel. It actually starts with the reservation service. The customers are offered a room to meet their needs.

At Çırağan Palace Hotel Kempinski, jobs that have to be done while serving the customers are well distributed among certain divisions and people. For example, the rooms division is responsible from the cleaning of the rooms, but in doing this job different people are responsible from different parts of the job to be completed. At the end each room cleaned is checked by a manager of the specific division.

The distribution of work is even more detailed at the banquet and restaurant division since there are more things to be done both from quantity and quality point of view. For example, at a banquet, the waiters and waitresses get into groups of ten and each group gets a certain number of tables at certain locations in the banquet room. After getting in a row they start serving to the tables they are assigned to. At the kitchen, there are different people to peel the potatoes, to cut the onions etc.

In order to control every action being taken at the hotel a well formed computer system is used. With the help of this system, jobs are being done smoothly, preventing any complications coming up.

8.4.6 The "People" Element

Looking at the importance given to the employees, it is seen that at Hotel Çırağan Palace Hotel Kempinski, employees are very important and are tried to be motivated through certain training and entertainment programs. Some examples to these motivational factors are like private health insurance given to the employees, the employees taken to week-end holidays, employee of the month being chosen etc. Different training programs are being adapted on different subjects. The trainers are either professionals who are experts in their subject or are tutors at universities who have specialized in that specific subject. For example, a conference was given to the employees by an American professional on "How to get on with people". As can be seen from these examples, employees are really important and as is expected from a service company, employees are considered as the crucial elements of that organization.

8.5 Planning and Control

Plans are being made by the managers of Hotel Çırağan Palace Hotel Kempinski every year and are revised in case of any external or internal change occurring. Every year they have to sell the rooms of the coming year. Therefore, planning is very important in hospitality industry. Budgets are being prepared by the August of every year and throughout the coming year, these

prepared budgets are tried to be met. Other than planned number of rooms to be sold, many other subjects are parts of these yearly plans. Besides accommodation expectations, such an international hotel will have meetings, banquets, promotional activities etc. These have to be planned beforehand, too. Also the yearly training programs and sales call assignments are a part of these plans. The sales and marketing team have to attend certain exhibitions organized and visit other countries in order to attract customers from these places. These are also planned beforehand and are presented in the yearly budget.

8.6 Conclusions

Çırağan Palace Hotel Kempinski, though has smaller room capacity compared to other big international hotels operating in İstanbul, makes good use of its position and opportunity of being a palace. Its being situated along the Bosphorus gives it an important advantage and this, combined with it once being a palace, makes it easier to attract both business and leisure customer groups. Though sometimes these opportunities it has act like a barrier making it an unattainable hotel, with the help of small promotional activities, it aims at pulling these people at least through the doors of the hotel. Another advantage of Çırağan Palace Hotel Kempinski, is its being the member of "The Leading Hotels of the World" and this is also very effective in attracting customers. Therefore, the managers of Çırağan Palace Hotel Kempinski, do not feel the need to create too many promotional package programs to gain more customers. Due to their having limited room capacity, they already have high occupancy rates and therefore are satisfied with their current situation.

9. CEYLAN INTER-CONTINENTAL İSTANBUL *

9.1 General Information

For 50 years Inter-Continental Hotels and Resorts have been serving the needs of the frequent international traveler in the world's most important business and leisure destinations. With more than 170 hotels and resorts in over 67 countries around the world, the chain of Inter-Continental hotels and resorts is one of the leaders in global hospitality.

Table 9.1: Identity Card of Ceylan Inter Continental - İstanbul

IDENTITY CARD	
• Founded in the world in	in 1946 in USA
• Owners	PANAM Air Lines
• Headquarters in	USA, Stanford
• Total number of branches around the world	in 67 countries at 170 branches
• Founded in İstanbul in	September, 1996
• Owners of the building	Ceylan Holding
• Entry mode	A Special Management Contract
• Target Customer Group	Mainly businessmen, but also leisure travelers
• Class	Five star hotel

The first Inter-Continental hotel was opened in 1946 as a side institution of PANAM Air Lines. In those days it was important for an airline to have its own hotel chain especially at places where it has flights to. In 1970's İstanbul being one of PANAM's new destinations brought with it a branch of Inter-Continental

* Based on the interviews made with Managing Director Şehnaz Çehreli and Sales Manager Engin Efe on the 8th of April, 1996

to be opened in İstanbul, too. At that time there were only Hilton and Sheraton as the big hotels of İstanbul and Inter-Continental managers saw a potential in the İstanbul market and entered this market with a hotel that is now serving as "The Marmara Hotel". In its first years, Inter-Continental was very successful, but as the results of economical and political conjuncture, it faced a long lasting strike among its workers and had to close the hotel down. After this unhappy experience, Inter-Continental stayed away from İstanbul market, but seeing it become very popular among its competitors made the managers of Inter-Continental think over İstanbul again.

There were two important reasons that made Inter-Continental come to İstanbul again. One of them is İstanbul's importance from the marketing point of view, that is, they saw that İstanbul was becoming a very popular destination and the demand for İstanbul started to increase. Another reason that is parallel with the marketing aspect, is the business aspect. Meaning that the increased demand for İstanbul had to be met. And if Inter-Continental did not enter this market, it was for sure that its competitors would get these potential customers. Among this group of customers there are even the loyal customers of Inter-Continental who look to see Inter-Continental every where they go. Once they can not find Inter-Continental, they have to accommodate in another hotel that is present in that country. Same thing is valid for the case where companies want to make an incentive trip to İstanbul and are unable to find the hotel that they are mostly working with in İstanbul.

Actually, although everything was clear and showed them that they had to invest into the Turkish - İstanbul market, the managers at the headquarters

conducted a feasibility analysis, too. The managers of Ceylan Inter-Continental İstanbul declare that since almost all of them had a position at hotel management before they took part in Ceylan Inter-Continental İstanbul, they did not need to do too much research in order to find out who come to İstanbul, that is, who will be their customers, when they come to İstanbul , the price ranges of the international hotels in İstanbul etc. On the other hand, for the future, the managers of Ceylan Inter-Continental are planing to conduct research on customer satisfaction, expectations and image. The managers of Ceylan Inter-Continental say that Inter-Continental hotels conduct these researches at individual hotels using a standard questionnaire provided by the headquarters. Later all the data is collected at the headquarters and analyzed by an independent research agency that the hotel management is working with. By doing it this way, they have the chance to see the situations of different hotels and compare them. Yet, since they have done their official opening recently, they have not so far conducted such researches for Ceylan Inter-Continental, İstanbul.

After all the pre-studies were done and it was decided to enter the Turkish - İstanbul market, the managers of Inter-Continental started to look for a compatible partner and a building suitable to become an Inter-Continental hotel in İstanbul. And they found what they were looking for. They made a management contract with their partner, Ceylan Holding, who are big Turkish investors. The contract was a different kind of a joint venture contract, it did not include only one or two hotel management rights. It was a more global contract, it gave the partner the right to act like Inter-Continental in Turkey and Turkish Republics. In a way the contract gave the right to open the new Inter-

Continental hotels that were planned to be opened in these areas. All the agreements and contracts were to be done through this partner. Therefore once someone / some company wants to open an Inter-Continental hotel in one of the cities included in the above mentioned region, they directly have to come and contact "Ceylan Holding" not Inter-Continental itself. Once it is decided that this new Inter-Continental Hotel can be opened, then Inter-Continental managers come into the scene to help the new investor create the standardized Inter-Continental image and service.

Inter-Continental managers have made a product differentiation in their hotels. They do not use the brand name "Inter-Continental" for every hotel they own. Instead they have created three sub categories and according to the qualifications of that particular hotel, it becomes a member of one of the following: Inter-Continental Hotels and Resorts, Forum Hotels or Global Partner Hotels and Resorts.

Inter-Continental Hotels and Resorts is the oldest one of these three categories. It has been preferred as the first class hotel brand of world's business travelers since 1946. These hotels are more luxurious and are mostly deluxe hotels, that is they are more luxurious than five star hotels.

The other one, the Forum Hotels, were established in 1972 to complement the wide range of Inter-Continental hotels, to satisfy the needs of travelers looking for accommodation that consistently provides high quality and value at every location. In the mid-price category (5-4 star hotels) , Forum Hotels are rapidly expanding within the Inter-Continental family and have almost 30 hotels around the world.

And the last one of these is the Global Partner Hotels & Resorts which are located where Inter-Continental or Forum has no representation. In these cities they have formed partnerships with selected hotels and resorts to provide the frequent traveler with an even wider choice of luxury and mid-price accommodation.

Inter-Continental hotels are a very big chain of hotels and they try to create and maintain the same image all around the world. Actually the reason for their creating three different hotel groups is based on this aim. Because some of the hotels could not (sometimes were done on purpose) practice some facilities, it was not possible to put them all under the same name. Therefore the managers divided them all into three main groups and have created three products of Inter-Continental (product differentiation) by not giving any harm to the name Inter-Continental. The services given in these hotels are all alike and have to be alike. What is standardized and have to be the same in every hotel of Inter-Continental is the format, color and the design of the stationaries being used. This is also a part of image building and is successfully practiced among the hotels of Inter-Continental.

9.2 Organizational Structure

The organizational structure of Inter-Continental hotels are all the same and headed by the headquarters which is in Stanford, USA. There are about 10-12 departments in each hotel. On top of the department heads there are senior vice presidents who are responsible for each department they are assigned to. And above these senior vice presidents there are the regional directors. For example, the technical services department which is positioned under the

general manager of the hotel also reports to the “Regional Director of Technical Services”.

Whole Europe is divided into some regions taking into consideration the different properties of that country and that specific hotel. For example, Turkey belongs to the East Mediterranean Region together with the countries like Greece and Egypt. The head of this region is in London. Actually not all of the departments show the same hierarchical scheme nor are they all responsible toward the same person. The countries to be included among the responsibility range of a particular head office are chosen by that office itself. For example, while for marketing and sales the region assigned is as mentioned above, but technical services this is said to be different.

9.3 Target Customer Groups

Looking at the customer groups of Inter-Continental, it is seen that there are various groups. Some customers come to the hotel on corporate account, some come for meeting packages, some through the touristic intentions and some come for the packages offered. These customers all receive different room rates that are decided beforehand.

Analyzing these customers in more detail, first there are the walk-in customers, they receive the highest price - the rack rate. Then there are the corporate account customers who come to the hotel for their business transactions, they may be accompanied by their friends or relatives. Another group is the JBO group who come again for business, but not through a company, they are people from the occupations like doctors, lawyers etc. A different group is the

customers coming with touristic intentions. There are two groups in this category. Ones that are coming through an agency and with a group and the others that are again coming through an agency, but individually (or with their own friends or relatives). And the last group of customers are the base business customers made up of people who mostly stay at that hotel. For example, an expatriate of a certain company who has to implement a certain project and stays at the hotel for about 6 months. Another example to this group are the stewardesses of an airline who have a yearly contract with that hotel. In the table below the main customer groups of Ceylan Inter-Continental are summarized :

Table 9.2: Major Customer Groups of Ceylan Inter-Continental

Walk -in Customers	Corporate Account		JBO Group	Leisure Travelers		Base Business
	Alone	Accompanied		Agency - with a group	Agency - Alone or with personal group	

It should be kept in mind though that if the three different hotel groups of Inter-Continental are taken into consideration, the target groups change. The ones that are mentioned above are mostly those of Inter-Continental Hotels and Resorts.

9.4 The Marketing Mix Elements

9.4.1 The "Place" Element

The hotel Ceylan Inter-Continental Istanbul is centrally located within walking distance to the main shopping and business areas. Because Inter-Continental

hotels mostly prefer to be downtown hotels, the managers have sought a lot in order to find a location such as this one.

9.4.2 The "Service" Element

Ceylan Inter Continental İstanbul has entered this market very recently and the managers have sought to find out needs of their potential customers. As in many of the five star / deluxe hotels they have included in their facilities many services to be offered to their customers.

Table 9.3 : Facilities Present at Hilton International - İstanbul

FACILITIES
<ul style="list-style-type: none"> • 390 rooms including 4 Handicapped suites, 27 Business suites, 16 Executive suites, 4 Bosphorus suites and 4 Presidential suites
<ul style="list-style-type: none"> • Club Inter-Continental , 55 VIP suites
<ul style="list-style-type: none"> • Californian Brassiere, Turkish Restaurant, Fine Dining Restaurant, English Bar, Lobby Bar, Patisserie, Coffee Shop, Pool Bar and Roof Bar
<ul style="list-style-type: none"> • Outdoor swimming pool, Health Club, Turkish Bath, Hairdresser, Beauty Parlor
<ul style="list-style-type: none"> • Indoor Car park, Shopping Arcade, Patisserie and Delicatessen Shops
<ul style="list-style-type: none"> • Airport pick-up Service. Dry Cleaning and Laundry
<ul style="list-style-type: none"> • 24 hour room service
<ul style="list-style-type: none"> • In house video movies, games, satellite TV, Casino and Simulation golf center

Being a business hotel, Inter-Continental has given a lot of importance to its meeting rooms, too. There are a total of nine high capacity and low capacity multi-purpose meeting rooms. There is also a business center open from 7:00 am until 10:00 p.m. that provides full secretarial and courier services, rental of portable telephones, faxes and computers.

In order to meet the needs of their customers and in order to attract more people to their hotels, the managers of Inter-Continental have organized many different package programs. These programs that have to be implemented by all of the hotels belonging to the chain. The individual hotels have no right to refuse to implement the standard predecided package programs. What they may do though, is to declare that they are working at full capacity and that they are unable to except customers on certain programs. Examples of these programs are Heart of the City, Six Continents Club, Club Inter-Continental etc.

The Six Continents Club Membership provides the card owner with special check-in area, upgrade to superior room, fresh fruit and mineral water in the rooms, late check -out and single rate for double occupancy. After spending thirty nights within a twelve month membership period, members are upgraded to the executive card level, entitling them to even more benefits which include guaranteed room with 72-hour Advance Reservation, upgrade to an executive room or suite, use of health club facilities.

Table 9.4: Package Programs Offered at Ceylan Inter-Continental, İstanbul

PACKAGE PROGRAMS
• Heart of the City Weekend Programs
• Summer Spectacular Programs
• Six Continents Club
• Global Mileage Rewards
• Global Business Options
• Global Meetings Portfolio
• Global Leisure Options
• Corporate Rate Portfolio

Club Inter-Continental, is on the other hand, a different program which is preferred by people who like to have different treatment. In response to the changing needs of frequent travelers, Inter-Continental has introduced a new dimension in comfort at selected hotels around the world. Club Inter-Continental offers a private floor or wing and affords guests superior accommodation and additional benefits such as private registration, early check in and late check-out, an exclusive club lounge featuring complementary buffet breakfast and evening cocktails, a comprehensive business library and private meeting rooms.

The Heart of the City Weekend programs are package programs that are offered by 56 Inter-Continental and Forum Hotels throughout Europe. The package itself is two optional. The standard plan includes guest room for two, full buffet breakfast for two all taxes and charges. The other alternative includes additional to the standard option, late check-out plus the choice of one of the following alternatives: car parking, upgrade to a suite, a Sunday night accommodation, airport pick-up, local option (sightseeing tour, fine dining etc.). Even appearing among the hotels of Heart of the City Program is a very important thing for the hotels of Inter-Continental. And Ceylan Inter-Continental İstanbul is a part of this program. The managers of Ceylan Inter-Continental believe that this is one of the most effective programs among all the others.

Other than these programs there are the following programs given by selected Inter-Continental hotels all around the world. Global Mileage Rewards Program which is based on traveling with one of the partner airlines, Corporate Rate Portfolio which is designed to attract more meetings and reservations from one

company in one year, Global Business Options Program which offers a preferred extra service along with accommodation for two. Global Meetings Portfolio is an incentive program package which is preferred by companies who want to organize a recognition vacation for either employees or customers. There are also some Global Leisure Programs among which people can choose to spend their holidays.

9.4.3 The "Promotion" Element

The most important role is given to personal selling. In the hotel industry where the target group of customers are businessmen, the marketing and sales department has to be in contact with the companies all the time to keep them up to date about what is going on in their hotel. Other ways of keeping the customers up to date are doing industrial and corporate based mailings to the customers or potential customers. Public Relations is given a lot of importance and it was even given more importance at the time when Ceylan-Inter Continental had not made its official opening, in order to create the right image on people's minds.

9.4.4 The "Pricing" Element

Looking at the pricing strategies of Inter-Continental hotels, it is seen that they are trying to maintain a standard pricing system in all of its hotels taking into consideration the three different subcategories and the strategies of these hotels. What is aimed at in all three of them, is to set the prices of different groups of customers with parallel discount rates. The room rates of that year are calculated by the managers of the hotel itself, but later they are submitted

to the head office. At the head office the set prices are compared both with the prices of competitors and the prices given by other Inter-Continental hotels. By doing this, they are trying to create a somewhat standardized pricing policy in all of their hotels around the world. They believe that since they have many different customers from all around the world, a customer's facing two different pricing ranges at two different Inter-Continental hotels would damage the image of Inter-Continental.

9.4.5 The "Process" Element

All the services given are controlled and headed by the division heads. The process of the service given to the customer is easily divided into parts and people are assigned to be responsible for only that part of the whole service that the customer receives. This job division plays a very important role especially in hotel chains as big as Inter-Continental. The reason is there are too many customers checking in and out everyday. If a well working organization is not made, that is if customers are given uncleaned room or if their luggage is lost etc., there would be no longer the image that Inter-Continental has created today. In order not to make any mistakes the managers have worked on this process and assigned satisfactory number of people to certain defined jobs.

9.4.6 The "People" Element

The managers of Inter-Continental hotels are very keen on their employees. They organize training programs for their employees. There are different programs, some are for all of the employees, whereas some are only for certain departments. These are organized mostly at the beginning of the year and are

revised as the time comes. A lot of importance is given to Total Quality Management and therefore many training programs are designed to train the employees on this subject. Apart from training programs that are organized within the individual hotels, there are chain training programs and once a hotel is a member of the chain all the necessary information about those training programs are sent to the local management. Upon the arrival of these program lists, the local management decides on who are to participate in which of these training programs.

For recruitment, while top managers have to be confirmed both by the local management and by the headquarters, middle and lower levels of managers and employees are chosen by the local management. For some positions they prefer experienced people, but for some they want people who have no experience on that subject. The reason for this is to be able to train them so that they would be able to practice only the Inter-Continental way of serving. This brings with it standardization of service.

9.5 Planning and Control

As it is for every business, planning is very important for Inter-Continental managers, too. Since Ceylan Inter-Continental, Istanbul has recently passed its pre-opening stage, they have just started doing official plans, before they were "pre-opening plans". These were prepared even one year ago in order to be able to prepare the hotel for the opening. The managers say that every hotel passes through a pre-opening service period and this lasts about 4-6 months. During this time they give service to their customers, and work as if the hotel has made the official opening. Such a practice helps them to see the things

going wrong and they have the chance to clear these impurities before the official opening of the hotel. After the hotel starts giving service to its customers, apart from yearly plans, the head quarters want to see five year plans. And later they aim to compare the realized situation and the plans. Doing such an evaluation helps for future planning activities. The main “numbers” present in their plans are occupancy rates, average room rates, market share and penetration index. Other than these, all the activities of the hotel are to be somewhat planned, presented in the plans and also they should be well budgeted. Once the plan is put into action revisions can be made in certain acceptable ranges.

9.6 Conclusion

Inter-Continental Hotels are one of the biggest hotel chains in the world. They have operated in the İstanbul market 20 years ago, too, but had to leave after having an unhappy experience. But seeing that İstanbul has started to be a very promising market and observing that they were loosing from their loyal customers, the managers of Inter-Continental searched for ways of entering the İstanbul market again. They chose the building of Sheraton, a very famous hotel in İstanbul, that had to leave İstanbul market because of certain problems. Enormous amounts of money were spent in the renovation process of this old hotel turning it into Ceylan Inter-Continental.

Ceylan Inter-Continental İstanbul, though has made its second official opening on the 10th of September, 1996 had been serving since June 1996 in the İstanbul market living its preopening stage as all hotels should do before the official opening. During this period the management and the employees work

as if they are officially serving their customers. This is a kind of test marketing and usually helps find out the things going wrong before really starting. With the services it gives and the Package Programs it offers to its customers, Ceylan Inter-Continental, has already started to gain a great deal of customers from all around the world. With the help of its known and respected name all around the world, the advantages it has regarding its capacity, its services and well trained employees, the managers of Ceylan Inter-Continental believe that, their hotel will be the leader of the international hotel market in İstanbul, in the near future.



10. HILTON INTERNATIONAL - ISTANBUL*

10.1 General Information

Conrad Hilton Hotels were founded in 1950 in USA. Its founder was a hotel manager and therefore he was in this industry when opening Conrad Hilton Hotels. Hilton International - İstanbul, was founded in 1955 to operate as Conrad Hilton's Europe branch. Its original design was an American, German and Turkish collaboration and since its first years, this eleven story "match box", as it has been referred to, has grown to encompass 500 guest rooms, executive and park floors and a 2000 square meters Convention and Exhibition Center.

After entering the European market, Conrad Hilton preferred to enter the Far Eastern market. The business thrived overseas because it successfully created a "home away from home" for Americans traveling abroad. Today Hilton is operating in 49 countries in the world and has about 150 branches. While entering these countries, Conrad Hilton was very careful and selected the countries to enter, taking into consideration the target customers. Because Hilton is mostly a businessmen hotel, these countries are mostly the ones where the business traffic is really high. The investors try to choose and settle in countries where there will be a lot of business transactions from in and out of the country in many different industries. In the last 15 years it has started to target customers traveling just with touristic intentions and for this reason has

* Based on the interview held with Marketing Coordinator Saba Altınsay on the 11th of March 1996.

built resort hotels. Therefore, some of these countries are the ones especially attracting tourists.

In 1964, Hilton International branched off from Conrad Hilton Hotels and was acquired by the British Ladbroke Group in 1987. Though separate business entities, the two companies share the Hilton name. Conrad Hilton Hotels use the "Hilton" name only in the USA, while Hilton International uses it in other parts of the world. The "Hilton's" in USA call themselves "Wista". Conrad Hilton Hotels and Hilton International also share a worldwide reservation service and collaborate on some of their marketing activities. But the greatest asset the two companies share is their dedication to provide comfort and service to weary travelers.

The owners of Hilton are big investors; they are not only Hotel Managers, but also they invest in profitable areas like Casinos, they engage in events like horse races and participate actively in the stock market. The reason for their investing in the "hospitality industry" is hence, because they have found it a profitable sector.

Hilton enters the new markets via a management contract. They do not own the building in most cases, they just sign a management contract with the local investor. The building is either already a hotel or some other building belonging to an institution, a person or a group of people. For example the building of İstanbul Hilton belongs to the Pension Fund, the one of Parksa Hilton belongs to the Sabancı Holding.

Table 10.1: Identity Card of Hilton International Istanbul

IDENTITY CARD	
• Founded in the world in	in 1950 in USA
• Owners	big investors who are also engaged in areas like Casinos, horse races and participate actively in the stockmarket
• Headquarters in	USA
• Total number of branches around the world	in 49 countries at 150 branches
• Founded in Istanbul in	June, 1955
• Owners of the building of Hilton International , Istanbul	The Pension Fund
• Entry mode	Management Contract
• Target Customer Group	Mainly businessmen, but also leisure travellers
• Class	Five star hotel
• Total number of rooms	500
• Main Competitors	Çırağan Kempinski, Swissotel, Hyatt Regency and Conrad

10.2 Organizational Structure

When the organizational structure of the management team is examined, it is seen that there are certain departments in each branch headed by a general manager. There is also a one step higher level of organization - the head quarters. The organization of the headquarters is such that under the Hotel General Manager apart from the Sales and Marketing Division, there are also a Sales Division and a Marketing Division. Under these head divisions there are the continent heads of the related divisions. Each continent head is the head of the related country heads for that particular department. Under the country heads there are the related top managers of each hotel in that country.

In other words for each department there is an upward moving organization in which the heads of departments for each geographical area participate.

The main departments that are present in almost all of the Hilton Hotels are the Front Office, Food and Beverages, Sales and Marketing, Banquet, Executive Administration, Finance and the House Keeping departments.

Almost all of these departments have the same job descriptions in all of the Hilton Hotels, but that of Sales and Marketing department changes according to the competition that the hotel is facing in the country it is operating. In countries where the competition is not very high, there is not that much need to try to sell the product since the rooms are already being booked by only one or two hotels. This was the case in İstanbul when there was only Hilton, Sheraton and Intercontinental (new The Marmara) as the three big hotels accepting guests from all over the world be them businessmen or leisure travelers.

But today things have changed, now there are many hotels in İstanbul and each of them want to get the highest amount of booking per day, make contracts for the best events to take place in their hotel or form good relationships with the traveling agencies and thus make the agreements at the planned discount rates. In order to achieve this, they form a better sales and marketing team and train these people so that they are able to make the highest number of sales.

It should also be mentioned that in resort hotels there is not that much need to give a lot of importance to sales and marketing efforts compared to business hotels. Since corporate accounts do not play a very important role in resort

hotels the target group becomes the traveling agencies and the walk-in customers. In order to attract the traveling agencies certain packages are prepared and rooms are being sold mostly at the beginning of the year from the agreed upon discounted prices. Since resort hotels are cheaper and they are located in regions of countries where leisure travelers prefer to spend their time and have fun, the traveling agencies do not have hard times selling these rooms. And because the same thing is true for walk-in customers, they do not have to think too much over the alternatives, they go to the one they want to.

10.3 Target Customer Groups

Looking at the target customer groups of İstanbul Hilton, three major groups are seen : walk-in customers, corporate accounts, travel agencies. Because most of the total revenue comes from the corporate account alone, a lot of importance is given to this particular group. It is especially mentioned that although the walk-in customers are charged the highest price, the promotion activities, packages and all other sales increasing activities are forwarded to the corporate account and travel agency customers. In order to be able to serve the best to its guests İstanbul Hilton has to set these target groups well and organize all of its activities related to marketing mix accordingly. Therefore, the sales and marketing efforts are directly planned for each group separately.

The competitors of Hilton International İstanbul in these target groups are: for the walk-in customers Çırağan Palace Hotel Kempinski, for corporate account Swissotel The Bosphorus, Hyatt Regency and Conrad, for travel agencies Swissotel The Bosphorus and Conrad. The services being offered by these competitors are about the same because they are all five star hotels, but there

are still some differences that each hotel practices on its own and gains competitive advantage from. The only important competitive disadvantage that the managers of Hilton believe that they have is its being worn out and outmoded. In order to overcome this, the renovation process has been started. By the time, the renovation process is over, they believe that it will turn into a competitive advantage. One other disadvantage Hilton has against its competitors is its having low marketing and sales budget. Hotels like Swissotel, Hyatt Regency and Conrad have more budgets enabling them to promote themselves better. In order to be successful in attracting customers, they believe that their budget should be increased.

10.4 The Marketing Mix Elements

10.4.1 The Place Element

Istanbul Hilton is situated in the heart of Istanbul, overlooking the Bosphorus and is set in 14 acres of beautifully landscaped gardens and is located within walking distance of the business district, offices, shops and entertainment areas. It is the only hotel in Istanbul, as the managers say, that has a lobby overlooking the Bosphorus. While the hotel was being designed 40 ago, the architect said that he thought of Hilton Istanbul as a transatlantic sailing on the Bosphorus. He also mentioned that he wanted the marvelous scenery of the Bosphorus with white ships sailing on, to continue with Hilton on the green hills of Istanbul. Today, in order to attract more people to this old yet experienced hotel, the hotel managers have started a renovation in the hotel, which as they believe will overcome the most important competitive disadvantage they have, the worn out and outmoded look of the hotel.

10.4.2 The Service Element

The services being offered in hotels are in a very wide range. There are certain facilities that must be present in a five star hotel. Other than these, hotels may offer as many facilities as their budgets allow according to the wants and needs of their target customers.

Hilton International is serving its customers on a semi-adapted, semi-standardized basis taking into consideration the different hotels in different countries. They think that something like ISO 9000 is needed for hotels to somehow make the services standardized. Actually, as mentioned above being a five star hotel brings some standardization, but they do not think that it is enough. The necessities that a hotel should have in order to be a five star hotel are like tennis courts, swimming pools etc. Things like the interior design of the hotel are adapted taking into consideration the country being operated in. For example, at Hiltons in the Far Eastern regions the interior of the hotel is being designed in the traditions of those regions. In Turkey, the interior design reflects the Ottoman Empire periods, and it will continue on doing so even after the renovation is over. While giving names to the restaurants for example, the names that are a part of the culture of that country are used.

Taking into consideration the target customer group, the corporate account, Istanbul Hilton offers the Meeting 2000 package which is designed for especially special meetings of companies. This package includes Meeting 2000 rooms designed to adapt to any lay-out and purpose. These rooms are fitted in with built-in working walls with white board and projection screens,

overhead projectors and wall rail system which allow flip charts, white board and screens to be moved to the desired position. They also contain a full range of audio visual equipment including overhead projector, VHS video, monitor and electronic flipchart. The cooling and the heating systems in the rooms are electrical and well designed. Additional facilities presented in this package are a meeting service manager ready to assist with fax/telex, photocopying, typing, courier/mail service, word processing, travel arrangements, theater and restaurant bookings onward Hilton reservations. There is also a mini fridge supplied with soft drinks which are charged on consumption. The Board room and Summit Rooms are equipped with ergonomically designed "8 hour" chairs with height control and padded armrests.

Table 10.2 : Facilities Present at Hilton International - İstanbul

FACILITIES
• 500 guest rooms and suites
• Executive Floor Clubroom, non-smoking rooms, disabled rooms
• 24 hour room service, laundry and dry cleaning, safety deposit boxes, shoe shining, wheelchair
• Covered car park
• 4 restaurants specializing in Turkish, International and Chinese cuisines, 2 bars
• Indoor and outdoor swimming pools, tennis courts, squash courts, health club, sauna, exercise facilities
• Casino, Shopping Arcade, Disco, Medical Office
• Meeting 200 package, Ballroom, 10 meeting rooms. Hilton Convention and Exhibition Center
• Electronic Keyless Room Locking System
• Baby sitter service
• Helipad

Other than these conference facilities there are other ballrooms, meeting rooms, Hilton Convention and Exhibition Center that would also serve the same purpose for the corporate account customers. Actually the ballrooms are also used for banquets other than company meetings or organizations.

One important service that is being offered by Hilton International and is also present in Istanbul Hilton International is the "Wa No Kutsurogi" (Japanese Guest Service). This is Hilton's way of making Japanese guests feel at home and it is also a service that guests from all around the world want to try. As part of the service, guests are welcomed with a fruit basket in their rooms. "Yukata"s, slippers and green tea are available, as well as complimentary mineral water. Additionally a Japanese Guest Relations Officer is on hand to assist guests during their stay. This service is being offered in around 40-50 Hilton Hotels in the world.

Hilton Club is another service that is being offered by Hilton International. This service is designed to pamper the guests around the clock so that their business trip or vacation runs smoothly. With 24 hour room guarantee, flexible arrival and departure times, fuss-free check-in and check-out, complimentary spouse accommodation, discounts on business support services and variety of personal touches including complimentary use of the Clubroom and its facilities, the health club and much more.

Other than these services Hilton has package programs that it offers to its guests. Some of these package programs are the same in Hilton Hotels all around the world, but there are some additions to these if the executive

committee finds something interesting to offer their guests in that particular hotel.

There is the "Incentive Group" package that Hilton International offers to companies which want to send their guests or employees to vacation. In order to attract these companies hotels prepare package programs in which accommodation, benefiting from all activities being offered at the Hotel, city tours, cultural events are included. Guests coming to Hilton International - Istanbul on this package apart from accommodation and benefiting from the Hotels services, have a chance to see a village marriage, belly dancing, attend a Bosphorus tour on boat and eat the delicious Turkish Kebabs. Even more than trying to attract people to their hotels, sales and marketing departments of hotels which want to get these profitable incentive groups, promote the country being operated in. If people do not want to come to that particular country or if they do not know much about that country, they do not even think of taking a package offered by any hotel in that country. So what the international hotels in Turkey do is first pull people to Turkey then to their own hotels. This way they actually help each other in pulling incentive groups to Turkey.

Another service being offered is the "Hilton Memory Package". In this package guests are able to celebrate their birthdays, wedding anniversaries or spend their honeymoons at Hilton with many advantages. Guests taking this package are welcomed in a Hilton Suite with flowers, a basket of fruit and a bottle of the famous "Taittinge" champagne of France. The next morning they are served a delicious breakfast in their rooms. They are able to benefit from the pool, tennis and the squash courts if they wish.

In the hospitality industry a very wide range of services are offered to guests. But one important thing that is always taken into account is the different wants and needs of the guests. In order to meet almost everyone's wants and needs, the executive committee of Hilton Hotels try to create services that would appeal to a general portion of their target customers. Talking of the Hilton Premium Card, it offers to the owner many different privileges ranging from free meals to special discounts on many services and facilities of Hilton Hotels in Turkey. There are the dining benefits in which the owner of the card can host his/her guests without himself paying for his own meal. By this way all around the year, for each meal he/she has together with his/her companions, his/her meals at Hilton Hotels in Turkey, will be free of charge. Other than dining benefits, it offers a one night free of charge accommodation in a standard double room (including breakfast) in any one Hilton Hotel in Turkey during the membership period. One other privilege is for anniversaries and special occasions. Guests who own the Premium Card are welcomed to stay at a junior suit for one night including breakfast and pay a symbolic price compared to the actual price of that suit.

Because the main group of customers are the businessmen (corporate account), Hilton directs its sales and marketing efforts especially to this group. Although leisure travelers coming via travel agencies also play an important role for İstanbul Hilton, most of the promotion packages or activities are made for the corporate account customers. When the number of nights the customers coming to Hilton on corporate account were taken into consideration, it was seen that customers from a particular company did not/could not always stay at Hilton during their visits. In order to make it possible for these companies to

prefer Hilton for all of their reservations in İstanbul, thus create loyalty, Turkey Hilton has started a “Hilton Magic Dollars” program. In this program the reservations of the concerned people are tracked in the computer system and they are sent Hilton Dollars with respect to their spent room nights (each one night stay worths 5 Hilton Dollars). These Hilton Dollars can be used in all the Hilton Hotels in Turkey and in Hilton Hotels around the world. But the benefiting conditions from these hotels and services are different from each other and are mentioned in the booklet of this package. These dollars can not be turned into cash, they are to be used in the mentioned services at Hilton Hotels.

Table 10.3: Package Programs Offered at Hilton International - İstanbul

PACKAGE PROGRAMS
• Meeting 200 Package
• Hilton Magic Dollars
• Hilton Memory Package
• Hilton Premium Card
• Incentive Group Package
• Hilton Magic Dollars
• Wa No Kutsorogi - Japanese Guest Service
• Week-end Packages , Off-Season Package Programs

10.4.3 The Promotion Element

To be able to inform the target groups of customers about what activities are being done at İstanbul- Hilton and to promote the hotel, the mostly preferred method is personal selling. Besides personal selling, newsletters are being

mailed to the customers both to individuals and companies and small promotional programs are being offered. In order to penetrate into new markets or new customers, they are inviting top managers of different companies to have a drink or to stay for one night free of charge. By this way, they are aiming at making people see the hotel, find out about the facilities and the services given in the hotel. Thus, such an activity will help start reservations coming from these companies, too.

10.4.4 The Pricing Element

The pricing decisions for the services offered are given by the executive committees of each hotel individually. Thinking of the costs, the image, the competition in that country, competitor's prices, the hotel itself and the service in question the executive committee sets a price for that particular service. For accommodation service, since there are different groups of customers that the Hotel wants to pull and attracting each group depends on the discounts made from the "Rack Rate" set in the first place, certain discounts are applied. These discount rates are different for different groups of customers and they vary in a wide range according to the advantages the hotel expects from that group of people relative to others. While pricing the services offered, the executive committee takes into account the relationship between the price and the service offered with all of its aspects. If people are to pay an "x" amount for a certain service, they want to get that promised service in return.

10.4.5 The Process Element

Talking of the process, another marketing mix element, although not as noticeable as it is in the manufacturing industry, there is a nicely flowing

process present in the hotel services. Everything is kept track of via computers and thus the process works without anything going wrong. Only when the computers are out of order, some problems arise. The entrance of the data related to the customer starts as the reservation is taken for that customer. Operations are being made on this record for every service given to the customer. This way the managers are able to keep track of which services are given and which are missed. This goes on until the customer checks out. Except the computer record, there are certain forms being completed by each department for certain jobs to be done.

10.4.6 The People Element

In order to be able to offer their guests the services as they promise, Hilton International gives a lot of importance to its employees. Actually, since in service firms the key element of the marketing mix is most of the times “the employees” who give the service and confront with the customers. The customers “buy” the service via these people. Because of all these, “people” (employees) as one of the P’s of the marketing mix become very important. At Hilton International, training programs are prepared for the employees as a whole or breaking them down into groups taking into account their departments, their closeness to the customers, their type of job etc. These training programs are conducted either by professional trainers (foreign or Turkish) or by people who are apt to give that information to the workers. Other than training programs, in order to motivate the employees, Hilton International organizes trips, banquets just for the employees and creates a nice relationship atmosphere both within the workers themselves and between the workers and the top management. Another motivating activity being made is

choosing the employee of the month and giving this person a bonus of money. They believe that if the employees are not well motivated and trained, the targeted service quality will not be reached. They also mention that employees are not only “workers” for that institution, its not because of this that they are important. They want to make the employees feel that they are seen as important because they are “people” and are an unseparable part of the process going on in that hotel. While recruiting new employees, experience in the sector, foreign language knowledge and the ability of that persons in being able to adapt to the working conditions and the spirit of the hotel are especially looked for. There are no limitations regarding the nationality of the managers, anyone from any nationality can do the job only if he/she has the ability to do it perfectly.

10.5 Planning and Control

The managers of İstanbul Hilton give a lot of importance to planning. Their plans are made for 1.5- 2 years and are object to change for any reasonable reason. They have to sell the rooms of 1997 in 1996, at least a certain amount of them so that they would not diverge from their budget. In order to sell these rooms, they have to plan such occasions, programs beforehand and thus be able to attract the needed amount of customers to be able to meet the targets of the budget. Because customers coming on corporate accounts have to decide and travel in a very short time, their reservations can not be taken beforehand. That's why the long term reservations are most of the times given to travel agencies and for walk-in individuals and corporate account customers, short term reservations are made. The demand coming from companies

depends on the business traffic of that company, so it can not be planned earlier.

A general corporate account occupancy can be predicted, for example since pharmaceutical companies launch new products around May, visits from the headquarters take place, mostly, during this time of the year. Travel agencies make long term contracts. Some seasonal fluctuations are always watched for. For example, while the Europeans and the Americans travel in the summertime, and the Chinese during winter - February, the Japanese travel in every month of the year. During the Christmas time travel rate falls thus the most frequently pronounced empty period for hotels starts from the beginning of December and ends around mid March. Other than these, there are many perceptions about different type of customers and taking into consideration these different customers together with the season fluctuations, new programs are designed so that rooms will not be left empty for those periods. As can be understood from these planing activities, Hilton Hotels give a lot of importance to planning. They believe that hotel management can not be successfully done without well planning.

10.6 Conclusion

It can be concluded that, Hilton International Hotels are one of the biggest hotel chains in the hospitality industry. Hilton International - İstanbul, being a part of this chain, has a stable and well formed image, too. On the other hand, its being an old hotel, brings with it some disadvantages, the most important of which is its being perceived as out moded when compared to its new competitors in the market. However, with the great experience and knowledge

in this business, Hilton International İstanbul, is sure to overcome this disadvantage and turn it into an advantage with the help of the renovation and also through serving the customers at always the constant quality, showing them always respect and kindness and answering to all of their needs at any time and occasion.



11. A COMPARATIVE ANALYSIS OF THE FOUR INTERNATIONAL HOTELS OPERATING IN ISTANBUL

Comparing the four international hotels of İstanbul (Hilton International, İstanbul, Ceylan Inter-Continental, Çırağan Palace Hotel Kempinski and Swissotel the Bosphorus) , the first thing that one detects is that they are all branches of very "old" and established hotels of the world which are among the 50 biggest hotel chains. All of them were founded about 50 or more years ago. Of these four hotels Hilton International and Ceylan Inter-Continental are branches of very big chains. Hilton has more than 150 hotels and Inter-Continental has more than 170 hotels all around the world in more than 50 cities. On the other hand Swissotels and Kempinski Hotels are smaller compared to the other two hotel chains. There are only 22 Kempinski hotels and 16 Swissotels in the world. Though this is the case all of them are known well all around the world with the help of their promotional activities and sales office distributions.

Looking at their history in İstanbul, it is seen that the branches of big hotel chains that is Hilton and Inter-Continental, were opened earlier than others, Hilton 1952 and Inter-Continental 1970 on the other hand, Çırağan Palace Hotel Kempinski and Swissotel The Bosphorus were opened in 1991. Although Ceylan Inter-Continental has done its second opening in İstanbul in 1996, it has once been in this market, but because of certain problems had to leave.

The managers of these hotels all see İstanbul, Turkey as a very promising destination. They believe that both the businessmen and leisure travelers have

discovered İstanbul and Turkey and therefore they will be visiting this country and city even more in the future. The hotel managers see that their corporate account customers (businessmen) are people doing business with Turkish companies. They are also aware that the number of such business transactions are continuously increasing due to Turkey's being a part of world economy and trade more than it has been in the near past. Turkey is also very attractive for leisure travelers both in terms of its scenery, beauty and its historical background. Seeing all these opportunities the managers of these hotels have decided to enter İstanbul market. They all mention that the headquarters must have conducted a feasibility study before putting all their efforts into this investment. Thus, combining the opportunities they have detected with the feasibility of the investment, the top managers of these hotels have decided to make their investments.

Analyzing how all of these hotels have entered this market, it is seen that almost all of them prefer management contracts. They do not own the property, the owner is either the government, a foundation or another company. The top executive committee makes a management contract with these owners and take over the management of the hotel on themselves. Swissotel The Bosphorus, Çırağan Palace Hotel Kempinski and Hilton International İstanbul are operating in the İstanbul market via management contracts. The case of Ceylan Inter-Continental is some what different. It is again a sort of management contract, but the contract gives broader rights to the company with whom they have made the contract, Ceylan Holding. In this contract Ceylan Holding, not only has the right over İstanbul Inter-Continental, but it acts as Inter-Continental for other investors that may come up and invest in

Turkey or other Turkic Republics. The procedures all pass through “Ceylan Holding”. In the end, if the agreement is made, Inter-Continental comes and takes over the management of that particular place via a contract it makes with the investor.

11.1 Organizational Structure

Analyzing the organizational structures of these four hotels, it is observed that the structures of hotels belonging to big chains (Hilton International, Inter-Continental) and those belonging to smaller chains (Kempinski, Swissotel) differ from each other. Bigger hotel chains have more hierarchical organizational structure. They have the headquarters at the top, in between there are region or continent heads the country heads and below the country heads, in most cases, general managers of the hotels, come the managers of the departments present in that hotel. The difference between the two types of hotels occurs at the level of region or continent heads. In smaller chain hotels because they are not very scattered all around the world, they have not seen the need to put an extra level in the organization which has a role of getting together the information from the hotels that it is responsible from reporting these to the headquarters. Such a make up allows a better organized structure for hotels having many branches all around the world. Otherwise they would not be able to keep track of everything going on in each hotel and problems may arise in case of complications. Since smaller chains can handle their problems even in that less complicated organizational structure, they do not need to put other levels in.

When the departments present in these hotels are analyzed, it is seen that they are almost the same with one or two exceptions. They all have Food and Beverage Department, Housekeeping and Rooms Department, Sales and Marketing Department, executive Administration, Finance Department and Accounting Department. Under these main departments there are other divisions which are designed so that there is someone responsible for every service being given and every step of the procedure being taken in the hotel. Such an organizational structure is a result of a thorough analysis of the procedures taking place in the hotel followed by a well done job division and job description. Therefore, although hotels have similar divisions, they do sometimes differ according to the services given in each hotel and the individual objectives of each hotel.

11.2 Target Customer Groups

All of these hotels were established to serve mostly businessmen. Therefore when their target customer groups are analyzed, businessmen come first. The reason for this is the conjecture that the world trade has been in the recent years. Businessmen have started to come to Turkey from many nations abroad, for business transactions. They either come alone or with a group, they sometimes arrange meetings in the hotel, they send their employees or customers for incentive trips to destinations that are attractive. All of these are a part of the corporate account of the hotels. Although every hotel welcomes customers coming from every nation, they give more importance to customers from certain nationalities as a part of their marketing strategies. For example Swissotel the Bosphorus managers have seen that satisfying Japanese

customers is real hard, and they have implemented different programs and different services according to the needs of their Japanese customers. By this way, they have aimed at attracting the Japanese to their hotel and they have succeeded in this. Hilton International is also giving different services (Wa No Kutsurogi) to their Japanese customers. On the other hand, Çırağan Palace Hotel Kempinski and Ceylan Inter-Continental do not give this much attention to their Japanese customers. Their target groups are more from Europe and USA. Actually the managers of Çırağan Palace Hotel Kempinski have seen the potential from Japan, and have been working on a project that they will offer to their Japanese guests. Parallel with the developments in the world trade, the make up of the customers change and hotels have to be able to adapt themselves to these changes in order not to lose customers. Other than businessmen, these hotels are being visited by leisure travelers, too. They either come themselves or through travel agencies.

One important point about the customer groups of these hotels is that, there is a self segmentation in the market i.e. it has happened so that a hotel chain has made people from certain nationalities more close to themselves and were successful in attracting these people to their hotels all around the world. Actually for some of the customer groups there was an intentionally made market segmentation: for example in the case of Japanese customers, but in general hotel customers have designated this customer group structures themselves. The managers of these hotels do not for sure mention that they have aimed at attracting a certain group of customers they say that it has happened so that they have directed their marketing and sales efforts to people who have chosen to prefer their hotel.

11.3 Marketing Mix Elements

11.3.1 The "Place" Element

If looked at the locations of these hotels, it is seen that they are very close to each other. The reason for this is that they all aim at being closer to the business areas, old town and the entertainment areas of İstanbul. Actually, Çırağan Palace Hotel Kempinski is located at a somewhat distant place compared o the others which gives it an advantage of being a secure place among trees and by the sea. Another thing that is important for all of these hotels is the Bosphorus view. If analyzed carefully, they all have the Bosphorus view from different perspectives and they all emphasize this in their promotional selling kits. The inner decorations of these hotels are very luxurious, since they are five star or deluxe hotels, they were all decorated with crystals, valuable carpets, flowers and green both in the interior and the exterior of the hotels and out of the hotels; the breakfast and meals are served in good quality and attractive Chinaware and good quality furniture is being used. All of these are important for hotels in attracting more customers to the hotel, in order to make them feel at home. As is the philosophy of Hilton, it is very important to be able to create a "home away from home" to their customers.

11.3.2 The "Service" Element

Analyzing the services being offered at these hotels, it is observed that there is a set of services that are being practiced in all of these hotels. These main services are ones like accommodation, dining, health and fitness centers,

meeting facilities etc. Apart from these services, some detailed services which are special to each specific hotel and created by the managers of that hotel are also being offered. For example at Swissotel the Bosphorus, with the help of computerized registration system they are able to keep track of their customers. If a customer has visited Swissotel The Bosphorus five - ten times in a year's period, through his/her record in the computer, it is possible to draw out his/her favorite or regular newspaper and place that newspaper without even asking. Or it is possible to make his/her bed with as many pillows as he/she prefers again without asking. Through such a system, they are possible to get into better relation with their customers and try to satisfy them in a way that their competitors have not figured out. At Çırağan Palace Hotel Kempinski, it is especially made so that there are no sewing kits in the rooms. The reason for such a practice is to be able to increase contact of the customers with the hotel personnel. Another thing that pulls one's attention at Çırağan Palace Hotel Kempinski is the huge room keys instead of room entrance cards. This way the managers believe that, it will be possible for the customers to get more involved in the service, and talk to the employees about anything they like or feel uncomfortable about. Thus, it becomes possible for the hotel managers to detect anything going wrong at the right time and so have a chance to correct it. In case of customers mentioning things they like about the service being given, the employees get more motivated and aim at doing their job better at other times. These kind of different services are being offered by all of these hotels and may differ till the borders of imagination capacity of the employees/managers of the hotels.

Looking at the package programs given in each of these hotels, many similarities are seen. Although there are certain differences in the make up of the packages, all of these hotels offer meeting packages, week-end packages, off-season packages, incentive packages; they all have restaurants serving from different cuisines of the world, they all organize weeks/ nights of a certain nation and serve the meals of that particular nation for that time period. Apart from these similar packages, each hotel has created different services which are special. For example, at Swissotel The Bosphorus there is the new package called "Kidsotel" which aims at attracting customers with children. The package includes things that children like to do. Another special program offered is the "Hilton Magic Dollars" at Hilton International İstanbul. In this program, customers staying for one night get a certain amount of Hilton Magic Dollars which they can gather and use in one of the alternatives mentioned in the program. This program tries to maintain loyalty to the hotel. Other programs offered by hotels that aim at maintaining loyalty are : in Inter-Continental there are the "Six Continents Club which provides the card owner with special services and after spending thirty nights within a twelve month membership period, members are upgraded to the executive card level, Club Inter-Continental, is on the other hand a different program which is preferred by people who like to have different treatment. In response to the changing needs of frequent travellers, Inter-Continental has introduced a new dimension in comfort at selected hotels around the world. At Hilton International İstanbul, the HH Honors Club which is Hilton's award-winning frequent guest reward program through which guests can double their earning power toward free or discounted travel reward, giving Premium Cards to some of their customers

which offer to the owner many different privileges ranging from free meals to special discounts on many services and facilities of Hilton Hotels in Turkey etc.

11.3.3 The "Promotion and Communication" Element

The most often used promotional "weapon" is the sales calls given to companies at certain time intervals. These have to be done in order to keep the customers up to date with the things happening in the hotel and also to develop good relations with the customers. In other words the most commonly preferred promotion method at the hotel industry is personal selling. The reason for such a practice is the direct contact being possible with the customers (potential customers). Both parts have the chance to talk with each other, the customers can ask questions about anything concerning the subject and get the answer immediately. Another promotional method being applied is the mailings being done to the customers which are made up of either short letters or booklets of newsletters. Each hotel has its own newsletter that it publishes to send to their customers. For example, the one of Çırağan Palace Hotel Kempinski is called "Ferman". Other than these sometimes, as well as going to the customers they are asked to visit the hotel and have a drink. This is a method practiced by Hilton International İstanbul. At these times they aim at showing some new services or new parts of the hotel to their customers and also build and keep good relations with them.

Another important aspect about the services and packages being offered is their characteristic of being standardized in all of the branches of that hotel. Most of the services given and packages offered in these hotels are standardized all across the branches of that specific hotel. But when analyzed

deeper, it is seen that in branches of smaller chain hotels this standardization is lower compared to that present in hotels belonging to bigger chains. For example, at Hilton International İstanbul and Ceylan Inter Continental, the services and packages to be offered come directly from the headquarters and the managers of these hotels have to apply these without questioning. But in case of Swissotel The Bosphorus and Çırağan Palace Hotel Kempinski things are somewhat different. The managers of these hotels are more independent compared to those of bigger chain hotels. They are able to create their own programs and are given the freedom of choosing among the alternatives presented to them from the headquarters. The reason for this is the general approach of smaller chain hotel headquarters toward the management of the chain hotels. They prefer to leave each branch more on their own and thus let them act like individual hotels. This does not mean that they do not intervene in anything. They do, but when compared to bigger hotel chains this intervention is less.

Parallel to this finding, while the management of the smaller chain hotels emphasize individual images of their branches most of the times, the managers of bigger hotel chains emphasize the name of the chain itself. For example, the managers of Swissotel The Bosphorus say that they are not known as Swissotel, but as "The Bosphorus" and that it is a similar case for Çırağan Palace Hotel Kempinski. On the other hand, Hilton Hotels, Inter-Continental hotels are all being known as these names all around the world. Just for the sake of creating and maintaining a standard image in all of its branches under the name Inter-Continental, the managers of Inter-Continental have gone to product differentiation and have created three different categories

which are on the basis of Inter-Continental hotels but are named differently : Inter-Continental Hotels and Resorts, Forum Hotels or Global Partner Hotels and Resorts..

11.3.4 The "Pricing" Element

All of these hotels apply certain discount rates to different group of customers. For example in each case, the rates that walk-in customers receive are the highest. The discount rates that are to be applied are decided both by the management of that particular hotel and the headquarters. The headquarters then have a chance to compare the discount rates of all the branches and set the rates so that they are about the same for all of the branches. The rack rates on the other hand, are most of the times set by the management committee of each hotel. They are approved by the headquarters, too. but the calculation and decision is made by the individual hotels most of the times. Therefore, what is important in pricing for all of these hotels, is not only reasonable rack rates, but also reasonable and almost standardized discount rates to be offered to different group of customers.

11.3.5 The "People" Element

The way that employees are being treated are almost the same in all of these hotels. Employees are given very much attention. They are given training all the time on different subjects, they are being rewarded at certain periods like employee of the month, employee of the year etc., and these people are given money rewards together with other complimentary rewards. Employee balls are organized to which everyone working in the hotel are invited to attend starting

from the bellboy way up to the general manager. In the services industry, since how the service is given depends on the person giving the service, it is very hard to maintain a standard in the services offered. All of the hotel managers are aware that in order to maintain this standardization of services, the employees should be trained in how a certain service should be given. Not only are they taught how the services should be given, but they are also lectured on different subjects through which they will be able to acquire a different outlook in their business. For example, at Inter-Continental, total quality management (TQM) is given a lot of importance and therefore all of the employees are being lectured on this subject.

There are mainly two channels of training programs that the employees receive training from. One of them is prepared by the headquarters and the dates are announced in order for employees from different branches of the hotel to be able to participate. The other one is prepared by individual hotels and are given sometimes to all of the employees, sometimes to only certain departments or divisions that need training. The trainings are being given either by professionals from the hotel (hospitality) industry or by lecturers from universities or certain schools. Swissotel The Bosphorus practices a different application in which there is a school in the hotel giving tourism training and the employees are also trained through this school as well as attending other lectures that are being organized for them. All of the hotel managers say that if the employees were not shown such an importance, it would have been impossible for these hotels to survive in this market because the service itself is in the hands of these employees.

11.4 Planning and Control

In all of these hotels planning is given a lot of importance. Each of these hotels do their planings at time periods set by the headquarters and also at times set by the management committee of that specific hotel. Each year a plan for the following year has to be made and the budget of the coming year has to be prepared. Only if these are done the management of that specific hotel can apply its activities. Everything that is to be done in a year's period including: the number of rooms to be sold, the number of meeting packages to be sold, the number of banquets to be welcomed, the customers and potential customers to whom sales calls will be organized and the ones to be responsible for each call, number of traditional exhibitions to be visited and by whom, number and type of training programs to be applied and to whom, kind of new services to be introduced and the kind of renovations to be done on the currently being offered services, how much will each service be charged etc. are all planned beforehand and are presented in the yearly budget. If these are not shown in the plans and are not budgeted, problems arise in trying to practice every new activity coming up. But if most of the things are planned and budgeted, it becomes easier to adapt the plans and add in or take out one or two from the prepared budget and plans when necessary.

Together with these one year plans each hotel does other long range planning which are two to five years long. The managers of these hotels believe that in order to be successful in this business one should be able to see both ahead and also look behind to find out anything that has gone wrong in the past. The managers of Inter Continental want to analyze their situation in five year

periods. They want longer range planning. On the other hand, managers of Hilton International Istanbul do their planning at 1.5-2 year intervals to be able to see ahead. At Swissotel The Bosphorus the long range plans are being made for three years and are revised if necessary. These are all decisions taken by the local and the international management committees of each of these hotels.

11.5 Conclusion

As can be seen from all of the above points, it can be concluded that hotel business although is very standardized, still can be differentiated. Ultimately what each hotel offers to its customers are basics such as, accommodation, dining and side services like meeting packages, health and fitness centers and banquet facilities, but on the other hand, it is possible to differentiate the services being given and create different services thus attract more customers. Looking at the strategies of each of these hotels, it is possible to observe that there are similarities and differences. All of these hotels are parts of chains of hotels operating around the world. Therefore, the top management of each of these hotels prepare such strategies for these hotels that they both aim at creating a worldwide image with the name they give to those hotels, but also they want to leave these hotels on their own to do their basic operations. The degree to which they give this freedom differs from one hotel to the other according to the different approaches of both the local and the international management committees of these hotels. It is possible to say that every hotel has its own way of serving their guests and of managing their activities. These different ways do sometimes coincide, but are different from each other when looked in more detail.

Table 11.1: Comparison of the Four International Hotels Studied

	Hilton International Istanbul	Ceylan Inter-Continental-Istanbul	Çırağan Palace Hotel Kempinski	Swissotel The Bosphorus
Founders / owners	Hotel managers / Big investors	PANAM Airlines	Cafe owners	Swiss Air Cross Air
Headquarters in	USA	USA	Geneva	Zurich & USA
Number of countries and branches	49 countries, 150 branches	67 countries, 170 branches	18 countries, 22 branches	9 countries, 16 branches
Founding Date (in the world)	1950	1946	1928	-
Founded in Istanbul in	1955	1996	1991	1991
Entry Mode to Istanbul market	Management Contract	Special management contract	Management Contract	Management contract
Target customer groups (all businessmen from)		Not well formed, recently entered the market	USA, Japan, Italy, Germany, England	USA, England, Japan, Middle East
Main competitors	Çırağan, Swiss, Hyatt Regency, Conrad	Not well formed, recently entered the market	Swiss, Hyatt Regency	Çırağan, Hyatt, Hilton, Conrad, Ceylan, The Marmara,
Organizational Structure	more centralized and more formalized	more centralized and more formalized	less centralized and less formalized	less centralized and less formalized
Different Services & Facilities	Helipad, baby sitting service, disabled rooms, Wa No Kutsurogi (Japanese Guest Service)	Handicapped suites, simulation golf center	Big door keys, no sewing kit in the rooms, accommodation in a palace, concentrating on customers from certain nationalities	Special services to loyal customers kept track of via computerized systems
Different Package Programs	Different programs both for business and leisure travellers / Aiming at loyalty to the chain	Different programs both for business and leisure travellers / Aiming at loyalty to the chain	Not many different programs are offered	Different programs both for business and leisure travellers / Aiming at loyalty to The Bosphorus

Table 11.1 : cont'd

	Hilton International Istanbul	Ceylan Inter-Continental-Istanbul	Çırağan Palace Hotel Kempinski	Swissotel The Bosphorus
Pricing Strategies	Rack rates decided by the executive committee of each hotel, certain pre-set discount rate are applied at all Hilton hotels	Rack rates decided individually , same discount rates all around the world	Rack rates set using comparison method with the Kempinski rates and competitor rates	Rack rates decided individually, discount rates set by the headquarters to be applied in all chain members
Location	At a central location, was designed to look like a transatlantic sailing on the Bosphorus	At a central location, was once a hotel, too. is overlooking the Bosphorus	Not at a very central location, is in a secure place along the Bosphorus including a palace	At a central location, overlooking the Bosphorus
Planning	1.5- 2 year and yearly planning	5 year and yearly planning	Yearly plans	3 year and yearly planning

12. SWOT ANALYSIS

In order to analyze the situation of the international hotels operating in İstanbul, a thorough SWOT (Strengths, Weaknesses, Opportunities and Threats) analysis is done. In this analysis the opportunities and threats present in the market are presented together with the strengths and weaknesses of the international hotels studied.

In the hospitality industry in İstanbul, mainly there are nine hotels. Some of these hotels are members of very big chains and some are a part of comparatively smaller chains. Most of these hotels have been established after 1990, when Turkey became more popular in the business arena. Analyzing the situation of this market, one can easily find many opportunities present both for the currently operating hotels in the market and for the ones planning to enter this market.

12.1 Opportunities

One of the most important opportunities for the hotels is the growing market. The developments in the world business makes it possible for certain industries to develop parallel to the developments in other industries. Hotel business is one of these concurrently developing industries. As the world trade and business started going beyond the borders and companies started to invest in many countries, their need to travel and organize meetings abroad have increased. This also increased both the number of customers of these international hotels and the kind and number of events organized in these hotels. While the situation is like this and the population of young and educated

generation making up a considerably high percentage of these travelers, is high, the future of hotel business seems very promising.

Turkey and especially İstanbul has become one of the most attractive destinations for both the business and leisure travelers. Because of this reason, especially the international hotels operating in Turkey-İstanbul, are very happy about their occupancy rates; that is, they are mostly working at full capacity. Actually, the high occupancy rates of the hotels in the market attracted and encouraged most of the new comers to the market which are Swissotel The Bosphorus, Çırağan Palace Hotel Kempinski, Ceylan Inter-Continental, Conrad İstanbul, Four Seasons etc. All of these hotels have opened their branches in İstanbul, after 1990, seeing the potential present in the market. Before these hotels were opened there were only Hilton and Sheraton as big international hotels that could serve to large numbers of customers. They were most of the times working at full capacity and their room rates were notably high, too. So this was another factor that pulled the attention of the "new" international hotels of İstanbul. Looking at the situation today, it is seen that there is still room for other new comers. Ceylan Inter-Continental and Four Seasons are the two international hotels that have entered the Turkish market in 1996 with profitable expectations. It looks that the market will be happy to welcome others, too.

An opportunity is nothing when it is not converted into a strength through plans made and actions taken by the managers of these hotels. These international hotels operating in İstanbul have evaluated the situation very well and positioned themselves as mostly business hotels and made their plans

accordingly. Most of their services are targeted for the corporate account groups. Although they are offering services to leisure customers, too, they mostly concentrate on the corporate account group. This is the case for most of the hotels, yet some have chosen to target the leisure traveler group more. For example, the marketing strategy of Four Seasons ♦ Regent Hotels is to meet the luxurious wants and needs of their customers, be them businessmen or leisure travelers. These hotels are both around business centers and historical and entertainment areas that attract the attention of the tourists. The one that is established in İstanbul is located in Sultanahmet, very close to the areas where tourists are attracted to go to.

Comparing the places where these international hotels are located, it is observed that they are very near to each other as well as to the business centers and the old town. Hilton International-Istanbul, Ceylan Inter-Continental, Hyatt Regency, Conrad International are all, about 5-10 minutes away from each other. However the hotels Holiday Inn and Polat Renaissance are located nearer to the airport rather than the old town and the business centers. These latter hotels are also different in their strategies compared to other business hotels. Their being closer to the airport and positioning themselves more like resort hotels, has an effect on their customer profiles, too. Looking at the distribution of the customers of these hotels, it is observed that the ratios of businessmen, leisure travelers and airport customers are almost equal to each other. This brings with it different strategies and services offered.

So it can be concluded from all these that, hotels have a common strategy practiced all around the world. What they do while entering a new country is

analyze the market well enough and direct themselves to the area that they feel is their business and choose their locations and form their strategies accordingly. Therefore, some of the international hotels in İstanbul (Hyatt Regency, Hilton International, Ceylan Inter-Continental, Conrad International, Çırağan Palace Hotel Kempinski) have seen the potential in the "business hotels" market and opened their branches to serve their customers mostly from this point of view. They have all formed meeting packages and incentive packages which are the two most important services that are demanded by companies. On the other hand, managers of some of the hotels (Polat Renaissance and Holiday Inn) have seen the potential in the leisure traveler and airport customer market and have positioned themselves taking these into consideration. Thinking of these two major groups of customers of the İstanbul market, there still seems to be room for others if they know what to target well.

One of the other opportunities is the new services and new hotels being more attractive to the customers compared to the old ones. This is the strength for most of the international hotels operating in İstanbul where Ceylan Inter-Continental and Four Seasons come first followed by Hyatt Regency, Swissotel The Bosphorus, Conrad International and Çırağan Palace Hotel Kempinski. Hilton International İstanbul, on the other hand, due to its being an old hotel, has a weakness at this point compared to its competitors. The managers of Hilton say that although they have both a high capacity and well organized working team and facilities, customers have started to prefer other new international hotels operating in İstanbul. This problem had to be solved and they decided to start a renovation project and change some parts of the hotel for it to look much "younger".

Apart from the hotel being modern or old-fashioned, the services being offered are very important for the customers, too. People like new things. They know that, that company is one that tries to give better things to its customers and that it is innovative. Swissotel The Bosphorus has an established image of being an innovative hotel. Their starting the outside lighted decorations, the different organizations sponsored and carried out in the hotel, have made the customers view Swissotel The Bosphorus as different from the other hotels. Actually all these innovative promotional activities they design and implement have opened the way to publicity and helped the name of "Swissotel" to be known by a large group of people.

It is very important for a hotel to be known all around the world, to be able to attract more customers. Customers mostly try to find the hotels that they have heard of or have stayed in. The advantage of most of the international hotels operating in İstanbul is that they have many branches and are known all around the world. Some of the hotels have such good sales offices distribution that even if they do not have branches in every single country in the world, they know how to sell their rooms. And such a sales office distribution makes it possible for the name of the hotel to be known all around the world. Hotels like Hilton International, Inter-Continental, Hyatt Regency have branches almost all around the world. This fact makes it possible for customers coming to Turkey to look for and in the end prefer these hotels either for their accommodation or other activities. On the other hand, hotels like Çırağan Palace Hotel Kempinski and Swissotel, are members of comparatively smaller chains of hotels, yet they are known all around the world with the help of their sales offices. These two

latter are also members of "The Leading Hotels of the World", the only two among the international hotels of Istanbul.

Another opportunity for hotels operating in Istanbul is that, in Istanbul, working in a hotel is seen as a prestigious thing compared to some other countries abroad. Knowing this, hotel managers are also trying to make their employees feel that they are a part of that organization and that they are all working for the same goal. As is the case for most service companies, since people are being served directly by people, employees have to be well trained. If the service that a customer gets, vary from one employee to the other, then the customer would be disturbed. The services given should be offered in a more standardized way in order to make the customers happy and also not to ruin the image of the hotel. In order to achieve these, employees are given thorough and continuous trainings. They are even sent to other branches of the hotel or sometimes to the branches of competitor hotels, in order to analyze the differences between their own hotel and the other one. All of these international hotels give very much importance to employee training as well as employee motivation. They all know that without showing that they care for their employees, they can not get what they hope to get through them. All of the hotel managers are aware of this and try to do the best that they can for their employees. Thus they are able to transform the opportunity present in the market to a strength for their own hotel.

In order for hotels to be able to promote themselves well enough they need to spend money. This is a fact and it can not be denied by anyone. Therefore hotels having higher marketing budgets are lucky in that they can do better things which will in return enable them to attract more customers. Some of the

international hotels are among this group, but some do not have enough marketing budgets to realize what they want to do. For example, the managers of Hilton International Istanbul, say that at the moment their sales and marketing budgets are low and that they are unable to do things that their competitors are able to do, but after the renovation project is over they are expecting higher budgets that would give them the chance to compete with their competitors on fair grounds. Thus while the opportunity becomes strength of those hotels having high marketing budgets, it becomes the weakness of the others. Therefore, it is very important to be in the same (or better) situation with the competitors in order not to lose. Actually these two things are results of each other. Hotels earning more can put aside more compared to the ones earning less. And this affects their earning more. Hotels facing this threat have to be aware of this fact and if they are unable to earn enough at the moment, they have to give up some of the profits for the moment and spend more in order to be able to earn more in the end.

Hotels have to be ready for a service demand at any time. A company might have to organize a big a banquet and has to do this in two- three days. If such a company goes to one of these hotels and asks for such an event to be organized, the hotels have to be able to do it. But not all of the hotels can manage such an organization in such a limited time. This is both a capacity and a resource problem. In a situation like the one in the example, if the hotel is unable to take such an organization, it will be losing. This means that this hotel will not be able to convert the opportunity into a strength, instead it comes out to be a weakness of that specific hotel. The managers of Hilton International have "self-confidence" and they believe that they can do such an organization

in a very limited time period, but they also mention that not all of the hotels have the necessary resources and capacity. Such occasions are most of the times not lost for once, but almost forever. Because the company trying to organize the banquet sees that, that hotel is not able to organize such an event, it will not prefer that hotel for the second time. Therefore, hotels have to know their goals and do their plans well enough not to get into such a situation.

Another opportunity for the hotels operating in this market is the properties that İstanbul has. In attracting customers to their hotel, they first have to market the destination, that is İstanbul - Turkey. They have all given importance to the Bosphorus view, and located their hotels so that the rooms can get a better view of the Bosphorus. The sales kits of all of these hotels include at least one view from the Bosphorus and an explanation that their rooms and other facility areas have the best view of the Bosphorus. The managers of Hilton International - İstanbul claim that they are the only hotel in İstanbul having the best view even from the lobby. They also say that the architecture of the building was made so that every room has a view of the Bosphorus. The claim of Swissotel the Bosphorus is same yet differs in that their rooms have a wider view since their window areas are designed in a triangular shape allowing the person to have a wider view both from left and right. Çırağan Kempinski has yet a better advantage compared to its competitors in that it is located by and along the sea shore.

12.2 Threats

The hotel managers also say that not only the host city or country, Turkey is important in forming the demand for that particular city. The economical and

political status of the country that the customers are coming from also affect their demand. The people from these countries just do not want to travel or they do not want to stay at five star / deluxe hotels. So all of these are important in the formation of the demand. Therefore hotel managers have to take all of these into consideration while giving their decisions not to take any wrong steps and not to make these threats the weaknesses of their hotel.

Although İstanbul is a nice location for a hotel and it is an opportunity for the hotels, some "properties" of İstanbul act as threats for all of these hotels. The air pollution and traffic jam in İstanbul are the two major threat sources for hotels operating in İstanbul. During the process of marketing the destination, hotels are confronted with these two major problems of İstanbul. Since these are the problems of İstanbul in general, the hotel managers can not do anything on their own. That is why, they are very helpless against this situation and can not solve these problems on their own. What they try to do instead, is attract people so much that, the attractive sides of İstanbul overcomes its problems.

One of the other threats that the hotel managers are facing and can not do anything on their own is the anarchical events taking place in Turkey and especially İstanbul. All of the hotel managers say that a bomb exploding somewhere in İstanbul, pulls down the number of reservations for that year. People become afraid to come to İstanbul. Also the political and economical conjecture that Turkey is facing affects the demand for hotels in İstanbul. Again all of the managers of the hotels that were in the market during the 1994 crisis,

said that the economical situation that Turkey was in at that time has affected the reservations coming to Turkey a lot.

Among the most "horrifying" threats come the perishability characteristic of the services. As is the case for many of the services, hotel rooms are non-storable. That is once a night is not sold, it can not be sold the other night, it is past and lost. Therefore, hotel managers are very keen on this subject and try to find ways to fill their rooms at times when the demand is comparatively low. These periods are months starting from December and ending by mid March in most cases. At those times the room rates are lowered and different package programs are being offered. This is a threat that all of the hotels in the market are facing. In order not to lose too much, they all take actions that would bring more customers to their hotel. Apart from these months in which hotels are working at comparatively under capacity, the week-ends also are times when demand is lower. Again in order to attract more customers, hotels organize week-end packages that mostly include one night stay and some complementary services. Almost all of the international hotels in İstanbul are organizing such package programs and week-end programs, as mentioned above they even lower the room rates. Although the content of the packages differ from one hotel to the other, the concept is the same for all of them.

Below is given the Opportunities and Threats present in the market:

Table 12.1: Opportunities and Threats for Hotel Market in İstanbul

OPPORTUNITIES	THREATS
<ul style="list-style-type: none"> • İstanbul is a growing market, and a good destination. • Demand for hotel services is high. • New services are liked and demanded in the market. • Working in a hotel is perceived as a prestigious job in Turkey. • Promotion is very effective. • Competition also works in a positive way, the competitors very often share information with each other. 	<ul style="list-style-type: none"> • Due to the economical and political status of Turkey, demand fluctuations occur . • Anarchical events happening in Turkey, İstanbul make people afraid of coming to Turkey, İstanbul • The air pollution and the traffic jams

12.3 Strengths and Weaknesses of Each Hotel

In the following tables the strengths and weaknesses of the four hotels studied are shown in a summarized form:

Table 12.2: Strengths and Weaknesses of Hilton International - İstanbul

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> • Hilton Hotels are known and respected all around the world. • Has sales offices even at locations where it does not have hotels. • Has the capacity to prepare for great banquets at a very limited time compared to its competitors. 	<ul style="list-style-type: none"> • People like new things, but the Hilton is perceived as old-fashioned by the customers. • Promotion is very effective, but at the Hilton marketing budget is very low compared to its competitors. And public relations is not given enough importance for the time being.

Table 12.3: Strengths and Weaknesses of Ceylan Inter Continental-İstanbul

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> • Has a total of 170 branches all around the world. Inter-Continental hotels are known and respected all around the world. • Has two other groups of hotels that are under the same management, but target different groups of customers. This makes it possible for them to keep their standardized and well formed image stable while also serving many different groups of customers within the range of their overall target • Has a very wide sales office distribution all around the world even at places where no hotel branches are found. • At Inter-Continental a lot of importance is given to the employees and their training, giving them the insight of total quality management, too. • Turkish market is a very fluctuating market, a new hotel in this market is expected to face many problems, but the management team of this hotel know the market very well and can take the right actions at needed times • Has had a bad experience in İstanbul market, before, but has learned from its experiences and has no doubt in being successful this time. 	<ul style="list-style-type: none"> • Although is known all around the world, and has loyal customers who will prefer it once they see it in İstanbul, since it has entered the İstanbul market recently, it will need time to gain advantage against its competitors who have been in this market and have set a certain group of customers already. •

Table 12.4: Strengths and Weaknesses of Swissotel The Bosphorus

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> • Has an innovative approach in creating new services and activities . • Istanbul, is a very beautiful city and Swissotel The Bosphorus has acted wisely in making use of it well. It has a wider view than other hotels since the windows are designed in a triangular shape to give a deeper look on to the Bosphorus. It is located at a central location. • At Swissotel the Bosphorus a lot of importance is given to the employees and their training. With the help of Marmara University, Tourism and Hotel Management Classes are held at Swissotel The Bosphorus. Employee satisfaction is high, and turnover rate is very low. • Is a member of the Leading Hotels of the World. Has an individual image, a high profile one. Is very luxurious. • Gives special services to its loyal customers. 	<ul style="list-style-type: none"> • Does not have a lot of branches in the world. This, together with individual image formation strategy of the management, does not allow a world wide Swissotel image • Services can be imitated very easily since it is very hard to put a know-how for each new service being offered.

Table 12.5: Strengths and Weaknesses of Çırağan Palace Hotel Kempinski

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> • Is located by and includes a palace, an opportunity which none of its competitors have. Also being located along the Bosphorus and at a place that can be considered a central one in İstanbul, gives Çırağan an important strength. • Customer relations are better formed due to the actions taken with this point of view. • Is a member of The Leading Hotels of the World. Thus, Çırağan Palace Hotel Kempinski, has a well built image. 	<ul style="list-style-type: none"> • Though has a solid background and is an old hotel chain, since it has only 22 branches, in order to be heard all around the world, it has to put more effort • Has low capacity compared to its competitors, sometimes is unable to accept groups or invitations • It targets more to high class people and this has created a negative effect, it is perceived as an unattainable hotel by their potential customers .

12.4 Conclusion

As can be seen from the analysis above İstanbul market is a very promising market and it has attracted many investors and chain hotel managers and it continues to do so. As is the case for many markets , the international hotels market in İstanbul offers opportunities together with threats to its members. While hotels who are able to evaluate the situation well enough and give the right decisions at the right times, ones that give the necessary importance to strategic planning and make their plans both for the long and the short term in a detailed way, are and will be able to survive in this market; others are bound to pass away at the time they do not have any more strength to carry on. Knowing this fact all of the hotel managers are trying to do their best to be the best and survive in this market they are operating.

PART FOUR : CONCLUSIONS AND IMPLICATIONS

The purpose of this study was to analyze the marketing strategies of international hotels operating in Istanbul, and compare and contrast their marketing strategies. Through the analysis has been observed that most of the general approaches to marketing are similar for the four hotels (Swissotel The Bosphorus, Çırağan Palace Hotel Kempinski, Ceylan Inter-Continental and Hilton International - İstanbul) studied in this case study

In the hotel industry, usually marketing strategies and planning are taken care of under the departments called either Sales and Marketing Department or Sales Departments. In some hotels, the managers have already recognized that sales and marketing are not the same things and thus they have started to consider "Marketing" as a different department. As it is observed from the study, the concept of "marketing" in the hotel industry needs some more time to mature. Almost all the functions of marketing are being done and implemented, but they are not in most cases, implemented after planning. Not every part of what is being done is controlled by a marketing head who should be in charge of directing all these activities of marketing planned following certain preset strategies. For the success of the hotels in this industry, it is recommended that they change their point of view from sales oriented marketing to customer oriented marketing. Then they will be able to think in the long term and make their plans accordingly. This would help them modify their strategies more easily and on time.

When the services given in the hotels are considered it is observed that they all provide their customers with basic services such as accommodation services, dining, health and fitness facilities and organize certain weeks or days for promotional purposes. When these four hotels are compared not many differences are observed. However, taking one step further and analyzing their marketing strategies in more detail and especially not individually, but taking into consideration how they are being managed in other markets, too, certain important differences are observed.

As was mentioned earlier in the study, the selection criteria of these four hotels was that they should represent two different hotel structures i.e. larger hotel chains and smaller hotel chains. Therefore, two of these hotels (Swissotel The Bosphorus and Çırağan Palace Hotel Kempinski) represent smaller chains with 16 and 22 branches, respectively ; and the other two represent larger hotel chains (Hilton International İstanbul and Ceylan Inter Continental) with more than 150 and 170 branches respectively.

One of the most important findings of this study is about the image tried to be created by these two different groups of hotels. The larger hotel chains have more tendency to and aim at forming a standard image of that specific hotel and no matter which hotel of the chain it is, customers walking in should feel that they are in that "specific" hotel and when they hear about that hotel they would think the same for every hotel belonging to that chain. It is observed that the hotel name is the same in all of its branches and no other name overrides the generic name.

On the other hand, the case is not the same for smaller chain hotels. Each branch of that chain has its own image and these images are quite diverse. For example, while Swissotel The Bosphorus is a member of "Leading Hotels of the World" , the Swissotel in Amsterdam is no more than a small city hotel. In these hotels, the generic name is used like a surname and every hotel of that chain also has its own name and are known mostly by these forenames. As the managers of these hotels mention Swissotel The Bosphorus is known better as "The Bosphorus" and Çırağan Palace Hotel Kempinski more as Çırağan (Palace) Hotel.

Following this argument, it is also observed that the services and package programs offered in the larger hotel chains are more standardized compared to those of the smaller chain hotels. The aim in the large hotel chains is to create "identical" hotels all around the world and make their customers loyal not to that "specific" hotel, but to the "hotel chain". Therefore, these hotels arrange such services and package programs that somewhat forces customers to get more involved in that hotel chain and tend to choose "it" rather than any other at other destinations they travel to.

However, members of smaller hotel chains form their own services and Package Programs, most of the time independently, but at certain times making use of successful experiences of the other members of that chain. They have no special intention to make customers loyal to the hotel chain. Their aim is mostly to make customers loyal to that specific hotel.

Though it is sure that the larger hotel chains want to establish a standard image of that hotel chain all around the world by applying standard services

and package programs, one more conclusion can be drawn from this situation. Because these bigger hotel chains have many branches all around the world in order to keep them together, tighter control has to be placed on their activities in making it a must for them to implement the suggested services and Package Programs in their hotels. For the smaller chain hotels since the number of hotels to be controlled is not large, the headquarters give the freedom to each hotel to organize their events, but these should not divert from their mission and their objectives as an institution.

Another finding that supports the basis of the above argument is that larger hotel chains, in order to be able to control the actions taken at the chain hotels and be informed about what is being done at these branches, have formed organizational structures in which a large number of branches are grouped under regional heads which are also grouped under continent heads all reporting to their headquarters, and on some issues to one another. This makes it possible to increase communication with the other branches and headquarters. Whereas for smaller chain hotels the organizational structure is simpler due to the smaller number of hotels to be managed and controlled.

Another important conclusion that can be drawn from this study is that, due to the nature of the industry, the customers of all of these four hotels usually are not the natives of the country in which the hotel is established, but foreigners coming to that specific country. Therefore, the cultural variables that are normally very important in the internationalization of a firm are not that much importance compared to most of the other industries. Though the country of origin of the business or leisure travelers coming to that specific hotel changes

from one country to the other, they do not differ extensively. What differs is their needs in that specific country. Since the differences in life styles, language spoken, laws and regulations, ethics and so on. are hard to get used to, one of the services that these hotels give to their customers is to help them throughout their stay in that country. Taking into consideration that specific country, hotel managers usually add services and package programs unique to that specific country. So, it is not altogether a different market each time the hotel managers enter a new country. They may come across certain boundaries while operating in that country through various external factors, they do not face problems concerning their customers, since they are in most of the cases people from all over the world.

Istanbul, Turkey, is a very promising market. Everyday it is reported that a new branch of another international hotel is to be opened in Istanbul or that big hotel chains are including Istanbul in their spreading strategies via opening sales offices in Istanbul. Inter-Continental and Four Seasons are the latest comers to the market and it has been announced that Ritz Carlton, one of the biggest hotel chains, is opening sales offices in Turkey. Since the hotels in the market are working at almost full capacity, it seems that there is still room for others to come.

Of course the potentiality index of the market depends on the factors attracting demand to a specific city, country. If economic conditions worsen and world trade and business traffic with Turkey declines the number of people coming to Istanbul, Turkey, will also decrease making the demand for such hotels shrink.

The case is also valid in the case of political and societal factors affecting demand for hotels in the negative direction.

Therefore, in order for the international hotels in İstanbul to continue to be successful and for others planning to enter this market to be able to assess the threats and opportunities in the market, well they will have to examine the external variables very carefully; which is already being done by most of these international chains.

As mentioned above and in the SWOT analysis, the international hotel market in İstanbul has its own opportunities and threats as a combination of the characteristics of both İstanbul and the hotel industry. Hotels knowing how to take actions against and for these situations are the ones surviving in this market. This study has aimed at giving somewhat a detailed information on the topic, but research on this subject is very rare and the market is very promising.

An implication for further research is to repeat this study taking as a basis another classification of hotels, business hotels vs. leisure traveler hotels. It is expected that the conclusions to be drawn out of the comparisons made among the marketing strategies of these two groups of hotels will be interesting and worth analyzing.

For further research it is also recommended to look at the topic from the customer's point of view. In order to do this, interviews should be conducted with a representative sample from each hotel and later compare their perceptions at a predecided confidence level to draw conclusions on the basis of the hotels studied.

As it was impossible to do make interviews with the marketing departments of other branches of these four hotels, not much information is provided regarding the marketing strategies worldwide. For further research the sample could be wider and more detailed information about these hotels could be gathered through doing interviews in other countries. In this way the comparisons made will be supported with greater evidence and other differences or similarities can be found.



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APPENDIX

LIST of PEOPLE INTERVIEWED :

- **SWISSOTEL THE BOSPHORUS :**

Cem ÇETİNTÜRK: Director of Sales and Marketing and
Başar ERYÖNER: Marketing Manager

- **ÇIRAĞAN PALACE HOTEL KEMPINSKI:**

Ülkü YÜKSEL: Director of Sales

- **CELAN INTERCONTINENTAL ISTANBUL:**

Şehnaz ÇEHRELİ: Managing Director and
Engin EFE: Sales Director

- **HILTON INTERNATIONAL ISTANBUL :**

Saba ALTINSAY : Marketing Coordinator