EFFECT OF MARKETING MIX STRATEGIES AND INNOVATION TOWARD THE PERFORMANCEOF GUESTHOUSE BUSINESS OF THE LUANGPRABANG PROVINCE, LAO PEOPLE'S DEMOCRATIC REPUBLIC

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Abstract: The purposes of the research were to study the opinion level of Marketing strategies and Innovation toward the Performance of Guesthouse Business of the LuangPraBang Province, Lao People's Democratic Republic (Lao PDR). The research tool was in questionnaires format. The population was the owner, Holder and manager of guesthouse in LuangPraBang Province, Lao PDR Total 320 venues. The research was the descriptive statistics of average means, percentage and standard deviation and the path analysis. The outcomes of research revealed that the majority of entrepreneurs were male, with average age of 31-39 years old, with Lao nationality entrepreneurs, with undergraduate educational level, with the private-equity funds, the number of employees between 6-10 people, customer type were European, with status business as a business owner, with private investment, most of Business in Ban Pa Kham, with guest house size less than 20 rooms, the rooms were available for those staying in a single room/family/group tours, guest house levels during the 1-2 star accommodations, with Time in business more than 10 years and The Registered in the range of 3,125 - 15,625 dollars. Effect of Marketing mix strategies had direct effect toward innovation at the most and followed by the effect toward performance and lastly, innovation factor had direct effect toward performance

Keywords - Marketing, Innovation, Performance, LuangPraBang, Tourism

I. INTRODUCTION

Laos People's Democratic Republic (Laos PDR) has tourists who enjoy pristine nature and well-preserved culture and tradition. The Lao government's policy in the past many years stresses the importance on tourism business to create incomes for the country. In 2013, tourism business in LuangPrabang province brought income total 136,901,892 dollars boosting many businesses especially guesthouses. In 1997, there were 30,769 foreign tourists visiting LuangPrabang and in 2013, the number of foreign tourists increased to 342,611 visitors and made the number of guesthouses increase from 49 places in 1997 to 320 places in 2013[1]

Now tourism business has become the business with No. 1 in incomes of LuangPrabang province when compared with other business and accounts for 87.15% of total incomes. Because LuangPrabang has a lot of natural resources so there are many foreign investors interested in investing especially in service business and this has affected local guesthouse operators who cannot compete while the services have not been sufficient for the needs of tourists.

Effect of Marketing mixed strategies, activity or performance improvement to coincide with various festivals, public relations with government and private agencies, guesthouse services through websites, all year marketing activity promotion such as discounts, many promotions or creation of business networks which are still not plentiful. Apart from these, there have been innovations such as paying through the Internet system, paying by credit cards, advertising through different and various medias, taking advantages of website for convenience and speed in accessing guesthouse services such as room reservations through the Internet and using emails, Line and Website to communicate with the customers.

The problems of effect of marketing mixed strategies and innovations affected the local guesthouse performance that they could not compete. The guesthouse executives needed to specify effect of marketing mixed strategies and innovations so they could compete in the business and keep the advantages and draw in the customers to use the services at their guesthouses continuously. At the same time, they needed to use various occasions to benefit their businesses in the decision to specify the strategies including various measures to make their businesses reach the target and manage their guesthouses in accordance with the changes.

The authors were interested in the study of marketing mixed strategies and innovations affecting the performance of guesthouse operators in LuangPrabang province, Laos PDR, to learn and use the results to be the guidelines for the operators to correct, improve and develop the guesthouse business for efficiency in accord with the needs of target group and raise the standard of business performance.

1.1 Research Questions

1. Which marketing mixed strategies and innovation have the guesthouse operators used in the guesthouse business performance?

2. Which marketing mixed strategies and innovations have affected the guesthouse business performance?

1.2 Research Aims

1. To study the effect of marketing mixed strategies, innovations and performance of guesthouse business operators.
2. To study the marketing mixed strategies and innovations affecting the guesthouse business performance.

1.3 Research Limits

In this research, the authors limited the scopes as the following details:

- **Contents**
  This research emphasized the study of marketing mixed strategies and innovations affecting the performance of guesthouse business operators.
- **Population**
  The population in this research were the guesthouse operators having busing business in Luang Prabang province, Laos PDR totaled 320 places [1]
- **Location**
  The location of the research was the Luang Prabang province, Laos PDR.
- **Time Period**
  This research specified the actual data collection in 7 months starting in October 2014 to April 2015.

1.4 Research Framework

From literature review concerning thoughts, ideas, document, websites, related theories and researches, the authors could conclude related variables with the following research framework as in the illustration:

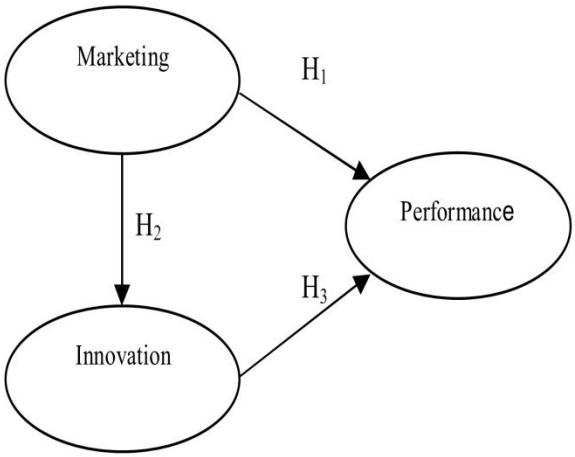


Fig.1.Illustration of the Research Framework

II. LITERLATURE REVIEWS

Marketing mix according to the idea of Armstrong and Kotler (2003) states that Marketing Mix means controllable marketing tools and the business combines these tools to respond to the needs and create satisfaction to the target customer group. Marketing mix consists of everything the business uses to influence, persuade the need for the business's products. Marketing mix can be divided into 4 groups as known as the '4Ps' consisted of Product, Price, Place and Promotion. Sereerat et al,(2009 pp. 80-81) says marketing mix means controllable marketing variables that the company uses together to respond to the satisfaction of the target group. Wongmonta (1999 p.11) states that marketing mix means having merchandise that can respond to the needs of the target group, selling at the price the consumers can accept and the consumers are willing to pay because they think it is worth including placing the merchandise in accord with the buying behaviour and convenience of the customer with the attempt to motivate so they like the merchandise and create the right behaviours.

So the effect of marketing mixed strategies are marketing tools the businesses use to respond to the target market purpose consisted of important marketing strategies as factors controllable by the businesses. The businesses must create suitable marketing mix in the marketing strategy planning consisted of 4Ps: Product; Price; Place and Promotion. Innovations according to the ideas of Khan (1985) and Badaway (1988) mean the format of creative ideas begetting from abstraction then able to create new things and can use the thing to create benefits. Urabe (1988) says innovations consist of the process of creating new ideas leading to new products, services, inventions, processes brought to the market successfully and create profits, customers' satisfaction including economic growth and employment coupled with increased profit rates of the businesses.

So innovations are technological tools that business persons need to use in the business performance. Entrepreneurs need to create competitive advantages from differences of identity and create outstanding excellence differently the competitors' businesses.

Results of performance of the business or the organization have different meanings from the meanings of effectiveness. For business organizations, organization operating results mean the ultimate performance of the organization like looking at the performance from outside covering 3 dimensions: first are financial operating results which mean profits, return on investment, return on asset; second are the marketing operating results which mean sales and market shares etc. and third are returns for stakeholders of the organization or shareholders such as return on increased economic value (Richard, et al. , 2009).

Operating results mean the results of performance within a fiscal year, success or benefits from working such as the guesthouses have increasedcustomers continuously or having increased customer's base or grown continuously.

2.1 Research tool

The tool used in the research was a questionnaire.

Part 1 General data

Part 2 Questions concerning marketing mix and innovations affecting the performance of guesthouse business operators in LuangPrabang province, Laos PDR. The questions were in the format of a rating scale applied according to the method of Likert (1970, p. 70).

Part 3 Open-ended questions to learn their problems and other suggestions.

Research Methodology

1. Reviewed of ideas, theories and related research literature.
2. Used acquired information to specify framework and constructed the tool.
3. Studies how to construct Likert Rating Scale questionnaire.
4. Constructed questions according to the research framework and related theories.
5. Made a draft questionnaire and presented it to the advisor for preliminary review then improved the questionnaire
6. Used the finished questionnaire and collected the data.
7. Analyzed and interpreted the data and wrote the final report.

Statistics used in data analysis the authors used descriptive statistics and inferential statistics in the analysis of the data with the following details:

1. Descriptive statistics were used to analyzefor percentage, means and standard deviations.
2. Statistics used in the checking and analyzing the quality of the tool. Finding the reliability of the tool by Cronbach's alpha coefficient method and finding the value of discriminate power using item-total correlation inflation factor (VIFs).
3. Statistic for hypothesis testing was Path Analysis.

III. RESULTS

3.1 General Demographic Information

It was found that the total number of respondents was 227. Most of the respondents were male, aged between 31-39 years, married, Laos nationality, with education level lower than bachelor degree, used their own capital, with 6-10 workers, with most of the customers from Europe; most were business owners, with the type of investment as own investment; most of the business were in the area of Ban Paakhaam Village, sizes of the guesthouses had less than 20 rooms, service to single, family and tour groups customers, levels of guesthouses were 1-2 stars, period of business performance was more than 10 years and registered investment capitals were between 100,000-200,000 Baht.

3.2 The opinion level of Marketing Mix Strategies, Innovation and Performance

They were found that the respondents had the overall levels of opinion in the marketing mix strategies (=3.51), inn $\overline{X}$ ation (=3.19) and per $\overline{X}$ mance (= 3.21) all were $\overline{X}$ ed high level.

3.3 Results of the structural equation prototype analysis

The highest opinion for the marketing mix strategies factor the operators had was Product, followed by Place, Price and Promotion. The marketing mix strategies directly influenced the innovations the most followed by the marketing mix strategies directly influenced the operating results and had the influence indirectly on operating results. Innovations had direct influence on operating results.

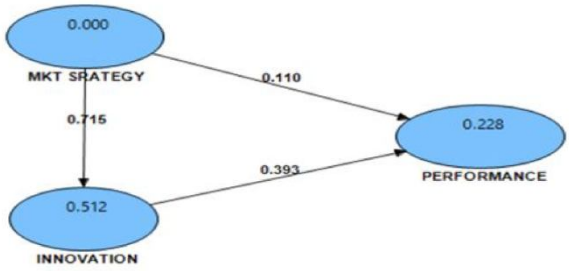


Fig.2.Results of the structural equation prototype analysis

Results of hypothesis testing from structural equation by analyzing the direct, indirect and overall influences found that the marketing mix strategies had direct influence on the innovations with the highest value of 0.715 and the R Square = 0.512. The marketing mix strategies had direct influence on the operation with the highest value =0.110 and the value of R Square =0.228 and had an indirect influence on the operating results with the highest value of 0.280. Innovations had a direct influence toward the operating results with the value of 0.393 and the value of R Square =0.228.

Table 1: Results of Hypothesis Testing

Research Hypothesis	Coef.	t-stat	Conclude
Marketing Strategy ->Innovation	0.229	23.256	Support
Innovation->Performance	0.493	2.731	Support
Marketing Strategy -> Performance	0.044	1.962	Support

Remarks: Accept at p-value≤ 0.05 and t-stat ≥ 1.96

From Table 1 results of hypothesis testing analysis had the overallsupported hypothesis at the statistical significance level of 0.05.

CONCLUSION

From the study of Effect of marketing mix strategies and innovations affecting theperformance of guesthouse business operators in LuangPrabang province, Laos PDR there were 3 variable: (1) Effect

of marketing mix strategies, (2) Innovation, (3) Performance , following details :

The Effect of marketing strategy is an overall average level. In considering each issue, respondents were featured various dance sorted by descending order are the product with the most minor of distribution channels, price, promotion and marketing. As follows:

The products have an average level of 4.01. Guesthouse include a variety of formats to meet the needs of customers like family room single room or double room, guesthouse in a corner so that customers can relax in the reading corner, have a coffee or a hammock under the trees. The area is clean and safe. Guesthouse room amenities (refrigerator / TV / Wi-Fi) Guesthouse is lovely and beautiful. It consistent with the concept of (Kotler, 2000, p. 321)said Product features include the shape, style, quality, packaging, brand and product characteristics that can be felt as well as features that can respond to the needs of society. Products include goods, services, facilities, organization or individual. For a service business is products which covers all of the goods and services. But it also needs to be more useful or valuable product and service names of other services as well.

The second is the distribution channel level with an average of 3.47, including a guest house offered by way of direct sales. (For customers who book direct) offers a guest house by the Agent. (For customers who come into contact through an agent), customers can contact the guest house at the time services are provided by the guest house to be sold through the site are provided by the guest house sales network it consistent with the concept of (Etzel, walker and Stanton. 2001, p. 398).The brief refers to the product and the product ownership is transferred to the market in the distribution channel consists manufacturers. Mediator consumer or industrial users, which may use direct channel (direct channel) from the manufacturer (producer) to consumers (consumer) or industrial uses (industrial user).

Price level averaged 3.36 also offers a selection of response to customers who use the service guest house offer price can negotiate a reasonable price compared to competitors with discounts when available. The reservation number for the internet can be ordered with the concept of the (SIRIWAN SARIRAK, 2546) pricing of services should be appropriate to the level of service is clear and easy to distinguish different levels of service. Provider pricing strategy can be used to respond to the consumer. The price charged for the service level rates are fair and convenient payment terms to customers.

The promotion on a massive scale, with an average 3.21 include discount guest house in the Festival membership card to collect points has to communicate with vinyl banners / Radio / Internet have relations with government agencies / private organized tour. Together with a network of both public and private sectors, in line with the concept of (Etzel, walker and Stanton. 2007: 677) to communicate information between sellers and buyers to establish their attitudes and purchasing behaviour. Communications may salesman (Personal selling) the sale and communicate without using the (Non personal selling) the tools to communicate in several ways. Organizations may choose to use one or several tools, which require the use of a combination of different marketing communication tools [Integrated Marketing Communication (IMC)] on the basis of their suitability to the customer. Products trounced by a common purpose can achieve promoting key marketing tool.

INNOVATION

It was found that respondents had the overall level of opinion towards innovations at the high level with the mean of 3.19. When considered each issue, it was found that websites were important for marketing channel at a high level followed by using emails, lines, website to communicate with the customers, the guesthouses used new processes to improve the business, using Information Technology in the business at a high level; emphasizing the use of innovations to increase the potentials of the business at a low level; using innovations in discriminating from the competitors at a low level and the guesthouses used payment through the Internet and by credit cards at a low level .It consistent with the concept of Ducker (1985) saidInnovation activity is extremely important for businesses to pose a competitive edge while maintaining the competitiveness and sustainability to also explain that innovation is an important tool for the user. Business,

PERFORMANCE

It was found that the respondents had the overall level of opinion for the operating results at a high level with the mean of 3.21. When considered in each issue, it was found that the guesthouses could generate profit at the level high, followed by high cash-flow; the guesthouses having continuously increased number of customers and various operating networks at a high and having increased customer's base and continuous growth at a high level. It consistent with the concept of (Richard, Devinney, Yip and Johnson, 2009).Said the result of operations of the business or organization has a different meaning to the definition of organizational effectiveness. In business, Earnings organization represents the operating results of the final stage of the organization (ultimate performance) as a result of an extensive dimensional three aspects: first, the results of operations, financial and operating results. However, ROI Return on assets, etc. The second aspect is the performance marketing, including sales.

Market share and the third is the return of those who have an interest with the organization or its shareholders a total return, including value-added economy.

Conclusion of Research Questions

1. Marketing mix strategies and innovations that the guesthouse operators used in the guesthouse business performance were the marketing mix 4Ps: Product, Price, Place and Promotion while the innovations used were emails, lines, websites, payment through the Internet and payment by credit cards.F
2. From the study of Effect of marketing mix strategies and innovations affecting the performance of guesthouse business operators in LuangPrabang province, Laos PDR it was found that:

The marketing mix strategies and innovations affecting the guesthouse business performance were the marketing mix strategies at the high level. The respondents placed the importance ranking from high to low in the following order: Product, followed by Place, Price and Promotion respectively. For innovations, it was found that the respondents had the overall level of opinion towards the innovations at a high level and when considered each issue, it was found that websites were important for Place at a high level followed by using emails, lines and websites to communicate with the customers. The guesthouses used new processes to improve the businesses, using IT in the business, emphasizing the use of innovation to increase the potentials of the businesses at a low level; using innovations to create the difference from the competitors at a low level and the guesthouses accepted payments through the Internet and payments by credit cards at a low level.

Suggestions for Further Researches

There should be studies of other factors affecting the decisions to repeat the usage of the customers to be the information for the decision to develop guesthouses in LuangPrabang province, Laos PDR and a study of success factors of the guesthouse operators to be a guideline for interested persons who want to invest in the guesthouse operation business.

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