



**ADDIS ABABA UNIVERSITY  
COLLEGE OF BUSINESS AND ECONOMICS  
DEPARTMENT OF MARKETING MANAGEMENT GRADUATE  
PROGRAM**

**The Effect of Marketing Mix Strategy on Firm Performance: the  
case of Five star and Four star Hotels in Addis Ababa City**

**By  
Thomas Getahun**

**June, 2020  
Addis Ababa, Ethiopia**

**The Effect of Marketing Mix Strategy on Firm Performance: the  
Case of Five Star and Four Star Hotels in Addis Ababa City**

**By**

**Thomas Getahun**

**Research Advisor: Belaynesh Tefera (PhD)**

*(A Thesis Submitted to Department of Marketing for the Partial  
Fulfillment of the Required for the Award of Masters of Arts Degree  
in Marketing Management)*

**June, 2020**

**Addis Ababa, Ethiopia**

## **DECLARATION**

I hereby declare that this study entitled ‘The Effect of Marketing Mix Strategy on Firm Performance: the case of Five star and Four Star Hotels in Addis Ababa City’ is my original work prepared under the guidance of my advisor Belaynesh Tefera (PhD). This paper is submitted in partial fulfilment of the requirement for the award of Master of Arts Degree in Marketing Management and it has not been previously submitted to any college or university. I confirm also that all the sources of materials used in this study are duly acknowledged.

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## LETTER OF CERTIFICATION

This is to certify that Thomas Getahun carried out his study on the topic entitled: **The Effect of Marketing Mix Strategy on Firm Performance: the case of Five star and Four Star Hotels in Addis Ababa City**. This work is original in nature and suitable for submission for the award of Masters Degree in Marketing Management.

Dr Belaynesh Tefera

(The research advisor)

\_\_\_\_\_

Signature

\_\_\_\_\_


Date

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## **LIST OF ACRONYMS/ABBREVIATIONS**

4ps: product, price, promotion and place

7ps: product, price, promotion, place, people, physical evidence, and process

## **Abstract**

*In today's world, global economic challenge with resource limitations is increasingly growing pressure on competitive advantage of firm. Organizations need to find strong ways to deal with this changing business environment. The success of business organizations depends greatly on many factors such as productivity, cost efficiency and successful strategic human resource management. With dynamic environment, stiff competition, and many new entrants marketing strategy turns to be an important tactical tool of improving performance. Therefore, this study is aimed to explain the effect of marketing mix strategies (product, price, place, promotion, people, physical evidence and process) on firm performance, by focusing on five and four star hotels in Addis Ababa. A conceptual framework was used as a guideline to test the relationships between marketing mix strategy and firm performance. A quantitative approach is selected in this study. To collect primary data, a questionnaire is designed and was given to the management teams of five and four star Hotels in Addis Ababa. The population of this study comprises all 29 the large hotels in Addis Ababa registered and licensed by the Ministry of Culture and Tourism. Out of 145 distributed only 108 returned complete questionnaires were used for analysis. The Statistical Package for Social Science (SPSS) version 20.00 for windows is used to process the data which is collected through questionnaire. Regression analysis was used to test the significance contribution of each independent variable to the dependent variable of firm performance. The findings show that product, price, place, promotion, people, and physical evidence have significant and positive effect on firm performance. However, process is positively but not significantly effect to firm performance in five and four star hotels in Addis Ababa. Therefore, hotels in Addis Ababa should keep using the highest contributors namely physical evidence, price, people, product and promotion marketing mix strategies in frontier. Managers should not miss out any of them as their contribution is higher for hotel performance. Even if process has positive but not significant effect on firm performance, the hotels should carefully consider enhancing their practices towards them. The synthesis of each elements should further be investigated, identified, and mended when found weak.*

**KEY WORDS:** *Marketing Mix Strategy, Product, Price, Place/Distribution, People, Physical Evidence, Process and Firm Performance*

# CHAPTER ONE

## 1.1 INTRODUCTION

*Under this chapter the researcher would like to show the background of the study, statement of the problem, research questions, objectives of the study, significance of the study, and scope/delimitation of the study. These are the basic elements of the research which outlines the direction to the whole subsequent chapters.*

## 1.2 Background of the Study

In today's world, more than ever global economic challenge with resource limitations is increasingly growing pressure on competitive advantage of firms (Leavy, 2004). In addition, the increase of firms competing in same industry have put a strong need to recognize the strategies they use to meet the customer's need better than the competitors. Firms need to find strong ways to deal with this challenging environment. The success of business organizations depends greatly on many factors such as productivity, cost efficiency and successful strategic management. With dynamic environment, stiff competition, and many entrants, marketing strategy turns to be an important integral part of strategic management of firm (Charles and Jones, 2010). In order to be found competitive and performing superbly, marketing strategy is an organization's integrated part of decisions that specify its crucial choices concerning products, markets, marketing activities and marketing resources in the creation, promoting and delivery of products that give different value to customer in order to achieve organizational objective (Varadarajan,2010). Marketing strategy is most commonly defined as the process of analyzing business environment and defining customer needs, matching activities to customer segments and implement programs that achieve superior competitive position (Drummond and Ensor, 2001). Besides to this (Jain, 2004) defines marketing strategy broadly as a plan by a company to differentiate itself favorably from its competitors using its relative strength to better meet and satisfy customer needs in a given environment.

According to Drucker (1973), strategic marketing is seen as analyzing the environment of market competitive and business factors that affect the firm performance and matching the firm's strength with the opportunities.

Kotler et al. (2005), further define marketing strategy as a marketing logic by which the company hopes to create this customer value and achieve profitable relationships. The company determines which customers it will serve and how (segmentation, targeting, differentiation and positioning). It further identifies the total market, then divides it into smaller segments, selects the most favorable segments, and concentrates on serving and satisfying the customers in these segments. Based on marketing strategy, the company plans an integrated marketing mix made up of factors under its control. In order to come up the best marketing strategy and mix, the company engages in marketing analysis, planning, implementation, and control. Through these endeavors, the company watches and adapts to the players and forces in the marketing environment.

Therefore, the function of marketing strategy is to determine the environmental nature, intensity, direction, and interaction between the marketing mix- elements and the environmental factors in a specific identified situation (Daniel, 2018).

A broader understanding of marketing is defined as a strategic and competitive plan pursued by top management which is supported by a set of functional activities performed by line managers and a customer driven orientation practiced by the entire organization members with the aim of a profitable relationship. Hashim and Hamzah (2014) put the marketing mix as a set of controllable marketing tools that business firm uses to produce the reaction it wants from its various target markets.

Tangible products have traditionally used a 4Ps model, the services sector on the other hand uses a 7P approach in order to satisfy the needs of the service provider's customers (Ivy, 2008). The marketing mix strategies evolve on these 4Ps, which defines the direction of marketing efforts to create a competitive advantage. The concept of marketing mix strategy therefore involves a deliberate and careful choice of strategies and policies for organization Product, Price, Promotion and Place, as well as the additional 3ps for services namely People, Physical and Processes (Muchiri, 2016).

All the element of marketing mix needs to effectively plan and implement in order to enhance the quality product and services and to increase the customer satisfaction.

The hospitality industry in Ethiopia is one of the fastest growing along with the registered growth with Ethiopia has registered 10% on average. Each year's new hotels are joining the industry in order to get business share. Currently there are 29 five star and four star hotels according to the Ministry of tourism and culture (2019). These hotels specifically the one located in Addis Ababa operate with their full capability in order to be the choices of their clients. In pursue of their operation all operate developing their marketing strategy.

Hotels are the most significant and widely recognized variety of overnight accommodation services globally (Holloway, 2001). Hotels sell products that encompass of a mixture of intangible service offerings and tangible goods offerings (Tajedini, 2010). The intangible nature of service offerings makes the hotel service a challenging business to manage (Kuada and Hinson,2014).

The current rate of investment in the Addis Ababa Hotels sector seems to point to the business opportunities available in the sector. International brands like Sheraton, Hyatt, Radisson Blu, Golden tulip, Best Western Plus, Skylight, Swiss inn and Marriot have all moved in Addis Ababa hotel sector. Of these international players and more high-rated star hotels, competition in the Ethiopian capital city Addis Ababa hotel sector has become more intense. Competition among the Hotels has called for intense application of marketing mix strategy tools that will appeal to customer for sustainable patronage by each firm. Challenges are facing these Hotels to seek the best management and marketing strategies to grow the company's performance and increase shareholders value.

Marketing mix strategy has been a focus of firms and a tool for attaining overall firm performance. This study contributes to the existing study of marketing mix strategy by supporting a relationship between marketing mix strategy factors specifically the seven Ps and overall firm performance.

Marketing mix strategy adapted by these hotels to stay viable include the decision and exercise of price, promotion, place, product, physical evidence, process and people. Therefore, this study sheds light on, how incorporated marketing strategy practices in Addis Ababa related to the employed service marketing mix have led to a good performance of their firms. Further, this

study will improve our understanding of the main issues portraying in the practice of marketing mix in the five- and four-star hotels in Addis Ababa.

### **1.3 Background of Industry**

Ethiopia has become one of the East Africa's country registering economic growth. The country has become the biggest economy in the region for the reasoning to the dominating agriculture and service sectors which account for much of the country's gross domestic product (The world bank, 2018).

According to Ethiopian Ministry of Finance and Economic Development (2015), in the second phase of the Growth and Transformation Plan, Ethiopia has planned to reduce the share of the agricultural sector in its Gross Domestic Product and give more focus to industry and service sectors. The overall growth of Ethiopia's economy has come from the growth of the service and agricultural sectors, while the performance of the manufacturing has been relatively limited.

Based on the findings World Bank research (2018), private consumption and public investment have been increasing, assuming increasingly important roles in recent years. Services holds for more than 40 % of Ethiopian GDP and the sector expansion is expected to continue the coming years throughout the country.

The growth of Ethiopia's hotel development has been truly remarkable. The reason for the growth is a question of demand and supply. For the reason that Addis Ababa is one of the diplomatic hub and host of international offices like the AU, UN offices, different Consulates, and international offices the demand for the Hotel service have boomed. In addition, Ethiopia being a destination of different tourist sights the flow of tourists made it more demanding for the Hotel service.

From year to year the number of Hotels joining the industry is a result of following the demand created in the country. Currently there are a number of international brand hotels jointing in the Industry, like the Best western plus, Marriot, Hyatt, Swiss inn, Radisson Blu and a number of high rated Hotels.

According to the Ministry of Culture and Truism (2019) there are 29 four and five stare Hotels operating in Addis Ababa.

## **1.4 Statement of the Problem**

The contribution of service sector in the Ethiopian economic growth that the country is experiencing is very substantial. According to the African Development Bank report, (2015), the share of the service sector in GDP has been rising and it grew by more than 10 percentage point in GDP share during the past years. Analysts were forecasting that the service sector will make up more than 46 percent of Ethiopians GDP in few years. One of the major sectors that can be considered from the service sector is the Hotel Industry.

In recent years, the construction of new hotel sites in the capital is increasing. A number of international brands have been joining the Hotel industry in Ethiopia including the Hayat, Marriot, Radisson Blu, Golden Tulip, Swiss Inn, Skylight and a number of hotels on the pipeline. The ministry of Culture and Tourism awarded a total of 29 five and four stars for Hotels in the capital city Addis Ababa alone in the year 2015 and 2018 G.C.

Marketing mix strategies happened to be associated to the marketing 4P's (product, price, promotion, and place) in product marketing, and three further P's for service marketing (people, process, and physical evidence) (Lovelock, 2011). The right marketing mix strategies allow organizations to carry out their marketing objectives in the target markets and ultimately achieve the organizational objectives. Use of the right marketing mix also ensures establishment of the right product, at the right price, in the right place thus, ensures that resources are efficiently and effectively utilized. In addition, use of technology in promotions, pricing, distribution and innovation or product development ensures a match of products to customer needs and wants.

Several studies both locally and internationally have been done on marketing mix strategies and firm performance. Kamau, et al., (2015) carried out a study on marketing Mix Strategy Effectiveness: The Effects of the Marketing Mix on Choice of Tourist Accommodation by Domestic Tourists in Kenya. The study found that marketing mix strategy happened to affect significantly the choice of tourist accommodation in Kenya. It further argued that price plays a significant role to uptake of tourist accommodation by local tourists. Yasanallah and Vahid (2012) studied the Status of Marketing Mix (7Ps) in Consumer Cooperatives at Ilam Province in Iran and found out hypotheses on price, location, promotion, product, operation management and physical assets showed lower than average while only hypothesis that was rejected was the

hypothesis related to the personnel element. Wijayanto (2015) who conducted a study on the effect of service marketing mix in choosing the decision to consumer services hotel also found out that the services marketing mix done in Grand Zuri Hotel is significantly influential to the decision to choose and use.

Other researchers locally who tried Worku (2017) in his study Analyzing Sales Performance of Fixed Line Telephone Service - The Case of Ethio Telecom stated that most to the service marketing mix elements have a relationship. And further pointed out price happened to be a significant deterministic of sales performance. Similarly, from the banking industry Haftu, (2019) on his study of marketing mix strategy on customer satisfaction pointed out all the elements have positive and significant contributions for customer satisfaction. He further argued the major contributors to customer satisfaction are promotion, people, and physical evidence. A few other research works have also done on service marketing mix strategy like in the Insurance, Brewery, Automotive dealers but not in the Hotel industry in the case of Ethiopia.

Taking the above in to perspectives, the Hotels in Addis Ababa are facing an intense competition and are on the way of facing new entrants to make the competition more furious, finding out their level of use of marketing mix strategies to mitigate competition and improve their performance is the interest of this paper. There is no study done regarding the effectiveness of these marketing mix strategies on performance of five- and four-star Hotels in Addis Ababa to the best knowledge of the researcher. Furthermore, the effect of the seven Ps of service marketing mix effect is not known to what extent it affects their performance. This study fills this gap through answering the research question: How effective are the marketing mix strategies in place in five and four-star Hotels in Addis Ababa in enhancing performance?

## **1.5 Research Questions**

Based on the above gap mentioned the study makes attempts to get answer for the following questions:

- To what extent does product strategies affect on firm performance of five- and four-star Hotels in Addis Ababa?

- To what extent does price strategies affect on firm performance of five- and four-star Hotels in Addis Ababa?
- To what extent does promotion strategies affect on firm performance of five- and four-star Hotels in Addis Ababa?
- To what extent does place strategies affect on firm performance of five- and four-star Hotels in Addis Ababa?
- To what extent do people, physical evidence and process strategies affect firm performance of five- and four-star Hotels in Addis Ababa?

## **1.6 Objectives of the Study**

In line with the aforementioned problems and research questions, the general and specific objectives of the study are presented as follows:

### **1.6.1 General Objective**

The general objective of this study is to examine the effect of marketing mix strategy on firm performance in five- and four-star Hotels in Addis Ababa.

### **1.6.2 Specific Objectives**

The study has the following specific objectives:

- To examine the effect of product strategies on firm performance of five- and four-star hotels in A.A
- To examine the effect of price strategies on firm performance of five- and four-star hotels in A.A
- To examine the effect of promotion strategies on firm performance of five- and four-star hotels in A.A.
- To examine the effect of place strategies on firm performance of five- and four-star hotels in A.A
- To examine the effect of additional 3ps (people, physical evidence and process) strategies on firm performance of five- and four-star hotels in A.A.

## **1.7 Research Hypotheses**

With the help of appropriate empirical data on the effect of marketing strategy on firm performance, this study tested the following hypothesis:

- H<sub>1</sub>:** Product strategies have significant and positive effect on firm performance of five- and four-star hotels.
- H<sub>2</sub>:** Price strategies have significant and positive effect on firm performance of five- and four-star hotels.
- H<sub>3</sub>:** Promotion strategies have significant and positive effect on firm performance of five- and four-star hotels.
- H<sub>4</sub>:** Place strategies have significant and positive effect on firm performance of five- and four-star hotels.
- H<sub>5</sub>:** People strategies have significant and positive effect on firm performance of five- and four-star hotels.
- H<sub>6</sub>:** Physical evidence strategies have significant and positive effect on firm performance of five- and four-star hotels.
- H<sub>7</sub>:** Process have significant and positive effect on firm performance of five- and four-star hotels.

## **1.8 Significance of the Study**

The main significance of this study is to take stock of the marketing mix strategy experience so far at four and five star hotels in Addis Ababa and to enhance the opportunities presented by this study and at the same time show the limitations brought about by the use of marketing mix strategy practice. The findings of this study will also show the Hotel managements where to focus on from the elements of the service marketing mix in order to enhance their firm performance. It will enable the management of the Hotels to understand how the marketing strategy has affected the performance of the company, and further shed more light on how they can optimize on it to gain and retain organizational advantage. Beside to this, it makes an important theoretical contribution to the extant literature dealing with the impact of marketing mix strategy on firm performance.

## **1.9 Delimitation/Scope of the Study**

Primarily the study is concerned with the impact of marketing strategy on firm performance in five- and four-star Hotels in Addis Ababa

. Marketing Strategy (the seven Ps) used as an independent variables and firm performance used as a dependent variable. The study focused on Hotels in Addis Ababa. However, there would not be comparison made with other cities and similar service giving firms. Therefore, the result of this research cannot be generalized to other service giving similar firms. Besides, the research was limited geographically.

## **1.10 Operational Definitions**

- Marketing Strategy: is the marketing logic by which the business unit hopes to achieve its marketing objectives (Kotler et al. 2005).
- Marketing Mix: According to Singh (2012), the marketing mix is the combination of different marketing decision variables being used by the firm to market its goods and services.
- Service Marketing Mix: the traditional marketing mix with the addition of three more Ps – people, physical evidence and process (Kotler and Armstrong, 2010).
- Product: (product and service) is primarily designed to satisfy the needs and wants of business and leisure travelers. Examples include: Accommodation, Food and beverage , an Attraction or leisure center, business services and likes (Bowie and Buttle, 2004).
- Price: According to Kotler et al. (2005), Price is the amount of money charged for a product or service or the total values that consumers exchange for the benefits of having or using the product or service.
- Promotion: is a marketing communication that covers all the tools that hospitality firms can use to communicate with customers, employees and other stakeholders (Bowie and Buttle, 2004).

- Place: Hirankitti et al. (2009), described the place as the ease of access which potential customer associates to a service such as location and distribution.
- People: All human actors who play a part in service delivery and thus influence the buyers' perceptions; namely, the firm's personnel, the customer, and other customers in the service environment (Zeithaml et al,2006).
- Physical evidence: is the tangible features of the hospitality offer – the external appearance of the premises (the landscaping, lighting and signage) and the internal layout (appropriate decor, furniture and furnishings) (Bowie and Buttle,2004).
- Process: how the service is delivered, the actual procedures and flow of activities (Kotler and Armstrong,2010).
- Four-star: An upscale hotel offering formal standards of service, with extensive facilities and services to residents and non-residents (Bowie and Buttle, 2004).
- Five-star : A luxury hotel offering 'flawless' service standards, with professional multilingual staff, and a full range of facilities of the highest quality (Bowie and Buttle, 2004).

### **1.11 Organization of the Study**

This research consists of five chapters and other sections, namely, the list of reference and appendixes. The first chapter which has already been discussed provides the introduction of the research topic. The research is carried out with the assessment of the theoretical function and relevant literature in chapter two and the suitable methodology utilized to answer the research question will be discussed in chapter three. Data analysis and interpretation, discussion of results of the research found by using the appropriate instrument for the methodology selected will be dealt in chapter four. The last chapter five will cover conclusion and recommendation.

## **CHAPTER TWO**

### **REVIEW of RELATED LITERATURE**

#### **2.4 Introduction**

*The primary purpose of this chapter is to get the theoretical and empirical understanding of the concept of Marketing Strategy and organizational performance. First, it will discuss the definitions given by different scholars on the term Marketing strategy, Marketing, Service Marketing Mix and Firm performance. Second, the review identified and discussed the different strategic of each marketing mix elements. Third, the literature review examined empirical studies on marketing strategies of service marketing mix toward firm performance. Finally, the research model will be introduced in order to give a clear idea about the research area.*

#### **2.5 Theoretical Review of the Study**

##### **2.2.1 Concept and Definitions of Marketing Strategy**

Marketing strategy is a marketing logic by which businesses plan to achieve their marketing business objectives. It shows how the strategy for target markets and positioning build upon the firm's differential advantages. It should detail the market segments on which the company will emphasize. These segments differ in their needs and want, responses to marketing, and profitability. The company should pull its strength and work on that best meet the needs of those market segments from a competitive point of view. It should develop a marketing strategy for each targeted market segment (Varadarajan, 2010).

Strategic marketing in term suggests that it has something to go with both strategy and marketing. In addition, it requires further elaboration and enhancement since the concept is still relatively young. According to Varadarajan (2010), the subsequent field statement is proposed as “The domain of strategic marketing is viewed as encompassing the study of organizational, inter-organizational and environmental phenomena concerned with (1) the actions of business firms in the marketplace in their interactions with consumers, customers, competitors and other external publics, in the setting of creation, communication and delivery of products that offer value to customers in exchange with organizations, and (2) the general management responsibilities associated with the boundary spanning role of the marketing function in organizations”.

An effective marketing strategy uses a marketing mix in order to establish the product's position within its target markets. The marketing mix is the set of controllable and tactical marketing tools that a business firm uses to produce a desired response from its target market. It consists of activities that a company can do to influence demand for its product. It is also a tool to help marketing planning and execution (Kotler and Armstrong, 2005).

### **2.2.2 The Concept of Marketing**

In the past, marketing was defined within the limited context of advertising or selling which was very biased and non-integrative enough to fulfill the challenges in the business environment today. The American Marketing Association (AMA) saw marketing in the 1930's as "the performance of business activities that directs the flow of goods and services from producers to consumers" (, Ringold et al.2007). This definition focused on the old perspective of marketing where marketing was basically selling and distribution. This definition was considering marketing as 'sales oriented' only as the focus was on the sales and not the customer. In this instance customers were only persuaded through hard selling approach to buy product or service.

Kotler and Keller (2009) defined marketing as a business organizational function and a set of processes for producing, communicating, and delivering value to customers and further for managing customer relations to offer mutual gratification. The main points on emphasis are on customers as well as other stakeholders. Kotler et al, (2009) presented marketing as the activities that bring about creating, communicating, and delivering of value to customers as well as being socially responsibly at bringing profit to the business firm. This definition clearly exhibited concern for social responsibility which is an integral part of marketing which was not stressed by AMA (2008) definition of marketing. Both definitions by AMA (2008) and Kotler et al (2009) stressed on customer value which is the anticipation of every customer. This indicates AMA and Kotler et al holds the same belief that marketing confirms customer value. In general, marketing should be consumer-oriented to tailor marketing programs and activities to the needs and wants of customers. Business firms that are customer-oriented research into customers' needs and wants before creating their product or services. From this perspective, the goal of marketing is therefore to create and retain profitable customers by delighting them. It is worth noting that the goal of retaining profitable customers is particularly challenging in the service industry including the Hotel industry. This is because quality of services provided at the Hotel is quite subjective

and difficult to meet all customers' preferences with specific product and service. In addition, many variables play role in determining service quality which may not manifest in the tangible product. In a more service like setting, firm customers are part of creating the service like co-creator of value (Palmer et al., 2011). This view considers how customers involve on value creation. On the other hand, Dixit (2004) argues that for being effective on marketing, it is important to identify the customers' needs and wants and then design products to meet those needs better than competitors. Management commitment and support to staff development is crucial to equip them to deliver superior customer service. He also suggested that organizations should be long term focused to meet the changing needs of customers. This explanation reinforces internal marketing concept which has been advocated by Ahmed and Rafiq (2003).

It has also been defined as management process liable for identifying, anticipating and satisfying customer requirements profitably (CIM, 2009). This definition by CIM indicates that marketing is a function for all managers not only marketing managers and officers. It further suggests that it should be an integrative activity with the other management functions.

### **2.2.3 Product Marketing vs. Service Marketing**

The focus of the marketing concept is to satisfy customer's demands, and these demands can be in the form of physical products or services. Services marketing had received limited acknowledgment in the field of academic until 1970 where many academic circles of marketing started writing on it (Hoffman et al, 2011). Products are defined as objects, devices or things that can be seen and touch whilst services are performance, actions and experiences which lack tangibility (Kotler and Keller, 2009). Tan et al (2009) argued that marketing is basically taught in connection with tangible products, however, the growing interest of investors to enter the service industry has made selling of services part of marketing concept.

It is very important to recognize that there is a pure product, pure service or combination of products and services being sold by business firms. Tan et al (2009) said that in hospitality industry, there is tangible benefits tied to the performance or experience enjoyed by the customer. For instance, the foods and drinks are considered as tangible elements in the Hotel Industry.

Hoffman et al (2011) said that there have been times the marketing of services was not separate from that of product. They said that this was the reason academicians have not given attention to service marketing. On the other hand, Tan et al (2009) argued that the marketing of services differs from that of product so marketing practices in both sectors differs. The unique differences of services that differentiate it from products have been examined below.

### **2.2.3.1 Intangibility**

Mei (2011) discusses that services are mainly intangible, and they are viewed as an activity rather than tangible element. However, he also mentioned that some services have tangible elements like physical facilities, equipment, and personnel. Kotler (2003) argued that intangibility of services indicates to the lack of physical evidence which is common in the situation of a product. This makes quality evaluation complicated in services than product. Unlike service the tangible features of product provide indicators for measuring quality thereby quality evaluation easier in product. Hoffman et al (2011) defined intangibility as the main distinguishing characteristics of services that makes them unable to be realized in the same manner as physical goods. The level of intangibility of services has been suggested by researchers as a criterion for differentiating products from services (Levit,1981; Zeithaml et al,2006). Zeithaml et al. indicated that the degree of intangibility of services has effect on service marketing since it makes evaluation of quality. Intangibility is the void of a service to be accessible through the five senses (Kotler, 2003). In summary, customer's ability to measure quality before purchase is larger in products than services. Therefore, new buyers of services mostly rely on the supporters of existing customers of the service organization therefore loyal customers are important to the service organizations.

### **2.2.3.2 Inseparability**

A service delivery often cannot be offered without the presence of both customer and service provider (Palmer, 2011). He further explained that the simultaneous delivery and consumption of services makes it differ from products. Onkvisit and Shaw (1991) also stated that co-customers affect the quality of service delivery which is not the case of products. Hoffman et al (2011) discussed that inseparability is one of the characteristics of services which distinct it from products. Whilst services consumption and delivery occur at the same time, products are produced, purchased and later consumed. This makes evaluation of products quality easier to be

done before purchases. Service businesses are expected to bring about tangibility from the intangibility of services to minimize perceived risk (Kotler, 2003).

### **2.2.3.3 Heterogeneity**

Zeithml et al (2006) said the concept of heterogeneity is the tendency for lack of standardization in the service unlike product. For product, standardization is common and poses relatively no challenge to customer satisfaction. Onkvisit and Shaw (1991) explained it as the service delivery by two different people will vary in terms of quality and satisfaction. They further said that even same service provider may deliver a service at different quality level at different times or situation.

They also claimed that this present service businesses the opportunity to offer accommodating and customized service. Heterogeneity of services means to the changes in the service delivery from one entity to another, one service transaction to another and same entity but different times or situation. A critical challenge to service organizations is training and development of staff to improve consistency of quality service delivery. In a case of product, perceived risk is minimized because of greater standardization (Hoffman et al, 2011).

### **2.2.3.4 Perishability**

Services cannot be stored for future. It is products that are mostly manufactured, stored, distributed to middlemen and later purchase for consumption by customers Onkvisist and Shaw (1991). This suggests that services time is key indicator of service perishability. This implies that service organizations require part time personnel so as to support permanent staff during excess demand (Zeithaml et al, 2006). For products excess supply can be sold later, while for services the business firm loses the value of the surplus. This affects the creation and use of the marketing mix elements in the service industry.

### **2.2.4 Marketing Mix**

The marketing mix can be defined as controllable variables that the business firms can manipulate to meet customer needs and wants profitably both in the short and long period (McCarthy,1964). The components of the marketing mix should be revised holistically in meeting changing needs of customers without specific emphasis on one or two elements. The

marketing mix is therefore a set of controls which a business firm can manipulate to achieve set objectives such as profitability, market share, customer satisfaction and survival (Pour et al,2013). The marketing mix one of the key areas of marketing which holds the base of every marketing strategy ( Zeithaml et al, 2006). Akroush (2011) discussed that the traditional marketing mix concept is a fundamental requirement for creating and sustaining relationships with customers.

Ergen (2011) posits that “marketing mix” is the mixture of activities that are used to achieve a market need. Therefore, marketing mix is not to be used individually to inform marketing planning process. For this reason, set of marketing mix is required to develop a strong marketing strategy to achieve organization’s competitive advantage. Therefore, marketing mix is seen as a part of marketing planning.

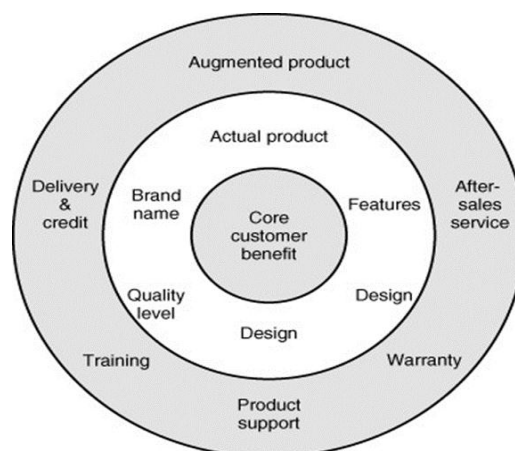
The very idea marketing mix designed was to create a model to build a framework that integrates broad areas of marketing activities. It is used to coordinate marketing tasks into subgroups: price, promotion, place and product (Kotler, 2003). Kotler further put it as a tactical way to control and arrange companies’ marketing actions. Kotler’s view on this was limited to only product marketing and lacked service orientation.

In addition, the traditional marketing mix has been criticized by several services marketing scholars from different perspectives (Zeithaml et al,2006;). For this reasons, additional Ps such as People, Process and physical evidence have been introduced Goi (2009). The addition of the 3P’s has change the composition from 4P’s to 7P’s widely known as Service Marketing Mix. The very objective of a marketing mix is to design a mix of actions to influence customer’s buying decision. Kotler et al (2010) discussed that the understanding of marketing mix is fundamental to the planning of business activities, and the marketing mix seeks at matching supply and demand in the marketplace. This suggests that marketing mix can be used to manage demand and supply fluctuation which is a challenge in the service industry due to the perishability of services.

The researcher believes that marketing mix is indispensable in the marketing strategy enhancement of service firms, specifically hotels. Therefore, the elements of marketing mix have been discussed below,

### 2.2.4.1 Product/Service strategy

Product is defined as any tangible or intangible benefit that is offered to a market for attention and acquisition that satisfy a need (Kotler and Armstrong, 2010). They further argued that product is made up of tangible and intangible benefits. The tangible features are mainly called product while the intangible features are called services. Services are form of product that consists of activities, benefits, or satisfactions offered for sale that are fundamentally intangible and do not result in the ownership of anything (Kotler et al, 2010). Likewise, goods can be explained as tangible benefits offered for sale by an organization which is easier to measure quality and results in ownership. Product and service are interchangeably used in the service industry (Preko, 2014). Product is characterized by quality, design, features, brand name, product width and length as discussed by Khan and Mahmood (2014). Service Product has also been defined as the bundle of experience and performance designed to meet customers' needs and wants better than competitors (Akroush, 2011). This definition only works for service business firms and cannot be generalized as it cannot be applicable in the product marketing comparing it with Kotler and Armstrong (2010) broader definition in scope. Ferrell and Hartline (2005) stated that the product is at the core of the marketing mix strategy. This is for reason without product there is no need for other mix elements. Yet, business firms can differentiate themselves from the competition through extended benefits of their services like helpfulness and politeness of personnel (Khan and Mahmood, 2014). Generally, products are made up of three components which create unique benefit to the customer. These are core product, actual product and augmented product which has been described in figure below (Kotler and Armstrong, 2010).



*Figure-1: The whole product concept*  
*Source: Kotler and Armstrong (2010, pp.250)*

The core product is the functional benefits of a product which is seen as a collection of physiological-technical qualities (Kotler and Armstrong, 2010). They further argued that marketers are supposed to understand what basic problem the product seeks to solve. The core customer value in the hotel industry is accommodation rooms, restaurants, and cafes services. Customers do not only expect core benefits, hence other components such as actual and augmented product become necessary.

The actual product consists of all attributes that assist in delivering the core product such as modern furnishings, packaging, washrooms, quality, and brand name (Kotler et al, 2010). The actual product in the hotel and restaurant services may include clean rooms, beds, floor, and tables, furnishing, cutlery sets and relative degree of quietness. The actual product is also required to be appealing to the five senses of customers to influence their purchase decision.

The augmented product is a competitive tool including additional consumer services and benefits built around the core and actual product such as laundry service, business center service, warranty service, home delivery service, and credit (Kotler et al, 2010). The augmented product in the Hotel services include car park, attractive ambience, entertainment, and recreation facilities like spa.

#### **2.2.4.1.1 The Packaging**

Packaging is considered as the voice of the product and regarded as a silence salesman. It is the product's first sales impression, which is of crucial importance for its market positioning. It gives on the performance of the product (Kotler et al, 2010). Adam and Ali (2014) argued that a packages role is much more than containing a product – it is also used as an advertising. They further stressed to make consideration of culture of customers in designing package. They concluded that, packaging serves many purposes, ranging from product protection to attracting customers' attention. Packaging also regarded as selling tool that promote and sell the product by attracting customers' attention, defining product's identity, and providing information, ensuring safe use, and protecting the product.

#### **2.2.4.1.2 Branding**

Branding is a process of giving name, symbol, logo, trademark, and combination of all to create a unique positioning of the product in the mind of consumers. Kotler and Keller (2009) said two

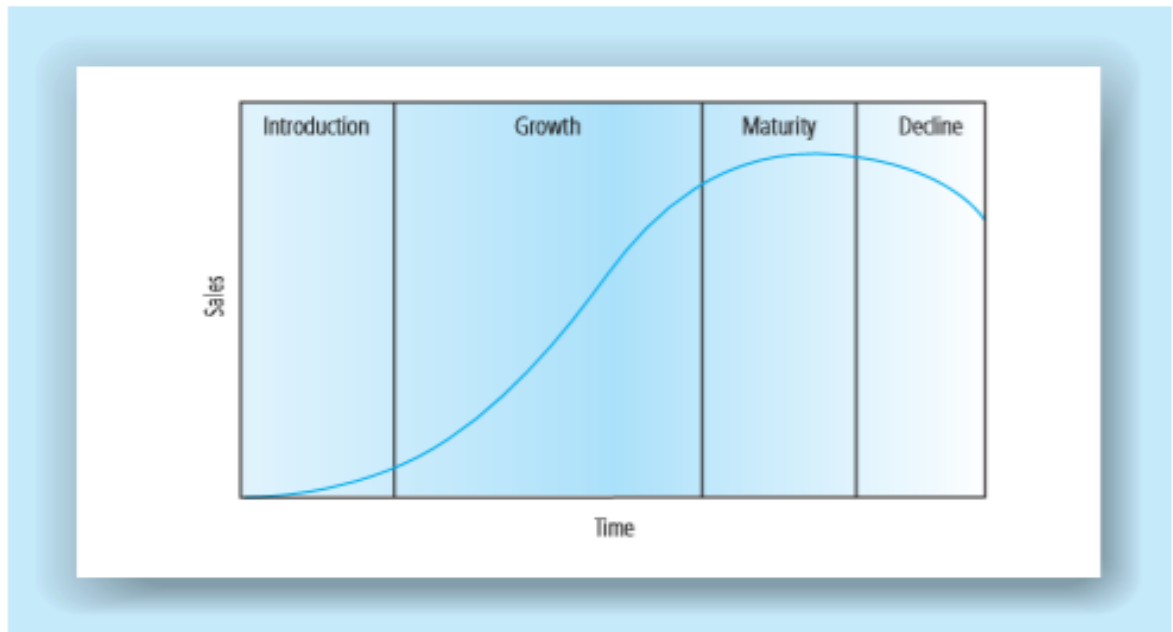
critical activities are required in developing brand strategies - brand elements selection and image building in the service industry. They further acknowledged that branding a service is a complex undertaking than product due to the very nature of intangibility in services industry. In addition, they discussed branding decisions are highly influenced because of intangibility characteristics. On the other hand, equally or so since service consumption and delivery occur simultaneously decision becomes more complex. Therefore, this makes the location and the personnel critical in developing branding decisions. According to Kotler and Keller,(2009) branding can help customers in several ways, like differentiating, measuring quality and so on.

It also gives the business firm numerous advantages, like enhancing credibility, ease of purchase, customer recognition, as well as easy introduction of new product.

On the other hand, the choice of a brand name is a challenging job and many factors need to be considered. The brand needs to communicate product benefits, fit into the target market and to the marketing strategies. It also creates images in the minds of customer in a form of perception of the product associating it with quality. Kotler and Armstrong (2010) recommended that advertising campaigns facilitate to establish brand equity. They also recognized that brand equity cannot be maintained by advertisements alone but rather with delighting brand experience. In the Hotel industry brands are mostly maintained by consistent quality service delivery.

#### **2.2.4.1.3 The Product Life Cycle concept and Marketing Mix Strategy**

The product life cycle is the period over which a product is developed, brought to market and eventually removed from the market. Products life cycle model undertakes that products are like individual person and go through life stages (Spencer, 2009). Like human life all products can pass through all the stages as in the case of human beings. Normally products have four stages (Spencer, 2009). Bowie et al,(2004) as well stated that product goes through four stages in their lifetime.



*Figure-2 : Product Life Cycle*

*Source: Bowie and Buttle (2004; pp.122)*

The introduction stage is characterized by lower sales growth, and losses are incurred because of heavy development and promotional cost especially in a highly competitive market. Informative advertisement is required to create awareness. (Kotler et al 2010). The most recommended pricing is penetration when the competition is stiff.

Growth is the second stage in the product life cycle. In this stage product is considered by fast-moving sales and profit growth which is covered by rapid market recognition. Communication emphasizes on product benefits and uniqueness to encourage more support (Kurtz and Boone, 2006).

At the maturity stage sales grow quickly and competition increases due to higher demand. Here sales promotion to stimulate purchase is required. Regenerating and repackaging is required to sustain existing customers. It required also heavy investment because the product is a star.

At decline stage, there is a downturn in the market. More inventive products are introduced, or consumer tastes have changed. Price cutting and declined products withdrawal are seen in the market. Consequently, the firm's profit falls creating the need for new product replacement.

Cannon, Perreault, and McCarthy (2008) argued that renovations, new facilities, new product are required to sustain in the market which are strategies for declining product or service.

#### **2.2.4.2 Price Strategy**

Price for service is defined as the method and procedures service business organizations follow in determining how much to sell their goods and services for (Akroush,2011). Price is the monetary value given to a product that encompass on a product direct and indirect cost in addition to profit (Tan et al, 2009). Pricing have a power to make or unmake your business successful. Example If your price cannot meet the cost of producing the product, then loss will occur and eventually you will go out of business, comparably, if your price is too expensive more than your customers can afford the business is likely to lose (Tan et al,2009). On the other hand, Kotler (2003) said that pricing is more of an art than a science. He considered that there is no one approach to pricing; the best approach depends on the objective of pricing and other influential factors. He also argued that prices can be changed anytime there is the need. Hotel services perishability by their very nature means that hotel operators must put in much effort to obtain maximum usage or occupancy to maximize revenue.

Kotler et al (2010) said repeat purchase is highly dependent on past experience. Likewise, Peter and Donnelly (2007) found on their study that customers before they make repeat purchase, they will consider their past experience in terms of value for money.

This means that pricing decision is very critical when designing marketing mix for a service organization. Bowie et al, (2004) discussed that price is a major measure of quality, where there are no tangible cues to measure quality in service industry especially. Customer value is measured by the difference between costs incurred (cash, time, effort) and benefits enjoyed (accommodation room, food, beverage, service, entertainment, atmosphere, experience).

Bowie et al, (2004) also discussed that price is the easiest element of the marketing mix to make a change, as difficulty of implementation being there. Kotler et al (2009) as well said that price is one of the most adaptable elements compared to modification of products, distribution channels and promotional elements. Bowie et al, (2004) suggest that price includes both financial and nonfinancial sacrifices, such as time, energy and effort. He states that monetary price is not the only makeup of price in the service industry. In the hotel industry, most customers have more

concern with time they spent before they are served (Bowie et al, (2004). They consider time as money. Pricing objectives, pricing strategies and factors influencing pricing are discussed below.

#### **2.2.4.2.1 The Objectives of Pricing**

Pricing objectives differ from company to company and depends on factors like competitor price, marketing objectives, corporate goal, and other related factors. Not all firms work on at profit maximization (Kotler et al, 2010). They further argued that price objective should focus on long term than short term survival of the business firms. Additionally, the pricing objectives should be practiced in a manner of SMART – Specific, Measurable, Achievable, Realistic, and Time bound (Kotler et al, 2010). In general pricing objectives can be categorized as marketing-orientated, financial-orientated, and competitor-orientated (Bowie et al, 2004).

Marketing - orientated pricing objectives aspires at setting price that can influence customers' buying decision as well as promote trial or repeat purchases. Hotel owners and management pursuing value for money' objective examines customers' perception of price. This facilitates the right price to be set that brings value for money to customers.

Financial-orientated pricing objectives only concentrates on financial objectives rather than the other marketing-orientated and competitor-oriented objectives (Bowie et al, 2004).

Profit-orientated pricing objectives involve only on setting prices that can match of maximizing profitability. A number of methods can be mentioned here - cost cutting approach, skimming pricing, economies of scale and staff efficiency.

Competitor centric pricing objectives are very popular in the hospitality industry. It is common to watch competitors' price for adjusting price levels. Especially following market leaders in the industry is expected. The risk that can be raised here is that cost levels may not be the same and of course, this can bring into higher or lower price that may affect customer decision.

#### **2.2.4.2.2 The Concept of Pricing Strategies**

To achieve pricing objectives, business firms follow certain winning pricing strategy. There are three types of pricing strategies Skimming, Penetration, and Competitive pricing strategy (Kurtz and Boone, 2006) Skimming pricing involves setting relatively higher price to maximize returns in a shorter period in order to recoup investment. Kotler et al (2009) advised that on three

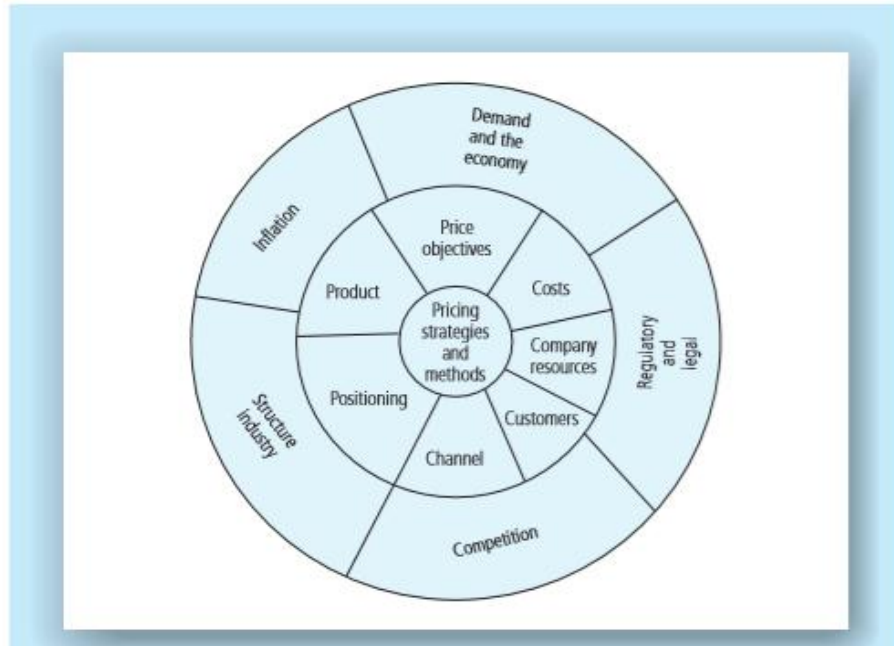
occasions: when competition is less, differentiated product and when introducing new product into the market - this strategy is perfect. Some customers are accustomed choosing higher prices more frequently because of the perception of price in relation to quality (Gautan et al, 2011).

Penetration pricing strategy tend to set relatively lower price for a product to encourage fast entry in a highly saturated market (Bowie et al, 2004). It entertains a view that offering relatively lower price will help attracting price sensitive customers. He believes that these customers are mostly driven by affordability not quality therefore the cheaper the service the higher the demand.

Competitive pricing is a way of setting price with reference to competitors pricing plan (Bowie et al, 2004). In a stiff competition industry, prices are set based on the industry average price. In many cases this happens when the product offered is a commodity (Kurtz and Boone 2006). They further argued that a change in the price by a competitor triggers another player to also change theirs.

#### **2.2.4.2.3 Factors that Influence Price**

Factors that influence pricing can be classified broadly in to two: internal and external (Bowie et al, 2004). The internal factors are suited closer to the company and can be manipulated by management, the external factors are out of control. Therefore, environmental scanning is necessary to identify external factors that may affect pricing. The customers' demand, the cost function, and competitors' prices are the most major considerations in setting price. (Kotler and Keller, 2009)



*Figure-3 : Factors influencing pricing*

*Source: Bowie et al (2004; pp.153)*

Price objectives primarily influence the setting of a price and the strategy to implement to realize the objectives (Bowie et al, 2004). Marketers are expected to know what the company wants to accomplish with its price and set pricing system in relation to the objectives.

Cost is the other factor in setting price. A major consideration of pricing decision is the sacrifices made in producing and marketing the product or service. Marketers need to understand the nature of the costs in hospitality products (Kotler, Bowen and Markens, 2010). They argued that fixed cost component is always higher than the variable cost, therefore prices are highly influenced by fixed cost in the Hospitality industry. Furthermore, company's funds influence the pricing decision of any business firms. With strong resource base organizations can tolerate short-term losses during the launch of a new product hence, penetration strategy can be employed.

Kotler and Armstrong (2010) also discussed the positioning strategy of a business firm dictates its pricing decision. Lastly, customer's ability to pay for a service can also be considered in making price decision. Though, it is difficult to set price that can appeal to all customers in a

segment, but an average price can meet the purchasing power of many customers in the target segment.

Inflation may be termed as the rise in the average price of goods and services, measured over a period. Developing countries generally face a higher rate of inflation than more developed countries. In countries with high inflation rates, like Ethiopia which is on average 18% will considerably affects prices of Hotel services for domestic customer.

A country's domestic inflation rate affects the entire businesses and customers' ability to pay (Bowie et al, 2004). In addition to this, industry structure which involves cost structure, capacity of the industry, number of the players also shape pricing decision in the service sector (Bowie et al,2004). He also stated that these factors influence competition and customer's power over a firm which is key influence on price. The effect of competition on price as well has been examined by Porter five forces: threat of new entrants, threat of substitute, bargaining power of customers, bargaining power of suppliers and competitive rivalry Kotler and Keller (2009).

Legal and regulatory policies like taxation policies value added tax (VAT) increases cost and subsequently transfer into higher prices.

On the other hand, demand is also another important factor to be considered on pricing decision. In setting a price the relationship between price and demand must be set up to serve as a gauge (Kotler, Bowen, Maken,2010).

#### **2.2.4.3 Place strategy**

Place is where an organization selects to locate its product so that its target customers can easily get entry to it. In the hotel industry, selection of location is the important aspect which is crucial to its success (Tan et al, 2009). Convenience of location plays very important role on customer choice regarding hotel services. A distribution channel or place has been defined by Kotler and Keller (2009) as the set of organization's activities involve transfer of goods or services to the final consumer. Kotler and Armstrong (2010) pointed that distribution systems are basically series of activities to move products from the provider to the consumer which is in consistent with (Kotler and Keller, 2009). In the Hotel industry there exist travel agencies, airlines , online dealers, brokers, and agent who find customers or create demand for a product offered by the

Hotel (Kotler, Bowen and Makens, 2010). Distribution channel can be categorized into two in the hotel industry; direct and indirect. With the direct the producer Hotel offers the service to the customer without any extension involvement. However, in the case of the indirect distribution there are intermediaries who assist in getting the service to the customer.

Kotler, Bowen and Makens(2010) pinpointed the following roles of the channel members; information gathering, promotion, negotiation, physical distribution. Information gathering involves interviewing customers and observing them to gain knowledge about their level of satisfaction and future needs. In this case promotion means spreading persuasive message about the offer of the Hotel. This can be done on a personal level, being an ambassador for the service company.

Negotiation on the price is very important before services are rendered, therefore channel members own a duty to build consensus over the price before delivery takes place. Physical distribution is process of serving the customer; here channel members expect to be smart and neat to raise the appetite of the customer (Bowie et al, 2004).

#### **2.2.4.4 Promotion/Marketing Communications Strategy**

Promotion in service industry is the extent to which a service firm uses promotional activities and elements to initiate a dialogue with target market for a measurable response (Akroush, 2011). The product or service offered by business firms becomes useless if it is unknown to customers. Customers make purchase what they are aware of, thus business firms can influence customer's decision through effective and persuasive communication.

The conduct and choice of customers in the hospitality industry can be influenced by effective promotional activities (Bowie, 2004). Kotler and Armstrong (2010) argued that Promotion is the act of making customers aware of the product or services, and what can be done to help them. Promotion mix holds of advertising, personal selling, sales promotion, public relations, and direct marketing tools (Mahmood et al,2014). Cannon et al(2008) discussed the objectives of promotion/marketing communications as differentiating, reminding, creating awareness, informing, and persuading. Kurt et al(2006) as well added saying that promotion aims at informing, persuading, and influencing the consumer's buying decision. The promotional mix and AIDA Model have been reviewed below.

#### **2.2.4.4.1 The concept of Promotional Mix and AIDA**

The promotional mix according to the Chartered Institute of Marketing, (2009) is a term used to describe the set of tools that businesses (Hotels) can use to communicate to its customers effectively the benefits of its products/services. Gabriel, (2005) also commented that there is no point of creating the value without communicating it to the customers.

The AIDA model is a structure that measures effectiveness of promotional mix. Advertising is any paid form of public presentation of ideas, goods, or services by an identified fund. (Cannon et al,2008). In addition to this, they stated that advertising is the most important form of mass selling. Presently television, outdoor billboards, radio, internet, transport and newspapers are the most media types used by organization for advertisement. Social media such as YouTube, Facebook, Twitter, Skype, and others are used nowadays to promote social issues and commercial activities. Tan et al,(2009) further discussed advertisement as any communication use towards detected target audience paid by hospitality companies. However, the means for the advertising highly depend on promotional budget, target audience and product type.

Public relation is any unpaid form of non-personal presentation of ideas, goods, or services. (Kotler, 2003). It is also explained as the communication that results from Promotion mix & AIDA model activities organized by business firms which are not directly paid for like advertisement. These include, sponsorship, exhibitions, press releases, conferences, seminars or trade fairs and events. Tan et al. (2009) discusses that public relation is all about creating and sustaining good relationship with all the public. Public relation evolves at creating positive image and reputation.

Regarding sales promotion Tan et al (2009) defined it as a short-term incentive to motivate an immediate purchase of a product. Sales promotion tools in practice in Hotels include offering discounts, coupons, contests and raffle, free samples, and premiums. Some Hotels may apply the “Happy Hour Program” where customers can enjoy the all one-can-eat-and-drink beverages for a special price. These activities target at persuading the hotel customers through excitement among the customers (Tan et al, 2009). Further Cannon et al (2008) stated that a business firm can carry out a sales promotion for their employees or its own sales force by organizing contests, bonuses,

meetings, and trainings. Their argument of sales promotion is internally focus while Tan et al (2009) definition is externally centered.

Personal Selling is an interpersonal approach where a salesperson persuades a prospective buyer to purchase product or service (Kotler, Bowen and Makens,2010). They further argued that personal selling is mostly used to persuade corporate clients in the hospitality industry. The goal of personal selling is to bring about purchase by potential buyer. This tool has interactive nature which allow potential hotel customers to ask questions and seek for clarifications before purchase Tan et al,(2009).

Direct Marketing may be defined as a promotional method that interacts with selected target customers in delivering information about your company, product, or service without the use of advertising mediation. It brings immediate response and strengthened relationship through direct mail, telephone, e-mail, and internet (Kotler, Bowen and Makens, 2010). The base for direct marketing facilitation is personal information.

#### **2.2.4.5. People Strategy**

People are the most substantial element that distinguish product and service marketing (Ergen, 2011). In the case of hotel industry people can be classified as customer interface personnel including reception and concierge teams, waiters s and non-customer interface personnel including cooks, supervisors, cashiers, and others. Although Ivy and Naude (2004) claim that people are not highly effective element in the context of future or prospective customers. Hollensen (2010), and Brassington (2006) argued that services depend on the people who deliver them, as they are directly involved in the customer experience of the service. Bowie et al, (2004) in addition commented that it takes happy employees to make a customer happy. Armando (2005) further supported this idea that customer satisfaction largely rests on the quality of service employees encounter. Welcoming customers with smiling face, and having friendliness, courtesy, problem solving skills customers' problems, and others have positive effect on customer selection behaviors (Mahmood and Khan,2014).

Therefore, giving attention for the above characteristics on recruitment, training, motivation, empowerment, and likes are vital tools to create and maintain winning employees which can improve customer satisfaction.

#### **2.2.4.6 Process Strategy**

Process has been given less attention in various literatures despite of its highly significant influence on buying behavior in the service industry (Akroush, 2011). It is also very essential in the research of customer selection. Akroush (2011) defined service process as a series of interrelated pattern for a successful service delivery at a maximum convenient. These justifications focus on service delivery steps to be followed that maximizes customer experience. Mahmood et al (2014) argued that clearly and thoroughly designed service plan and training are required to bring consistency and quality of service. The importance of process in hospitality marketing strategy is highly a concern of value chain model (Preko et al, 2014). Value chain basically emphasizes on all the interdependent events and actions involve in the creation of value to the customers. Nowadays technology has drastically shape service delivery (Mahmood et al,2014). They further recognized that advancement of technology has reduced costs, created, and differentiated service value for customers.

#### **2.2.4.7 Physical Evidence Strategy**

Akroush (2011) discusses that physical evidence constitute all tangible features that provides friendly atmosphere in the service setting. This is mostly less attention given by most service business operators. Kotler (2003) discusses also that there is a greater uncertainty in the purchase of a service because of the intangibility and suggests a solution to work on tangible elements to tangibilize the intangibility. Physical evidence mix include the external appearance of the premises like landscaping, lighting and signage and the internal layout like appropriate decor, furniture and furnishings. Mahmood and Khan, (2014) argued that the appeal of the physical environment helps to differentiate a service provider from competitors consequently influence customer buying deseton. It involves all tangible signals that support the delivery of the service. Principally, it refers to the physical ambience or atmosphere where the service experience takes place.

#### **2.2.5 The Concept of Firm Performance**

Firm performance includes the actual output or results of a business firm as measured against its intended outputs (goals and objectives). According to Richard(2009) firm performance comprises three specific areas of firm outcomes: one financial performance (profits, return on

assets, return on investment, etc.), two market performance (sales, market share, etc.) and three shareholder return (total shareholder return, economic value added, etc.)

Firm performance is the largest area of interest for researchers concerned with just about any area of management. Analyzing it broadly is essential in allowing researchers and managers to assess firms over time and compare them to rivals. In short, firm performance is the most critical criterion in evaluating business organizations, their accomplishments, and conditions. The importance is reflected in the widespread use of firm performance as a dependent variable (March and Sutton, 1997).

Performance is one of the most discussed and argued concept as there has never been an agreement among various researchers. This was the reason that different definitions have been used in different fields like manufacturing, health, airline, education, management, and computer science (Jenatabadi, 2015). Cameron (1986) refers it as an absence of sufficient understanding in the definition of the concept of performance. In the absence of any operational definition of performance upon which most of the relevant scholars agree, there would naturally be different interpretations and inferences discoursed by various people according to their own perceptions. This lack of agreement is partially due to the lack of a significant effort to theoretically or practically define the concept. Consequently, a commonly accepted definition of the concept deal with various problems, which means that the possibility of any definitions to arrive at the desired definition is still questionable.

Business organizations perform various activities to accomplish their organizational objectives. It is these activities along with stipulated processes for the business organization to be successful. Putting measures of these ascertains the level of performance and for management to make informed decisions, even further investigate the processes to initiate actions to improve performance. Therefore, all companies almost certainly try to achieve certain pre-defined objectives with the help of available resources. Hence, the two aspects of the concept, the organizational objective, and the organizational inputs or resources can be considered in the definition of business organizational performance (Jenatabadi, 2015).

Researchers such as Thompson (1967), and Friedlander and Pickle (1968) consider performance as a topic that again and again occurs in field of management. Performance can be defined as the

evaluation of the components that try to evaluate the capability and ability of a company in achieving the constituents' aspiration levels using efficiency, effectiveness, or social referent criteria.

Effectiveness refers to the maximum extent production functions can fulfill and meet the demands and requirements of the customer. On the other hand, efficiency is assessing and evaluating how the resources of an organization are economically utilized through the accomplishment of functions to achieve its objectives. To quantitatively put performance, one needs to discuss the dimension of scale. For example, the performance level can be expressed as a percentage or an absolute value in a way that makes it easy to understand for managers or directors. In the discussion of this concept Macleod et al. (1997) puts the quantitative expression of performance targets as the only way to make them meaningful. Furthermore, performance refers to the nature and quality of an action performed in a company to achieve the accomplishment in its primary functions and tasks to produce profit.

In the first decade of the twenty first century, the definition of business organizational performance mostly focused on the capability and ability of an organization to efficiently utilize the available resources to achieve accomplishments consistent with the set objectives of the company, as well as considering their relevance to its users (Peterson et al., 2003). In this definition, the three general elements of business organizational performance, efficiency, effectiveness, and relevancy. Equally, the performance of an organization is understood as broader areas including the connection between performance and organizational objectives (effectiveness); organizational resources (efficiency); and, satisfaction of the stakeholders (relevancy).

## **2.6 Review of Empirical Studies**

### **2.6.5 Studies Conducted into Marketing Mix Strategy of Service Marketing and firm Performance**

Several studies had been carried out on the service marketing mix strategies and firm performance but few had been done in Hotel industries (Ahmad, Al Qarni, Alsharqi, Qalai, & Kadi, 2013; Akroush, 2011, 2012; Aremu & Bam.duro, 2012; Jandaghi, Am.ri, Amini, & Darani, 2011; Shin, 2012). Use and level of marketing mix strategies applied and its effect on

performance in hotels research gap need to be filled by doing a study on the service marketing mix and firm performance in Hotels. The below presents a comprehensive summary of studies of service marketing mix with firm performance.

*Table-1: Summary of Previous Works*

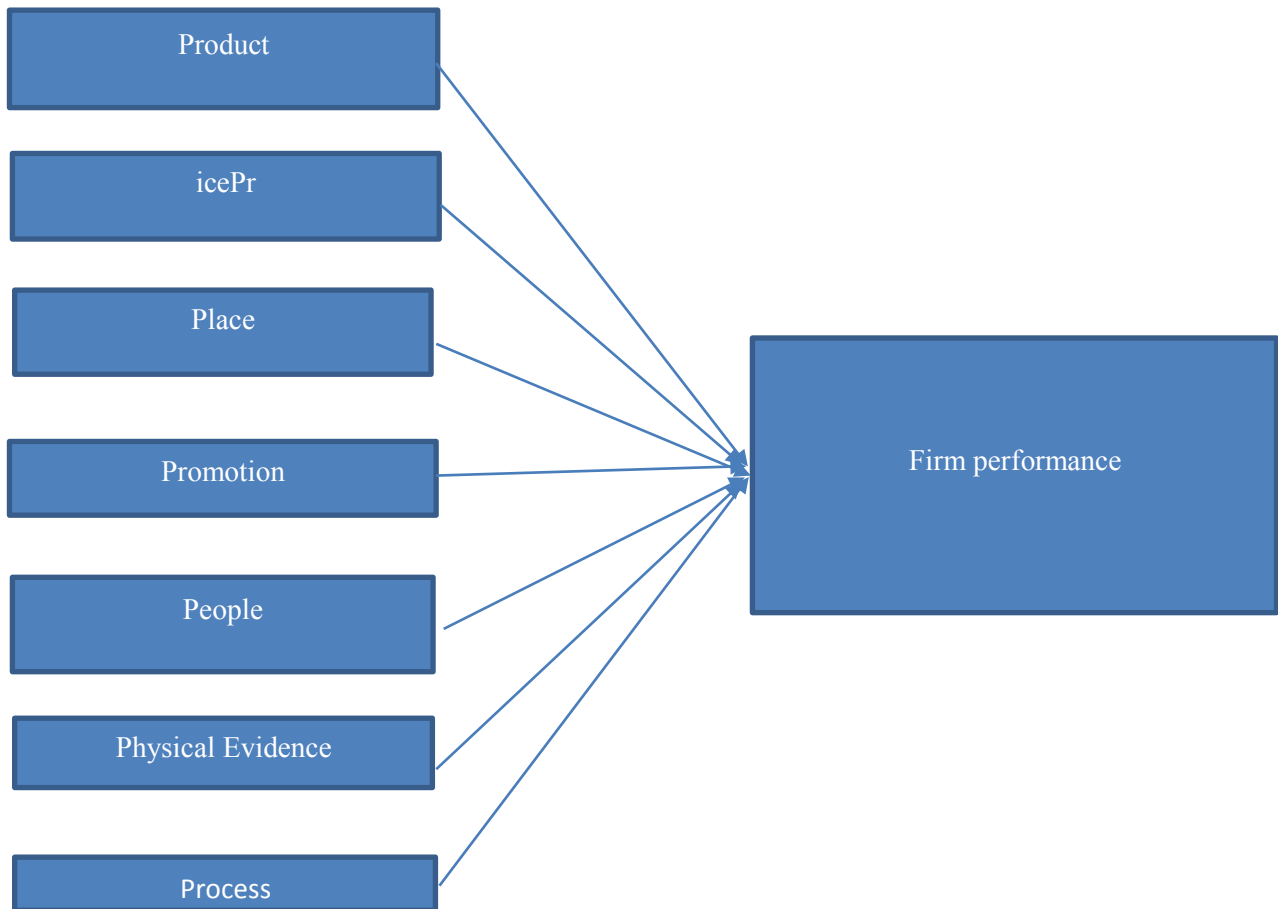
<b>Researchers and Year of Research</b>	<b>Variable of Research</b>	<b>Result of Research</b>
Kamau et al.(2015)	Product, Price, Place, Distribution, People, Physical evidence, Process and Choice of Tourist Accommodation	This study reported out that the price, products/service, location, people, processes, physical evidence, and promotions were having positive effect for determining choice of accommodation by local tourists in Kenya.
Al-Debi et al.(2015)	People, Physical evidence, Process and attracting customers and retaining them	The result pointed out that there is a positive and significant effect for the services marketing mix elements: physical evidence, service providers and process of service providing and their effect on attracting customers and retaining them.
Abidemi et al. (2017)	Service Marketing Mix, Market Orientation and Organizational performance.	The study presents a model which shows the relationship between service marketing mix, market orientation and organizational performance in the banking sector. It also states of literature marketing mix is an originator of organizational performance.
Adewale (2013)	Product, Promotion, Place, Price, Packaging, After sales service and Business performance	The study showed that the independent variables (Product, Promotion, Place, Price, Packaging and After sales service) were significant and positive predictors of business performance in term of profitability, market share, return on investment, and expansion.
Rajh et al. (2009)	Marketing Mix and Service Brand Equity	The findings reported that some marketing mix elements may have a negative effect on service brand equity. In addition, the findings indicate that advertising, employees, interior appearance, price level and service operation have a positive effect on service brand equity.

Wijayanto (2015)	Service marketing mix (Product, Price, Place, Distribution, People, Physical evidence, Process) and consumer's decision in choosing a hotel	This study reported that the services marketing mix is significantly and positively influential to the decision to choose Hotels. Price, People and Physical Evidence were the significant ones, while product, place, promotion, and the process did not significantly influential to the decision to choose Hotels.
Abdullah Saif (2015)	Product, pricing, promotion and distribution	This study findings indicated the influence of product, pricing, promotion, and distribution standardization to the overall performance of the firm. Furthermore, they measured firm performance in terms of sales, customer, and financial performance.
Al-Debi et al. (2014)	The 7ps (Product, Price, Place, Promotion, People, Physical evidence, Process) and Competitive Advantage	Unlike the others this study reported out priorities of sub dimensions one from product dimensions safety and security, second from price dimensions value for money, third from place/distribution dimensions access of booking through travel agencies, fourth from promotion dimensions distinct brand, fifth from people dimensions excellent service, sixth from physical evidence dimensions attractiveness and confirm and seventh from process dimensions smooth booking and payment system. In addition, it pointed out that there was a positive relationship between the 7 ps and competitive advantage in the Hotel industry. However, it fails to tell us the magnitude and significance of relationship.

*Source: Various Source, 2019*

## 2.7 Conceptual Framework of the Study

According to Thomas, (2010), a conceptual framework is defined as a set of broad ideas and principles taken from relevant fields of enquiry and used to structure a subsequent presentation. Its aim is to assist a researcher to develop awareness and understanding of the situation under scrutiny and communicate the same in a broad perspective. It underlines the study variables and shows the underlying relationships (Thomas, 2010). This exhibits the inputs as independent variables and the output as dependent variables. Any changes in the input brought about by the way marketing mix element is carried out will influence the outputs. The independent variables of the study are product, price, promotion, place, people, process and physical evidence whereas the dependent variable is firm performance.



*Figure-4: Conceptual framework*

*Source: Researcher's own construct (2019)*

## **CHAPTER THREE**

### **METHODOLOGY OF THE STUDY**

#### **3.1 Introduction**

*This chapter introduces the research approach that will be used in the study. It explains in detail the research methodology utilized and its justification for the purposes of this study. The chapter discusses procedures and activities undertaken, focusing on namely the study's research design, data collection, and sampling design, data processing and analysis and instrument development. It further addresses issues of reliability and validity and concludes with the ethical considerations of the study.*

#### **3.2 Research Approach**

In general research can be classed in to two approaches. These are qualitative research and quantitative research. For the purpose of this study, quantitative research approach will be employed. The motivation for using the quantitative research approach is followed by two main reasons. Firstly, the objective of quantitative research is to build and use mathematical models, theories and hypotheses pertaining to natural phenomena. It normally starts with a theory or a general statement proposing a general relationship between variables. Secondly quantitative research favors methods such as surveys and experiments and will attempt to test hypotheses or statements Kothari (2004).

#### **3.3 Research Design**

As this study aims to examine the impact marketing strategy on firm performance of five and four star Hotels in Addis Ababa from the viewpoints of Management staffs, thus it targets to measure relationships between variables, a combination of descriptive and explanatory type of research was used.

#### **3.4 Sampling Design**

##### **3.4.1 Target Population**

The population of this study comprises all the large hotels in Addis Ababa registered and licensed by the Ministry of Culture and Tourism. As such, the study focuses on the five and four

star hotels based in Addis Ababa. This made a total of 29 hotels as per appendix one. These population is chosen because most of them were either in the growth or mature stage of the hotel product life cycle and therefore had structured marketing activities. The respondents were the top managers of the hotels as they were directly involved in the formulation and implementation of market mix strategies, hence most conversant with the study.

### 3.4.2 Sampling Technique

The population being small and manageable the sample of the study considered using the whole target population. This confirmed with Mugenda and Mugenda's,(2003) argument that if the population is small; the whole population is to be used to allow obtaining of valid and reasonable information. Thus, a census approach is undertaken to cover all the 29 five star and four star hotels based in Addis Ababa.

*Table -2: List of Four and Five Star Hotels*

<b>Four Star and Five Star Hotels in Addis Ababa</b>	<b>Total Number</b>	<b>100% of Total</b>
5 Star	8	38
4 Star	21	62

*Source: Ministry of Culture and Tourism Report of 2015 and 2019*

Thus, the research considers by taking top management level and marketing department staff members of those hotels which were 145 in total. In selecting the research subject, Non-Probability purposive sampling methods was employed to make the study manageable with time and cost constraint. All top management members were purposefully identified and sampled from the whole group of the companies' employees. This is because, its proposed to allocate the chance to those who were expected to respond as per the time schedule and their characteristics were to some extent known.

### 3.5 Source of Data Collection

The study used both primary and secondary sources of data collection. To realize the target, the study used designed questionnaire as best instrument. This could complete by respondents that were willingly fill and return the questionnaire. Secondary data from publications, and operation

documents used to provide additional information where appropriate. Besides, variety of books, websites, reports, and newsletters were reviewed to make the study fruitful.

### 3.6 Data Collection Instrument

In this research survey, a closed ended questionnaire was developed for self-completion by respondents.

The questionnaires as a tool/instrument of data collection method of the study then was designed in such a way that enabled the researcher to obtain as detailed information as possible. A total of 145 questionnaires were prepared and distributed to top management staffs of each twenty-nine five star and four star Hotels addressed in this study.

*Table-3: Measurement of variables*

Variable	Variable type	Measurement
Product	Independent	Likert scale
Price	Independent	Likert scale
Place	Independent	Likert scale
Promotion	Independent	Likert scale
People	Independent	Likert scale
Physical Evidence	Independent	Likert scale
Process	Independent	Likert scale
Firm performance	Dependent	Likert scale

The questionnaire in this research consisted of general and specific questions. The general questions were concerning to gather general information about the respondents' gender, age, and education. The specific questions included questions construct measures were based on extensive review of the literature on marketing mix and firm performance.

For each independent variable, items are measured on a Five-point Likert scale, with anchors 1 for "Strongly disagree" and 5 for "Strongly agree" as shown in Table 3.2. All items are positively worded.

Table-4 :The Response Value

Response Scale	Scale Rating
Strongly agree	5
Agree	4
Neutral	3
Disagree	2
Strongly disagree	1

The questionnaire was distributed in English, no translation was involved. This is because one of their job requirements is to be skillful in English for Hotel Management staffs. So, no translation was needed.

### 3.7 Reliability and Validity of the Instrument

#### 3.7.1 Instrument Validity

Hair *et al.* (2010) defined the validity as “the degree to which a measure accurately represents what it is supposed to”. Validity is concerned with how well the concept is defined by the measure(s). He also mentioned about three types of validity: Content validity, Predictive validity, and Construct validity. Content validity is the assessment of the correspondence between the individual items and concept. This study addressed content validity through the review of literature and adapting instruments used in previous research which related to service marketing mix strategy and firm performance questionnaire repeatedly refined and corrected in different works.

#### 3.7.2 Instrument Reliability

Extents to which a variable or set of variables is consistent in what it is intended to measure Hair *et al.*, (2010). The reliability of a standardized test is usually expressed as a correlation coefficient, which measures the strength of association between variables. Such coefficients vary between -1.00 and +1.00 with the former showing that there is a perfect negative reliability and the latter shows that there is perfect positive reliability. In this study each statement rated on a 5-point likert response scale which includes strongly agree, agree, neutrals, disagree and strongly disagree. Based on this an internal consistency reliability test was conducted with a sample of employees and the Cronbach's alpha coefficient for the instrument was calculated. Sekaran (2000) points out that the closer the coefficient is to 1.00, the greater the reliability of the

instrument. It is generally accepted that a 0.7 or higher value of the Cronbach's alpha coefficient represents high reliability (Nunally, 1978).

### **3.8 Data Processing and Analysis**

The Statistical Package for Social Science (SPSS) was used to analyze the data obtained from primary sources. Descriptive statistics were used to explain the data of the questioner. To explain the characteristics of the response, mean and standard deviation were used. Additionally, Pearson correlation coefficient was used to show the interdependence between the independent and dependent variables.

According to Sekaran (2000), inferential statistics allows to infer from the data through analysis the relationship between two or more variables and how several independent variables might explain the variance in a dependent variable. Therefore, regression analysis was used to test the significance contribution of each independent variable to the dependent variable of firm performance.

#### **Linear regression analysis**

Linear regression is a method of estimating or predicting the magnitude of one dependent variable given the magnitude of one or more independent variables. Like what correlations does, statistical regression analyzes the relationship between variables. However, unlike correlations the primary purpose of regression is prediction (Geoffrey et al., 2005). In this research multiple regression analysis was used.

#### **Model specification**

The equation of regressions on this study is generally built around two sets of variables, namely dependent variable (firm performance) and independent variables (product, price, place, promotion, people, physical evidence and process). The fundamental objective of using regression equation on this study is to make the study more effective at describing, understanding, and predicting the magnitude of stated variables. Multiple Regressions is a statistical technique that allows us to foretell someone's score on one variable on the basis of their scores on several other variables. The regression equation is as follows:

$$Y_1 = \alpha_1 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \beta_6 X_6 + \beta_7 X_7 + e_1$$

Where:

Y1= Firm performance

X1= Product

X2= Price

X3= Place

X4= Promotion

X5= People

X6= Physical Evidence

X7= Process

$\alpha_1$  = the intercept term- constant which would be equal to the mean if all slope coefficients are 0 and  $e_1$ = Error

$\beta_1, \beta_2, \beta_3, \beta_4, \beta_5, \beta_6$  and  $\beta_7$  are the coefficients associated with each independent variable which measures the change in the mean value of Y, per unit change in their respective independent variables.

### **3.9 Ethical Considerations**

All collected information treated confidentially - without disclosure of the respondents' identity. Moreover, no information was modified or changed, hence the information was presented as collected and all the literatures collected for the purpose of this study is acknowledged in the reference list. In order to keep the confidentiality of the information given by respondents, it is not required writing their name and assured that their responses will be treated in strict confidentiality. The intent of the study is explained in the introductory part of the questionnaire. Furthermore, the researcher tried to avoid misleading or deceptive statements in the questionnaire. Lastly, voluntary participants were approached and asked to fill the questionnaires.

# **CHAPTER FOUR**

## **RESULT AND DISCUSSION**

### **4.1 Introduction**

In this chapter, the results that are obtained from the study are presented, examined, and interpreted in detail. This chapter begins by presenting respondents' summary followed by a descriptive statistics, correlation, and regression analysis, respectively. A total of 145 questionnaires were distributed to five- and four-star Hotel management teams in Addis Ababa, Ethiopia. From 145 questionnaires a total 108 (74%) questionnaires were returned and valid to be analysed, while the remaining 37 (26%) questionnaires were not included due to incompleteness of the questionnaire and unreturned.

### **4.2 Demographic Characteristics of the Respondents**

The following analysis dealt with the basic data of the respondents which comprises of sex, age group and educational level of respondents. The demographic profile of the respondents' shown below in table 4.1.

#### **Gender**

According to Table 4.1 out of the 108 valid respondents, from gender perspective 53% or 57 respondents were females and the remaining 47 % or 51 respondents were males. This implies that the numbers of male and female respondents are somewhat balanced.

#### **Age**

Out of total valid 108 respondents the most respondent's age group was between 25 and 35, which is 37%. The age between 36 and 45 years old were ranking second who took about 35% followed by respondents who were with age range of 46 and 55 which is 25%. The least number was above 55 years old which is 3% or 3.

The results indicate that majority of the respondents were between 25 and 45 years. With most of the staff being below 46 years, they are on more productive age where they can produce more. The hotels need to find ways to enhance their productivity through learning and special trainings.

Equipping them with contemporary practices of management and way of work greatly improves performance.

### Education Level

From the 108 valid respondents, 74 of them or 68% were first degree, 31 or 29% were MA/MSc; 3 of them were college diploma holders which is about 3%. It is evident from the figure that the majority of respondents are first degree and master's degree holder.

The staff in the management can be said to be well qualified and have the necessary education to serve the company to greater advancements. It is therefore necessary for the Hotel management necessary reward system to retain the same staff.

*Table 4.1: Demographic Distribution of Respondents*

Items	Description	Frequency	Percentage
<b>Gender</b>	Male	51	47.20%
	Female	57	52.80%
	<b>Total</b>	<b>108</b>	<b>100.0%</b>
<b>Age</b>	Below 25	-	-
	25-35	40	37.00%
	36-45	38	35.20%
	46-55	27	25.00%
	More than 55	3	2.80%
	<b>Total</b>	<b>186</b>	<b>100%</b>
<b>Academic qualification</b>	Certificate	-	-
	College diploma	3	2.80%
	First degree	74	68.50%
	MA/MSc	31	28.70%
	PhD	-	-
	<b>Total</b>	<b>108</b>	<b>100%</b>

*Source: Survey Data (2020)*

### 4.3 Reliability

Reliability is an indicator of a measure's internal consistency. Reliability is thus measured in terms of the ratio of true score variance to observed score variance (Garson, 2005). A benchmark alpha of .70 was set as an acceptable measure of reliability (Cronbach, 1951). Thus, the variables reliability test of this research is summarized in Table 4.2.

Variables of the study scored more than the benchmark alpha, which is .70 considered by different researchers, so it can be conclude that the measurements can be applied for analyses with acceptable reliability.

*Table 4.2: Reliability Statistics of the variables*

Variables	Cronbach's Alpha	N of Items
Product	.785	6
Price	.795	6
Place	.820	6
Promotion	.707	6
People	.722	5
Physical Evidence	.776	5
Process	.778	5
Firm performance	.771	7

*Source: Survey Data (2020)*

#### 4.4 Descriptive Statistics

The main objective of this study is to examine the effect of service marketing mix (product, price, place, promotion, people, physical evidence on firm performance of five- and four-star Hotels in Addis Ababa. The researcher uses itemized rating scale to construct a range. This range could be used to measure the perception level of the respondents towards each variable.

$$\text{Agreement level} = \frac{\text{max} - \text{min}}{5 - 1} = \frac{5 - 1}{5} = 0.8$$

Therefore, the range of the score indicates:

1.00 - 1.80	Strong disagreements
1.81 - 2.6	Disagreement
2.61 - 3.4	Neutrality
3.41 - 4.20	Agreement
4.21 - 5.00	Strong agreement

#### 4.4.1 Respondents Perception on Product Service Mix Strategy

The Hotel management staff members evaluated this dimension with six items using five-point Likert scale(1= strongly disagree and 5= strongly agree). Table 4.3 below presents the result: the mean score and standard deviation of each item of product service mix dimension.

*Table 4.3: Descriptive statistics for perception of respondents about product*

Product dimension	Mean	Grand Mean	Std. deviation	Rank mean
The hotel rooms are spacious and comfortable.	3.54	<b>3.61</b>	.66	4
The hotel offers high-class quality services	3.97		.75	1
The hotel offers a variety of services meet the wishes of the guests	3.45		.77	5
Guests feel safe in the hotel	3.65		.67	2
The hotel offers food and beverage, entertainment, recreation services and other complementary services	3.64		.68	3
The hotel offers various events services	3.43		.82	6

*Source: Computation from survey data (2020)*

The means for the product dimension items construct ranged between 3.43 and 3.97 and the standard deviation ranged between 0.66 and .82 which show some level of variance. The statement which respondents agree with most was “The hotel offers high-class quality services” (Mean=3.97 and Standard deviation= 0.75). The statement indicating the least level of agreement was “The hotel offers various events services” (Mean= 3.43 and Standard deviation= .82). The grand mean for the perception of product is 3.61, indicating that the majority of respondents towards agree level of agreement with the statements specified in the study.

#### 4.4.2 Respondents Perception on Price Service Mix Strategy

The Hotel management staff members evaluated this dimension with six items using five-point Likert scale(1= strongly disagree and 5= strongly agree). Table 4.4 below presents the result: the mean score and standard deviation of each item of price dimension.

*Table 4.4: Descriptive statistics for perception of respondents about price*

<b>Price dimension</b>	<b>Mean</b>	<b>Grand Mean</b>	<b>Std. Deviation</b>	<b>Rank mean</b>
The price equals the quality of hotel services that you receive during your stay in hotel	3.73	<b>3.64</b>	.74	2
The Price equal the benefits that you get during your stay in hotel	3.52		.81	6
Hotel services prices are reasonable	3.57		.87	4
The hotel offers excellent prices for the services of food, beverage , entertainment, recreation	3.74		.69	1
The hotel offers seasonal and flexible prices strategy	3.56		.63	5
The hotel offers competitive prices in comparison with other competitor hotels	3.72		.65	3

*Source: Computation from survey data (2020)*

The means for the price dimension items construct ranged between 3.52 and 3.74 and the standard deviation ranged between 0.63 and 0.87 which show some level of variance. The statement which respondents agree with most was “The hotel offers excellent prices for the services of food, beverage, entertainment, recreation” (Mean=3.74 and Standard deviation= 0.69). The statement indicating the least level of agreement was “The Price equal the benefits that you get during your stay in hotel” (Mean= 3.52 and Standard deviation= .81). The grand mean for the perception of pricing practice is 3.64, indicating that the majority of respondents towards agree level of agreement with the statements specified in the study.

#### **4.4.3 Respondents Perception on Place Service Mix Strategy**

The Hotel management staff members evaluated this dimension with six items using five-point Likert scale (1= strongly disagree and 5= strongly agree). Table 4.5 below presents the result: the mean score and standard deviation of each item of focus on place dimension.

Table 4.5: Descriptive statistics for perception of respondents about place

Place/Distribution dimension	Mean	Grand Mean	Std. Deviation	Rank Mean
Hotel seeks to apply modern technology in the booking, payment, and delivery of information easily.	3.76	<b>3.64</b>	.78	1
The hotel is interested to enact the role of intermediaries and direct contact with guests.	3.69		.80	3
Hotel has good relations with travel agencies to facilitate the booking.	3.67		.83	4
The hotel is linked to a global reservation system with chain hotels.	3.73		.65	2
The hotel has an effective system of electronic booking.	3.53		.68	5
The physical location of the hotel is convenient for access of customers	3.46		.72	6

**Source:** Computation from survey data (2020)

The means for the focus on place or distribution dimension items construct ranged between 3.46 and 3.76 and the standard deviation ranged between 0.65 and 0.83 which show some level of variance. The statement which respondents agree with most was “Hotel seeks to apply modern technology in the booking, payment, and delivery of information easily” (Mean=3.76 and Standard deviation= .78). The statement indicating the least level of agreement was “The physical location of the hotel is convenient for access of customers” (Mean= 3.46 and Standard deviation=0.72). The grand mean for the perception of place dimension is 3.64, indicating that the majority of respondents towards agree level of agreement with the statements specified in the study.

#### 4.4.4 Respondents Perception on Promotion Service Marketing Mix Strategy

The Hotel management staff members evaluated this dimension with six items using five-point Likert scale (1= strongly disagree and 5= strongly agree Table 4.6 below presents the result: the mean score and standard deviation of each item of promotion dimension.

*Table 4.6: Descriptive statistics for perception of respondents about promotion*

Promotion dimension	Mean	Grand Mean	Std. Deviation	Rank Mean
The hotel uses effective means of promotion and advertising	3.46	<b>3.55</b>	.57	4
The Hotel focuses on personal selling as an effective mean of promotion.	4.00		.47	1
The Hotel allocates a promotional budget to support the promotional activity.	3.50		.56	3
The hotel has a distinctive brand compared to competitors.	3.52		.52	2
You can get rich information and data about the hotel from the Internet.	3.44		.51	5
You get promotional reach outs from the hotel in comparison with the competition hotels	3.39		.54	6

*Source: Computation from survey data (2020)*

The means for the promotion dimension items construct ranged between 3.39 and 4.00 and the standard deviation ranged between 0.47 and 0.57 which show some level of variance. The statement which respondents agree with most was “The Hotel focuses on personal selling as an effective mean of promotion.” (Mean=4.00 and Standard deviation= .47). The statement indicating the least level of agreement was “You get promotional reach outs from the hotel in comparison with the competition hotels” (Mean= 3.39 and Standard deviation= .54). The grand mean for the perception of promotion is 3.55, indicating that the majority of respondents towards agree level of agreement with the statements specified in the study.

#### **4.4.5 Respondents perception on people service marketing mix strategy**

The Hotel management staff members evaluated this dimension with five items using five-point Likert scale (1= strongly disagree and 5= strongly agree Table 4.7 below presents the result: the mean score and standard deviation of each item of people dimension.

Table 4.7: Descriptive statistics for perception of respondents about people

People dimension	Mean	Grand Mean	Std. Deviation	Rank Mean
The hotel has a skilled and competent personnel and capable of providing services to guests	3.44	<b>3.58</b>	.71	5
Personnel seek to build good relations with the guests based on friendship and respect	3.77		.77	1
You see that service providers seek to provide excellent services to meet your needs and desires.	3.64		.60	2
You see that the personnel at the hotel understand service culture	3.51		.72	4
The hotel personnel seek to resolve the problems encountered rapidly and satisfactorily	3.53		.74	3

Source: Computation from survey data (2020)

The means for the people dimension items construct ranged between 3.44 and 3.77 and the standard deviation ranged between 0.60 and 0.74 which show some level of variance. The statement which respondents agree with most was “Personnel seek to build good relations with the guests based on friendship and respect.” (Mean=3.77 and Standard deviation= 0.77). The statement indicating the least level of agreement was “The hotel has a skilled and competent personnel and capable of providing services to guests” (Mean= 3.44 and Standard deviation= 0.71). The grand mean for the perception of people is 3.58, indicating that the majority of respondents towards agree level of agreement with the statements specified in the study.

#### 4.4.6 Respondents Perception on Physical Evidence Service Mix Strategy

The Hotel management staff members evaluated this dimension with five items using five-point Likert scale(1= strongly disagree and 5= strongly agree Table 4.8 below presents the result: the mean score and standard deviation of each item of physical evidence dimension.

Table 4.8: Descriptive statistics for perception of respondents about physical evidence

Physical evidence dimension	Mean	Grand Mean	Std. Deviation	Rank Mean
The rooms, lounges and furniture of the hotel have gravity and psychological comfort for the guests.	3.40	3.72	.59	5
The hotel is equipped with modern, furniture and other amenities.	3.51		.58	4
You feel that the material accessories in the hotel reflect a social nature	3.64		.57	3
The hotel has security and safety requirements	3.99		.72	2
The hotel keeps up with the green environment of the hotel sharing with the staff to enhance, improve this modern concept.	4.10		.69	1

Source: Computation from survey data (2020)

The means for the physical evidence dimension items construct ranged between 3.40 and 4.10 and the standard deviation ranged between 0.57 and 0.72 which show some level of variance. The statement which respondents agree with most was “The hotel keeps up with the green environment of the hotel sharing with the staff to enhance, improve this modern concept’ (Mean=4.10 and Standard deviation= 0.69). The statement indicating the least level of agreement was “The hotel has a skilled and competent personnel and capable of providing services to guests” (Mean= 3.40 and Standard deviation= 0.59). The grand mean for the perception of physical evidence is 3.72, indicating that the majority of respondents towards agree level of agreement with the statements specified in the study.

#### 4.4.7 Respondents Perception on Process Service Mix Strategy

The Hotel management staff members evaluated this dimension with five items using five-point Likert scale(1= strongly disagree and 5= strongly agree Table 4.8 below presents the result: the mean score and standard deviation of each item of process dimension.

Table 4.9: Descriptive statistics for perception of respondents about process

Process dimension	Mean	Grand Mean	Std. Deviation	Rank Mean
The hotel offers services like the international hotels.	3.32	3.15	.69	1
I share the administration and personnel at the hotel to reach mutual beneficial relations with the guests	3.02		.79	4
The hotel offers high-class quality services in comparison with the competitor hotels.	3.01		.66	5
The bookings, payment and stay at the hotel be done conveniently.	3.25		.62	2
The hotel has effective, efficient, accurate and user-friendly business processes for ordering,	3.17		.70	3

Source: Computation from survey data (2020)

The means for the process dimension items construct ranged between 3.01 and 3.32 and the standard deviation ranged between 0.62 and 0.70 which show some level of variance. The statement which respondents agree with most was “The hotel offers services like the international hotels’ (Mean=3.32 and Standard deviation= 0.69). The statement indicating the least level of agreement was “The hotel offers high-class quality services in comparison with the competitor hotels” (Mean= 3.01 and Standard deviation= 0.66). The grand mean for the perception of physical evidence is 3.72, indicating that the majority of respondents towards neutral level of agreement with the statements specified in the study.

#### 4.4.8 Comparison of Respondents’ Perception on Service Mix Constructs

Table 4.10 below show the grand means of all items in the service mix constructs of five- and four-star Hotel management employees’ level of perception. According to the findings of the means physical evidence represented the highest overall mean score (mean= 3.72), meaning that respondents have a tendency towards agree with statements relating the physical evidence dimension compare to other dimensions. Price and place followed with overall mean score of 3.64. Then was followed by product and people dimensions (mean= 3.61 and 3.58). The lowest level of agreements was promotion (mean=3.55) and process (mean=3.15).

Table 4.10: Grand mean scores for the service marketing mix constructs

Construct	Mean score	Rank
Physical Evidence	3.72	1 <sup>st</sup>
Price	3.64	2 <sup>nd</sup>
Place/distribution	3.64	3 <sup>rd</sup>
Product	3.61	4 <sup>th</sup>
People	3.58	5 <sup>th</sup>
Promotion	3.55	6 <sup>th</sup>
Process	3.15	7 <sup>th</sup>

Source: Computation from survey data (2020)

#### 4.4.9 Respondent's Perception on Firm Performance of Five and for Star Hotels in Addis Ababa.

The Hotel management staff members evaluated this dimension with five items using five-point Likert scale(1= strongly disagree and 5= strongly agree Table 4.8 below presents the result: the mean score and standard deviation of each item of process dimension.

The means for the firm performance dimension ranged between 3.45 and 3.75 and the standard deviation ranged between 0.68 and .90 which show some level of variance. The statement which respondents agree with most was “The hotel has been attaining sustained profits” (Mean=3.75 and Standard deviation= 0.85). The statement indicating the least level of agreement was “The sales of the hotel have expanded” (Mean= 3.45 and Standard deviation= .90). The grand mean for the perception of firm performance is 3.61, indicating that the majority of respondents towards agree level of agreement with the statements specified in the study.

Table 4.11: Descriptive statistics for perception of respondents about firm performance

Firm performance dimension	Mean	Grand Mean	Std. Deviation	Rank Mean
The hotel has been attaining sustained profits	3.75	3.61	.85	1
The sales of the hotel have expanded.	3.45		.90	7
Most of our customers have expressed great satisfaction with our services.	3.51		.75	6
We have retained most of our customers and that customer loyalty in the hotel has been increasing.	3.67		.72	3
The employees in the hotel are very loyal and express satisfaction in their work.	3.53		.79	5
There is efficiency and effectiveness in service delivery in the hotel.	3.63		.68	4
Generally, our return on assets has increased	3.74		.75	2

Source: Computation from survey data (2020)

## 4.5 Correlation Analysis

Correlation analysis deals with relationships among variables and helps to gain insight into the direction and strength of relation between the variables. Correlation coefficients take values between -1 and 1 ranging from negatively correlated (-1) to uncorrelated (0) to positively correlated (+). The sign of the correlation coefficient defines the direction of the relationship. The absolute value indicates the strength of the correlation. Dancey and Reidy (2004) state that a correlation result which is 0 indicates zero correlation, a result which is between 0.1 and 0.3 indicates a weak correlation among variables, a result which is between 0.4 and 0.6 shows a moderate correlation, a result between 0.7 and 0.9 indicates a strong correlation among variables, while a result which is equal to 1 indicates perfect correlation.

*Table 4.12: The relationship between independent variables and firm performance*

		<b>Firm performance</b>
<b>Product</b>	Pearson Correlation	.562**
	Sig. (2-tailed)	.000
	N	108
<b>Price</b>	Pearson Correlation	.550**
	Sig. (2-tailed)	.000
	N	108
<b>Place/distribution</b>	Pearson Correlation	.581**
	Sig. (2-tailed)	.000
	N	108
<b>Promotion</b>	Pearson Correlation	.490**
	Sig. (2-tailed)	.001
	N	108
<b>People</b>	Pearson Correlation	.574**
	Sig. (2-tailed)	.000
	N	108
<b>Physical Evidence</b>	Pearson Correlation	.674**
	Sig. (2-tailed)	.001
	N	108
<b>Process</b>	Pearson Correlation	.269**
	Sig. (2-tailed)	.005
	N	108
<b>Firm performance</b>	Pearson Correlation	1
	Sig. (2-tailed)	
	N	108

\*\* Correlation is significant at the 0.01 level (2-tailed).

\* Correlation is significant at the 0.05 level (2-tailed).

**Source:** Computation from survey data (2020)

As shown Table 4.12 above the magnitude of the ranges as high as .674 to .269, the highest with ( $r=.674$ ,  $p < 0.01$ ) and the lowest ( $r=.269$ ,  $p < 0.05$ ). It is found to be all independent dimensions are significantly and positively correlated with firm performance.

Whilst the physical evidence dimension is the highest correlated, the process dimension is the lowest. Place, People, Product, Price, and Promotion holds having the middle correlation levels towards firm performance with details ( $r=.571$ ,  $r=.581$ ,  $r=.562$ ,  $r=.550$ ,  $r=.490$ , all with  $P < 0.01$ ) chronologically.

## 4.6 Regression Technique

### 4.6.1 Assumptions of Regressions Analysis

This part presents the test for the assumptions of classical linear regression model (CLRM) namely sample size, normality of the distribution, linear relationship, homoscedasticity (equal variance), no auto correlation and multicollinearity.

- **Sample size:** - In this study seven independent variables had existed, and cases were 108. Tabachnick and Fidell (2001) give a formula for calculating sample size requirements, considering the number of independent variables to use:  $N > 50 + 8m$  (where  $m$  = number of independent variables). Therefore, the study satisfied sample size assumption.
- **Normality of the distribution:** In this case residuals are normally distributed as shown plot in appendix three. The residuals should be normally distributed about the predicted dependent variables scores (Pallant, 2005).
- **Linear relationship:** The plot in figure of the annex three plot shows that how the points are randomly and evenly dispersed throughout the plot. And, these patterns are indicatives of a situation in which the assumption of linearity. The residuals should have a straight-line relationship with predicted dependent variables scores (Pallant, 2005).
- **Homoscedasticity (equal variance):** In figure appendix four shows that each of the seven dimension against the firm performance. The plot in the same figure of the annexed plot shows that how the points are randomly and evenly dispersed throughout the plot. And, these patterns are indicatives of a situation in which the assumption of linearity and homoscedasticity have been met in whole the seven variables against firm performance.

- **Multicollinearity:** Table 4.14 shows there is no multicollinearity exist. If tolerance value closed to 1 and VIF value is around 1 and not more than 10, it can be concluded that there is not multicollinearity between independent variable in the regression model (Pallant, 2005).
- **No auto correlation:** In this study as Table 4.13 shows that the Durbin-waston value was 1.565, which is above 1.5 and close to 2, therefore it can be confirmed that the assumption of independent error has almost certainly been met. As a general rule, the residuals are independent (not correlated) if the Durbin-Watson statistic is approximately 2, and an acceptable range is 1.50 - 2.50 (Muluadam, 2015).

#### 4.6.2 Regression Analysis

The hypotheses in this study test the seven dimensions of service marketing mix as the independent variables to determine if there is an impact on firm performance of five- and four-star Hotels in Addis Ababa. Multiple regression analysis was employed to test the impact of independent variables on firm performance.

Table 4.13: Regression Model Summary and ANOVA table

Model Summary <sup>b</sup>						
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson	
1	.860 <sup>a</sup>	.739	.721	.26778	1.565	
a. Predictors: (Constant), Process, Price, Promotion, People, Place, Product, Physical Evidence						
b. Dependent Variable: Firmperforman						
ANOVA <sup>a</sup>						
	Model	Sum of Squares	df	Mean Square	F	Sig.
1	Regression	20.333	7	2.826	63.366	.000 <sup>b</sup>
	Residual	7.171	100	.045		
	Total	27.503	107			
a. Dependent Variable: Firm performance						
b. Predictors: (Constant), Process, Price, Promotion, People, Place, Product, PhysicalEvidence						

*Source: Computation from survey data (2020)*

As indicated in above Table.4.13 regression summary of the model the independent variables predict the dependent variable with adjusted R square =72.1%, the remaining 27.9% are other extraneous variables that can affect firm performance.

Table 4.13 also show that the ANOVA test, it is noticed that F value of 63.366 is significant at .000 level. Therefore, from the result, it can be concluded that with 72.1 % of the variance

(adjusted R-Square) in firm performance is significant and the model appropriately measures the construct.

Table 4.14: Results of multiple regressions between independent variables and Firm performance

Coefficients <sup>a</sup>								
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	-1.433	.338		-4.238	.000		
	Product	.169	.061	.169	2.761	.007	.699	1.430
	Price	.271	.058	.277	4.698	.000	.750	1.333
	Place	.220	.056	.235	3.953	.000	.736	1.360
	Promotion	.185	.090	.123	2.057	.042	.726	1.377
	People	.217	.062	.210	3.529	.001	.739	1.353
	PhysicalEvidence	.260	.071	.238	3.659	.000	.616	1.624
	Process	.078	.056	.078	1.395	.166	.837	1.195

a. Dependent Variable: Fperformance

*Source: Computation from survey data (2020)*

To evaluating each of the independent variables that is comparing the contribution of each independent variable included in the model to the prediction of the dependent variable. This information is available in the output box labeled coefficients, which are presented above. To compare the different variables, we use the standardized coefficients. Checking the value in the column marked Sig. will tell us whether this variable is making a statistically significant unique contribution to the equation. This is very dependent on which variables are included in the equation. If the Sig. value is less than .05, then the variable is making a significant unique contribution to the prediction of the dependent variable. If greater than .05, then we can conclude that that variable is not making a significant unique contribution to the prediction of the dependent variable (Pallant, 2005).

In this case, product, price, place, people, promotion and physical evidence have a significant influence on firm performance at 95% confidence level ( $p < 0.05$ ), indicating that of these factors are important in determining the firm performance of five and four star Hotels in Addis Ababa. However, process has no significance influence in firm performance as  $p > 0.05$ .

To construct a regression equation, we use the standardized coefficient values. This is where the actual prediction equation can be found. The regression equation for this research is presented below.

$$Y = \alpha_1 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \beta_6 X_6 + \beta_7 X_7 + e_1$$

Where:

Y = Firm performance

X1= Product

X2= Price

X3= Place

X4= Promotion

X5= People

X6= Physical Evidence

X7= Process

$\alpha_1$  = the intercept term

and  $e_1$  = Error

$$\text{Firm performance} = -1.433 + 0.169X_1 + 0.277X_2 + 0.235X_3 + 0.123X_4 + 0.210X_5 + 0.238X_6 + 0.078X_7 + e$$

#### 4.7 Hypothesis Testing

From the above analysis, the following hypothesis is tested as follow in summary Table 4.15:

Table 4.15: Summary of research hypothesis testing

Hypothesis	Results
<b>H<sub>1</sub></b> : Product strategies have significant and positive effect on firm performance of five- and four-star hotels.	<i>Accepted</i> (the outcome of the multiple regression supports the hypothesis; $\beta = 0.169$ , $P < 0.05$ )
<b>H<sub>2</sub></b> : Price strategies have significant and positive effect on firm performance of four- and five-star hotels.	<i>Accepted</i> (the outcome of the multiple regression supports the hypothesis; $\beta = 0.277$ , $P < 0.05$ )
<b>H<sub>3</sub></b> : Place strategies have significant and positive effect on firm performance of four- and five-star hotels.	<i>Accepted</i> (the outcome of the multiple regression supports the hypothesis; $\beta = 0.235$ , $P < 0.05$ )
<b>H<sub>4</sub></b> : Promotion strategies have significant and positive effect on firm performance of five- and four-star hotels.	<i>Accepted</i> (the outcome of the multiple regression supports the hypothesis; $\beta = 0.123$ , $P < 0.05$ )
<b>H<sub>5</sub></b> : People strategies have significant and positive effect on firm performance of five- and four-star hotels.	<i>Accepted</i> (the outcome of the multiple regression supports the hypothesis; $\beta = 0.210$ , $P < 0.05$ )
<b>H<sub>6</sub></b> : Physical evidence strategies have significant and positive effect on firm performance of four- and five-star hotels.	<i>Accepted</i> (the outcome of the multiple regression supports the hypothesis; $\beta = 0.238$ , $P < 0.05$ )
<b>H<sub>7</sub></b> : Process have significant and positive effect on firm performance of five- and four-star hotels.	<i>Not supported</i> (the outcome of the multiple regression does not support the hypothesis; $\beta = 0.078$ , $P > 0.05$ )

*Source: Computation from survey data (2020)*

## **4.8 Discussions of Findings**

The outcomes of this study can be discussed following the hypothesized relationships for the variables indicated in the conceptual framework.

***H1: Product strategies have significant and positive effect on firm performance of five- and four-star hotels.***

The study found that product was one of the drivers for firm performance of five- and four-star Hotels in Addis Ababa. The product being found offering value and coming with different unique variety contributes to the performance. Although product was not the first rank driver for the performance it confirms the prior studies by Ali and Kaldenn (2017) that placed product on higher rank as a performance driver. The findings from the study show that product has a significant positive effect on the firm's performance as shown on hypothesis 1. The findings above present a consistent affirmation that product strategies improved firm performance.

***H2: Price strategies have significant and positive effect on firm performance of four- and five-star hotels.***

In the findings of this study, it was revealed that a significant relationship between price and firm performance of five- and four-star hotels in Addis Ababa. Pricing is the only element of the marketing mix that generates revenue and has been found contributing the highest. The finding has confirmed the work of Wangui, et al. (2018) that indicated price had positive and statistically significant effect on the Hotel growth on a study done on selected Hotels in Kenya. From the findings price marketing mix element ranked the first having significant influence on the firm performance. It also reveals that the Hotels are using price strategies better to contribute to improving their performances.

***H3: Place strategies have significant and positive effect on firm performance of four- and five-star hotels.***

This study revealed place/distribution as the third rank contributor to the firm performance. The product must be available in the right place, at the right time and in the right mix. The location of the Hotels, displaying of product information, online distribution channel, use of different technologies like mobile platform have been of the reasons why these hotels incorporate to

improve their performance. This affirms the findings from recent studies that Hotels are using the place/distribution mix element. This agrees with the assertion of Ali and Kaldenn (2017) that place was one of the main contributors of Hotel performance in Sri Lanka.

***H4: Promotion strategies have significant and positive effect on firm performance of five- and four-star hotels***

The study found that Hotel performance affected positively and significantly because of the practice of promotion strategies. On a similar study Ali and Kaldenn (2017) also found similar results promotion positively contributing but not significantly.

Standing with the above, Masa'deh, et al. (2018) on their study revealed that there was a significant impact of hotel's advertisement and hotel's direct sales on the hotel performance. This indicates some of the elements of the promotion mix elements could have been significant and needs to find out to go through the details of what impacts significantly and what is not.

Another study done on marketing communication element also found dissimilar result with this study affecting positively but not significantly (Mujahid Hilal ,2019).

***H5: People strategies have significant and positive effect on firm performance of five- and four-star hotels.***

This study revealed that people marketing mix element as fourth contributor to the firm performance. It stated that people happened to be significantly and positively impacting the firm performance. People element of marketing mix is one of the major extended dimension of service marketing. Employees response towards customer and being found knowledgeable and skillful are the main contribution of the element for improving performance. This agrees with the assertion of Mujahid Hilal (2019) that people along with process and physical evidence improves hotel performance significantly. It was further revealed that people element of the hotels was contributing more to the brand equity and customer response towards the hotel.

***H6: Physical evidence strategies have significant and positive effect on firm performance of five- and four-star hotels.***

This study revealed physical evidence as the first rank contributor to the firm performance. A clean, tidy, and well decorated presentation physically or on the homepage are the main ones from the physical element that customers are looking for. The result found that physical evidence impacts firm performance significantly and positively. This affirms the findings from studies that puts physical evidence as a significant and positive contributor to the performances of tourist hotels including marketing performance of sales growth, market share growth and profitability Ali and Kaldenn (2017).

Furthermore, Mujahid Hilal (2019) on its study affirms that physical evidence is one of the main significantly and positively impacting the customer response towards the hotel. This is congruent with the finding of this study.

***H7:Process have significant and positive effect on firm performance of four- and five-star hotels.***

In the findings of this study, it was not revealed that a significant relationship between process marketing mix element and firm performance of five- and four-star hotels in Addis Ababa. The finding has not confirmed the work of Mujahid Hilal (2019) that found process to be impacting positively and significantly towards the brand equity and customer responses of tourist Hotels.

Additionally, Ali and Kaldenn (2017) found a significant and positive relationship between process and performance of tourist Hotels on a research done in Sri Lanka.

# CHAPTER FIVE

## SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

### 5.1 Introduction

In this chapter, the researcher has provided the summary of findings and conclusions based on the objectives and the findings of the study. Then after, recommendations on this study and for further studies on the research topic have been provided accordingly.

### 5.2 Summary of Findings

The following are the findings of the study, which were obtained while answering the research questions:

One of the first objectives of this study was to find out the level of service marketing mix dimension such product, price, place, promotion, people, physical evidence and process as perceived by management members of five and four star Hotels in Addis Ababa and also examine the level of firm performance of five and four star hotels in Addis Ababa. This is given by the descriptive statistics of attitude towards each service marketing mix dimension and firm performance where respondents have shown their attitude towards service marketing mix dimensions and firm performance with the following results of grand means score.

- The grand mean for the service marketing mix elements (product, price, place, promotion, people, and physical evidence) and firm performance indicate that the majority of respondents are towards agree level agreement with the statements specified in the study. Only the process element indicates on agree level.

The other objective of the study was to determine the effect of the seven service marketing mix strategies on firm performance of five and four star hotels in Addis Ababa. Seven hypotheses were formulated to test these relationships. The multiple regressions conducted to examine the seven variables of service marketing mix dimensions have effect on firm performance of five and four star hotels in Addis Ababa. The finding of the study reveals that six hypotheses have empirical support, whereas one hypothesis did not receive empirical support, which requires additional explanations. The results of the regression analysis are summarized below.

- Product has significant and positive effect on firm performance of five and four star hotels in Addis Ababa having a coefficient of 0.169. Since the t-significance test reveals the significance of the coefficient that is ( $P < 0.05$ ). *Thus, hypothesis H1 is accepted.*
- Price has significant and positive effect on firm performance of five and four star hotels in Addis Ababa having a coefficient of 0.277. Since the t-significance test reveals the significance of the coefficient that is ( $P < 0.05$ ). *Thus, hypothesis H2 is accepted.*
- Place has significant and positive effect on firm performance of five and four star hotels in Addis Ababa having a coefficient of 0.235. Since the t-significance test reveals the significance of the coefficient that is ( $P < 0.05$ ). *Thus, hypothesis H3 is accepted.*
- Promotion has positive and significant effect on firm performance of five and four star hotels in Addis Ababa having a coefficient of 0.123. The significance test confirmed the significance that is ( $P < 0.05$ ). *Thus, hypothesis H4 is accepted.*
- People has significant and positive effect on firm performance of five and four star hotels in Addis Ababa having a coefficient of 0.210. Since the t-significance test reveals the significance of the coefficient that is ( $P < 0.05$ ). *Thus, hypothesis H5 is accepted.*
- Physical evidence has significant and positive effect on firm performance of five and four star hotels in Addis Ababa having a coefficient of 0.238. Since the t-significance test reveals the significance of the coefficient that is ( $P < 0.05$ ). *Thus, hypothesis H6 is accepted.*
- Process has positive but not significant effect on firm performance of five and four star hotels in Addis Ababa having a coefficient of 0.078. The significance test did not confirm the significance that is ( $P > 0.05$ ). *Thus, hypothesis H7 is not supported.*

### **5.3 Conclusions**

This study discovered the influence of each service marketing mix namely product, price, place, promotion, people, physical evidence, and process dimensions on firm performance. The results from correlation and regression analysis indicated that six dimensions (product, price, place, promotion, people & physical evidence) have significant and positive influence on firm performance of five- and four-star hotels in Addis Ababa. On the other hand, one dimension

(process) appeared to have not significant relationship with firm performance of five and four star hotels in Addis Ababa. In this regard, it can be concluded about how each dimension of service marketing mix influence firm performance of five and four star hotels as below.

The first hypothesis of the study states that there is a relationship between product and firm performance of five and four star hotels. The results show that there is a significant and positive effect between product and firm performance with  $\beta = 0.169$ ,  $P < 0.05$  significant at 95% confidence interval. The result of this research is consistent with the previous studies that support the statement that firm performance is influenced by product of marketing mix element Ali and Kaldenn (2017).

The second hypothesis of the study states that there is a relationship between price and firm performance of five and four star hotels. The results show that there is a significant and positive effect between price and firm performance with  $\beta = 0.277$ ,  $P < 0.05$  significant at 95% confidence interval. The result of this research is consistent with the previous studies that support the statement that firm performance is influenced by price of marketing mix element Wangui, et al. (2018).

The third hypothesis of the study states that there is a relationship between place and firm performance of five and four star hotels. The results show that there is a significant and positive effect between place and firm performance with  $\beta = 0.235$ ,  $P < 0.05$  significant at 95% confidence interval. The result of this research is consistent with the previous studies that support the statement that firm performance is influenced by place of marketing mix element Ali and Kaldenn (2017).

The fourth hypothesis states that the relationship between promotion and firm performance of five and four star hotels. The hypothesis results revealed that there is a positive and significant relationship between promotion and firm performance with  $\beta = 0.123$ ,  $P < 0.05$  a significant at 95% confidence interval. The result of this study is consistent with the findings of Mujahid Hilal (2019).

The fifth and sixth hypothesis of the study states that there is a positive and significant effect relationship between people and physical evidence and firm performance. The results show that there is a positive effect and significant relationship between people with  $\beta = 0.210$  and physical

evidence with  $\beta = 0.238$  to firm performance with  $P < 0.05$  significant at 95% confidence interval. The result of this research is consistent with the previous studies that support the statement that firm performance is influenced by people and physical evidence Ali and Kaldenn (2017).

Furthermore, according to the research findings, process has a positive but not significant effect on firm performance of five and four star hotels of Addis Ababa with  $\beta = 0.078$ ,  $P > 0.05$  a significant at 95% confidence interval. The finding is inconsistent with results obtained by Ali and Kaldenn (2017).

#### **5.4 Recommendations**

From the results of the research given there is significant and positive relationships between service marketing mix elements (product, price, place, people, promotion and physical evidence) and firm performance, therefore, in the light of this, the following recommendations have been given aimed at enhancing firm performance.

- The hotels should adopt and use the service marketing mix (7ps) strategies to the fullest and latest possible to continuously improve their firm performance. Managers should consider using these seven elements of the mix in balance as the driver of performance. Like a vehicle that runs with seven-wheel ends, these seven elements should be used to path superior firm performance.
- The highest contributors of performance in this study, physical evidence, price, people, and product marketing mix elements should be the frontiers to be exercised in the hotels. Managers should not miss out any of them as their contribution is higher for hotel performance.
- Even if process has positive but not significant effect on firm performance, the hotels should carefully consider enhancing their practice towards the design and implementation. The synthesis of each elements should further be investigated, identified, and mended when found weak.
- The hotels should strengthen and use personal selling sub dimension of the promotion in order to grow their performance, like this study indicated higher use of it.

- Moreover, the general recommendation will be hotels should thoroughly design and use the service marketing mix (7ps) in order to drive their success. When doing this they should have measurable indicators where they are doing good or bad without closely also comparing their self with their competitors.

### **5.5 Limitations and Directions for Future Research**

All research face with limitations which also exist in this research. This research was based on five star and four star hotels in Addis Ababa with its own peculiar characteristics. It is not clear to what extent the substantive results of this study can be generalized to other hotels. The second limitation concerned the independent dimensions. There are different factors that determine on firm performance; nevertheless, the study was conducted on only taken service marketing mix elements.

Given with the limitations to the study just discussed above, there are many potential avenues of further research that can be explored. Among these future researchers should single out the single element of the mix and apply the study's model on a larger population of other hotels. It is also possible to pursue study with additional dimensions that interact with the service marketing mix that would improve the model.

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**APPENDIX: ONE**  
**LIST OF STAR-RATED HOTELS IN ADDIS ABABA 2019 G.C**

No	Hotel Name	Star	<i>No. of Rooms</i>	<i>No. of Beds</i>
1	Sheraton Addis Hotel	5	294	323
2	Hyatt Regency Hotel	5	188	200
3	Capital hotel	5	114	114
4	Elilly international hotel	5	155	163
5	Marriott Executive Hotel	5	108	128
6	Radisson Blue hotel	5	114	128
7	Golden Tulip Hotel	5	90	115
8	Gatefam Hotel	5	115	130
9	Debredamo hotel	4	102	102
10	Dreamliner Hotel	4	96	110
11	Friendship hotel	4	104	104
12	Harmony Hotel	4	150	176
13	Intercontinental Hotel	4	151	190
14	Jupiter int. Hotel (kazanchis)	4	102	112
15	Jupiter Int. Hotel (Bole)	4	40	52
16	Momona Hotel	4	60	80
17	Nazra hotel	4	24	27
18	Nexus hotel	4	66	66
19	Saromaria hotel	4	87	87
20	Sarem International Hotel	4	43	62
21	Washington hotel	4	70	85
22	Tegen Guest Accommodation Hotel	4	32	64
23	Ramada Addis	4	136	156
24	Sapphire Addis	4	129	136
25	Azzeman Hotel	4	80	104
26	Nega bonger Hotel	4	120	144
27	Best Western Plus	4	160	172
28	Magnolia	4	86	98
29	Grand Eliana Hotel	4	4	4

## **APPENDIX: TWO**

### **QUESTIONNAIRE**

**Addis Ababa University**

**Graduate studies program**

**Questionnaire to be filled by Management staffs**

#### **SECTION 1: INTRODUCTION**

Dear Participant:

I am a graduate student in the department of Marketing Management, Addis Ababa University. Currently, I am undertaking a research entitled '*The effect of Marketing Mix Strategy on Firm Performance: The case of Five Star and Four Star Hotels in Addis Ababa.*' You are one of the respondents selected to participate on this study. Please assist me in giving correct and complete information to present a representative finding. Your participation is entirely voluntary, and the questionnaire is completely anonymous.

Finally, I confirm you that the information that you share me will be kept confidential and only used for the academic purpose. No individual's responses will be identified as such and the identity of persons responding will not be published or released to anyone. All information will be used for academic purposes only. Thank you in advance for your kind cooperation and dedicating your time.

Sincerely,

**Instruction**

No need of writing your name

**SECTION 2: RESPONDENT’S DEMOGRAPHIC DATA**

Please put a tick (√) mark corresponding to your response

1. Sex:    Male       Female
2. Age group:                                  Less than 24       25-35       36-45       46-55
- More than 55

3. Level of education:
- Certificate College Diploma Degree MA/MSc PhD

**SECTION 3: THE SEVEN SERVICE MARKETING MIX DIMENSIONS (PRODUCT, PRICE, PROMOTION, PLACE, PEOPLE, PHYSICAL EVIDENCE AND PROCESS)**

Please encircle among the choices that the degree to which you agree with the following statements concerning marketing mix elements.

**Where, 1-Strongly disagree 2- disagree 3-Neutral 4-Agree and 5-Strongly Agree**

S. No.	PRODUCT	Strongly disagree	Disagree	Neutral	Agree	Strongly Agree
1	The hotel rooms are spacious and comfortable.	1	2	3	4	5
2	The hotel offers high-class quality services	1	2	3	4	5
3	The hotel offers a variety of services meet the wishes of the guests	1	2	3	4	5
4	Guests feel safe in the hotel	1	2	3	4	5
5	The hotel offers food and beverage, entertainment, recreation services and other complementary services	1	2	3	4	5
6	The hotel offers various events services	1	2	3	4	5
	PRICE	Strongly disagree	Disagree	Neutral	Agree	Strongly Agree
1	The price equals the quality of hotel services that you receive during your stay in hotel	1	2	3	4	5
2	The Price equal the benefits that you get during your stay in hotel	1	2	3	4	5
3	Hotel services prices are reasonable	1	2	3	4	5
4	The hotel offers excellent prices for the services of food, beverage , entertainment, recreation	1	2	3	4	5
5	The hotel offers seasonal and flexible prices strategy	1	2	3	4	5
6	The hotel offers competitive prices in comparison with other competitor hotels	1	2	3	4	5

	<b>PLACE/DISTRIBUTION</b>	<b>Strongly disagree</b>	<b>Disagree</b>	<b>Neutral</b>	<b>Agree</b>	<b>Strongly Agree</b>
1	Hotel seeks to apply modern technology in the booking, payment and delivery of information easily.	1	2	3	4	5
2	The hotel is interested to enact the role of intermediaries and direct contact with guests.	1	2	3	4	5
3	Hotel has good relations with travel agencies to facilitate the booking.	1	2	3	4	5
4	The hotel is linked to a global reservation system with chain hotels.	1	2	3	4	5
5	The hotel has an effective system of electronic booking.	1	2	3	4	5
6	The physical location of the hotel is convenient for access of customers	1	2	3	4	5
	<b>PROMOTION</b>	<b>Strongly disagree</b>	<b>Disagree</b>	<b>Neutral</b>	<b>Agree</b>	<b>Strongly Agree</b>
1	The hotel uses effective means of promotion and advertising	1	2	3	4	5
2	The Hotel focuses on personal selling as an effective mean of promotion.	1	2	3	4	5
3	The Hotel allocates a promotional budget to support the promotional activity.	1	2	3	4	5
4	The hotel has a distinctive brand compared to competitors.	1	2	3	4	5
5	You can get rich information and data about the hotel from the Internet.	1	2	3	4	5
6	You get promotional reach outs from the hotel in comparison with the competition hotels	1	2	3	4	5
	<b>PEOPLE</b>	<b>Strongly disagree</b>	<b>Disagree</b>	<b>Neutral</b>	<b>Agree</b>	<b>Strongly Agree</b>
1	The hotel has a skilled and competent personnel and capable of providing services to guests	1	2	3	4	5
2	Personnel seek to build good relations with the guests based on friendship and respect	1	2	3	4	5
3	You see that service providers seek to provide excellent services to meet your needs and desires.	1	2	3	4	5
4	You see that the personnel at the hotel understand service culture	1	2	3	4	5
5	The hotel personnel seek to resolve the problems encountered rapidly and satisfactorily	1	2	3	4	5
	<b>PHYSICAL EVIDENCE</b>	<b>Strongly disagree</b>	<b>Disagree</b>	<b>Neutral</b>	<b>Agree</b>	<b>Strongly Agree</b>
1	The rooms, lounges and furniture of the hotel have gravity and psychological comfort for the guests.	1	2	3	4	5
2	The hotel is equipped with modern, furniture and other amenities.	1	2	3	4	5
3	You feel that the material accessories in the hotel reflect a social nature	1	2	3	4	5
4	The hotel has security and safety requirements	1	2	3	4	5
5	The hotel keeps up with the green environment of the hotel sharing with the staff to enhance, improve this modern concept	1	2	3	4	5

	<b>PROCESS</b>	<b>Strongly disagree</b>	<b>Disagree</b>	<b>Neutral</b>	<b>Agree</b>	<b>Strongly Agree</b>
1	The hotel offers services like the international hotels.	1	2	3	4	5
2	I share the administration and personnel at the hotel to reach mutual beneficial relations with the guests	1	2	3	4	5
3	The hotel offers high-class quality services in comparison with the competitor hotels.	1	2	3	4	5
4	The bookings, payment and stay at the hotel be done conveniently.	1	2	3	4	5
5	The hotel has effective, efficient, accurate and user-friendly business processes for ordering, delivery, production, and communication.	1	2	3	4	5

#### **SECTION 4: PERFORMANCE DIMENSION**

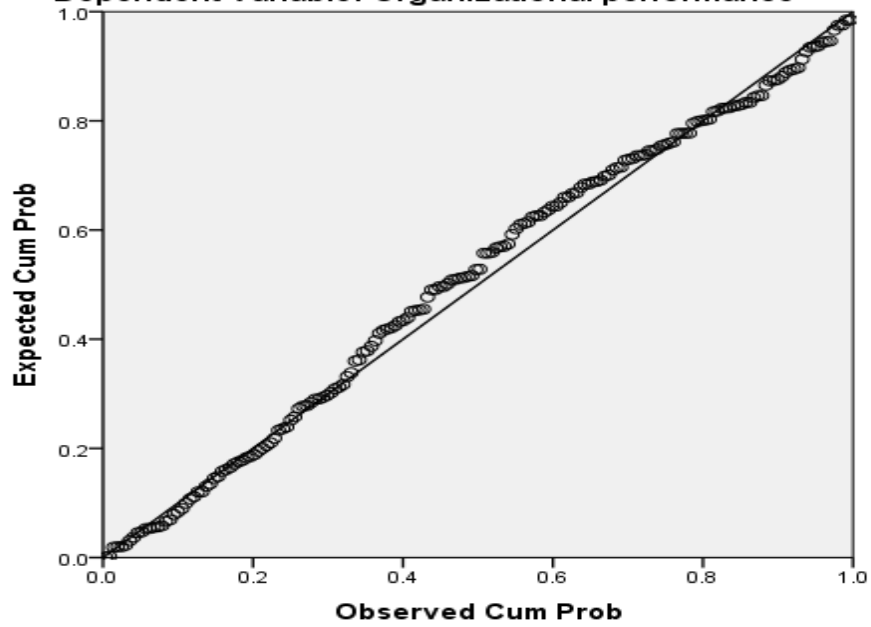
Please encircle among the choices that the degree to which you agree with the following statements concerning organizational performance.

<b>S. No.</b>	<b>FIRM PERFORMANCE</b>	<b>Strongly disagree</b>	<b>Disagree</b>	<b>Neutral</b>	<b>Agree</b>	<b>Strongly Agree</b>
1	The hotel has been attaining sustained profits	1	2	3	4	5
2	The sales of the hotel have expanded.	1	2	3	4	5
3	Most of our customers have expressed great satisfaction with our services.	1	2	3	4	5
4	We have retained most of our customers and that customer loyalty in the hotel has been increasing.	1	2	3	4	5
5	The employees in the hotel are very loyal and express satisfaction in their work.	1	2	3	4	5
6	There is efficiency and effectiveness in service delivery in the hotel.	1	2	3	4	5
7	Generally, our return on assets has increased	1	2	3	4	5

I thank you again very much and appreciate for the time you spent filling this questionnaire!

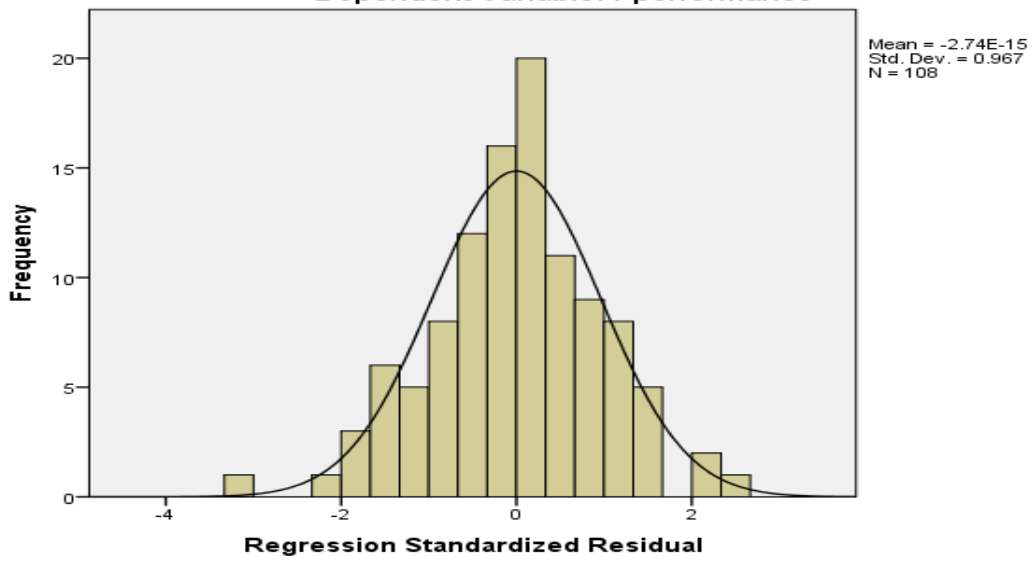
**APPENDIX THREE**  
**Normal P-Plot of Regression Standardized Residuals and histogram**

**Normal P-P Plot of Regression Standardized Residual**  
**Dependent Variable: Organizational performance**



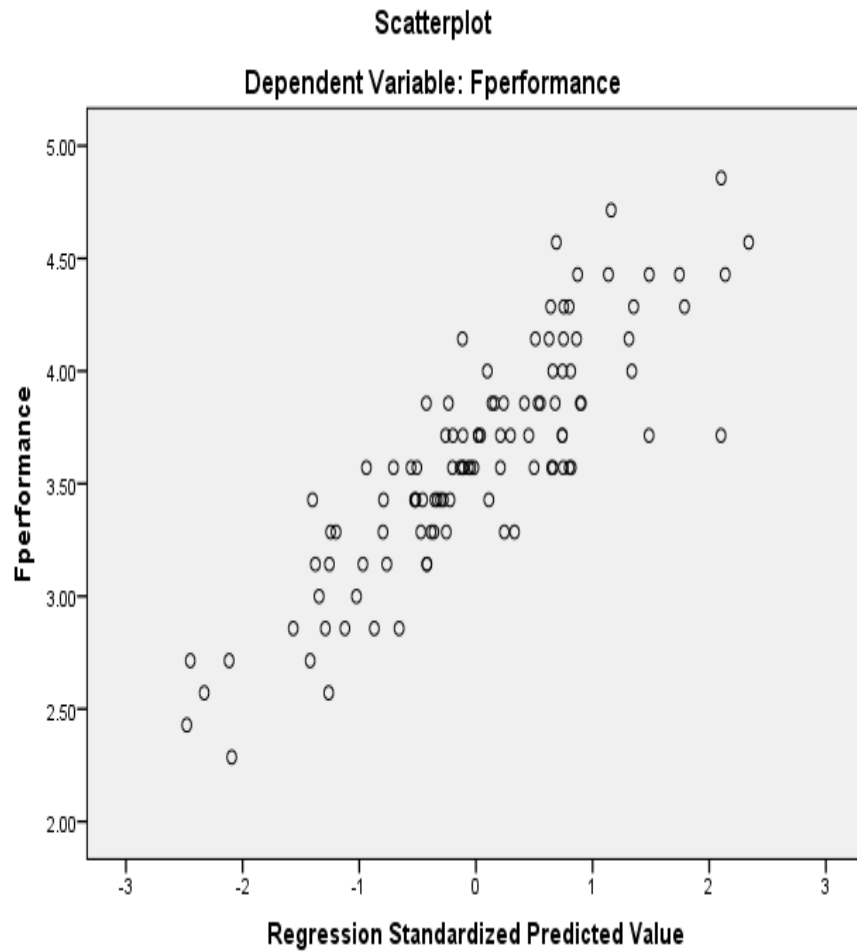
**Histogram**

**Dependent Variable: Fperformance**



## APPENDIX FOUR

### Scatter plot homoscedasticity and linearity test for service marketing mix constructs and firm performance



*Source: Computation from survey data (2020)*