

SECTION: MARKETING AND TOURISM

FUNDAMENTAL MARKETING STRATEGIES BASED ON THE PRODUCT-MARKET MATRIX IN ENTERPRISES ACTIVE WITHIN THE TOURISM SECTOR

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Abstract

The marketing strategies developed by the management structures are an important component in the elaboration and substantiation of the marketing plan. Conceived in forecasts, they sharpen the action lines of each enterprise, their contribution often depending on the effectiveness of the interface with the over-systems to which it belongs, the extent to which they maintain and amplify their respective occupied market segment, the profitability obtained.

In the marketing plan, marketing strategies are the core of the strategic management process and contain some defining features: they are based on an appreciable amount of aggregate information, they are subordinated to the objectives set, they are interchangeable with objectives, they define the major directions in which the enterprise concentrates its future activity and do not mark the beginning of their transposition into fact, are the basis for the elaboration of strategic plans, require the existence of strategic feed-back in order to obtain the competitive advantage.

They target the market strategy according to its specificity and the strategies corresponding to the elements of the marketing mix: product, price, distribution and promotion.

Key words: marketing, strategies, tourism, market matrix.

J.E.L. Classification: A1

Today, tourism companies are facing a number of new marketing realities: demographic changes, complex competitors, excess travel offers on the market, increasingly demanding and more exigent consumers. Tourism in the 21st century imposes as an objective necessity to consider these factors that make us realize that it is increasingly difficult to please and satisfy our customers. The existence of a large number of activities and their complexity, the different positions held by the enterprises on the market have led to the development of a number of marketing strategies, grouped by a series of criteria, which allow their basic characteristics to be highlighted. When formulating marketing strategies, account is taken of the stage in which the product is located within its lifecycle, the position of the tourist enterprise in relation to competitors in the field, and their alignment with the general strategies of the organization.

The strategy is currently one of the most used concepts. In the economic sense there is a large number of definitions of this notion.

Chandler (1962) defined the strategy as "*the long-term determination of the goals and objectives of an organization, the adoption of the course of action and the allocation of resources for their achievement.*" (Chandler, A., *Strategie, structure, decision, identite*, Paris, Dunod, 1993, pg 63).

Igor Ansoff (1965) treats the strategy as "*the common axis of the actions of organizations and products / markets that define the essential nature of the economic activities the organization carries out or envisages to achieve in the future.*" (Ansoff, I., *Strategie, structure, decision de l'entreprise*, Paris, LesEditionsd'Organisation, 1996, pg 116). In its vision, the strategy comprises four components: firstly, the *geographic growth vector*, based on the product / market pair that specifies the orientation and size of the

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organization's future activities; secondly, the *competitive advantage* of ensuring a stronger competitive position by identifying the properties of each product / market pair; thirdly, another component refers to the *synergy of the use of the organization's resources* and, fourthly, the *strategic flexibility* based on transferable resources and skills from one field of activity to another (Istocescu, A., *Strategia și managementul strategic al organizației. Concepte fundamentale. Aplicații manageriale*. Editura ASE, București 2005, pg 16).

The same Igor Ansoff defines the concept of strategy as "an elusive and rather abstract concept. It is obvious that its simple formulation remains without immediate concrete effect regarding the operation of the company. Rather, it is a process that costs both time and money. Management is a pragmatic activity that unites concrete results; in this context, one can ask whether such an abstract concept as the strategy can contribute to improving the company's performance" (Ansoff, I., *Strategie du développement de l'entreprise-une approche methodologique du management stratégique dans le dernier quart du XX^e siècle*, Les Edition d'organisation, 1989). The above statement is better illustrative of the current state of the art in research and which causes uncertainty among the business managers.

According to Kenichi Ohmae, a well-known Japanese strategist, when approaching a strategy, "three major players or the strategic triangle peaks: the company, the customer, and the competition must be considered. Both the company and its competitors create a value that is associated with costs." (Ohmae K., *Inteligența strategului. Arta afacerilor în Japonia (Intelligence of the strategist. Art of business in Japan)* Teora Publishing House, Bucharest, 1998).

The well-known American professor Peter Drucker, referring to the strategy, said that it must answer to two fundamental questions, namely - what is the business about? – what must be the object of activity of the business?

Regardless of the chosen wording, the strategy essentially identifies the same idea: the *strategy is a long-term plan in order to know how to act under uncertain future conditions in order to achieve the goals previously set.*

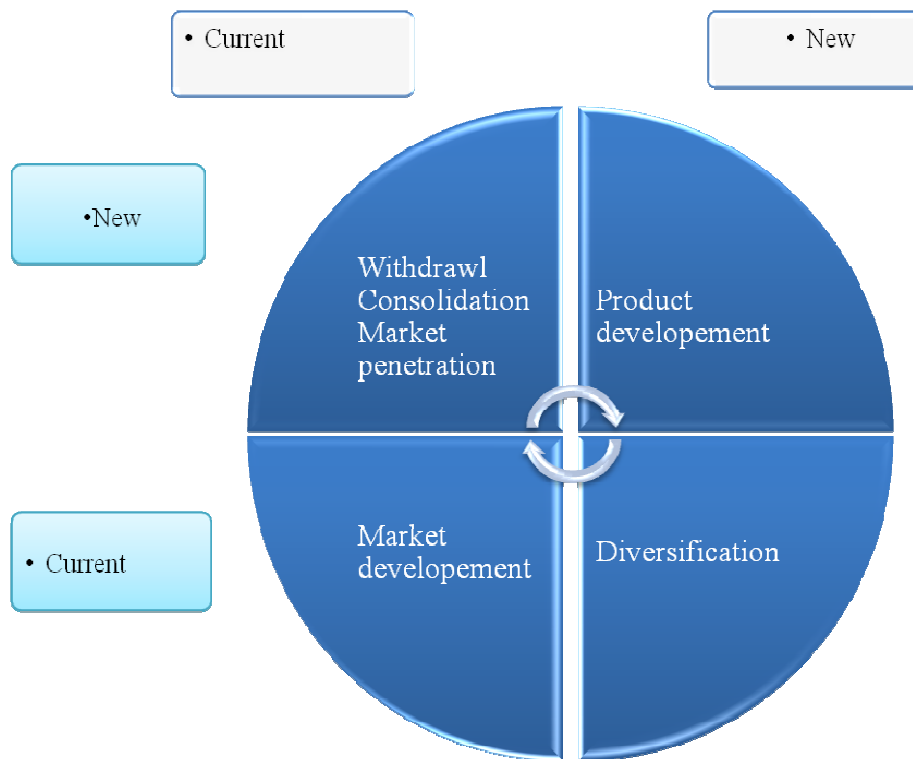


Figure 5.1. Product-market matrix

The strategies that tourism businesses can resort to are based on the product-market matrix introduced by Igor Ansoff based on the concept of planning gap (Ansoff, H., I., *Corporate Strategy*, Pelican Books, Grentna, Los Angeles, 1968, p. 99). Through the Ansoff matrix, it is possible to analyze possible *strategies* that an enterprise could use at a given time. Products and markets represent the variables, so this matrix identifies potential areas where strategic competencies can be developed (see Figure 5.1).

1. *The withdrawal strategy* entails the restriction to different extents - in whole or in part of the business activity on the current markets. It is a relatively uncommonly recommended strategy in marketing plans that aims to normalize a negative trend in order to avoid certain losses or to solve a difficult financial situation in which the enterprise is located. This strategy is also classified as:

- the strategy of partial withdrawal of activity,
- full withdrawal strategy and
- captivity strategy.

The strategy of partial withdrawal of activity consists in giving up achieving less profitable products or services, followed by the consolidation and increase of efficiency of the remaining activity.

The strategy of complete withdrawal consists in the sale or dissolution of the enterprise, a strategy that can be deliberately adopted or that can be decided by circumstances. The sale of products, assets, or of the entire business to other market operators is made when the business owners consider the market to be unsafe, they do not have a positive view of the future, or they want to get the value of its assets as soon as possible.

The captivity strategy implies that an enterprise waives its right of decision in a number of fields of activity (marketing, sales) in favour of another enterprise to ensure its survival. The company that has lost its independence is assured with a client with whom it concludes a long-term contract.

2. *The consolidation strategy* refers to the maintenance of the position on the current markets and is usually promoted by an enterprise when it is content with its present situation within the market segment. This strategy is characterized by the fact that the volume of activities remains largely unchanged or by a slow and non-aggressive growth. In the long run and in case of mature markets, marketing strategies focus on product quality, cost reduction, or the scale and diversification of the marketing activity. On the short term, in the case of developing markets, the maintenance strategy used by all types of enterprise is to strengthen the position vis-à-vis competitors through market share growth strategies at the same pace as that of the market development.

3. *Development strategies*. Ansoff's matrix analyzes possible *growth directions* that an enterprise can follow and *identifies* four growth strategies:

3.1 Market penetration - increasing the share in current markets using existing products,

3.2. Development of the market - entering new markets and segments of different geographic areas using existing products,

3.3. Development of the product - the development of new products on the existing markets,

3.4. Diversification - penetration into new markets through new products.

3.1. *Market penetration strategy* - requires the development of existing tourism markets with tourism products and services available on the market in a previous period.

Market penetration is based on improving service quality or increasing efficiency, thereby reducing costs under those of competition. When we refer to mature or declining markets, we find that they are more difficult to penetrate than those that are still in the growth stage, with the latter offering more opportunities. So, if a market is declining, companies can

reorient their strategy through the possibility of shrinking activity or even withdrawing, so as to redirect their resources to growing markets.

Providers of tourism services resort to special marketing policies that make it possible to identify and understand the individual requirements of the customers and the elements of differentiation from competition, as well as the establishment of the possibilities for their accomplishment. Thus, a marketing strategy is implemented based on the differentiation of the categories of buyers for each target market; marketing plays a key role in ensuring market success through the detailed knowledge of the potential customer with its expectations, its preferences and dislikes. It is possible to develop a marketing strategy that aims at meeting the needs of the client to the highest degree.

For revenue growth, tourism businesses can develop conditions that favour extending the service life of a set of existing products and services outside the season.

3.2. *The Market Development Strategy* - involves finding new outlets for current Romanian tourism products and services. Adopting this strategy involves a number of risks, especially if the "outlets" market is not well-known.

Market growth involves tackling new markets using essentially unchanged products. New markets are represented by new geographic areas or new segments of existing markets. In both situations, this strategic option seeks to attract new customers for the existing product range. The major risk associated with this type of strategy is that business managers may have little experience in new markets, and consequently they can make certain mistakes.

The development of the market therefore involves attracting tourists from other geographic areas with genuine and diversified, truly attractive tourist offerings.

3.3. *The Tourism Product Development Strategy* - involves the creation of new services for the current markets.

Product development involves the development of new products on existing markets with the intention of attracting new consumers and retaining existing ones. Product development offers advantages to negotiating with customers who have some experience as they are part of the existing market. In a world where product life cycles diminish, product development has become an essential form of strategic development for many businesses. Although we often find the expression "new products", we note the existence of an extremely small number of products that we can see as completely new, and often these are variations of existing products or are new for some companies. For example, a tour operator that launches a new airline or a tour operator that launches new destinations. A truly new product could be the tourist trips on the Moon.

In order to achieve this goal, it is very important to know the needs of potential customers of tourist services. The strategy of developing tourism products is destined to take advantage of existing market opportunities through innovation (Ionciã M.(coord.), Petrescu E.C., Popescu D., *Strategii de dezvoltare a sectorului terțiar (Tertiary Sector Development Strategies)*, Uranus Publishing House, Bucharest, 2004).

Applying this strategy to tourism would imply: improving the quality of the products offered and of the services provided by the tour operators. Another option could be to identify and develop new forms of tourism.

3.4. *Diversification strategy* - involves offering new tourism services on new markets.

Of all the strategies, this is the most risky because both the products offered, the services provided and the market on which they are sold are new. The diversification strategy of the tourist services aims to tune the ways to meet the requirements of the many segments of the tourism clientele. It starts from changes in the size of the range of services that make up the offer of the travel company. Its implementation in practice can be accomplished by: adopting a strategy for selecting the components of the offer that provide the greatest chances of success on the market; the strategy of product range stability based on maintaining the range of services where this is proven to be viable by consumer demand; the range diversification strategy which implies the widening of the product market by tinting the ways to

meet the tourist needs. Diversification can take several forms according to Figure 5.2. (Glaesser D., *Crisis Management in the Tourism Industry*, Butterworth–Heinemann, Ed. 2003).

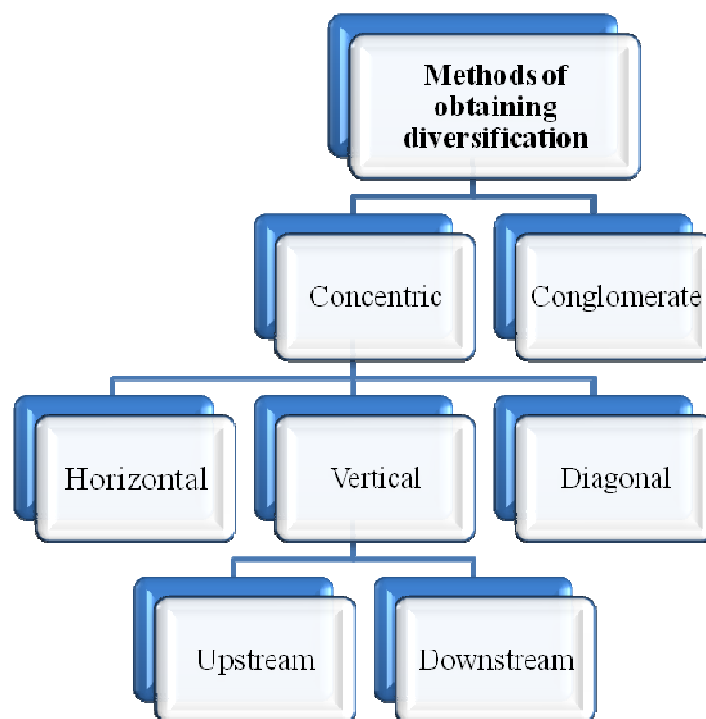


Figure 5.2. Directions and methods of diversification

Diversification can be a good strategic option when: current products and markets no longer record the desired financial results; the enterprise has used its skills and resources below its optimum level; the enterprise wishes to diversify its scope to more than a product or market segment; the enterprise wants to make more efficient use of the existing distribution system by reducing fixed costs and resulting in revenue growth; the enterprise tries and wants to dilute its risks.

In tourism one can choose one of the following diversification options: vertical diversification (vertical integration), horizontal diversification (integration), concentric diversification or integration as a tourist conglomerate.

The strategy of concentric diversification is met when new products or markets have common features with existing ones and this likelihood can reduce the risks of diversification. By concentric diversification, development in similar industry sectors upstream or downstream can take place in the existing distribution chain of the enterprise.

Through the conglomerate diversification strategy, the development of completely new areas and market products can be achieved. In the case of conglomerate diversification compared to concentric diversification, one can see a higher risk due to new products being made for markets with which the company is not familiar. This strategic option is adopted when the enterprise has severe restrictions on growth potential on existing markets, or when it sees significant development opportunities in new market areas.

The horizontal diversification strategy consists in the development of new products and services for which technologies different from those of the current products are used and which are intended for the same customer segments. For example, internationally, there are airlines that associate with service providers (food, airport, etc.) in order to diversify the tourism products offered to the market. Marriott has developed a distribution system for the

supply of restaurants called the Marriott Distribution System and has opened six distribution centres serving Marriott hotels in a particular region. In this way, the restaurants are supplied on time, with the freshest raw materials, and the customers are fully satisfied. By synthesizing, horizontal diversification implies that an enterprise enters a complementary market or a competitive market when it works with another operator in order to achieve common objectives or when it takes over another operator.

The strategy of vertical diversification is the alternative that drives the company to produce new products and services that are not related to current products and services, either technologically or in terms of the market segments. For example, a spa and tourism company offers its clients pure tourist services (excursions, leisure, etc.), restaurant services, transport services and various medical treatments.

By investigating the various strategic diversification alternatives, the enterprise may discover additional forms of sales growth. Diversification offers great opportunities for affiliated businesses, but the company must have the necessary experience to record success in the new business.

The main reason for adopting a change strategy is to distribute the risks so that the business is not dependent on a single business area, especially when the field takes place on saturated or declining markets. Another reason for diversification is the hope of achieving higher financial results.

Each of the four alternative strategies presents advantages and disadvantages; that is why the decision-maker or the decision-makers must make a very rigorous assessment of them so that they can finally choose the right option in the given situation, both in terms of benefits and risk.

At the macroeconomic level the approach of choosing a strategy option that would allow the development of Romanian tourism in the European space proved to be a difficult one, even if tourism was considered, for a long time, a national priority.

The lack of continuity in making decisions of major importance, the incompetence of decision-makers in this area, the pursuit of personal interests in the process of privatization of the material basis of tourism are only two of the many examples that contributed to the situation in which tourism finds itself.

Under the current conditions, the strategy for the development of Romanian tourism in the European space must ensure a better capitalization of its multiple *strengths*, of which we should mention the geographical position and tourism potential, as well as the *opportunities* related firstly to the increase of the interest in the area Central and Eastern Europe, the free movement of goods, persons, services and capital, while ensuring the influence of the *weaknesses* by investing in the material basis and infrastructure, without neglecting the *threats* related to the degradation of the environment, the multiplication of terrorist acts and the effects of the crisis.

The proposed strategy solution to ensure the adaptation of Romanian tourism to the requirements of the European Union could include a mix of actions starting with attracting new consumers of tourist services, continuing with a better segmentation of the tourist market, increasing the frequency of use of tourist services over a year; identifying and developing new forms of practicing tourism; the attraction of foreign tourists for which Romania has not represented until now a holiday destination; vertical and horizontal diversification (integration) of the economic agents in the tourism industry.

Thus, for the development of tourism in the European area, we believe that it is essential to pay special attention to improving the quality of the tourism products and services offered, to the training and professional training of human resources in tourism (as a factor that decisively influences the quality of the performance) as well as to the intensification of cooperation between economic agents in tourism.

The diversification of tourist services is meant to satisfy the needs of as many tourist segments as possible, by offering variety of prices, forms of tourism and activities (Marin-Pantelescu A., *Diversifying tourist services and personalizing them with the help of travel agencies*, The 2007 International Conference on Tourism, Academy of Economic Studies, Faculty of Commerce, Department of Tourism-Services, ISBN: 978-973-594-991-4, pp. 87-97).

A first possibility of diversifying tourism services in the case of a *travel agency* would be to sell tourist holidays at different prices depending on the consumer's economic potential. Thus, the following three solutions can be chosen: high prices for luxury customers with high incomes and who demand sophisticated tourist products difficult to satisfy, average prices for middle class customers, as they are easier to satisfy and low prices for mass tourism, which will benefit the low-income customers who can also buy less developed tourist products.

It should also be noted that in tourism the price for the same product changes according to the tourist seasons (off season – season peak), socio-professional categories (vacationer - businessman, foreigner - native, child - adult - student - pensioner) consumption volume (long stay - short stay, group - individual, full service package - services purchased separately), time of registration and payment.

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