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THE ACCOUNTING AND MARKETING INTERFACE IN HOTELS

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ABSTRACT

“Today, virtually no one in business makes a decision without acquiring information of some kind. The quality of the decision depends on the quality of the information and how it is used.” (Lewis and Chambers, 1989: 505)

This paper presents the findings of a recently completed research project, which investigates the use of accounting information in hotel marketing decisions. The accounting and marketing interface in business has attracted interest within the two professions of accounting and marketing (Meldrum et al., 1986; Trebuss, 1978; Sizer, 1989; and Ratnatunga et al., 1990) and it is an exciting area demanding research in hotels.

Calver (1994: 215) has recognized the challenging nature of the current hospitality industry and stresses the need for more accurate information to reduce the risk in decision making.

The inherent characteristics of the hotel industry are well-documented; fluctuating demand, high fixed costs, product perishability, and profit instability are managed on a daily basis by hotel operators. Therefore, there is a strong justification for hotels to adopt a market-oriented approach to operating their hotels (Lewis and Chambers, 1989).

Marketing is concerned with finding the right balance between meeting customer needs and satisfaction, and company needs for optimizing profit. This requires accounting information.

In its fundamental form, accounting can be seen as simply recording and determining the financial position of the firm on a periodic basis. Whilst this is the starting point for the use of financial information, numerous decisions are made to ensure the effective use of available resources and an appropriate return on the capital invested. To facilitate this decision making, accounting information is mainly concerned with the functions of analysis, planning and control. It is suggested that company information systems be designed to satisfy the needs of the head office, rather than the needs of managers making decisions in hotels.

Johnson and Kaplan (1987) suggest that the concentration on head office information needs results in a narrow focus on producing monthly stewardship reports, rather than information to support decision-making. Research undertaken suggests that managers in hotels devise their own supplementary information systems within the company system.

The technology now exists to implement accounting systems radically different from those being used today, but what is lacking is knowledge. The task is therefore to identify the information that managers need to support their decision making and then develop appropriate systems.
Accounting is the key provider of information within an organization, so it is surprising that evidence suggests that few firms effectively utilize such information within their marketing functions. In view of the increasing trend in business towards marketing orientation, it is perhaps time that accounting considered the needs of marketing more carefully to ensure their importance within the organization.

The focus of accounting systems has traditionally been the production of figures for the analysis and control of business activity. For instance, the extensive use of budgets and variance analysis is, arguably, at present the most commonly utilized accounting information. There must now be a move towards developing information provision that will support the planning activities of the marketing function.