

# A new marketing mix model to rescue the hospitality industry: Evidence from Egypt after the Arab Spring

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## Abstract

After January 25th 2011 Egypt witnessed political, economic and social instability leading to drastic consequences in the hospitality and tourism industry. Thus unstable situation reflected on the deteriorated occupancy percentages that led to declined profit margins, higher employee layoffs and degraded quality of product and services. The objectives of this research is to examine how the Egyptian hospitality properties manage this dilemma through their marketing practices, and to propose a new marketing mix model that adds new layers of depth to the traditional marketing mix model. A methodological framework was designed to help in the assessment process of management practices pertaining to marketing initiatives during times of crisis. Results indicated the presence of tactical elements that assembled the traditional marketing mix model in the investigated hotels. However, these elements are not effectively used and the interaction between them not appears very clear. Results also indicated that the new proposed model would help in providing a framework for the Egyptian hospitality industry to maintain their competitive position during crisis time and avoiding undesired situations for labour force and decline of companies' revenues.

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## 1. Introduction

The tourism and hospitality industry is the most diverse and vibrant economic activities. It represents one of the largest market segments in Mediterranean (MED) countries (Thulemark, Lundmark & Heldt-Cassel, 2014). The industry was built on active products and service innovators and frequently set trends that developed different brands.

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The brands' popularities were developed so that customers could identify them with their particular values. The portfolio of this industry includes different hotels, companies, chain operators and small medium enterprises (SMEs).

In south MED social or political challenges arena had negative consequences on the tourism industry. The turmoil that occurred in Egypt, Libya, and Tunisia whether on the social or the political arena had negative cost on almost all aspects of the economy. The tourism sector in particular suffered huge losses in the years that followed the turbulence (El-Katiri, 2014). The unprecedented circumstances have driven the tourism sector to a continuous decline on the sector's profitability. The drop in returns drove hotels to adopt short tactical strategies that could help in at least reaching the breakeven point. Among the adopted practices many rely on discounting advertising campaigns in national newspapers, downsizing in the labor force, and cutting the cost of operation are amongst the adopted practices. Applying these practices didn't provide any clearly state fruitful results. Here appears the importance of this study. This study sheds light on, how embraced management practices in Egypt related to the employed marketing mix have led to maintain occupancy rates of hospitality properties at its safe boundaries.

This country's study will improve our understanding of the main issues characterizing the countries' losing and wining visitors along the transition process. The study is organized as follows: it starts by overview to the Egyptian hospitality industry, then the theoretical frame work of the hospitality industry in Egypt, followed by the research methodology and finally the results, discussion and policy recommendation.

## 2. The hospitality industry in Egypt

Tourism is considered one of the most important sources of income for Egypt, along with the Suez Canal revenues and remittances from Egyptians living abroad. However, this sector been hammered since the uprising and what is known as Arab Spring in 2011. The existing capacity of hotels was increasing from 132.1 to 223.1 thousand rooms during the period from 2002 till 2010 representing 69% growth rate in the same period. But after 2011 the existing capacity dropped by around 18.3% in comparison to 2010, and it continues to decrease between 2013 till 2014 by 7.6%, see Fig. 1.

Hotel capacity is classified to different categories according to the ministry of tourism. Fig. 2 shows these categories of hotels according to their classification. According to MOT 2015 report, it can be noted that floating hotels represent 20% of the total hotel capacities, while hotel and tourist village rooms, on land, represent the other 80% of room capacity. While the three-star hotel category, both floating and land properties represent 26% of total hospitality property population. Moreover, the four-star category represent only 21% and the five-star category fills 15% of Egypt's room capacity (the five star properties are mostly run by international chains).

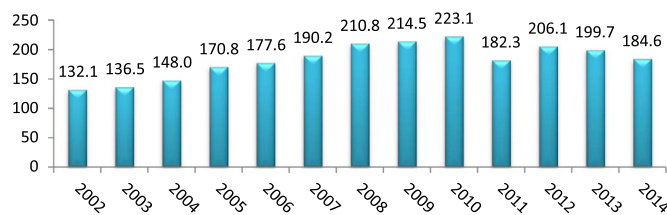


Fig. 1. Existing hotel capacity in Egypt during 2002–2014 –rooms in thousand rooms.  
Source: Hotels supervision sector, MOT (Ministry of Tourism) – 2015

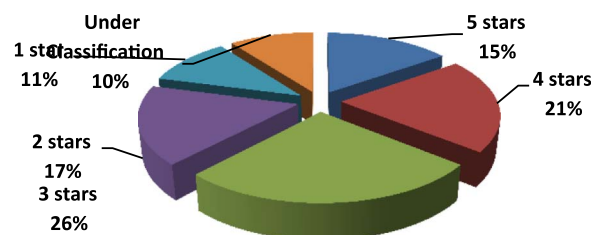


Fig. 2. Existing hotels & tourist villages capacity by category 2015. From: hotels supervision sector, MOT (Ministry of Tourism).

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