

Business planning and Social Media

Abstract sent separately

Key words: Business planning; marketing; social media; hotels

Introduction

The importance of business planning for a new, or indeed an existing venture cannot be under-estimated. A robust business plan is not only a planning tool for the company, but is often a necessary document required by a variety of organisations from both the public and private sectors. Business plan templates are available from a wide range of sources, with a myriad of on-line examples¹ that tend to follow a standard outline and even modified business plans developed by specialist advisers often adhere to this generic template.

As the template addresses the business plan needs of companies operating in 'traditional' sectors such as manufacturing, it does not wholly meet the requirements of a company operating in the service sector. Additionally business plan formats fail to reflect today's marketing environment. For example in the Start a Business Guide published by Invest Northern Ireland², advice on marketing service-orientated businesses identifies that:

“services and intangible products require a different marketing approach – you need to focus on customer service”.

However, this is the limit of their advice. With regard to the use of the internet for marketing, the guide contents itself with noting that:

“many companies promote themselves on the internet. This is a particularly useful method if your business has face-to-face contact with its customers. Sales can also be made via websites”.

Basic marketing advice is common to countless business plan templates and seldom updated to take into consideration the advent of new tools, such as Web 2.0, in marketing and selling services.

By February 2013, the number of people who view TripAdvisor reached 200 million per month, and it is expected that online worldwide travel sales will account for 40.4% of total sales by the end of 2013, (European Travel Commission, 2013). Therefore, Web 2.0 is considered to be, at the very least, an alternative to the conventional marketing tools that the hotel industry traditionally used to communicate their message to target markets.

¹ For example

http://www.nibusinessinfo.co.uk/Starting_a_Business_files/BusinessPlanTemplate01_NI.doc

² The economic development agency for Northern Ireland, whose remit includes the development of the hotel industry.

As Web 2.0 is having such a profound effect on the marketing tools used by the hospitality and tourism industry, this paper explores whether an update to the business plan template is now required.

The Business Plan

A common definition of a business plan is that it is a road map for a company; a good business plan will therefore identify where a company is, where it would like to be and how it will get there. It provides a strategic long-term view rather than a focus on the minutiae of the daily running of the company.

Wheelen and Hunger (1991: 13) defined the formal process of business planning:

Top management scans both the external environment for opportunities and threats, and the internal environment for strengths and weaknesses. Once these are identified, top management then evaluates the strategic factors and determines the enterprise mission...[this] leads to a determination of enterprise objectives, strategies and policies. These strategies and policies are implemented through programs, budgets and procedures. Finally, performance is evaluated and information is fed back into the system so that adequate control of organisational activities is ensured.

Wheelen and Hunger based this definition on the formal planning activities initiated by large corporations. It reflects that the business planning process had been, at that stage at least, the domain of these bigger commercial entities. However, micro, small and medium sized businesses now recognise the need for a business planning process, as reflected in the emphasis placed on business plans by a diverse wide range of organisations from both the public and private sectors. This emphasis manifests itself in the prevalence of business plan templates that are available, and these tend to include the same standard information – even on an international basis as summarised below in Table 1:

Table 1: Standard Business Plan Format

	Business plan template, taken from nibusinessinfo	Business plan template, taken from Hormozi et al
Section 1	Executive Summary	Executive Summary
Section 2	The business section contains: The business and the product Markets and competitors Sales and marketing Management Operations	The business section contains: Overview of the industry The company The product or service Pricing The Market Marketing Plan Management Team
Section 3	Financial Statements: Financial forecasts Financial requirements Assessing the risk	Financial Statements: Income statement Balance Sheet Statement of Cash Flows

Despite the business plan being the document that most advisers, potential funders and investors would request a company produce, the layout does not vary by sector, size or for reason, for example if it is to access funds or to plan the development of the organisation – it is a one-size fits all approach. However, if as acknowledged producing and selling a service product is different from producing and selling a manufacturing product, then surely the documents that inform the marketing of this product must be different.

There are two approaches to developing a business plan, the company may write its own or may appoint external advisers to write the plan. There are benefits and drawbacks to either method, some suggest that a business should write their own plan as this is only how the business will truly understand and know its own operations and market, whilst other literature would suggest that specialist advisers might bring expert advice that may not be readily available.

As noted by Hormozi et al (2002):

...although it is beneficial to have an expert review your completed business plan, it is wise to write the plan yourself. By becoming an expert in your own business, you will know all of the industry trends, all about your customers, and all about your business as a whole.

Hormozi et al go on to further note, however, “An expert will be able to identify areas in the business plan that may need improvement...”

The importance of Business Planning

A business plan assists the organisation in deciding where to go; establishes the potential viability of the business; identifies realistic goals and targets and is a pre-requisite to accessing finance. The importance of a business plan is therefore generally accepted.

Furthermore, as per Orser et al (2000, cited Hormozi et al, 2002, 755) the presence of a business plan is highly correlated with the performance of the business and contributes to the growth of the firm. This statement, or a variation thereof, is reiterated throughout the business advice provided by publicly funded economic/business development bodies and private sector enterprises such as banks. The available literature from such organisations compels potential and existing entrepreneurs to write their plans before launching any new enterprise. Additionally, most surveys of private sector small firms appear to agree that a key motivation for writing a business plan is to attract potential funds from investors. This is key if a company wishes to develop and grow.

However, the results of the business planning process may not be as unambiguous as the quote from Orser (2000, cited Hormozi et al, 2002, 755) would suggest. As noted by Kraus et al (2006, cited Conway 2008, 58), there is no consensus as to what extent small firms write business plans and the correlation that might exist with business growth and success. The counter-factual of not developing a business plan is hard, if not impossible to quantify, for example, People 1st have identified that 32% of tourism and hospitality

businesses in Northern Ireland actually engage in annual business planning or have a business plan (People 1st, 2013). Therefore 68% of businesses survive without undertaking this exercise, suggesting that the need for a business plan is not a certainty. Albeit, who is to say that if the 68% did have this document they would be more successful than they actually are.

This situation is exacerbated as the business planning process itself (as developed by theorists and practised by many organisations) is no longer suitable given the changing economic context in which many of these businesses now operate. As noted by Richardson (1995, 46), Mintzberg has led the attack on business planning (as advocated and practised by the ‘design school’ at Harvard Business School), identifying a range of issues including that of; Not adapting. As Mintzberg noted, two decades after the original Andrews (1980) text [on design (business) planning], fellow Harvardian Norman Berg has written a book which almost mirrors the first Andrew’s book in terms of approach and chapter headings. Richardson highlighted this issue in 1995 and there would appear to be further lack of business plan development, even at a theoretical level, judging by the limited recent academic literature available with regard to this issue.

It is clear that a business plan is a core requirement for attracting funds from investors and it can be, rather than is, useful to grow and develop a business. As Crawford-Lucas identified (1992, cited Hormozi et al, 2002, 755) while a good business plan will not guarantee success, it can go a long way toward reducing the odds of failure. The odds of failure however, will increase if a company, operating in a service sector, relies on the traditional form of business planning which reflects the needs of ‘traditional’ sectors. As the economy of many countries shifted to a service based economy, the advice regarding what the business planning process should involve and what is required in a business plan should have changed to reflect this new operating context, this has not been the case.

The Marketing Section

The marketing section within the business plan, as advised by Hormozi et al (2002, 757-758), should:

After defining the product, pricing, competition and customers it is necessary to incorporate aspects of each category into a marketing plan. Marketing is, “the process of planning and executing the conception, pricing, promotion and distribution of ideas, goods and service to create exchanges that satisfy individual and organizational objectives (Hisrich, 1992). A marketing plan explains to the reader how the business plans to attract, educate and retain customers. Attracting customers or advertising includes detailing how the target market will be informed about the product. A business plan includes the selected medium; for example, direct marketing, advertising or special promotions (Brown, 1996). Educating customers is the content of the information provided through advertising and includes the core competency of the product or the service.

General advice on writing the marketing section within the business plan does not vastly differ from that outlined above. Echoing Mintzberg’s concerns, updates to the business

plan template to reflect the new marketing tools such as social media are not readily available. Nor is the importance of this new form of communication channel correctly conveyed to entrepreneurs.

Web 2.0 and the Hotel Industry

Kietzmann et al (2011, 241) asserted, “Given the tremendous exposure of social media in the popular press today, it would seem that we are in the midst of an altogether new communication landscape”. This statement holds true today and even more so for the hotel industry. The web has become the customer’s most important method of identifying and selecting and booking their hotel (Watkins, 2013). Social media has fundamentally changed consumers’ buying behaviour in the hotel sector. Word of mouth, or word of mouse as it has been updated, now has a global reach and for a relatively small cost, a hotelier can attract global customers without leaving the hotel.

As McCarthy et al (2010, 5) recognised “social media have changed the way travellers determine where they will stay”. Available research highlights that the number of consumers who review prior to booking continues to grow as does the number of actual hotels reviewed per visit (Anderson, 2012). Anderson further identified a demonstrable connection between the score achieved on a review site and the potential to increase the price charged per room.

Hotel consumers are not the only markets who have adopted social media to source hotels. It is another tool used by investors. As Mit Shah, CEO of Noble Investment Group, notes “When we’re looking at new investments and existing assets, we’re looking at how aggressive that hotel has been (on social media), how that hotel is really engaged with the consumer (on social media) and what the consumer is saying about that asset” (as quoted by Ponchione, 2013). The impact (and the potential impact) upon the hotel industry of Web 2.0 is also recognised by the companies who develop social media, for example earlier this year, Facebook increased their hotel industry presence by appointing a Head of Travel.

Web 2.0 has changed the hotel industry. Traditional forms of selling and marketing are now outmoded, as noted by Withiam (2011, 6) “hospitality operators must integrate their marketing efforts with social media – a process which will require new approaches to marketing.”

Methodology

The methodology selected reflects the research topic, i.e. a review of the generic business plan template as required by the changes in the operating environment. An exploratory study was the preferred approach to examine this issue. As noted by Mason et al, (2010, 432):

“exploratory studies in the social sciences are being increasingly advocated, particularly in relation to new research themes or when addressing an existing issue from a new perspective”.

Malhotra (2007) recognised the “use of depth interviews is for exploratory research to gain insights and understanding” and that in depth interviews were appropriate in “...special problem situations such as those requiring ... interviews with professional people.”

Interviews with five pre-selected consultees were therefore completed. Consultees were selected based on experience and exposure to business plans and consisted of: one corporate finance manager from Danske Bank; one client executive from Invest NI; and three specialist business advisers from consultancy houses (the lowest level interviewed being director) who develop business plans (including hotel business plans) on behalf of clients. As qualitative research was being undertaken with consultees who could provide significant and rich information this limited sample size was considered to be appropriate.

An aide-memoire informed the interviews, this enabled the necessary topics to be covered but did not hinder the flow of opinions from the consultees. All interviews were face to face, with each lasting at least one hour and were conducted on an individual basis to avoid issues with regard to commerciality in confidence given that some consultees could perceive others as a competitive threat.

Manual transcription of interviews was completed. These were analysed by the themes outlined in the literature in order to identify commonalities, contradictions, inconsistencies etc. The themes were:

- Importance of business planning;
- Content of the business plan; and
- Impact of social media.

Findings and Discussion

The importance of business planning

All of the consultees were of the understanding that there was a need for a plan. Supportive comments included, “how would you rationalise any decision?” and “there is always some level of stakeholder, both internal and external, who require or who benefit from such a document”. However, some consultees did warn that there needed to be a clear reason for the business plan, rather than just a tick-box exercise. The company did not always recognise this or indeed, neither did the institution that had requested the plan.

Banks were seen to be moving away from the need for a business plan and, perhaps reflecting these more constrained financial times, tended to focus solely on the financials. (This current risk-adverse nature of the banking system is a clear departure from the banks funding stances pre autumn 2008). This is reflected in the comment that increasingly advisers are developing “funding documents rather than full business plans” and borne out by the bank consultee who asserted that the bank was more concerned with the “figures stacking up” and if the applicant had a proven track record than the detail within the actual business plan.

As noted by Kraus et al (2006, cited Conway 2008, 58), the literature makes clear that there is no definitive answer to the need for a business plan. Whilst consultees were in favour of the business plan, a business plan is not always the correct solution.

What is a business plan and what should it contain

There was consensus amongst consultees that a business plan is a document that informs the development of a business and information identified as necessary was “product, market and money”. Whilst all agreed to this essential information, i.e. product, market and money, there was disagreement, split along age or employment background, regarding the level of detail required. Older consultees or those from the public sector were still of the opinion that a business plan required substantial detail and “it should be 30-40 pages”. This difference of opinion is to be expected. Typically older consultees will have been exposed to the ‘traditional’ sectors at university/early career and thus their understanding of the business plan process more reflects the generic templates. Whilst, those younger consultees who had been more exposed to non-traditional sectors were willing to accept much shorter succinct plans, one example was given of a business presentation consisting of 7/8 slides that provided all necessary information.

The additional level of comfort sought by the public sector will require supplementary detail in the business plan. This, as noted by other consultees, may be of limited use to the actual business and would suggest that some information in the business plan templates designed by the public sector may be superfluous.

Specifically with regard to the marketing contained within a business plan, there was no consensus amongst the specialist advisers as to how to prepare this section. Some suggested that was where the adviser could add value, whilst others felt this section more than others was the domain of the business. As one interviewee contended, “the business has the detailed understanding of the market it operates in and from this the proposed marketing should be derived”. This lack of consensus reflects the literature regarding who should develop the business plan. Hormozi et al (2002) note there are conflicting opinions as to who should develop the business plan. Wheelen and Hunger (1991: 13) defined the formal process of business planning as involving top management, however, this level of staffing is not always available within micro, small and medium sized enterprises. It was recognition of this issue that led to some consultees to recommend the use of external advisers to develop the plan.

Given that there is not even agreement regarding responsibility for developing the business plan, this would seem to substantiate the premise that a generic template is not a suitable approach for development of the plan.

Social Media

Echoing the statistics, and on both a professional and personal level, all the consultees agreed that social media had changed how consumers purchased their hotel rooms, and, as noted by Withiam (2011, 6), this will even require a new marketing paradigm. However, consultees agreed that hotels have failed to grasp the extent of this change and there was a wider concern that the broader hospitality and tourism sector in Northern Ireland failed to appreciate the importance of social media. It was noted that

social media was key to the future development of businesses not just those in the hospitality and tourism sector, indeed examples were given of companies operating in the sustainable energy sector who were able to harness the power of social media reflecting Kietzmann et al (2011, 241) statement that there is a new communication landscape. Added to this, there was an apparent lack of expertise (in either the public or private sectors) readily available to assist hospitality and tourism companies if they sought to alleviate this issue.

Despite the ever-growing importance of social media to the tourism and hospitality industry, consultation evidence would suggest that local hotels are failing to recognise this challenge. Even if companies pro-actively sought to address this, there was inadequate professional provision available to them.

Direction of Future Research

This was an exploratory study of the impact of social media on business planning for Northern Irish hotels from the perspective of external advisers. To what extent these results would be generalizable across different jurisdictions (i.e. country and regions) remains an area that requires research. Indeed a more focused study, utilising both qualitative and quantitative research, into how hoteliers perceive the business planning process and the impact of social media on hotels is another area worth examining.

Implications and Conclusions

A business plan is a road map used to direct a company as it seeks to develop and grow. However, despite the prevailing wisdom that a business plan is a necessary component of a successful business, this is not always the case. There must be a clear rationale as to the need for the business plan and the information contained within it must be pertinent to this rationale rather than vice-versa. Tied to this, the detail included within the plan must be sector specific, a one-size fits all approach does not suit every business sector or every purpose. The specific issues associated with marketing and selling a service require detailed consideration within the business plan, a generic business plan template does not tend to allow for this consideration.

The influence of Web 2.0 continues to exert itself over the hospitality and tourism sector. This influence has led to a new communication landscape, which requires innovative marketing tools to take advantage of this changed environment. A hotel that attempts to market and sell its services via traditional marketing tools is operating on an out-dated foundation. At the very least, combining these tools with those available from Web 2.0, is required if a hotel is to sell its services.

As there is a clear requirement for marketing to be included within a business plan, then allowances must be made for developing these new marketing tools within this section, i.e. the use of Web 2.0 based tools must be reflected in any business plan produced by hotel companies. By its very nature a generic business plan template does not adequately permit this. This template, therefore, fails to enable hotels to prepare for operating in today's environment. There is now a requirement for a modernised, template specific to hotels to be designed. This template will address the issues of selling and marketing a service and will enable hotels to combine traditional and

modern marketing methodologies to ensure they are able to cope in today's competitive market.

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