

# DE LA SALLE UNIVERSITY

AN INDUSTRY STUDY ON PENSION HOUSES AND  
TOURIST INNS IN THE METRO MANILA AREA

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EMILIO

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Master of Business Administration

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by

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## CHAPTER 6

### CONCLUSIONS AND RECOMMENDATIONS

#### Conclusions

The pension house and tourist inn industry deserved the support of the government more than the big hotels. It has more linkages with the local economy than the big hotels on which the government depended heavily in promoting the tourist industry.

The pensions and tourist inns did not spend foreign exchange for salaries of expatriate personnel, franchise and management fees. All but one of the 33 firms surveyed were wholly owned by Filipinos. The industry hired only one expatriate manager, the manager of Kangaroo Inn which is a subsidiary of an Australian travel agency.

Unlike the bigger hotels, 60% of the firms in the industry did not depend on loans for the construction of their facilities. Many of its facilities were converted from old houses which were not being used by its owners. A future expansion of the industry in the event that the tourist trade recovers and expands will not necessitate loans from government agencies such as the DBP.



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GSIS, or SSS. These funds could be channeled to other areas of the economy.

The industry provided more managerial opportunities to Filipinos. Ninety four percent of the firms surveyed were managed by Filipinos. This is in direct contrast with the bigger hotels which hired expatriates in both managerial and staff positions.

The industry is more resilient than the bigger hotels. It can be depended upon to maintain its facilities despite a long slump in tourist arrivals. Its lower break-even points and market niche makes this possible. They cater to middle income resident Filipinos and FITs on budget tours, market segments on which the big hotels are not interested in. Its lower break-even points will enable it to survive a long slump in tourist arrivals and the economy.

Pensions and tourist inns can take over the functions of big hotels in opening up new areas for tourism development. Any five room or six room house can be converted into a pension at a lesser price, than building a new hotel. Building pensions instead of hotels in resort towns will make tourist spots look less commer-

cialized, an asset in the tourist trade.

By utilizing the tourist inn and pension house industry in opening up new areas for tourist development, the government can save precious foreign exchange. This move will also increase the linkages of the local tourist industry with the economy. It has been mentioned earlier in this study that pensions and tourist inns have more linkages with the economy.

### Recommendations

Recommendations for the industry as a whole and recommendations for individual firms in the industry have been made. These will be discussed in detail in these Chapter. In making the recommendations for the industry as a whole, the following limitations have been taken into consideration:

1. The firms in the industry due to their diverse characteristics will not be able to act as a cartel in the near future. A common marketing strategy for the industry is also difficult to implement due to the industry's diverse characteristics.
2. The recommendations will be limited on how to strengthen the industry association and make it a more effective lobbying body, by making the association's project mutually beneficial at the least cost to members of the industry.

A. Recommendations for the Industry as a Whole

The industry association, the Association of Tourist Inns and Pension Houses in the Philippines (ATIPP) has been inactive for a number of years. This has deprived the firms in the industry of the bargaining power that it needs to gain concessions from the government which would benefit the whole industry.

Some of the industry executives interviewed during the survey were not even aware that an industry association existed. Others were apathetic, saying that the association will not do them any good.

ATIPP has stopped collecting dues from its members as its occupancy rates decreased. Its members have lost interest in the organization.

The members' apathy can be broken and the association will be strengthened if the remaining members can form a core group which can launch a project for the benefit of the whole industry. The project can be a small project compared to the ones the association has undertaken when it was still active, but its chances of success should be big in order to boost the morale of the remaining "core group" which undertake the project as



well as those of the other industry executives who have become apathetic to the organization. A good, successful project no matter how insignificant to past projects will serve as a good advertisement for the association and the industry as a whole.

One of the firmst projects which the association can undertake with a big probability of success would be to demand or petition that the right of the association to recommend which pension houses should be granted licenses to operate or to continue to operate, in exchange for the efforts of the association to police its own ranks. Local governments will most likely be amenable to the proposal since this system was practiced when the industry was under the jurisdiction of the Ministry of Tourism, furthermore, they do not have the expertise to check pension houses, being new in the field.

The probability of success for this type of project is greater because there are pension houses in almost every city and municipality in Metro Manila. A failure to obtain concessions in one city can be compensated with success in others.

The power to recommend which pension houses

should be granted new licenses may be over ruled on occasions, but obtaining these powers, even if these are commendatory in nature will boost the morale of members and renew flagging interest on the association.

ATIPP should also request the Ministry of Tourism to restore their commendatory powers in granting licenses to new and existing tourist inns, which they had before. This will be in return for the efforts of the industry association to police its own ranks.

Making a recommendation from the association one of the prerequisites in renewing an old license or getting a new one will be an enormous boost to the morale of association members and will make the management of other pensions and tourist inns aware of the existence of ATIPP as an industry organization.

ATIPP officers should consolidate its gains after initial successes obtained by its "core group" during its first few projects. One common problem in the industry, that of a room glut in the Metro Manila area can be made as a rallying point during the consolidation phase. A revitalized organization can petition the Ministry of Tourism and the local governments in the Metro Manila area

to declare the pension and tourist inn industry as an over-crowded industry.

The Ministry of Tourism should be the first office to which the association must submit the petition to declare the industry as overcrowded in Metro Manila. Local governments will object to the proposal because it needs the additional revenue more than the Ministry of Tourism. The local governments concerned will surely object to the proposal more vigorously without a precedent.

After gaining concessions from the government due to its lobbying efforts, ATIPP can then divide its members into groups based on a common characteristic since the organization is not homogenous. The firms which cater mainly to FITs on a budget tour and higher income Filipinos can be grouped into one category and those catering mainly to blue collar and student foreign tourist and lower income Filipinos should be formed into another group. In this way, the groups can work together on their common interests, making the association relevant to them and sustaining their interest in being a part of the organization.

The association should undertake a membership drive after it has successfully undertaken its initial



projects. It should concentrate on the older, more established tourist inns in the industry such as Swiss Inn and Dutch Inn in order to gain more prestige, bargaining power and membership fees based on the number of available rooms.

Pension houses and tourist inns which catered mainly to the "wash up rate" market should be discouraged from joining the association in order to avoid hurting its image. It might destroy the image of the industry as providers of a place which is decent and respectable. Due to this consideration, new members should be taken in only on the recommendation of an old member.

Proposed Projects

Specific projects which the association may take after it has consolidated its membership by doing the steps mentioned earlier are discussed in this section.

Petition the Government to Include the Industry in the Ministry of Tourism's Promotional Programs Abroad

Specific advertising programs by individual firms in the industry should not be encouraged due to the low correlation between advertising and additional revenue. (Refer to Chapter 4, Section 4) However, the in-

dustry should take advantage of the chance to promote their products in their major markets at a lesser expense by petitioning the Ministry of Tourism to mention about the existence of the industry in the Philippines in their tourism promotion projects. This is the only chance that it may have to promote pensions and tourist inns abroad because it cannot mount a promotional campaign in its major markets-Western Europe. It does not have the budget to do so. The whole industry cannot even afford to match the advertising expenses of a single big hotel in the five star category. (See Chapter 4, Section 4).

The proposed promotions should be aimed at the market segments controlled by the industry but on which the bigger hotels will not be interested in. This is the market for middle income FITs who would like to go on a budget tour and the blue collar and student tourist market for whom budget priced accommodations would be very attractive. This will definitely avoid objections from the bigger hotels which have more political clout than the pensions and tourist inns.

Formation of an industry Cooperative to Enable the Firms in the Industry to Purchase Supplies at Cheaper Prices.

One long range project which may sustain the interest of ATIPP members in being active in the association is the formation of an industry cooperative which will enable ATIPP members to purchase supplies at a lower cost. This should be undertaken only after the association has consolidated its membership.

This step will also serve as an incentive for non-members to join and for old members to remain active in the organization. Once the members feel that they can get something from being actively involved in the organization, they will remain actively involved. The more members who join this cooperative, the cheaper will be the supplies because they will be able to buy the supplies cheaper at greater quantities. Thus, the benefits will have a "showball" effect.

Joining the cooperative venture should however be voluntary on the part of the members. It should not be made as a pre requisite for joining or staying with the association to prevent the impression that it is being used for the benefit of a few key officers in the association.



**B. Recommendations for Individual Firms**

A separate set of recommendations for the industry's individual firms have been made. This will be discussed in detail in this section.

- 1. Consolidate and strengthen the Hold in the Market "Niche" for Western European and Australian/New Zealander Tourists Who are on a Budget Tour

Table 1 on page shows that 65% of the firms in the industry had Western European and Australian/New Zealander tourists had more than 40% of their foreign guests coming from the regions mentioned earlier. Pension houses and tourist inns are very popular among the members of this market segment. The concept of pension houses as an alternative type of accommodation for tourists started in European and these establishments are being promoted abroad by Western European governments. Thus tourists from Western Europe are very familiar with these types lodgings.

Members of this market segment usually travel in pairs or as individuals. Their numbers will not be enough to fill up the rooms of the bigger hotels and the rates that want are lower than the rates being charged by the hotels. This is the reason why hotels are not usually

keen in attracting this market segment. Their numbers will not be enough to fill up their rooms and the lower rates that they want cannot be offset by volume as in the case of tour groups.

This move by individual firms in the industry can be compared to a bypass attack in military parlance. We can apply military attack strategies when analysing marketing strategies if we start by assuming that a competitor controls a market territory of segment.<sup>27</sup> In this case, the bigger hotels which control the market segment for high income FIT and the tour group market is the "enemy" which is well entrenched in the above mentioned markets.

In our example, the pension house and tourist inn industry should concentrate their promotional activities to the Western European and Australian/New Zealander budget tour markets and other market segments on which the bigger hotels will not be interested.

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<sup>27</sup>William T. Gregor, Philip Kotler and Stephen K. Pinto, "Taking Military Strategies to the Marketing Battlefield," Industrial Marketing, Feb., 1982, p. 72.

Figure 1 can be used as a graphic illustration of this strategy. The high income resident Filipino/FIT market can be represented by the heavily defended segments in the figure. Each circle in the figure can be considered as equivalent to a tank or gun emplacement. The attackers, represented by a figure of a tank cannot possible take the upper segments because these are heavily defended. History has proven that attacking forces usually need a three to one advantage over the opposition to win frontal attacks. It is always best concentrate the attack on less heavily defended positions which the enemy considers as marginal or of very little importance.

Figure 1

This type of military strategy can be compared to the market strategy being proposed for the firms in the industry. The defenses in Figure 1 in the previous



page can be compared to advertising and other promotional expenses. The bigger hotels concentrate their marketing efforts on the high income resident Filipino and the high income FIT and tour group markets. The first group can afford to pay higher rates and the latter can fill up their rooms despite the lower rates. These hotels have marketing advantage over pension houses and tourist inns, they have the support of their franchisors outside the country and they have bigger advertising budgets. It would be useless for individual pensions and tourist inns to try to penetrate their target markets. The best thing that they can do under such a situation is to concentrate their marketing efforts on the market segments that the bigger hotels will not be interested in, the budget tour market.

2. Exert More Efforts to Tap the Resident Filipino Market

The individual firms in the industry should exert more effort to tap the resident Filipino market to make the industry less dependent on foreign tourist arrivals. There are two ways by which the individual firms can do this, one is to increase the number of resident Filipinos who stay at their rooms and another is to strengthen the segments of the pension or tourist inn operations which cater primarily to local residents. The firms in

the industry which have diverse sources of income such as Pension Kanumayan, Algo Inn and Swiss Inn which have restaurants, bars or discos will be in a better position to do this. These restaurants are usually patronized by resident Filipinos who are not guests of the establishments. Interviews with industry executives revealed that more than 80% of the clientele of the restaurants, bars and discos of both the pension and tourist inn industry and hotels are local residents who are not guests in these establishments.

Another way by which the firms in the industry market is to increase the number of their local guests. This can be done by giving discounts to repeat customers, specially family groups who visit Metro Manila from the provinces. Businessmen are another potential market for these firms since they usually travel to Metro Manila more often than the ordinary Filipino. Statistics from the Ministry of Tourism also show that most of domestic travel is business related.

3. Increase Linkages with the Local Economy by Utilizing More Local Products

The firms in the industry should utilize more local products in order to minimize operating costs. It

can for example, use more native decor and locally made equipment and linens. In addition to being cheaper, locally made furnishings and decor will make pensions and tourist inns look more indigenously Filipino. This would be a major selling point to the student segment of its market since many in this market are interested in the culture of the country that they visit.

This move will also reduce the foreign exchange expenditures of the industry conserving precious foreign exchange. Using more local products will strengthen the industry's linkages with the local economy. This will put it in a better bargaining position with the government in the long run.

4. Hire Qualified Potential Managers with Formal Studies in Hotel/Restaurant Management or Tourism

The firms in the industry with more than 10 rooms which have job vacancies in its supervisory or management staff can take advantage of the prevailing glut of potential managers who have finished tourist oriented courses. The salaries of these potential managers will be within the reach of the firms in the industry with more than 10 rooms. They may transfer to bigger hotels for better pay as the economy improves, however, this is



not expected to happen within the next few years, according to economic experts. Meanwhile, the professional managers can impart their skills to the industry's workforce.

The industry should be able to adapt to changes in order to survive. It should capitalize on its strengths. Only by doing this will it be able to survive in the current economic environment.

