

## Effectiveness of Promotional Packages in Enhancing Customer Acquisition in Budget Hotels in India

### Archana Sharma

Research Scholar,  
Amity Business School,  
Amity University, Lucknow.  
Email: archana.sharma@s.amity.edu

### Dr. Alpana Srivastava

Professor,  
Amity Business School,  
Amity University, Lucknow.  
Email: asrivastava3@lko.amity.edu  
Corresponding Author

### Dr. Anviti Gupta

Professor,  
School of Humanities and Social Sciences,  
Sharda University, Greater Noida.  
Email: anviti.gupta@sharda.ac.in

### Abstract

Customer acquisition is an emergent concern within the hotel industry and different researchers have conceded number of studies in the same context. Customer acquisition is one of the very imperative parameter which can be called as a pointer towards the overall performance and growth of not only for Hotel sector but for any other any industry/business. In This Paper the effectiveness of Promotional Packages in enhancing the Customer acquisition which is commonly offered by the Hotels specifically in the Budget Segment Hotels across India is focused and further investigated. In this regards the various promotional packages which are commonly offered by budgeted hotels of India are studied. These constructs are list of promotional packages offered by Budget hotels in India. The objective of this study is to conclude the effectiveness of promotional Packages in regard to enhancing Customer acquisition in today's marketing scenario.

Online survey was conducted through a structured well-defined questionnaire and data was collected from 200 respondents who are customers, consumers, and users of various Hotels which falls under the Budget Hotels in India. The structured survey was distributed Pan India. The outcome of survey denote that promotional Packages have a major influence on customers and no doubt is greatly important to the enhancement of customer acquisition. Additionally, results show various elements of promotional Packages preferred and used by customers' and further lead to enhancement of customer Acquisition. SERVQUAL Model analysis also suggests that if customers are satisfied with promotional packages they are ready to visit again and also recommend to their peers and relatives.

As promotional Packages along with its customer benefits enhances the customer acquisition in budget hotels in India play a very critical role in today's competitive Hospitality environment.

**Keywords:** Packages, Budget Hotels, Customer acquisition, Customer Satisfaction, Customer Benefits. Effectiveness, Enhancement

## Introduction

Hotel industry is one of the most evolving industry. Hence the nature of this sector is becoming day by day challenging and competitive. As we all know that hotel industry is largely depend on the tourism sector. Every year millions of tourists travel across India due to various reasons of visit. This has promoted hotel sector in a very large scale. Hence it is becoming very critical to get the customers acquired. The survival of hotels is directly depending on the capacity to get the maximum number of customers. The primary determinants for choosing any specific hotel are location, quality, and price from the Customer's Prospective. As the numbers of hotels are increasing it is the demand of the current market scenario to come up with new strategic promotional tools, techniques for customer acquisition. In order to gain that hotels are now introducing various kind of Promotional packages which plays a significant role for enhancing customer acquisition and can be counted as an effective way to get customers acquired. Hospitality industry being a service industry hence direct interaction between the customer and service provider is very prominently seen. Therefore, before taking any strategic planning and execution of offering any respective promotional packages before the customer it is a major task to knowledge and understanding regarding customer's need the needs so that the product or service fits accordingly and be able to sells itself. Hotels ought to be very specific while planning and designing the promotional packages before introducing it to their respective customers because each customer needs do vary from each other as the purpose of the visits probably are different, for instance expected beneficial promotional packages can be different to the customer going for pilgrimage/ religious visit if compared with the customer going for business purposes. Hence, apart from some common attributes included in promotional packages rest all attributes should be kept keeping in view of purpose of the visit as well. In hotel industry the approach in terms of personalised services to their customers focus on at least three vital essentials i.e. amplified personalization, advanced uses of technology and improved alertness of changing demographical

conditions. In current scenario customers in the hotel industry is no longer wish to be classified as one demographic class and they do not tolerate being treated with the intension of a 'one-size-fits all' attitude. Thus the hotel sectors need to be highly customer centric in terms of offering various types of services which are actually result driven in terms of quenching and be able to meet with the exact set of needs, wants and requirements of the customers in order compete with the competitiveness of the market resulting in enhancement of customer acquisition.

In order to achieve possible and desired outcomes hotels applying marketing and promotion in regards of promotional packages are applied in each case for customers to increase their awareness, occupancy rates and overall satisfaction.

Enhanced Customer acquisition is seen as a strategic determiner and gradually has become a basic constituent of Hotel's Promotional corporate plan. These promotional packages are the major elements which attract the customers and work like triggers for choosing any specific hotels amongst the variety of choices available. Customers tend to choose hotel which is offering them the best deal on the account of money they are paying. From large scale hotels to mid and further budget hotels are also started including and offering various sort of attractive promotional packages for the only reason of enhanced customer acquisition. The promotional packages are persuasive in nature and the trick is to transformation of customer's buyingbehaviour and discouraging them from taking approach of personal decision-making, it boosts up the needs to the degree that they start feeling for opting those packages/offers. Most commonly seen promotional packages which are offered by hotels are loyalty / reward points, Free meals, complimentary Transportation, Free wifi,24\*7 in room service, seasonal discounts, special discounts on festivals, events etc. to name a few and list goes on. Application of Promotional packages for enhancement of customer acquisition becomes more complex for budget hotels because the customers who choose budget hotel has budget constraints and seek to get most benefited package/deals. Their expectation from the

hotel is to get value for money. In today's market scenario the large number of customers prefer staying in budget hotels. Hence it becomes very obvious that the hotels falling under budget scale need to design and offer the promotional packages according to their target customer's needs which can finally lead to enhanced customer acquisition. There is a demarcation in regards to promotional packages offered to the customers when it comes to luxury hotels to Budget hotels. Keeping this in mind if the correct and appropriate promotional packages are introduced to the customers of budget hotels as per their needs and expectations, then only the hotels of budget scale can get positive results in regards to enhancement of customer acquisition through Promotional packages.

### Literature Review

According to Kotler and Armstrong (2017) promotional activities are one of the key element of the marketing mix. Powersand Loyka (2010) also stated that market can very much be influenced by customer preferences, and motivations. Undeniably, it can be indicated that the central practice of marketing is to improve communication processes, identifying the contributing and important distribution channels, segmentation of Target market and customers. Through these channels promotional messages, products, and services are delivered to existing or new potential customers (Kotler & Armstrong, 2017). Marketing effectiveness issues in the hotel and tourist industries was analyzed in detail by Bhagwat and DeBruine (2008). Earlier publications on this issue are available in thematic groups such as economics of advertising – Jones (1995), Stiller (1958), Schmalensee (1972), Benjamin et. al. (1960), McAlister, Srinivasan, and Kim (2007) Singh, Faircloth and Nejadmalayeri (2005) Stern-Stewart database for the period between 1998 and 2001, Nelson (1970), Lavidge and Steiner (1961), Butterfield et al., (1998), advertising effectiveness in the hospitality and tourism industry – Turco and Dry (1993), Butterfield et. al. (1988), Witt (1980), Loeb (1982), Stronge and Redman (1982), Witt and Martin (1987), Kliman (1981), Barry and O'Hogan (1972), Uysal and Crompton (1984), Papadopoulos and Witt (1985), Cai (1998), Geoffrey

Couch (1994), and Bhagwat and DeBruine (2008). Other research works include investigations and assessments of promotional activities of hotel's guests in the context of their social and demographic characteristics. The effect of promotion on hotel choice in the context of gender, income, civil status, age, and children was analysed by Clark and Dotson (2004). This is one of the essential method, which emphasizes on regulating promotional activities in accordance to the needs, wants and anticipations of the customers. This possibly will, sequentially, support a hotel sector to gain market share by enhancing customer acquisition. The same issue was addressed investigated and analysed by Friel (1999) in relation to small hotels and tourist-oriented businesses and described their most often used promotional methods. D. Taylor (2001) also done research on selected issues in hotel promotion wherein the discussion was made on the following promotional methods which were found to be most practical and effective – sales through telephone, In person or face-to-face sales, publicity, and public relations. In addition, to identify the deal usage process of the customers of hospitality and hotel services bought over the Internet, and to investigate the potential influences of trait variables on this process was studied by Christou (2011). Promotional activity from the perspective of hotel owners and hotel guests was Evaluated by Low and Ng (2011) cite Lubetkin (1999) as per their analysis it is mentioned that differences between the way the two groups of test subjects view the effectiveness of different types of promotional activity it was majorly focused on B&B facilities. The issue can also be addressed in terms of the usefulness of promotional activity on the source of the point to which each project, campaign, and complex strategy is given and comprehended and the point to which anticipated outcomes are conquered. Yet one of the another way to investigate this issue is by means of the financial effectiveness of a project, as measured via expenditures and gains (Datko, 2008). With the boom of continuous technological evolution, it is observed that in current scenario, the usage of Internet has become a major key performer in the hotel industry, and this has not been overlooked by the thoughtfulness of academic

researchers too. 68 website studies related to travel, tourism, and hospitality, published between January of 1996 and September of 2009 analysed by Ip and Law (2011). To assess the impact and effects of Internet particularly in the market segment of hotel industry numerous studies have been done and still being done. An investigation on the level of knowledge possessed by the owners and managers of small hotels in Croatia with respect to strategies that can be used in the area of Internet marketing was done by Primorac, Smolić, and Bohomolec (2012). Additionally, test participants were asked how satisfied they were with online marketing initiatives. Promotional methods used by hospitality-related companies operating along former railway lines converted into tourist or bike trails in the American state of Pennsylvania was studied by Stewart and Barr (2005). According to the other authors emphasis on the key role of the Internet is explored. 47 methods of evaluating hospitality and tourism websites was investigated and analysed by Han and Mills (2006). (Andric and Rudzic, 2011) stated in their research that the current view of Internet marketing in the hotel industry is often described as a cross-functional process for the planning, execution and analysis of communication focused on attracting, maintaining and multiplication of the number of clients on the Internet. Chitu and Albu (2013) also brought the point in to the focus that the hike of the Internet has also created new promotional opportunities via social networks. All above mentioned research are based on the role, importance, effectiveness of promotional practices in hotel industry on customers but I found the focus of the previous researches are majorly on significance of promotional tools and techniques also the role and importance of internet in hotel industry in regards to customer acquisition or satisfaction but what role promotional packages are playing directly in enhancement of customer acquisition is somewhat is not covered in budget hotels of India. Hence, to study the effectiveness of promotional packages in enhancing customer acquisition in budget hotels in India is studied. Which is done by various forms of customer feed backs, questionnaire and parts of the paper, which is divided into

sections like purpose or aim of the study, research methodology, sample framing and testing, data Interpretation, research outcomes, discussion, and conclusions.

### **Purpose**

The aim / purpose of the paper is to confer the implication of Effectiveness of Promotional Packages in Enhancing Customer Acquisition in Budget Hotels in India from the customer perspective. It aims to investigate the relevance of Promotional packages offered by budget hotels in India lead to enhancement of customer acquisition. Do promotional packages of budget hotels in India work as a trigger to attract customers resulting in hike in customer acquisition. To find out the most preferred Promotional packages opted by customers apart from Accommodation, food and quality of services. The research is the analysis of the effectiveness of hotel promotional packages efforts benefits from the customer's perspective and how it leads to enhancement of customer acquisition with special reference to budget hotel in India.

### **Methodology**

The study was conducted through collecting the primary data. Responses of the customers who have used or availed any sort of promotional package during their stay at any budgeted hotel of India were taken in to consideration. To collect the responses For a structured questionnaire was made on the basis of the types and features of promotional packages which are generally offered to the customers by hotels were provided to them so that their respective responses can be further studied. The study was conducted by adapting simple random technique for the survey. For the study more than 200 questionnaires were distributed among the customers who have opted or received any sort of promotional packages from the any budget hotel they have chosen for their stay. To present the survey items table-1 can be used for reference. In the survey 30 items are further grouped in five paradigms for study. Five-point Likert scale is used for every paradigm for investigation of the responses related to the influence of promotional packages offered by budget hotels. Furthermore, to collect

the basic and demographic information about the respondents' questions related to their age, gender, employment, and education were also included in the study. Sampling technique used is snowball.

Out of 200 questionnaires only 122 respondent responses were selected for analysis and rest excluded. The data is analysed using SPSS software and R software. SERVQUAL model developed by Parasuraman et al (1985) was used for analysis. SERVQUAL is a model which is self-explanatory and well known term for the measurement of quality of service and we had used it to measure effectiveness of promotional packages.

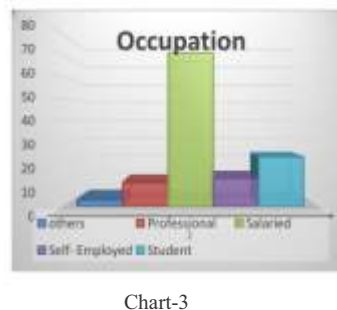
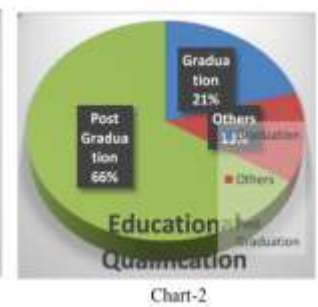
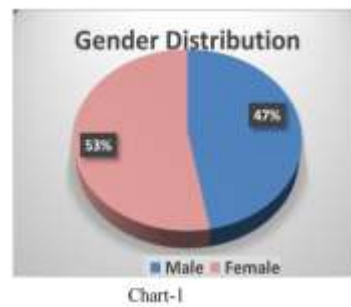
### Data Analysis

The respondents are the people who have availed promotional packages while traveling and staying at the hotel. The basic demographic profile of the respondents is shown in chart-1 to chart-4 below. The gender distribution is almost symmetric. As snowball sampling technique was used the respondents were found to belong to from two major cities Lucknow and Kolkata. All the respondents are educated with majority having done post-graduation. This is good indicator as the people would have filled the questionnaire with better awareness level and more judiciously. Most of the respondents are salaried which shows their inclination towards budgeted hotels. Almost 67.0% of the respondents are married and 37.2% were unmarried. Out of the 45-respondent unmarried 23 are students. Younger generation prefer promotional packages for tours as seen from several studies. Most of the respondents were found professionals and salaried while studying their occupation information. Chart -4 represents the preferred cost of accommodation and majority of customers preferred the hotels which fall in to moderate priced.

### General Information

According to the Chart -1 it is being noticed that out of 122 selected respondents' data is selected to be studied. Wherein Chart-1 is representing the Gender distribution. As per the chart -1 it is noticeable that gender distribution is

symmetric wherein ratio of female respondents 53% is slightly more than male 47% respondents who took active part in survey. Chart -2 is indicating the educational background of the respondents in which 66% were found Post Graduated, 21% Graduated and 13% comes under other categories. It shows that respondents are well educated. Chart -3 is representing their occupation as is also may one of the major trigger towards influencing people to be selective with their choices of promotional packages. As per the graph majority of respondents are salaried rest fall into other categories.



The average family size of 59.7% respondent is 5 or less meaning they are small families. The respondents are well educat<sup>-1</sup>



Chart-5

Most of the respondent preferred moderate expenditure during their visit (87%) as reflected on chart-4 and the average days they prefer of stay was between 4 to 6.

### Promotional Package Information

The questionnaire was circulated and respondent who availed promotional packages were asked to fill. There were four respondents who never availed the promotional packages and were dropped from the study. The final sample is of 121 respondents. Various attributes of promotional packages were taken into consideration while creating questionnaire for example seasonal discounts, reward/ loyalty points, flexible check-in and check- outs, free wi- fi, complimentary breakfast, complementary transportation etc. study is based on the feedback from the respondents who have availed the minimum one or more promotional packages. When asked about the source of information for availing promotional packages, nearly 22.4% replied friends and 21.1% replied internet.14.5 % got information from family and 13.3 % got information from working colleagues. 12.7 % reported advertisement, 9.3% reported travel agency and 6.6% reported acquaintance. Same is depicted by the world cloud chart 6. Chart-7 depicts the most preferred location visited by the respondent. Nearly 38.1% preferred Hill station followed by 20.6 % as pilgrimage. 18 % prefer visiting beaches while 12.37% preferred historical places. Surprisingly 10% of the respondents prefer to visit forest covers.

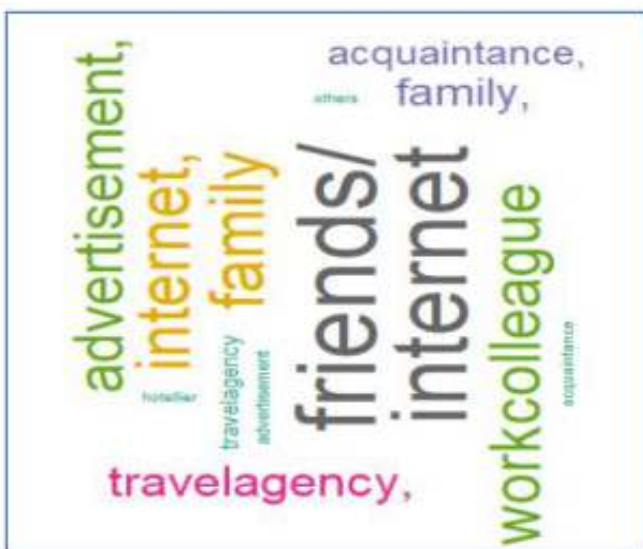


Chart-6



Chart-7



Chart-8



Chart-9

The respondent largely preferred economy or budgeted hotels offering promotional packages chart -8 is also reflecting the same wherein 36% and 25% respondents preferred budgeted and economy hotels. When asked regarding the level of satisfaction they had after availing the promotional packages nearly 39% have neutral opinion. 32% were satisfied and 18% were highly satisfied. A very small numbers (3%) were highly dissatisfied shows that promotional packages are becoming preferred choices of the respondent. Which can be a strong indicator regarding the effectiveness of promotional packages offered by budgeted hotels. 47% neutral opinion shows that there is a scope of offering strategically more effective promotional packages by the budgeted hotels.

## Findings:

### SERVQUAL Model Analysis

The data for SERVQUAL Model was collected by administering questionnaire to respondent on following parameters: Tangibles, Reliability, Responsiveness, Assurance, Empathy. The composite index (Variable Score) for these elements were developed and was regressed with the variable in which it was asked that whether hotel's promotional packages delivered everything promised (variable X). variable X (Likert scale from highly dissatisfied to highly satisfied) is nominal variable and used as Dummy variable in the analysis. The results are displayed in the table below:

**Table-1: Coefficient Summary**

	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	0.635	0.014		45.839	0.000
Highly Dissatisfied	-0.027	0.048	-0.037	-0.564	0.574
Dissatisfied	-0.083	0.028	-0.203	-2.982	0.003
Satisfied	0.123	0.023	0.368	5.316	0.000
Highly satisfied	0.272	0.031	0.601	8.899	0.000

R<sup>2</sup> is 0.525 and adjusted R2 is 0.505

The model is moderate fit. Variable neutral opinion was dropped by the SPSS package during the analysis. Satisfied and highly satisfied are two prominent variables contributing towards quality of promotional packages. Coefficient of determination is explaining only 50% of the variation captured by the model and the basic reason could be the measurement of service quality is highly cumbersome and only nominal scale was used to assess it. The main research findings in this research are that the kind of promotional packages are offered by the budgeted hotels to their customers is significantly an effective strategical approach to increase customer acquisition. However, the key question is that how much these hotels are adaptive towards the changing needs of the customers with the

changing marketing trends and demands. Promotional packages are one of the tools which is very effective in customer acquisition. but it requires continues innovative approach and should be strictly customer oriented to attain its maximum effectiveness in the customer point of view. Which is a need of today's marketing trend.

## Conclusion

The following paper has contended about the effectiveness of the promotional packages and its influence on customer acquisition with special reference to budgeted hotels of India. High R2 value is representing the regression analysis. Likewise, the analysis exhibited a stout encouraging relationship between the perceived variables. It can be concluded that there is no doubt in accepting the

fact that there is a strong relationship between the effective promotional packages with customer acquisition specifically in budgeted hotels of India. Hence, it can be stated that aggregating the strength of effective promotional packages leads to the attract customers and is one of the major tools through which hotels can be benefited if it is utilise in a strategic manner and increased customer acquisition apparently can be achieved. From this study the utmost noticeable verdict can be stated that one of the elements of marketing- mix in the form of promotional activities through offering a relatable and beneficial effective promotional package is an encouraging influencing factor on customer acquisition and is a helping tool to add value on inclusive customer experience. The nature of this study is based on online survey which can be considered as one of the limitations. To be precise, surveys conducted through online mode of surveys have the high possibility to eliminate certain responses of the respondents who are not intended to take the active participation. Yet, in line for the objective of this research, online participation is not serious the choice to participate online is not a. Thus, this limitation cannot be assumed as a severe foremost issue. In conclusion, recommendation for future research can be passed out in this sphere. Numerous trials should be compared and analysed further. An additional comprehensive technique of the survey, feedbacks or interviews with the customers can provide more significant findings on the influencing factors of effectiveness of promotional packages on customer acquisition. To get the insight of the stated study in more depth a larger sample size can be taken into consideration for the study to evaluate the complexity of the customer preferences with changing market trends.

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