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Tourism and Hospitality Marketing (Mktm 2062)

Chapter-One
Introduction to Hospitality and Tourism Marketing

Chapter Objectives

After completing this chapter, students should be able to:

- Provide proper definition of tourism and hospitality marketing

- Identify the various macro environmental forces shaping the tourism industry worldwide.

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- Understand hospitality marketing plan
- Explain the elements of hospitality marketing mix
- Identify the key operational marketing strategies used during the implementation stage

1.1. Marketing in Hospitality and Tourism

- Marketing must be understood in the sense of satisfying customer needs. If the marketer understands customer needs; develops products that provide superior customer value; and prices, distributes, and promotes them effectively, these products will sell easily.

- Marketing is the process by which companies create value for customers and build strong customer relationships in order to capture value from the customers in return.

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- In the hotel industry, marketing and sales are often thought to be the same, and no wonder: The sales department is one of the most visible in the hotel. Sales managers provide prospective clients with tours and entertain them in the hotel's food and beverage outlets. Thus the sales function is highly visible, whereas most of the non-promotional areas of the marketing function take place behind closed doors.

1.1.1. International Marketing

- International marketing is defined as 'the business activities designed to plan, price, promote and direct the flow of a company's goods and services to consumers in more than one country for profit (Cateora and Graham, 2005).

- The important difference between this definition and the one given earlier is that international marketing activities take place in more than one country. The uniqueness of foreign marketing comes from the range of unfamiliar problems and the variety of strategies necessary to cope with different levels of uncertainty encountered in foreign markets.

1.1.2. Understanding the market place and customer needs

- As a first step, marketers need to understand customer needs and wants and the marketplace within which they operate. We now examine five core customer and marketplace concepts: (1) needs, wants, and demands; (2) marketing offerings (tangible products, services, and experiences); (3) value and satisfaction; (4) exchanges and relationships and (5) markets.

Customer needs, wants and demands

- **Needs** The most basic concept underlying marketing is that of human needs. A human need is a state of felt deprivation. Included are the basic physical needs for food, clothing, warmth, and safety, as well as social needs for belonging, affection, fun, and relaxation. There are esteem needs for prestige, recognition, and fame, and individual needs for knowledge and self-expression. These needs were not invented by marketers, but they are part of the human makeup.

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- **Wants** human wants are the form human needs take as they are shaped by culture and individual personality. Wants are how people communicate their needs.

- **Demands** People have almost unlimited wants, but limited resources. They choose products that produce the most satisfaction for their money. When backed by buying power, wants become **demands**.

Market offerings: Tangible products, services and experiences

- Consumer needs and wants are fulfilled through a market offering: a product that is some combination of tangible, services, information, or experiential product components.

- We often associate the word *product* with a tangible product or one that has physical properties (e.g., the hotel room or the steak we receive in a restaurant).

- In the hospitality industry, the intangible products, including customer service and experiences, are more important than the tangible products.

Customer Value and Satisfaction

- **Customer value** is the difference between the benefits that the customer gains from owning and/or using a product and the costs of obtaining the product. Costs can be both monetary and nonmonetary. One of the biggest nonmonetary costs for hospitality customers is time.

- **Customer expectations** are based on past buying experiences, the opinions of friends, and market information. If we meet customer expectations, they are satisfied. Marketers must be careful to set the right level of expectations. If they set expectations too low, they may satisfy those who buy but fail to attract new customers. If they raise expectations too high, buyers will be disappointed.

Exchanges and Relationships

- Marketing occurs when people decide to satisfy needs and wants through exchange.

- **Exchange** is the act of obtaining a desired object from someone by offering something in return. Marketing consists of actions taken to build and maintain desirable exchange relationships with target markets.

- Beyond simply attracting new customers and creating **transactions**, the goal is to retain customers and grow their business with the company. Marketers want to build strong relationships by consistently delivering superior customer value.

Markets

- A *market* is a set of actual and potential buyers of a product. These buyers share a particular need or want that can be satisfied through exchange relationships. *Marketing* means managing markets to bring about profitable customer relationships.

1.1.3. Tourism Marketing

- Evolution of the concept of Tourism marketing can be associated with the various business and social changes which have occurred since the introduction of industrialization. Industrialization had brought about the need for holiday and travel even in its early stages as the workers felt the need for temporary rest and relaxation after long hours of work.

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- The marketing mix-the 4 Ps, target audience, segmentation, objectives and evaluations, these and other terms are all used in the process of "marketing." In tourism and tourism related industries, success means understanding this process.

- Tourism is a powerful economic force providing employment, foreign exchange, income and tax revenue.

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- The tourism market reflects the demands of consumers for a very wide range of travel and hospitality products, and it is widely claimed that this total market is now being serviced by the world's largest industry. Players in this industry are increasingly operating in a global environment, where people, places and countries are increasingly interdependent.

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- The globalization of tourism has cultural, political and economic dimensions.

- ***Cultural globalization*** is characterized by cultural homogenization as Western consumption and lifestyle patterns spread throughout the world, a process facilitated by the flow of travelers from the West to the developing world.

- ***Political globalization*** involves the undermining of the roles and importance of nation states as borders are opened up to free trade and investment.

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- Economic globalization has both positive and negative effects. On the one hand, it could be argued that a key aspect of economic globalization has been the increasing power in the hands of a small number of travel organizations, leading to oligopolistic control in the industry. On the other hand, tourism brings with it economic rewards and opportunities for host communities in particular, which benefit from foreign exchange and enhanced livelihood options.

1.1.4. Hospitality Marketing

- Hospitality marketing is unique because it deals with the tangible product, like a bed in the hotel or food in the restaurant, but it also deals with the intangible aspects of the hospitality and tourism industry. It is about the experience in a trip and social status it brings eating in a fine-dining restaurant.

- Hospitality marketing is very critical in the success of any hospitality and tourism product, organization and tourist destination.

1.2. Hospitality Marketing Mix

- This topic defines what marketing mix is and it explains the core components of the marketing mix concept in the hospitality industry.

- In essence, marketing mix is a combination of elements that require a company's attention when bringing a product or service to the market.

1.2.1. Expanding 4 Ps to 8 Ps in the Marketing Mix

- Traditionally, companies need to formulate their strategies around the following marketing mix:

1. Product mix;

2. Price mix;

3. Place mix; and

4. Promotion mix.

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- We also call these the 4Ps (the "P" refers to the first syllable of each word). Essentially, addressing the marketing mix is synonymous to making decisions about selling the right product/ service (product mix) at the right price (price mix) in the right location (place mix) using the right promotional tools and messages (promotion mix).

- These 4Ps are enough for manufacturing industries but hospitality business provides intangible products. So for this reason the 4Ps needs to extend in to 8Ps.

Traditional 4 Ps
(as prevalent in manufacturing economy)

1. Product

2. Place

3. Promotion

4. Price

+

Additional 4 Ps
(common in service economy to account for the unique service characteristics)

5. People

6. Packaging

7. Programming

8. Partnership

1.2.2. Components of the Marketing Mix (8 Ps)

- We will discuss each of the 8 Ps in the marketing mix in the following section. We will spend more spaces to examine the first P, Product because this is the most important element in the mix: you will need a product or service that fills the needs and wants of the consumers. Without it, the rest of the marketing mix would not be able to carry their functions effectively.

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First P: Product

- In the manufacturing industry, once a product is made in the factory and shipped to the retail shop, there is always not much of contact between the customers and the manufacturer after that. However, in the hospitality industry, it is not so clear cut. We involve customers in the process of service delivery and sales transaction.

- For instance, we make the food when the customers waiting in line at the McDonald's ring up the sales and they take away their food to find seats.

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Second P: Place

- After the Product, Place is another important aspect in the marketing distribution channel. Once a product is made and is available for sale to consumers, 'where to sell' becomes a critical decision.

- Imagine this: You may have the best product in the world, but nobody can access to the remote Place where the product is sold, you still would not have any transaction. Thus, Place is where an organization selects to place its product and service so that its target consumers can easily get hold of it.

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- In the hospitality and tourism industries, one would often hear the expression of "location, location, location" which is critical to the business's success.

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Third P: Promotion

- Now that we have the product that the consumers want and good location to sell it, we need to consider the third P in the Marketing Mix: Promotion.

- A company has a good product is not enough; it will not generate any sales unless the consumers are aware of the product's existence and also can access to the product. This is where Promotion comes to play its part. Promotion helps to get the message of the product out so consumers are aware of it and want to purchase it.

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Fourth P: Price

- Price is the monetary value that you charge to cover the cost of the product plus the other costs associated with the product, such as labor cost, promotional cost, etc., plus a profit.

- The decision on pricing would make or break your business. Consider this: If your price cannot even cover the cost to produce it, you will operate in a loss and eventually go out of business. On the other hand, if the price you charge is so high that it may drive you out of the market.

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- Price also conveys the message to the consumers that indicates the price-quality relationship: The higher the price, the better the quality. You also pay for the brand name rather than just the product itself.

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Fifth P: People

- We all know that hospitality industry is a people business, where service is provided by employees within the organization to their customers. People in the hospitality marketing mix means employees as well as customers.

- In the hospitality and tourism sectors, employees must do two things:

1. Provide good product to customers such as: meal, room, airline seat, holiday package, rental car and etc.

2. Provide good service of a standardized service quality.

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- The quality of the product is very important but the quality of service is equally important. For 5-star hotels, Grand Hyatt Hotel and InterContinental Hotel may have similar hardware in terms of facilities (fancy lobby and elegant ballroom, swimming pool and spa, diverse food outlets, etc.), however, what makes it different between the two hotels may lie in the personalized service that its people deliver.

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Sixth P: Packaging

- Packaging "epitomizes a marketing orientation. It results from finding out what people need and want and then assembling various services and facilities to match these needs. It is the combination of related and complementary hospitality service into a single-price offering" (Morrison, 2002,).

- For service industry like hospitality and tourism, where we offer products that are largely intangible, packaging is also seen as overall presentation.

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- We need tangible items to give consumers a sense of the quality for the intangible service that we offer. In other words, tangiblize the intangible, so to speak. Travelers equate the sharp and neatly pressed uniform that flight attendants wear and their smile the feeling of a pleasant journey.

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Seventh P: Programming

- Programming deals with the development of special function activities, events, or programs that stimulates customer spending or give added value to a package or other hospitality service as an incentive.

- If Packaging entices a tourist to visit a destination, then Programming provides him a pleasant experience and makes him wants to stay longer or even return for the second time.

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Eighth P: Partnership

- Partnership is cooperative promotions and marketing efforts by two or more hospitality companies to enhance sales of their products. Again, this is important in the service industry because of the mostly intangible nature of its businesses.

- By partnership with other tangible products or with companies with proven reputation of good quality, it would reduce the perceived uncertainty by customers and they would be more willing to try your offering. Often times, it is one company forms a closer relationship with its operator-customer, in order to increase the profit and awareness.

1.2.3. The Importance of the Hospitality Marketing Mix

- Many hospitality operations fail because they are not able to combine the elements of the marketing mix into effective marketing programs, or they fail to implement them properly.

- So in conclusion, all these components for the hospitality marketing mix are very important. *They can either make or break you!*

1.3. Implementing the Marketing Approach

- After undertaking the situational analysis and identifying potential opportunities, threats, strengths, and weaknesses, operational strategies are used by marketing managers to implement actions that will move an organization from its current position to where it wants to be.

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- The key operational marketing strategies used during the implementation stage include:
- ➢ Target market strategy
- ➢ Product strategy
- ➢ Competitive strategy
- ➢ Market strategy
- ➢ Positioning strategy.
- The principles of sustainable tourism can be incorporated into each of these strategies in order to influence consumer behavior to being more sustainable.

1.3.1. Target Market Strategy

- Effective forms of visitor management commence by targeting appropriate and desirable market segments that exhibit characteristics compatible with the goals of sustainable tourism.

1.3.2. Product Strategy

- The essence of marketing is to design a product to fit the market. A product strategy is "concerned with the offering of different products and services to satisfy market needs" (Lewis et al. 1995).

- Research suggests that there is a growing demand for quality tourism products that are sensitive to their surrounding cultural and physical environments. Therefore, product strategies should be directed at developing more sustainable tourism products that cater for this demand.

1.3.3. Competitive Strategy

- In developing a competitive strategy the firm chooses its competition including when and where it will compete.

- Based on objective situational analysis of where it is now, where it wants to be and how it can get there. In order to succeed, it is important to find a market where there is clear advantage and matching the product strengths with the chosen market (Lewis et al. 1995).

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- Porter (1980) suggested that firms compete using one of three generic strategies: cost leadership, differentiation, and focus or niche marketing.

- **Cost leadership** is a strategy commonly used by tourism firms aimed at reducing operating costs and in turn product prices in an attempt to increase the volume of tourist visitation.

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- **Differentiation** means differentiating a product or service from those of other firms in the entire potential market (Lewis et al. 1995). If a business can distinguish its product or service from that of its competitors, then it is assumed that the customer will perceive greater utility, better price/value, or better problem solution in the firm's product, and this will result in increased demand for the product.

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- **Focus/niche marketing** This strategy involves a business seeking out a unique market niche so as to avoid confrontation with other large competitors. Here the firm dedicates itself to serving one tourist market or focusing on one specific tourist activity so as to reduce the amount of overall direct competition.

1.3.4. Market Strategy

- Market strategy is concerned with reaching the market with the product. This can be done by taking the product to the market or by getting the market to the product.

- A market strategy is important because if a business cannot reach the desired market then even the best product and most well-defined strategy will fail.

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Taking the product to the market

- Incorporating sustainable tourism principles into this strategy would involve using the distribution system to take the sustainable tourism product to the market.

- Once appropriate markets have been identified, this strategy involves making the new more sustainable tourism products more accessible for these markets and, as such, location is an important factor here.

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Getting the market to the product

- This strategy involves marketers choosing appropriate tools from the promotional mix to reach potential tourist markets with relevant images, messages and information about sustainable tourism product alternatives.

- Increasingly this will involve taking advantage of new technologies such as the Internet, to increase the awareness of potential tourists of new sustainable tourism products, allowing them to make online reservations, and to disseminate pre-trip information aimed at educating potential tourists about the benefits of choosing a more sustainable tourism product.

1.3.5. Positioning Strategy

- Positioning is the act of designing the company's offer and image so that it occupies a distinct and valued place in the target customer's minds.

- It involves the company deciding how many differences and which differences to promote to the target customers.

End of chapter-One

Chapter Two
Hospitality and Tourism Service Systems

Chapter Objectives

After completing this chapter students should be able to:

- Define service culture
- Tell apart different characteristics of services
- List out challenges of service characteristics in tourism and hospitality marketing

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- Set out many solutions on how to reduce the effect of service characteristics on tourism and hospitality marketing

- Explain different managing strategies for service firms

- Distinguish the difference between the two most important models in managing service businesses

- Identify key players in a global tourism industry

2.1 Definition of Service

- In economics, a service is an intangible commodity. That is, services are an example of intangible economic goods. Service provision is often an economic activity where the buyer does not generally, except by exclusive contract, obtain exclusive ownership of the thing purchased.

2.2. Service Culture

- One of the most important tasks of a hospitality business is to develop the service side of the business, specifically, a strong service culture.

- Service culture is a system of values and beliefs in an organization that reinforces the idea that providing the customer with quality service is the principal concern of the business.

- The service culture focuses on serving and satisfying the customer. It has to start with top management and flow down.

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- A service culture empowers employees to solve customer problems. It is supported by a reward system based on customer satisfaction.

- The service culture is different for each organization. No two or more organizations operate in the same manner, have the same focus, or provide management that accomplishes the same results.

2.3 Characteristics of Service Marketing

- The tourism and hospitality sector incorporates both goods and services. Goods are easier to measure, test, and evaluate, while services provide a greater challenge.

- Service products are commonly distinguished from goods products by the four unique characteristics. Thus, service marketers must be concerned with the four characteristics of services: *intangibility, inseparability, variability, and perish ability*

I. Intangibility

- Unlike physical products, intangible products cannot be seen, tasted, felt, heard, or smelled before they are purchased.

- Hospitality and travel industry products are experiential only, and we do not know the quality of the product until after we have experienced it. A restaurant customer will not know how good the meal is until after he or she has consumed it.

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- Guests will not know the service they will receive until after they receive it, service marketers should take steps to provide their prospective customers with evidence that will help them evaluate the service.

- This process is called providing tangible evidence. Promotional material, employees' appearance, and the service firm's physical environment all help tangibilize service.

- Hospitality companies today include virtual tours and pictures on their Web site. They also take advantage of Facebook, Instagram, and other social media to share photos and videos.

II. Inseparability

- Physical goods are produced, then stored, later sold, and still later consumed. In contrast, hospitality products are first sold and then produced and consumed at the same time.

- In most hospitality services, both the service provider and the customer must be present for the transaction to occur. Inseparability means both the employee and the customer are often part of the product. The food in a restaurant may be outstanding, but if the employee serving the food to the customer has a poor attitude or provides inattentive service, customers will not be satisfied with their experience.

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- In most hospitality services, both the service provider and the customer must be present for the transaction to occur.

- ❖Customer-contact employees are part of the product.

- ❖Inseparability also implies that customers are also part of the product.

III. Service variability

- Services are highly variable. Their quality depends on who provides them and when and where they are provided. There are several causes of service variability. Services are produced and consumed simultaneously, which limits quality control.

- When variability is absent, we have consistency, which is one of the key factors in the success of a service business. Consistency means that customers receive the expected product without unwanted surprises.

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- There are several causes for service variability

➢ Services are produced and consumed simultaneously, which limits quality control. For example; take travel agents; they deliver the service simultaneously with their time of consumption. Another example is you can take hair cut service.

➢ Fluctuating demand makes it difficult to deliver consistent products during periods of peak demand. E.g. tour services at the time of special holiday in the tourist center where there are large number of tourists enter to the place at the same time. At this time tour guides may not provide quality services because the existing crowd.

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- It depends on the services provider's skill/experience.

- Time/length of service/tiredness. Sometime service personnel may become very tired at this time they may not delivery quality services which increases service variability.

- Lack of communication. Heterogeneity of guest's expectation.

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Here are three steps hospitality firms can take to reduce variability and create consistency:

1. Invest in good hiring and training procedures.
2. Standardize the service-performance process throughout the organization
3. Monitor customer satisfaction.

IV. Perishability

- Services cannot be stored. A 100-room hotel that sells only 60 rooms on a particular night cannot inventory the 40 unused rooms and then sell 140 rooms the next night. Revenue lost from not selling those 40 rooms is gone forever.

- Because of service perishability, airlines and some hotels charge guests holding guaranteed reservations when they fail to arrive.

2.4. Management Strategies for Service Business

- Just like manufacturing businesses, good service firm's use marketing to position themselves strongly in chosen target markets. For example firms may bring their customers need at the first place and then think about the payment, or they may use words such as pay less and expect more.

- The other example is taking a Tour guide, if they work more than what their customers expect and treat their customers according to their needs and wants, they can secure their business.

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- However, because services differ from tangible products, they often require additional marketing approaches to manage their profitability as well as their quality. These strategies include:

I. The service profit chain

- In a service business, the customer and the frontline service employee *interact* to create the service. Effective interaction, in turn, depends on the skills of frontline service employees and on the support processes backing these employees.

- Thus, successful service companies focus their attention on *both* their customers and their employees. They understand the **service profit chain**, which links service firm profits with employee and customer satisfaction.

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- This chain consists of five links;

➢ *Internal service quality:* Superior employee selection and training, a quality work environment and strong support for those dealing with customers, which results in the provision of quality services.

➢ *Satisfied and productive service employees:* Having more satisfied, loyal and hardworking employees.

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➢ *Greater service value:* More effective and efficient customer value creation and service delivery.

➢ *Satisfied and loyal customers:* satisfied customers who remain loyal, repeat purchase, and refer other customers.

➢ *Healthy service profits and growth:* Superior service firm performance.

A. Managing service Differentiation

- Service marketers often complain about the difficulty of differentiating their services from those of competitors. To the extent that customers view the services of different providers as similar, they care less about the provider than the price.

- The solution to price competition is to develop a differentiated offering, rather than starting a price war. Competing by reducing price results leads to lowering expenses to offset the price reduction.
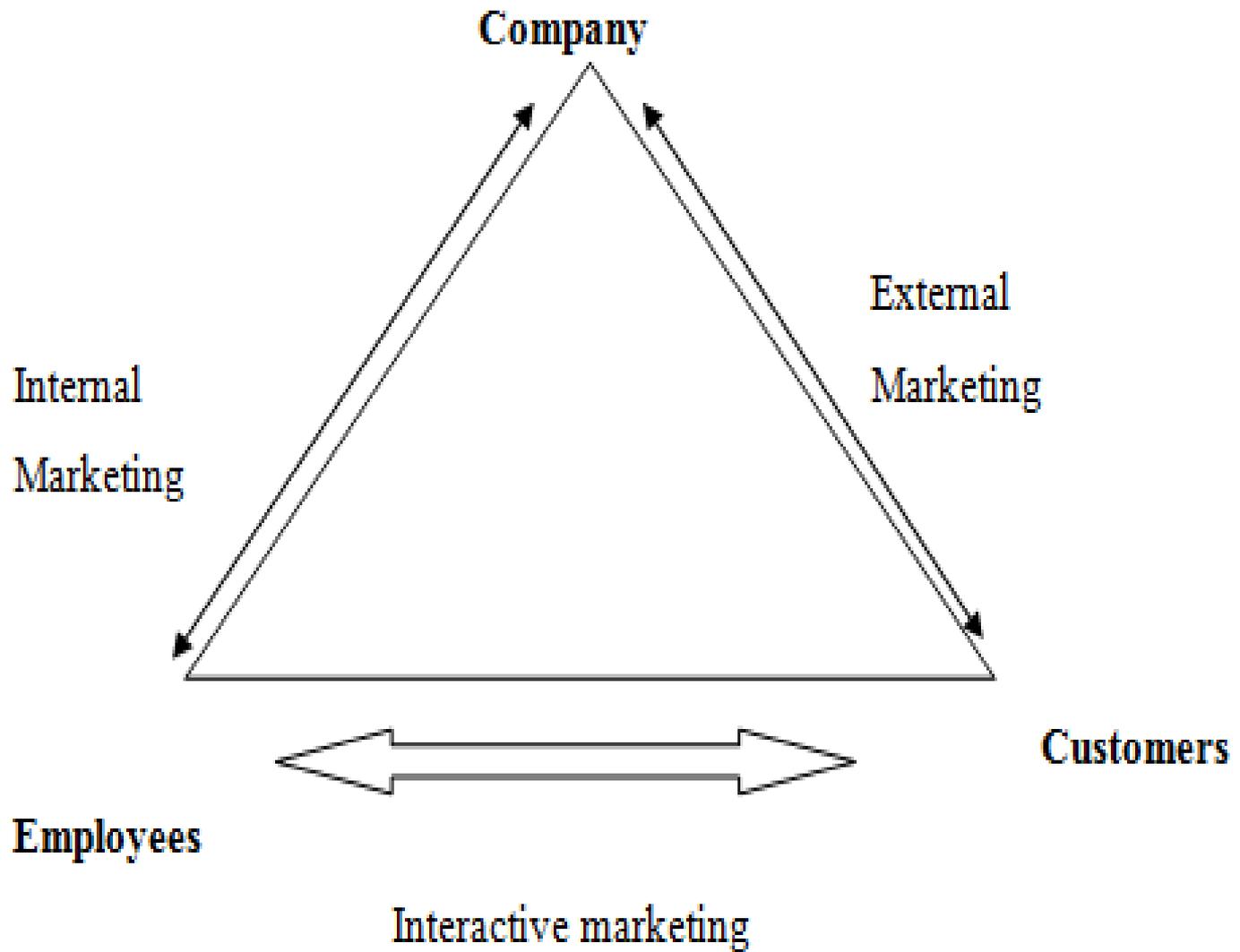
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- Service companies can differentiate their service delivery in three ways: through people, physical environment, and process.

- The company can distinguish itself by having more able and reliable customer-contact people than its competitors, or it can develop a superior physical environment in which the service product is delivered. It can design a superior delivery process.

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- In order to differentiate their offer firms will use the following strategies:
  I. Managing quality
  II. Managing Service Productivity
  III. Managing employees
  IV. Resolving Customer Complaints
  V. Managing Perceived Risk
  VI. Managing capacity and demand

II. The services marketing triangle

- The services marketing triangle shows the three interlinked groups that work together to develop, promote, and deliver services.

- The key players – the company, the customers, and the providers – are labeled on the points of the triangle. Between these three points there are three types of marketing that must be successfully carried out for a service to succeed: external, interactive, and internal marketing.

- For all services, especially for tourism and hospitality services, all three types of marketing activities are essential for building and maintaining relationships.

Company

Internal
Marketing

External
Marketing

Employees

Customers

Interactive marketing

Cont'd……..

Internal marketing: means that the service firm must orient and motivate its customer-contact employees and supporting service people to work as a term to provide customer satisfaction.

- It takes place through the enabling of promises. Promises are easy to make, but unless providers are recruited, trained, provided with tools and appropriate internal systems, and rewarded for good service, the promises may not be kept.

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Interactive marketing: is when service quality depends heavily on the quality of the buyer-seller interaction during the service encounter. Where as in product marketing, product quality often depends little on how the product is obtained.

- But in service marketing, quality depends on both the service deliverer and the quality of the service delivery. Interactive marketing occurs in the 'moment of truth' when the customer interacts with the organization and the service is produced and consumed.

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External marketing (making promises): through its external marketing efforts, a company makes promises to its customers regarding what they can expect and how it will be delivered.

- In a traditional marketing, activities such as advertising, sales promotion, special promotion, and pricing facilitate this type of marketing. However, for services other factors communicate the promise to customers. The service employees, the design and decor of the facility, and the service process itself also communicate and help to set customer expectations.

III. Service marketing mix

- The third most important model is the services marketing mix. It is the other way to begin addressing the challenges of services marketing by think creatively about the services marketing mix, through an expanded marketing mix for services.

- In addition to the traditional four Ps, the services marketing mix includes people, physical evidence, and process.

End of chapter-Two

Chapter Three
Understanding Hospitality and Tourism Marketing

Chapter Objectives

After completing this chapter, students should be able to:

- Understand the importance of consumer behavior within tourism marketing.
- Identify major factors influencing consumer behavior
- Understand the basic steps involved in the consumer buying process
- Identify the factors influencing corporate buyer behavior
- Understand the behavior of business travelers

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- Explain how business buyers make their buying decisions
- Explain the buying process of business markets
- Understand some of the trends in consumer behavior influencing tourism marketing today.
- Appreciate the effects of information technology on tourism
- understand the most significant information communication technologies
- (ICTs) in tourism
- Explain what is meant by marketing research
- Identify the key stages in the marketing research process
- Understand how marketing research can be used for effective decision-making in the tourism industry.

3.1. Individual Guest Behavior

- The cornerstone of marketing theory is the satisfaction of the consumer. Therefore, the marketer needs to understand three related aspects of consumer behavior analysis: consumer motivations, consumer typologies, and the consumer purchasing process.

- Consumer behavior analysis: the study of why people buy the products they do and how they make decisions.

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- Most tourism and hospitality organizations have an imperfect picture of their customer, and few monitor patterns of consumer behavior at a level of detail necessary to remain competitive.

3.1.1. Factors influencing consumer behavior

- Motivation is often seen as a major determinant of consumer behavior, but cultural, personal, and social influences will also have an important effect on consumer purchases.

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I. Motivations

- Motivations are inner drives that cause people to take action to satisfy their needs. Understanding consumer motivation is one of the most effective ways of gaining competitive differential advantage.

- Understanding the key triggers that lead to the purchase of a tourism or hospitality product, such as a visit to an attraction or a hotel booking, is recognized as one of the main factors in the success of competitive organizations.

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- Central to most content theories of motivation is the concept of need. Needs are seen as the forces that arouse motivated behavior, and it is assumed that, to understand human motivation, it is necessary to discover what needs people have and how they can be fulfilled.

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- Other factors influencing motivation and purchase include learning, beliefs and attitudes, and perception.

- **Learning** refers to the way in which visitors receive and interpret a variety of stimuli. People gain experience through taking holidays, by listening to others, and from a variety of other sources.

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- From these experiences a consumer will develop a mental inventory of expectations about places – a catalogue of good and bad holiday experiences.

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- **Beliefs** refer to the thoughts that people have about most aspects of their life. As far as tourism is concerned, consumers will have beliefs about companies, products, and services, including tourism offerings and destinations. Such thoughts can be positive, such as trust or confidence in a certain hotel or tour guide, or negative, such as a feeling about lack of security on airlines, or fear of injury on the ski slopes.

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- **Attitudes** are more difficult to change, as they are ingrained feelings about various factors of an experience. Many people have a negative attitude towards flying, so airlines are attempting to convert non-flyers into flyers by holding special flying educational days to combat their fear.

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- Finally, **perception** is an overall mind-picture of the world, shaped by information that people filter and then retrieve. Thus, perception is inextricably bound to the concepts of bias and distortion.

- People choose to interpret different stimuli in different ways, ignoring some factors while enhancing others. This is known as selective perception. People often perceive tourism offerings in a way that compliments their self-image. In this way tourism products are viewed as bundles of benefits that are personal to the consumer.

II. Culture

- The second key factor that influences a consumer's behavior is culture. Culture can be defined as the norms, beliefs and rituals that are unique to each person.

- These different factors influence how we live, communicate, and think about certain things; culture can also dictate how a person will act in a certain situation.

III. Age and Gender

- A traditional way of segmenting markets has been by age. For example, many travel suppliers are today targeting the growing senior market. This market is both lucrative and unique because it is less tied to seasonal travel, involves longer trips, and is not wedded to midweek or weekend travel, so it can boost occupancy rates for business and leisure travel operators.

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- In some societies gender can influence consumer behavior in terms of the roles men and women are expected to play.

- Gender segmentation has long been used in marketing clothing, hairdressing, cosmetics, and magazines. But more recently it has been applied to tourism and hospitality products and services.

IV. Social Class

- Social class is still considered to be one of the most important external factors influencing consumer behavior. Social class is the position one occupies within society, and it is determined by such factors as income, wealth, education, occupation, family prestige, value of home and neighborhood.

- Social class is closely linked to the existence of social institutions. The role and status positions found within a society are influenced by the dictates of social institutions.

V. Lifestyle

- Marketers are increasingly segmenting their markets by consumer lifestyles. Lifestyle analysis examines the way people allocate time, energy and money.

- People coming from the same subculture, social class, and occupation may have quite different lifestyles.

- Lifestyle is a person's pattern of living as expressed in his or her psychographics.

VI. Life Cycle

- The concept of the family life cycle – the stages through which families might pass as they mature is based on the premise that when people live together, their way of life changes.

- Single people are likely to behave differently from couples, and if couples subsequently have children, their lifestyle changes more radically, as do their levels of financial and other commitment.

VII. Reference Groups

- Learning also takes place through sharing values and expectations with others in a variety of social reference groups, including the family, college, workplace or church. This brings exposure to a normative set of values, i.e., those that set a tone as to how we should behave morally in society.

- For example, experienced travelers, who have been exposed to other cultures and to people who are less fortunate than they, are influencing the new trend of volunteer tourism.

3.1.2 The consumer buying process

- Before discussing the buying process, it is important to recognize that various buying situations will have an influence on this process.

- First of all, consumers are likely to display various levels of commitment, depending on the nature of the purchase. It has been suggested that there are three such levels:

Cont'd……..

1. Extended problem solving: In this situation, such as the decision to take a long-haul holiday, the consumer is likely to have a deep level of commitment, to make detailed search for information, and to make an extensive comparison of the alternatives.

2. Limited problem solving: In this situation, the consumer will have some degree of knowledge or experience already, but many factors will be taken for granted and the information search will be far more limited. A second holiday at a favorite skiing destination may be purchased in this way.

Cont'd……..

3. Habitual problem solving: This is a repeat purchase of a tried and tested short break or day excursion, which requires little or no evaluation. The purchase is made primarily on the basis of a previous satisfactory experience and a good understanding of the destination or brand name of the tourism or hospitality offering.

Cont'd……..

- The consumer buying process for tourism is often regarded as similar to that for other products and services. The assumption is that a consumer moves through a number of stages leading up to a purchase.

Cont'd……..

1. Problem recognition – The buying process begins with the buyer recognizes a problem or a need. Although the buyer's need is sometimes triggered by internal stimuli (ex. you feel hungry now and need to eat), it can also be triggered externally; for instance, a television advertisement on Jerusalem may trigger your need for a vacation.

• At this stage, hospitality marketers must identify such factors that trigger consumers' problem recognition and deliberately relate their products and services as the best solutions for their customers.

Cont'd……..

2. Information search – At this stage, the buyer seeks information about the hospitality products and services. Let's continue with our previous example on the buyer's need for vacation. The buyer now may visit different travel agencies for information on packages to Jerusalem before making his/her final decision.

- At the same time, the buyer may also talk to friends and family who have been to Jerusalem for more information.

Cont'd……..

3. Evaluation of alternatives – The buyer is now ready to compare information gathered about the hospitality products and services, in our example, the buyer will evaluate the different travel packages to Jerusalem.

- There is no single process that can be used to explain how the buyer chooses among the alternatives.

Cont'd……..

4. Purchase decision – The buyer is now ready to commit to the alternative selected in the prior stage. However, hospitality marketers should note that unexpected situations may still occur at this stage that lead to changes in consumers' final purchase decisions.

- For instance, the buyer's choice on the travel package to Jerusalem may change because of an unexpected car repair expense for the month.

Cont'd……..

5. Post-purchase behavior – Following a purchase, the buyer may (may not) repurchase from the same travel agency for his/her next vacation trip based on his/her previous experience with the company.

• Hospitality marketers need to identify customers' post purchase behaviors in order to take necessary actions.

3.2. Corporate Buyer Behavior

- Business market refers to organizations or buyers that purchase hospitality services for business purposes.

- Group market purchases hospitality services for different reasons such as for conventions, expositions, meetings, training, rewarding employees for their excellent work performance, or any other purposes pertaining to social, educational, and religious functions.

3.2.1. Factors Influencing Corporate Buyer

- Similar to the consumer market, organizational buyers also tend to be influenced by many factors, and these are:

- **Economic environmental factors** – For instance, companies are not likely to give incentive trips to their employees during economic downturn period because of poor businesses.

Cont'd……..

- **Organizational factors** – The different organizational objectives, policies, procedures, buying systems and so forth are likely to influence organizational purchase decisions for hospitality services. For instance, a company may only allow their employees at the upper management level to stay at a 5-star hotel.

Cont'd……..

- **Interpersonal factors** – Because a business purchase usually involves more participants in the buying process, it is important for hospitality marketers to understand the group dynamics. For instance, the person contacted the hotel may not have authority to make the final purchase decision.

- **Individual factors** – Participants in the business buying process may differ in terms of their buying motivations, preferences, and perceptions. Each participant's personal factors such as age, education, personality, attitudes towards risks etc. are likely to influence the buying process.

3.2.2. Decision Making for Organizations

- Tourism marketers need to understand both the decision criteria used and the decision making process undergone by groups and organizations in buying tourism services.

- The process is likely to be quite different for group buyers, and there can be many individuals or groups involved in making decisions for the conference market.

Cont'd……..

- These include the users, influencers, deciders and buyers. It has been argued that in order to close a sale within a business-to-business market, the supplier has to identify and satisfy all stakeholders in the decision-making unit.

3.2.3. Buying Process of the Business Market

- As compared to the consumer market, the buying process of the business market tends to be more formalized and complex since it involves more participants. Keep in mind that the final users of the hospitality products and services may not be the same persons who have the authority to select the hospitality organizations and arrange the terms of purchase, or have the final say on the purchases.

- Therefore, it is important for hospitality marketers specializing on group businesses to understand who these participants are and their specific roles in the buying process.

Cont'd……..

Stage	Scenario
Problem recognition	A new product line creates the need for a series of training for the company's sales people.
General need description & product specification	Buyer identifies what the company requires in order to have a successful training program conducted in a hotel (e.g. food and beverage services, meeting spaces, audio-visual equipment, sleeping room requirements, etc.). Once the general requirements are determined, organizational buyer will proceed to outline the specific requirements for each item (this is called product specification). For example, in terms of meeting space, the buyer further specifies the need for a space that could accommodate 25 people, with a classroom style set up, two separate break-up rooms, etc.
Supplier selection & proposal solicitation	Buyer looks for potential hotels to hold the training program through various sources such as the trade directories, internet search, advertising materials, calling the local hotel sales people, etc.. Then, a short list of hotels is invited to submit proposals to the buyer.

Cont'd……..

Supplier selection	Buyer evaluates proposals to identify the most appropriate hotels and negotiates for better prices and terms.
Order-routine specification	Buyer finalizes the product specification with the hotel and the hotel offers the buyer a formal contract.
Performance review	Buyer conducts post-purchase evaluation of the hotel's products and services to see if everything meets the buyer's specifications. Repeat purchases are likely only if the evaluation is positive.

3.3. Information Systems and Marketing Research

3.3.1. Information Systems

3.3.1.1. ICTs and tourism dynamic interaction

- Information technology has revolutionized both the global economy and tourism management.

- Information Technology (IT) is one of the external environment elements for tourism, travel and hospitality, although in recent years technological developments have supported tourism innovation and vice versa.

Cont'd……..

- ICTs have become an imperative partner and they increasingly offer the interface between consumers and suppliers globally. Tourism and technology therefore go hand in hand together. The tourism system is inevitably influenced by the new business environment created by the diffusion of ICTs.

3.3.1.2. Information communication technologies used in tourism businesses

- The tourism industry uses the full range of ICTs to facilitate its operations and management and to facilitate the value system (Werthner and Klein, 1999).

- These include a combination of:

■ Hardware;

■ Software and computer applications;

■ Communications (including telecommunications) and networking

3.3.2. Marketing Research

- Research should form the basis of an ongoing system for gathering data about a company, its products and its markets. Often, managers, in the course of their everyday duties, gather intelligence informally and subconsciously by observing, listening to discussions, talking to colleagues in the industry, and reading trade journals and papers.

- Valuable as this process is, it should be supported by more formal procedures carried out in a systematic and scientific manner.

3.3.2.1. Applied research in tourism and hospitality

- Most marketing research is classified as applied research, which is undertaken to answer specific questions. It differs from pure research (done by scientists at universities or by government authorities), which is aimed at the discovery of new information.

Cont'd……..

- Applied research in tourism and hospitality can be grouped into eight categories: research on consumers; research on products and services; research on pricing; research on place and distribution; research on promotion; research on competition; research on the operating environment; and research on a destination.

3.3.2.2. Stages in the research process

- In undertaking research, there are a number of steps that should be followed, as described in the following:

1. Identifying and defining the problem

- Before beginning the task of gathering information, it is first necessary to identify the problem for which research is required.

- This step is crucial to ensure that any information collected is relevant. As well as formulating an aim, specific research questions (objectives) should be stipulated at the outset. These objectives will determine the type of information required.

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2. Investigating available sources

- There is little point in embarking upon a research program involving the collection of primary data if that information is already available.

- Seeking out available information involves a search of internal data generated and recorded by the organization as well as an examination of secondary sources.

- Such information should then be assessed to establish the extent to which the research questions can be tackled using this information alone.

Cont'd……..

3. Developing the research plan

- Specific information should be determined from the research objectives. Research objectives must be translated into specific information needs.

- Two types of data may be used to meet the manager's information needs: secondary data, consisting of information that already exists somewhere, having been collected for another purpose, and primary data, consisting of information collected for the specific purpose at hand.

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4. Data collection

- Upon development of a research plan, data should be collected using the method(s) selected.

- The data collection phase of the marketing research process is generally the most expensive and the one most frequently subject to error. Great care should be taken to avoid bias, which, if introduced, could render results meaningless. This is a particular problem associated with interview and observation methods.

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5. Data analysis

- The collected data must be processed and analyzed to extract important information and findings. The methods used and the type of information collected will determine the analysis needed.

- Raw data taken from questionnaires, in-depth interviews, checklists, etc. need to be recorded, analyzed, and interpreted.

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6. Presenting research results

- Information needs to be tabulated and interpreted, so that recommendations can be made regarding an appropriate course of action.

- This will almost certainly involve the presentation of a report that summarizes the results of the research, which enables the management of the organization to make decisions based on the newly acquired information.

3.3.2.3. Research methodology

- The increased importance of tourism management decision-making has caused more attention to be focused on the theories and methodologies of the tourism research process.

- The current theme has emerged in travel research literature concerning the appropriateness of specific types of tourism research and certain methodological applications.

Cont'd……..

- There are several approaches to collecting data, but two key decisions that have to be made are as follows:

1. **Primary versus secondary data**: In planning a research project, it is sensible to consider whether it is worth going to the expense of collecting new information (primary data, where the researcher is the primary user) or whether existing data (secondary data, where the researcher is the secondary user) will be sufficient. In practice, it may be necessary to collect both types of information.

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2. Qualitative versus quantitative research: Qualitative research methods and techniques give rise to qualitative (subjective) information, whereas quantitative research is research to which numerical (empirical) estimates can be attached.

3.3.2.4 Sampling

- Because of the expenses associated with research, marketing managers often find themselves grappling with the question of how many people must be surveyed in order to obtain accurate responses.

- The sample selection process is as follows:

1. Defining the population: The first stage in the sampling process is specification of the target population.

Cont'd……..

2. Specifying the sample frame: This is a specification of the listing, directory, or roster from which the sample will be chosen.

3. Selecting the sampling method: The researcher has to decide whether a probability or non-probability approach will be applied to draw the sample, and exactly how the sample members will be selected. There is a wide range of both probability and non-probability sampling methods.

Cont'd……..

4. Determining sample size: The selection of sample size has received considerable attention from critics of tourism research. Large-scale data collection is very costly, and quite often not needed.

5. Drawing the sample and collecting the data: The final stage in the sampling process is the implementation stage, in which the sample is chosen and surveyed.

3.3.2.5 Effective use of marketing research in decision-making

- There is little doubt that in an industry as dynamic and expansive as tourism, research must play a critical role in its development.

- Research is never an exact science, but it can reduce the margins of error to the subject.

Cont'd……..

- Above all, the success of research will be contingent on three conditions:

1. Sufficient resources must be allocated to do the job properly, both in terms of time and money;

2. Managers must be willing to believe the results of the research when they become available, even if they conflict with the management's own preconceived views;

3. The results should be used. All too frequently, research is commissioned in order to avoid making an immediate decision. Expensively commissioned research is then left to gather

End of chapter-Three

Chapter Four
Strategic Hospitality and Tourism Activities

Chapter Objectives

After completing this chapter, students should be able to:

- Discuss the concept of Marketing Plan;
- Why marketing plan is important;
- Identify the different aspects that are typically found in a Marketing Plan;

Cont'd……..

- How marketing planning is conducted in various sectors of the tourism industry;

- Understand the importance ethics, Law and Government in hospitality marketing

- Defining the term Entrepreneurship, creativity, and innovation in tourism and hospitality marketing

4.1. Marketing Planning

- Marketing plan is the action plan that outlines the various steps involved to meet the predetermined objectives. Objectives are established for each key result area and then a strategy or tactic is developed as an action plan for how to meet the objective.

- In other words Marketing plan is a road map that the Marketing department of a company developed to bring the product and services it wants to the market.

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- As the term *marketing plan* is widely used to mean a short-term plan for two years or less, this chapter is devoted to the development of such plans.

- *A strategic marketing plan,* on the other hand, is different, as it covers three or more years.

4.1.1. Analyzing Marketing Opportunities & Challenges: The Macro - Environment

- All hospitality organizations operate in a macro-environment that is constantly changing, and such changes often give rise to opportunities for marketers to do business or pose threats to the companies. Thus, before companies consider their marketing strategies, close monitoring of such environmental changes is essential.

- To achieve this end, hospitality marketers must study and monitor six major forces (demographic, economic, political/legal, social/cultural, technological and natural/ecological.

4.1.2 Analyzing the Markets- Consumer vs. Business Markets

- Because the aim of marketing is to anticipate, meet and satisfy customers' needs and wants, it is essential for hospitality marketers to understand who these customers are and their buying behaviors.

- In general, customers can be divided into two broad categories:

1) Consumer market and

2) Business market.

Cont'd……..

Consumer Market

- Consumer market refers to customers who buy hospitality services for personal consumption; they are the end users of the services.

- For instance, customers who dine at a nice restaurant to celebrate their friend's birthday, customers who buy air tickets to for leisure, or customers who purchase a three-night stay in a hotel with their families are all considered the consumer market.

Cont'd……..

Business Market

- Business market refers to organizations or buyers that purchase hospitality services for business purposes. Within the business market, group business is especially important to the hospitality industry because of its volume of business.

- Again, group market purchases hospitality services for different reasons such as for conventions, expositions, meetings, training, rewarding employees for their excellent work performance, or any other purposes pertaining to social, educational, and religious functions.

4.1.3. The Marketing Planning Process

- A systematic marketing planning process consists of eight logical steps, as described in the following:

Stage-1: the Corporate Connection

Stage-2: Analysis and Forecasting

Stages-3: Setting Marketing Goals and Objectives

Stage-4: Marketing Strategy: Targeting and Positioning

Cont'd……..

Stage-5: Tactics and Action Plans

Stage-6: Resource Requirements

Stage-7: Marketing Control

Stage-8: Communicating the Plan

4.2. Segmentation, Targeting, and positioning

4.2.1. Segmentation

Needs for segmentation

- The market for any product or service is too diverse in terms of buying, geography and wants. Any attempt to serve the entire gamut of customers will spread the organizational resources too less, thereby, satisfying none of the customers.

Cont'd……..

- Therefore market segmentation is an effort to increase the organizations precision marketing. It helps marketers to understand the customers and meet the needs and wants of the chosen segment.

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Market segmentation procedure

Market segmentation is a three-step procedure:

- Survey
- Analysis
- profiling

4.2.2. Targeting

- The next step is to look at the different segments and see which customer groups are best (most profitable) to target as guests. The selected groups are called *target markets*.

4.2.3. Positioning

- Once the market has been segmented and a target market identified, the next step in the marketing plan is positioning. ***Positioning*** is a communications strategy that is a natural follow-through from market segmentation and target marketing.

Cont'd……..

- Market positioning is ultimately how the consumer perceives the product or service in a given market, and is used to achieve a sustainable advantage over competitors. Or in a simplest term it is establishing an image for a product or service in relation to others in the marketplace.

Cont'd……..

- In general, this step determines and influences the target guests' perceptions of the product or service marketed. Creating a mental image in the mind of the consumer of what your product or service is versus the competition.

- Statements include:
  - ➢ Better than the competition
  - ➢ Different than the competition
  - ➢ Opposite of the competition

4.3.Ethics, law, and government

4.3.1. Ethics

- The United Nations underlined the importance of ethics in Tourism development with its resolution A/RES/56/212, officially recognizing the Global Code of Ethics for Tourism (GCET).

- This code comprises a comprehensive set of principles whose purpose is to guide stakeholders in tourism development, central and local government, local communities, the tourism industry and its professionals as well as visitors (customers), both international and domestic.

Cont'd……..

- Nine articles outlined the rules of the game for demonstration, government, tour operators, developers, travel agents, workers and travelers themselves.

4.3.2. Law

- *Law can also be defined* "as an enforceable set of rules established by government (federal, state, or local) to regulate the conduct of individuals and groups in a society."

Laws Related to Tourism

- Tourism, as we understand, is a diverse activity with different sectors, different types of destinations, different types of tourists and different types of problems.

Cont'd……..

- There is no one thing as such which can be described as tourism legislation because of the varied nature of tourism itself.

- Till date the types of tourism legislation that have been created or introduced in various countries can be classified into the following functional areas:

1. Those related to the protection of tourists,

2. Those related to border controls,

3. Those related to quality of services,

Cont'd……..

4. Those related to protection of environment,

5. Those related to conservation of historical sites and monuments,

6. Those related to economic development,

7. Those determining the relationship of various segments of the tourism industry, etc.

4.3.3. Government/Regulatory Factors

- Government and regulatory factors are crucially important in understanding the national and international framework within which hospitality offers evolves for travel and tourism.

- Most such laws and regulations are aimed at influencing supply rather than demand but their influence over demand is significant.

Cont'd……..

- Governments also intervene in markets for four principal reasons that directly influence demand and supply and often have a particular impact on travel and tourism, which marketing managers have to understand:

I. The first is to ensure fair competition between suppliers.

II. The second is to ensure that customers have choices and rights against suppliers that may be enforced by law.

Cont'd……..

III. The third is to influence such market patterns as governments control, for example the timing of school holidays, the issuing (or denial) of visas and advice to their populations as to which countries they should avoid visiting.

IV. The fourth, which is relatively new but expected to have a particular impact on travel and tourism, is to ensure that proposed project developments and existing business practices do not damage the environment. Rural, coastal and heritage environments will be targeted for special protection.

4.4. Entrepreneurship, Creativity, and Innovation

- Entrepreneurship and innovation are central to the creative processes in the economy, to promoting growth, increasing productivity and creating jobs.

- The markers of creative turn reflect a shift from cultural tourism to more skilled forms of consumption, resulting in reformulation of identity and subjectivity and the further acquisition of cultural capital.

General importance of entrepreneurship

- The importance of entrepreneurship pervades all sectors of the economy and all types of organizations, but industry and individual businesses, especially small businesses, are particularly the places where entrepreneurship is crucial for economic growth, productivity gains and job creation.

End of chapter-Four

Chapter-Five
Developing the Hospitality and Tourism Marketing Mix

Chapter Objectives

After completing this chapter, students should be able to:

- Understand the different products offered in tourism and hospitality marketing;

- Differentiate the product level in tourism and hospitality marketing;

- Differentiate the various form of pricing strategies used in Tourism and hospitality;

- Explain different types of marketing channels used in tourism and hospitality marketing;

Cont'd……..

- The main forms of channel conflict in tourism and hospitality marketing;

- The key intermediaries involved in the tourism and hospitality distribution system;

- The various marketing promotion tools used in tourism and hospitality marketing;

- Sales promotion objectives and techniques used in tourism and hospitality marketing;

5.1. The Hospitality and Tourism Product Offer

- In general, product can defined as anything that can be offered to a market for attention, acquisition, use or consumption which satisfies a want or a need.

- It includes: Physical Products (automobiles, books), Services (haircuts), Persons (Prime Minister of Ethiopia), Places (Mekelle, Addis Ababa), Organizations (Planet Hotel, Ethiopian Airlines), Ideas (safe deriving), and Combinations of the above.

Cont'd……..

- Product decisions, with all their implications for the management of tourism and hospitality operations, influence not only the marketing mix, but also a firm's long-term growth strategy and its policies for investment and human resources.

- From the standpoint of a potential customer considering any form of tourist visit, the product may be defined as a bundle or package of tangible and intangible components, based on activity at a destination.

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- The package is perceived by the tourist as an experience that is available for a price. There are five main components in the overall product:

➢ Destination attractions and environment;

➢ Destination facilities and services;

➢ Accessibility of the destination;

➢ Images of the destination and

➢ Price

Cont'd……..

- Although these components are combined and integrated in the visitor's overall experience, they are capable of extensive and more or less independent variation over time. But it is in the promotional field of images and perceptions that some of the most interesting planned changes occur, and these are based on marketing decisions.

Product Levels

- For many years, marketing theory has differentiated between three levels of product offering. The three levels can be seen as a continuum, with the product's most basic benefit at one end, and a range of add-on benefits, not directly related to the product's essential purpose, at the opposite end. These three levels are:

1. Core product: the basic need function served by the generic product. For instance, if you take Ethiopian airlines ET-128, the core product is transportation.

Cont'd……..

2. Tangible product: these are the specific features and benefits residing in the product itself – styling, quality, brand name, design, etc.

3. Augmented product: the add-ons that are extrinsic to the product itself but may influence the decision to purchase. Augmented features may include credit terms, after-sales guarantees, car parking, etc.

• Although these levels were defined with manufactured products in mind, they do apply, with modifications, to tourism and hospitality goods and services.

Cont'd……..

- Moreover, according to Philip Kotler, in planning its market offering, the marketer needs to address *five product levels*. Each level adds more customer value, and they constitute a customer value hierarchy. These are:

- *Core Benefit*: The fundamental level is the core benefit. The service or benefit the customer is really buying is referring core benefit. E.g. A hotel guest is buying "rest and sleep." Thus, core product is not the tangible/physical product because you can't touch it. It is the benefit of the product that makes it valuable to you.

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- ***Basic product*:** At the second level, the marketer has to turn the core benefit into a basic product. Thus a hotel room includes a bed, bathroom, towels, desk, dresser, etc. Hence; this part/level of the product is the tangible which is physical product.

- ***Expected level*:** At this level, the marketer prepares an expected product, a set of attributes and conditions buyers normally expect when they purchase this product. Hotel guests expect a clean bed, fresh towels, working lamps, and a relative degree of quiet which is very important in hospitality industries.

Cont'd……..

- *Augmented product level*: At this level the marketer prepares an augmented product that exceeds customer expectations. It is the non-physical part of the product.

- It usually consists of lots of added value, for which you may or may not pay a premium. For instance when you purchase the service of a hotel, you may become very interested in their delivery system, the way they offer additional services , in purchasing computer the seller may provide you warranty, after sales service, etc.

Cont'd……..

- *Potential product Level*: This level encompasses all the possible augmentations and transformations the product or offering might undergo in the future.

- Here is where companies search for new ways to satisfy customers and distinguish their offer. For example, hotels may plan to change their current delivery system and by very excellent systems which may be using of technology for payment, credit card system.

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Physical Evidence and the Service scape

- An important part of the augmented product is the physical environment.

- Because many tourism and hospitality services are intangible, customers often rely on tangible cues, or physical evidence, to evaluate the service before its purchase and to assess their satisfaction with the service during and after consumption.

Cont'd……..

- The physical evidence is the environment in which the service is delivered and in which the firm and customer interact, and any tangible components that facilitate performance or communication of the service.

- The physical facility is often referred to as the **service scape**, and is very important for tourism and hospitality products such as hotels, restaurants and theme parks, which are dominated by experience attributes.

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Product Planning

- **Product Mix**

- The most basic decisions a tourism organization has to make are what business it is in and what product mix is appropriate to it.

- The **product mix** is the portfolio of products that an organization offers to one market or several.

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Product Life Cycle

- Successful goods and services, like people, pass through a series of stages from their initial appearance to death; this progression is known as the product life cycle. Humans grow from infants into children; they eventually become adults and gradually move to retirement age and, finally, death.

- The product life cycle concept provides important insights for the marketing planner in anticipating developments throughout the various stages of a product's life. Thus, one of the most basic product analysis tools is the **product life cycle (PLC).**

Cont'd……..

- The product life cycle concept provides important insights for the marketing planner in anticipating developments throughout the various stages of a product's life.

New Product Development

- Developing new products is different from maintaining existing ones, and planning for both kinds of product will differ according to whether the products are targeted at existing markets or new ones. Company has four alternatives when developing new products.

Cont'd……..

Market Penetration

- Firstly, the company can follow a *market penetration* strategy by modifying an existing product for the current market. Improvements to an existing product can transform it, so that prospective purchasers view it as a genuinely new product.

Market Development

- The second strategy, *market development*, calls for identifying and developing new markets for current products.

Cont'd……..

Product Development

- The third strategy, **product development**, involves developing a genuinely new product to be sold to existing customers.

Diversification

- Diversification growth makes sense when good opportunities can be found outside the present business. Three types of diversification can be considered (concentric diversification, horizontal diversification and conglomerate diversification).

5.2. Hospitality and Tourism Pricing Strategies and Tactics

5.2.1. Factors Determining Pricing Decisions

- Whatever, the strategy of the organization, clears pricing objectives should be established before price levels are set. Some of the key factors determining pricing decisions are discussed as follows.
- Organizational and marketing objectives
- Channel member expectations
- Buyer's perceptions
- Costs
- Competition
- Legal and regulatory issues
- Other marketing mix variables

5.2.2. New Product Pricing Strategies

- Pricing strategies usually change as a product passes through its life cycle.

- The introductory stage is especially challenging. Several options exist for pricing new products: *prestige pricing, market skimming and market penetration pricing.*

5.2.3. Existing Product Pricing Strategies

- The foregoing strategies are used primarily when introducing a new product. However, they can be also useful with existing products. The following are some of the strategies that can be used for existing products.

I. Product bundle pricing

- Sellers who use product-bundle pricing combine several of their products and offer the bundle at a reduced price. For instance, hotels sell specially priced weekend packages that include room, meals and entertainment or offer commercial rates that include breakfast and newspaper.

Cont'd……..

II. Price adjustment strategies

- Companies usually adjust their basic prices to account for various customer differences and changing situations. We look at the following adjustment strategies:

- Discount pricing and allowances,

- Discriminatory pricing and

- Price fixing

- Last minute pricing

- Psychological pricing

- Promotional pricing

Cont'd……..

III. Value pricing

- The term value pricing is confusing. It could be argued that any times a product or service is purchased, at any price, the buyer must have perceived value in that product.

- Value pricing is risky if a company does not have the ability to cut costs significantly. It is usually most appropriate for companies able to increase long term market share through low prices.

5.2.4. Tourism and Hospitality Characteristics that Affect Pricing Policy

- The particular features of the tourism and hospitality industry that affect pricing is warranted here:
- High Level of Segmentation in the Industry
- Variability of Demand
- Perishable Nature of the Product
- High Fixed Costs
- Cost Fluctuations
- High Level of Customers' Psychological Involvement

Cont'd……..

- Seasonal Demand
- Tactical Price Cutting and Price Wars
- Low Prices
- Fixed Capacity
- The Customer's Total Purchases
- Increased Use of the Internet
- Late Booking

5.3. Distribution Systems and Networks

- Distribution system is the 'place' aspect of a company's marketing mix; its purpose is to provide an adequate framework for making a company's product or service available to the consumer.

5.3.1.The Nature and Types of Distribution Channels

- A distribution channel is a method of delivery used by a supplier, carrier or destination marketing organization. There are two types of distribution channels that a firm can use to deliver its product.

Cont'd……..

- The first and most simple form of distribution is a direct distribution channel, Direct distribution channel is a channel through which a company delivers its product to the consumer without the outside assistance of any independent intermediaries.

- The second type of distribution channel used to deliver a product is an indirect channel. In this case, the service provider makes use of independent intermediaries to help facilitate the distribution of its product.

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- Outside intermediaries such as travel agents, tour operators and other tourism specialists assist the supplying company by helping to attract consumers to the product or destination.

Cont'd……..

Functions of the Distribution System

- In order for a company's distribution system to operate effectively, members must perform several key functions. Some of them are:

I. Acquiring information

II. Promotion

III. Contact

IV. Negotiation

V. Physical distribution

VI. Financing

Cont'd……..

Tourism and Hospitality Marketing intermediaries

- The Tourism and Hospitality marketing intermediaries include:

- Travel Agents

- Tour operators

- Travel Specialists

- The Internet

5.3.2. Channel Conflict

- For companies within a distribution channel to be successful, it is necessary that they work together.

- Thus a co-operative marketing system is often difficult to achieve, and a common occurrence which is called as *channel conflict*, in which one member perceives another to be engaged in behavior that prevents or hinders the first member from achieving its goals.

Cont'd……..

There are two main forms of channel conflict: horizontal conflict and vertical conflict.

- **Horizontal conflict** takes place between organizations at the same level of the distribution channel. An example is a conflict over territory between two Best Western franchises.

- Due to the rapid growth of this company, it is common for two separate franchises to compete for the same market segment of customers. on the other hand

Cont'd……..

- **Vertical conflict** occurs between organizations at different levels of the same channel, and it is more common. An example is the argument between travel agents and airlines over the latter's cutting of base commissions for the former.

5.3.3. Designing the Distribution System

- Tourism organizations must decide how to make their services available to their selected target market by choosing their distribution mix strategy.

- This can be a complex decision. They must select a mix that will provide them with the maximum amount of exposure to potential travelers as well as ensure that the chosen strategy aligns with the company or destination image.

Cont'd……..

- An organization can consider three basic distribution strategies:

1. Intensive distribution: In this case the organization maximizes the exposure of its travel services by distributing through all available outlets or intermediaries. This strategy is most useful for an organization that is trying to obtain high market coverage.

Cont'd……..

2. Exclusive distribution: Here the organization deliberately restricts the number of channels that it uses to distribute its product or service to its customers.

➢ Because only a limited number of intermediaries are given the right to distribute the product, the result is often a strengthening of the company's image and an increase in the status of those who purchase the product.

Cont'd……..

3. Selective distribution: In this strategy between intensive and exclusive distribution, a company uses more than one but less than all of the possible distribution channels.

5.3.4. Distribution Channel Management

- Once the tourism organization has decided on its distribution mix strategy, it must implement and manage the chosen distribution channel. ***Channel management*** includes selecting and motivating individual channel members and evaluating their performance over time.

Cont'd……..

- **Selecting Channel Members-** Tourism organizations must share information and work closely with the members of their distribution system.

- It is critical, therefore, that an organization selects the best suited channel members in order to ensure an effective distribution system.

Cont'd……..

➢ **Motivating Channel Members:** After an organization has selected its distribution channel members; it must continually motivate these members to perform their best. Three incentives are commonly used to motivate a company's intermediaries. The first one is financial, and includes commissions and bonuses. The second is the provision of educational trips for intermediary staff,

Cont'd……..

➢ **Evaluating Channel Members-** Tourism organizations must constantly monitor each channel member's performance in order to ensure the success of the channel as a whole. Performance can be measured through the generation of sales, customer delivery time, and/or the success of combined promotional efforts among intermediaries.

5.4.Communication/Promotion Mix/ and Advertisings

- Promotion in tourism and hospitality marketing is the mix of various communication activities which tourist firms or national tourist organizations carry out with a view to motivate or influence those target customers on whom their product sale depends.

Cont'd……..

- It is however, not only the target customers who need to be influenced by the various promotional techniques, there is the need to influence intermediaries like retail agents and suppliers as well as opinion leaders like journalists, travel 'writers, etc.

- However, the primary target for promotion is the target markets, group of current and potential customers.

5.4.1. Definition of Advertising

- Advertising is any paid form of non-personal communication about an organization, product, service, idea or cause by an identified sponsor and communicated through a message.

Advantages and Disadvantages of Advertising

Advantages of advertising

- Adverting can benefit firms in different ways such as;
- Advertiser controls the message
- Cost effective way to communicate with large audiences
- Effective way to create brand images and symbolic appeals
- Often can be effective way to strike responsive chord with consumers
- Wider coverage
- Frequent appeal
- Accessibility

Cont'd……..

Disadvantages of advertising

Even though, advertising has a number of advantages for hospitality industries, it has its own drawbacks,

- High costs of producing and running ads
- Credibility problems and consumer skepticism
- Clutter
- Difficulty in determining effectiveness

5.4.2. Public Relations (PR)

- Public relation is the activities that a tourism or hospitality organization uses to maintain or improve its relationship with other organizations or individuals.

Its purpose is to create best possible reputation for the organization byway of presenting facts,

- To ascertain and evaluate public opinion;

- To counsel management on ways of dealing with public opinion as it exists; and

- To use communications to influence public opinion

Cont'd……..

Public Relations in Tourism

- Public Relations in the field of tourism assume special significance because of the peculiar nature of the product. Here the need for making complete information and facts available to both potential and actual tourists assumes special significance.

- Public Relations make use of several communication techniques. These include:

❖ news and feature stories

❖ press releases

❖ films and slides

Cont'd……..

❖ booklets and brochures

❖ photographs, displays and exhibits

❖ Advertising

❖ radio and TV scripts

❖ newsletters

- Tools used in public relation,
  - ➢ Publicity
  - ➢ Special publications
  - ➢ Community activity participation
  - ➢ Fund-raising
  - ➢ Special event sponsorship

Publicity

- Publicity refers to the dissemination of information without charge or its news value in order to inform the prospect about a particular product.

- Or it is Non-personal communication regarding an organization, product, service, or idea not directly paid for or run under identified sponsorship.

5.4.3. Sales Promotion and Merchandising

- Sales promotion and merchandising are parts of marketing communications other than advertising, PR and personal selling.

- They are techniques primarily designed to stimulate consumer purchasing and dealer and sales-force effectiveness in the short-term, through temporary incentives and displays.

Cont'd……..

The three main targets for sales promotion

- Tactical techniques designed to stimulate sales to customers have three main targets:

✓ Individual buyers or customer segments in their homes or place of work.

✓ Distribution networks (points of sale), including 'in-house'.

✓ Sales force.

5.4.4. Personal Selling

- Personal selling is direct person-to-person communication whereby a seller attempts to assist and/or persuade perspective buyers to purchase a product or service.

Cont'd……..

- Personal selling must be integrated within the overall communications mix so that it may be supported by advertising and PR that creates awareness, knowledge and liking for the organization and its products; printed and electronic information that provides product detail; sales promotions that create incentives to buy; and merchandising and point of sale material reinforcing the message at the point of sale.

End of chapter-five