

GLOBAL
EDITION



Marketing for Hospitality and Tourism

SEVENTH EDITION

Philip Kotler • John T. Bowen • James C. Makens • Seyhmus Baloglu



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This book is dedicated to Nancy, my wife and best friend, with love.

P. K.

With love to my wife, Toni, and children, Casey and Kelly.

J. T. B.

*To my wife Kay and to Lynn Ebert whose assistance
was greatly appreciated.*

J. C. M.

To my wife, Zerrin, and our two sons, Derin and Deniz, with love.

S. B.



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TO THE STUDENT

Welcome to the seventh edition!

Marketing for Hospitality and Tourism guides you down the intriguing, discovery-laden road to learning marketing. It is our goal to help you master the basic concepts and practices of modern hospitality marketing in an enjoyable and practical way. Achieving this goal involves a constant search for the best balance among the “three pillars” that support the book: theories and concepts, practices and applications, and pedagogy (the art and science of teaching).

The hospitality and travel industry are undergoing rapid changes. Some of the applications you learn today you will use immediately, while others you may not use until later in your career. Thus, it is important that you have an understanding of the marketing theories and concepts. This will allow you to analyze future situations and make the proper decisions. Practices and applications are provided to give you examples of how we currently apply the concepts to industry situations. Finally, we have included marketing highlights, opening cases, written cases, color illustrations, and other features to make learning about marketing interesting and enjoyable. Throughout the text, we provide examples to illustrate how companies are using the marketing principles covered in the book.

Marketing is both an art and science. The art adds some ambiguity to marketing, which makes it difficult for some students. We recommend reading each chapter quickly and then going back and reading it more slowly the second time. This will give you a good understanding of the material in the chapter.

This book has been written with you in mind. The development of each edition has involved students who tell us which illustrations to use, which examples they find interesting, and which ones we should replace when we are writing the newest edition. It is our goal to develop a book that is student friendly and clearly explains and illustrates the application of marketing concepts.

We hope you enjoy *Marketing for Hospitality and Tourism* and we wish you success.

Philip Kotler, John Bowen, James Makens, Seyhmus Baloglu

■ ■ ■ An Indispensable Guide to Successful Marketing in the Hospitality Industry

This book has been written with you in mind—explaining the how and why of everyone’s role in marketing. Because customer contact employees are part of our product in hospitality and tourism marketing, marketing is everyone’s job. *Marketing for Hospitality and Tourism* gives you an innovative and practical introduction to marketing. Its style and extensive use of examples and illustrations make the book straightforward, easy to read.

■ ■ ■ Text Organization

PART I: Understanding the Hospitality and Tourism Marketing Process—Introduces you to the concept of hospitality marketing and its importance.


PART II: Developing Hospitality and Tourism Marketing Opportunities and Strategies—Helps you understand the role of consumer behavior and how it affects the marketing environment.

PART III: Developing the Hospitality and Tourism Customer Value-Driven Strategy and Mix—Identifies and explains strategies for promoting products and the various distribution channels.

PART IV: Managing Hospitality and Tourism Marketing—Highlights the latest trends in social media, electronic marketing, destination marketing, and planning for the future through development of a marketing plan.

■ ■ ■ Chapter 2 Service Characteristics of Hospitality and Tourism Marketing

Marketing was initially developed in connection with selling physical products, such as cars, steel, and equipment. In Chapter 2, we cover the essence of why hospitality and travel products, which are intangible, have marketing concepts that are different from goods-producing firms. The principles found in Chapter 2 become the foundation for the rest of the book.



Courtesy of Catherine Bouchon, Lindner Hotels & Resorts.

Objectives

After reading this chapter, you should be able to:

1. Describe a service culture.
2. Identify four service characteristics that affect the marketing of a hospitality or travel product.
3. Explain seven marketing strategies for service businesses.

Service Characteristics of Hospitality and Tourism Marketing

Lindner Hotels & Resorts

In 1973, during the first oil crisis, an American hotel group, the designated operating company of a new hotel built in Düsseldorf, withdrew from the German market. The hotel’s architect, Otto Lindner, spontaneously decided to operate it by himself, thus laying the foundations for Lindner Hotels & Resorts, one of the largest German hotel chains. Today, the family-run business operates around 40 first-class and luxury properties in seven European countries, mostly in Germany achieving around €180 million in revenue per year.


Strategy: “Not just better. Different.” Lindner lives up to its slogan by building on individual leisure and business concepts inspired by regional influences. Lindner focuses on adaptation to the different requirements of people and places rather than on standardization of products and facilities. Catherine Bouchon, Director of Public Relations, calls it “concepts for all life situations.” Accordingly, the portfolio includes business, wellness, golf and sport hotels, and boarding houses, all with different designs and themes.

Processes: Bouchon calls the company’s strong service orientation and its approach to finding a sensitive balance between customization and standardization the unique “Lindner Feeling.” Lindner’s quality management counts over 400 different standards, ranging from special media directives, to a strict code of conduct, to detailed instructions for spas. Furthermore, corporate design guidelines foster recognition factors one finds in each and every hotel. Guests may also experience the specific region a hotel is located in, for instance, while there are standardized ingredients on the breakfast buffets, each hotel offers an additional selection of regional delicacies, such as local veal sausages in Bavaria or traditionally pickled herring in Hamburg. Also, certain spa treatments are standardized for

Special Features: Connecting to the Real World

Chapter Opening Cases

Each chapter opens with a mini case showing you how actual hospitality and travel companies have successfully applied marketing. The cases help you understand and remember the concepts presented in the chapter. For example, Chapter 1 illustrates how Banyan Tree strongly emphasizes sustainability in its management as well as its marketing strategy. Learn how it demonstrates that active environmental conservation and community involvement can be greatly beneficial to the building of a corporate brand.



1

Objectives

After reading this chapter, you should be able to:

1. Understand the relationships between the world's hospitality and travel industry.
2. Define marketing and outline the steps in the marketing process.
3. Explain the relationships between customer value and satisfaction.
4. Understand why the marketing concept calls for a customer orientation.
5. Understand the concept of the lifetime value of a customer and be able to relate it to customer loyalty and retention.

Introduction: Marketing for Hospitality and Tourism

Banyan Tree Hotels and Resorts

Imagine yourself soaking in an outdoor pool at the back of a large hotel villa that you and your partner checked into just moments ago. As you take a sip from your glass of mango juice, you gaze from under the shade of an overhanging tree into the vastness of the open sea. Your partner sits beside the pool while reading the latest issue of *Under the Banyan Tree*, an in-house magazine published by Banyan Tree Hotels and Resorts.

Banyan Tree Hotels and Resorts is a subsidiary of Banyan Tree Holdings Limited. This successful Asian hospitality and lodging group, whose head office is in Singapore, now owns more than 30 hotels and resorts, 70 spas, 90 retail galleries, and three golf courses across 28 countries. Established in 1994 with a resort in Phuket, Thailand, Banyan Tree has since become a leading player in the luxury resort and spa market in Asia. Besides Banyan Tree, the group also includes the Angsana and Casita brands. The Banyan Tree brand in particular focuses on exclusivity and privacy, as reflected in their offering of individual villas with pools.

The idea for Banyan Tree was first conceptualized by the husband-and-wife team of Ho Kwun Ping and Claire Chiang See Ngien. The founders named their company after the rustic Banyan Tree Bay in Hong Kong, where the couple lived for three years. For Ho, Banyan Tree stands for romance and intimacy, a sanctuary for the senses. This is the founding value of the original Banyan Tree brand. Both founders are also strong advocates of sustainable development. Banyan Tree wants to grow responsibly and believes that sustainability is defined in terms of the environment as well as the benefits to the local communities that it operates in. As such, it created the motto "Embracing the Environment. Empowering People" to highlight its pursuit of sustainability. These are the core values that

Boxed Marketing Highlights

The boxed segments introduce you to real people and real industry examples, connecting the chapter material to real life.

Marketing HIGHLIGHT



Segmented Pricing: The Right Product to the Right Customer at the Right Time for the Right Price

In most hospitality, travel and entertainment products capacity is fixed, but demand varies. In these situations, a common price may result in many people not being able to access the product during prime times and empty seats during off-peak periods. In some products such as airline transportation and events, all seats may not be the same. Live performances, including sporting events, theater, and concerts, will charge more for seats with great views and less for seats farther away from the event. Some airlines charge more for aisle and window seats. Customers wanting better seats with the capacity to pay for these seats will have the opportunity to purchase the seats they want. Those who want to see the event or want to get to a certain destination but want to spend less can purchase less expensive seats. Susan Greco gives an example of an opera company, which went from a single price for all seats to pricing based on the location of the seat, increasing the price for better seats and lowering the price for seats in the back. Seat prices on the weekends were increased and those during the week were reduced. The variety of prices allowed the customers to choose what they would pay and the opera company increased its overall revenue by 9 percent. Some customers who previously could not afford to attend now had the opportunity to attend by selecting tickets further from the stage on weekday nights.

The opera company had introduced a simple form of revenue management. Airlines, hotels, and restaurants call it revenue management and practice it religiously. Robert Cross, a longtime consultant to the airlines, states there are opportunities for all companies to gain from revenue management. He states, "This will allow you to attract customers by having the right product at the right price for the right customer."

Segmented pricing and yield management aren't really new ideas. For instance, Marriott Corporation used seat-of-the-pants yield-management approaches long before it installed its current sophisticated system. Back when J. W. "Bill" Marriott was a young man working at the family's first hotel, the Twin Bridges in Washington, DC, he sold rooms from a drive-up window. As Bill tells it, the hotel charged a flat rate for a single occupant, with an extra charge for each additional person staying in the room. When room availability got tight on some nights, Bill would lean out the drive-up



Theaters often apply revenue management by charging more for seats with better views and during times when demand is higher. Courtesy of Richard Cummins/Corbis.

Full-Color Visuals

Color format with lively photographs, drawings, and tables will maintain your interest and provide visual aids to learning.

■ ■ ■ Important Memory Tools

Chapter Objectives

At the start of each chapter, the list will help you focus and organize your thoughts as you are reading. The learning objectives summarize what you need to know after studying the chapter and doing the exercises.

Key Terms

Key marketing and hospitality terms, highlighted and defined in each chapter, provide you with a convenient source for learning and reviewing the professional vocabulary needed for effective communication on the job. These terms are found in each chapter, and a glossary of all the terms can be found at the end of the book.

Chapter Review

At the end of each chapter, a summary of chapter content in outline form helps you review and retain key information. The format for the chapter review was the suggestion of a student.

■ ■ ■ Applying Your Knowledge

Experiential Exercises

These exercises are designed to provide experiences that will illustrate the concepts presented in the chapter and provide experiences that you can draw on in the future.

Internet Exercises

The Internet has become both an important marketing tool and a source of marketing information. The Internet exercises introduce you to information sources on the Internet and show how others are using the Internet.

■ ■ ■ Applying Your Critical Thinking Skills

Case Studies

The case studies at the end of the book represent real situations that can be used to analyze actual business situations and come up with solutions to your organization's problem. Sometimes, your instructor will use these cases as the basis of class discussions.

Discussion Questions

These end-of-chapter questions will challenge you to address real-world situations and consider appropriate methods of action.



PREFACE

We would like to thank the students and instructors who have used this text in the past. Their support has enabled us to publish the seventh edition of *Marketing for Hospitality and Tourism*, now available in nine languages.

This book is written with the hospitality and travel student in mind. The solicited and unsolicited comments we received from students and instructors have been incorporated into the sixth edition. Students have told us *Marketing for Hospitality and Tourism* is readable and interesting. One student wrote, “I enjoyed reading this book—it didn’t seem like I was reading a textbook.” In this newest edition we strive to maintain the same tone. For instructors, we made the text flow more smoothly from a teaching perspective.

The authors have extensive experience working with hospitality and travel businesses around the globe. Our understanding of the hospitality and travel business ensures that the end result is a book that clearly explains marketing concepts and shows how they apply to real-life situations.

The book has an international focus, which is especially important in this era of increasing globalization. Business markets have become internationalized—domestic companies are expanding overseas as foreign companies seek to enter U.S. markets—therefore, it is crucial that today’s students be exposed to business and cultural examples from other parts of the world. Rather than have one chapter devoted to international marketing, we have incorporated examples throughout the text.

This text has truly evolved as a team project. Without the support of our students and faculty at other universities and colleges, this book would not have developed into the leading book in its category. We thank you for your support and acknowledge below some of the people who have been involved in the development of the book.

■ ■ ■ Instructional Support

The support for those using *Marketing for Hospitality and Tourism* includes an Instructor’s Manual, a test bank, and PowerPoint slides. The 18 chapters create a comprehensive text. Some instructors may have chosen to use 16 or 17 chapters depending on the scope of their program. The completeness of the text allows this flexibility. There are a number of YouTube and other videos that will engage your students. A Web site for hospitality and tourism marketing professors, htmktgprofessors.com, lists many of these videos. For information on how to access these videos, contact jbowen@uh.edu.

■ ■ ■ We Welcome Your Comments, Suggestions, and Questions

We would like to hear your comments on this edition and your suggestions for future editions. Please address comments to John Bowen, Conrad N. Hilton College of Hotel and Restaurant Management, University of Houston, jbowen@uh.edu.

■ ■ ■ Acknowledgments

We would like to thank the students and the instructors who have used earlier editions of this book and provided feedback that added value to the users of this edition. Tazeem Gulamhusein, a student at the University of Houston, helped with the research and development of the seventh edition. Thanks go to the following group who provided comments and feedback for this seventh edition: Deepak Chhabra, Arizona State University, Tempe; Dan Creed, Metropolitan State University, St. Paul; Jamal Feerasta, College of Applied Science and Technology, University of Akron; Juline Mills, University of New Haven; David Schoenberg, LaGuardia Community College, CUNY; and Nancy Warren, Highline Community College.

The following people provided reviews of past editions: Jennifer A. Aldrich, Kimberly M. Anderson, James A. Bardi, Jonathan Barsky, David C. Bojanic, Mark Bonn, Jane Boyland, Bonnie Canziani, Harsha E. Chacko, Deepak Chhabra, Dan Creed, Tim H. Dodd, GERALYN FARLEY, Andy Feinstein, Michael Gallo, Richard M. Howey, Jeffrey Ivory, Dianne Jolovich, Ed Knudson, Robert J. Kwortnik, Ingrid Lin, Ken McCleary, Juline Mills, H. G. Parsa, Edward B. Pomianoski, Hailin Qu, Allen Z. Reich, Howard F. Reichbart, Joan

Remington, Emily C. Richardson, Kisang Ryu, John Salazar, Ralph Tellone, Muzzo Uysal, Anna Graf Williams, and Gregory R. Wood.

The following people helped with past editions when they were students to make sure the text was student friendly: Shiang-Lih Chen McCain, Jason Finehout, Michael Gallo, Tazeem Gulamhusein, Walter Huertas, Ming (Michael) Liang, Marvel L. Maunder, Tracee Nowlak, Michelle North, Sarah Robinson, and Carrie Tyler.

We appreciate the support and enthusiasm of the companies that provided advertisements and illustrations for this book. These organizations put forth a great deal of effort in finding and providing the materials we requested; working with them was one of the most rewarding parts of producing this book. We would also like to thank our Pearson Team: Daryl Fox, Susan Watkins, and Lara Dimmick. Finally, we would like to thank our families for their support and encouragement.

For their contributions to the content of the Global Edition, Pearson would like to thank Natalie Balch, DHWB Ravensburg; Dave Centeno, University of the Philippines; Ulrike Gretzel, the University of Queensland; Ayca Can Kirgiz, Nişantaşı University; Desmond Lam, University of Macau; Mathilda van Niekerk, University of Central Florida; and Jan Specht, Baden-Wuerttemberg Cooperative State University, and for their review of the content, Pearson would like to thank Himadri Roy Chaudhuri, International Management Institute, Kolkata; Noelle O'Connor, Limerick Institute of Technology; and Wai Mun Lim, Plymouth University.

■ ■ ■ What's New in the Seventh Edition

The 7th edition of *Marketing for Hospitality and Tourism* is a landmark entry in the long successful history of the market leader. With the 7th edition, great care was taken to provide an introductory guide to hospitality and tourism marketing that truly reflects the modern realities of marketing. We've thoroughly revised the seventh edition of *Marketing for Hospitality and Tourism* to reflect the major trends and forces impacting marketing in this digital age of customer value, engagement, and relationships.

- More than any other developments, sweeping new online, social media, mobile, and the internationalization of tourism are affecting how marketers, brands, and customers engage each other. User generated content on social media can make or break a restaurant, while at the same time providing a useful source of customer information. The seventh edition features new and revised discussions and examples of the explosive impact of exciting new digital marketing technologies shaping marketing strategy and practice- from online, mobile, and social media engagement technologies discussed through the text including chapters 1, 4, 5, 6, 11, 12, 13, 16 and 17. With chapter 16 having been completely rewritten and now includes social media and mobile marketing in the title to highlight the importance of these concepts.
- One point of differentiation of the text is it has an international focus. The seventh edition provides new discussions and examples of the growth in global marketing. As the world becomes a smaller, more competitive place, marketers face new global marketing challenges and opportunities, especially in fast-growing emerging markets such as China, India, the Middle East, Eastern Europe and Southeast Asia. In the first chapter we discuss the growing internationalization of the tourism business. To help your students understand the importance of the global aspect of tourism we include international examples and illustrations throughout the text. Chapter 9 now includes expanded coverage of branding practices in hospitality on global level and gives examples of generational and lifestyle brands. In Chapter 17 new sections on branding tourist destinations and tourism competitiveness have been added to help students understand how to compete in a global market. The cases include multinational companies and businesses outside of North America. This international approach makes the text relevant to students outside of North American, while showing North American students they can find a truly rewarding career in the area of international business.
- The distribution channels for hotels are ever changing. Meta-search engines such as TripAdvisor are now selling hotel rooms. Priceline and other online travel agencies (OTAs) are highly profitable, giving Priceline a market capitalization that is three times larger than Marriott. OTAs have developed their own loyalty program to compete with brand loyalty programs. The changing role of distribution systems in the hospitality industry is discussed in Chapters 1 and 12.
- Other emerging trends changing hospitality and tourism marketing include the sharing economy, crowd-sourcing, live-like-a-local, sustainable marketing and corporate social responsibility. These concepts are introduced in Chapter 1. Chapter 17 includes a discussion of managing the tourist experience through the cocreation of the visitor experience and providing live-like-a local experiences. Chapters 3, 4, 7 and 17 discuss sustainable marketing and social responsibility.
- This edition also recognizes the role of non-profit organizations in Tourism and Hospitality. This is demonstrated in Chapter opening vignettes for Chapter 4 and 14 and a Marketing Highlight in chapter 14.

- The seventh edition provides revised and expanded coverage of developments in the fast-changing area of integrated marketing communications. It tells how marketers are blending traditional media with new digital and social media tools- everything from Internet and mobile marketing to social media- to create more targeted, personal, and engaging customer relationships. Marketers are no longer simply creating integrated promotion programs; they are practicing content marketing in paid, owned, earned, and shared media. No other hospitality and tourism marketing text provides more current or encompassing coverage of these exciting developments.
- The seventh edition continues to improve on its innovative learning design that has made it the market leader. The text's active and integrative presentation includes learning enhancements such as annotated chapter-opening stories, a chapter-opening objective outline, and marketing highlights that provide industry examples of the marketing concepts discussed in the chapter. Figures and Tables illustrate concepts presented in the text, while definitions of key terms are found in the margins as well as a comprehensive glossary at the end of the text, providing students with a knowledge of vocabulary used in the industry. Each chapter ends with a summary outline, discussion questions, experiential exercises and Internet exercises. The book also contains a collection of case studies covering all the chapters in the text. This innovative learning design facilitates student understanding and eases learning.

*Philip Kotler
John Bowen
James Makens
Seyhmus Baloglu*



ABOUT THE AUTHORS

Philip Kotler is S. C. Johnson & Son Distinguished Professor of International Marketing at the Kellogg School of Management, Northwestern University. He received his master's degree at the University of Chicago and his PhD at MIT, both in economics. Dr. Kotler is the author of *Marketing Management* (Pearson), now in its fifteenth edition and the most widely used marketing textbook in graduate schools of business worldwide. He has authored dozens of other successful books and has written more than 100 articles in leading journals. He is the only three-time winner of the coveted Alpha Kappa Psi award for the best annual article in the *Journal of Marketing*.

Professor Kotler was named the first recipient of four major awards: the Distinguished Marketing Educator of the Year Award and the William L. Wilkie "Marketing for a Better World" Award, both given by the American Marketing Association; the Philip Kotler Award for Excellence in Health Care Marketing presented by the Academy for Health Care Services Marketing; and the Sheth Foundation Medal for Exceptional Contribution to Marketing Scholarship and Practice. His numerous other major honors include the Sales and Marketing Executives International Marketing Educator of the Year Award; the European Association of Marketing Consultants and Trainers Marketing Excellence Award; the Charles Coolidge Parlin Marketing Research Award; and the Paul D. Converse Award, given by the American Marketing Association to honor "outstanding contributions to science in marketing." A recent Forbes survey ranks Professor Kotler in the top 10 of the world's most influential business thinkers. And in a recent *Financial Times* poll of 1,000 senior executives across the world, Professor Kotler was ranked as the fourth "most influential business writer/guru" of the twenty-first century.

Dr. Kotler has served as chairman of the College on Marketing of the Institute of Management Sciences, a director of the American Marketing Association, and a trustee of the Marketing Science Institute. He has consulted with many major U.S. and international companies in the areas of marketing strategy and planning, marketing organization, and international marketing. He has traveled and lectured extensively throughout Europe, Asia, and South America, advising companies and governments about global marketing practices and opportunities.

John T. Bowen is professor and former dean of the Conrad N. Hilton College of Hotel and Restaurant Management at the University of Houston and the Barron Hilton Distinguished Chair. Professor Bowen has presented marketing courses and seminars in Asia, Australia, Central America, Europe, and South America. Dr. Bowen is a consultant to both large and small hospitality corporations. Before becoming an academic, Professor Bowen held positions in restaurant management at both the unit and corporate level. Professor Bowen is on the editorial boards of the *Cornell Hotel and Restaurant Administration Quarterly*, *Journal of Services Marketing*, *International Journal of Contemporary Hospitality Marketing*, and *Worldwide Hospitality and Tourism Themes*. He is coauthor of *Restaurant Marketing for Owners and Managers*. Professor Bowen has received numerous awards for his teaching and research, including the UNLV Foundation Teaching Award, the Sam and Mary Boyd Distinguished Professor Award for Teaching, Founder's Award for Lifetime Support of Hospitality Graduate Education, and the Board of Regents Outstanding Faculty Member. The Graduate Education & Graduate Student Research Conference presented him with the Founder's Award, to recognize his contribution to graduate education. The Hotel and Lodging Association of Greater Houston recognized him with their lifetime achievement award. He has been a three-time recipient of the annual award from the International Council on Hotel, Restaurant and Institutional Education (CHRIE) for superior published research in the hospitality industry, and he received the John Wiley Award for Lifetime Research Achievement from CHRIE. Professor Bowen was recently cited as one of the five most influential hospitality management faculty in an article published in the *Journal of Hospitality and Tourism Education*. The Mayor of Houston proclaimed November 21, 2014, as John Bowen Day, in recognition of Dr. Bowen's contribution to the hospitality industry and hospitality education.

Dr. Bowen's formal education includes a BS in hotel administration from Cornell University, an MBA and MS from Corpus Christi State University, and a PhD in marketing from Texas A&M University.

James C. Makens is actively involved with the travel industry. He has conducted executive training for the Sheraton Corporation, Regent International Hotels, Taiwan Hotel Association, and Travelodge of Australia. He has also conducted marketing seminars for tourism ministries or travel associations in Australia, New Zealand, Canada, Indonesia, Singapore, Malaysia, and many nations of Latin America. Dr. Makens serves as

a consultant and has written marketing plans for travel industry companies and tourism promotion boards. Other books he has authored or coauthored include *The Travel Industry* and the *Hotel Sales and Marketing Planbook*. His professional articles have appeared in the *Cornell Hotel and Restaurant Administration Quarterly*, *Journal of Travel Research*, *Journal of Marketing*, *Journal of Marketing Research*, and *Journal of Applied Psychology*. Dr. Makens earned an MS, an MBA, and a PhD from Michigan State University. He holds a BS from Colorado State University. He served as associate dean in the School of Travel Industry Management of the University of Hawaii. He was also an associate dean of INCAE, an affiliate of the Harvard Business School in Central America. Dr. Makens recently retired from the faculty at the Babcock Graduate School of Management at Wake Forest University.

Seyhmus Baloglu is professor and Harrah Distinguished Chair at the William F. Harrah College of Hotel Administration, University of Nevada Las Vegas (UNLV). He earned a BS in hotel administration from Cukurova University, an MBA from Hawaii Pacific University, and a PhD in hospitality marketing from Virginia Tech. Professor Baloglu has presented marketing courses and seminars in Asia, Australia, Europe, and the Caribbean. Before joining academia, he held management positions and had diverse background in the industry, including restaurants, hotels, resort clubs, and travel agencies. Professor Baloglu has published extensively in leading journals, including *Journal of Business Research*, *Cornell Hospitality Quarterly*, *Journal of Hospitality & Tourism Research*, *International Journal of Hospitality Management*, *Annals of Tourism Research*, *Journal of Travel Research*, *Tourism Management*, *Journal of Travel & Tourism Marketing*, and *Tourism Analysis*. He received grants, contracts, and consulting projects from tourism destinations, gaming resorts, hotels, airports, nightclubs, and supply-chain organizations. He has been named as one of the significant contributors to the hospitality and tourism literature. His work has been cited extensively across multiple disciplines and fields. His research credentials have earned him both an international reputation and placement on the editorial boards of numerous leading journals. He has presented his work at many national and international conferences, seminars, and symposia and served as keynote speaker and panel participant for numerous international conferences. Other books he has coauthored are *Managing and Marketing Tourist Destinations: Strategies to Gain a Competitive Edge* and *Handbook of Scales in Tourism and Hospitality Research*. Professor Baloglu is the recipient of numerous and prestigious teaching, research, and service awards. He has been named as the recipient of UNLV Alumni Association's Outstanding Faculty Member of the Year and the John Wiley & Sons Lifetime Research Achievement Award from the International Council on Hotel, Restaurant and Institutional Education (ICHRIE). His other major honors include annual research awards from ICHRIE, the Sam and Mary Boyd Distinguished Professor Awards, the Ace Denken Research Award, and the Claudine Williams Distinguished Chair.

Understanding the Hospitality and Tourism Marketing Process



- 1 Introduction: Marketing for Hospitality and Tourism
- 2 Service Characteristics of Hospitality and Tourism Marketing
- 3 The Role of Marketing in Strategic Planning

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Air Images/Shutterstock

1

Objectives

After reading this chapter, you should be able to:

1. Understand the relationships between the world's hospitality and travel industry.
2. Define marketing and outline the steps in the marketing process.
3. Explain the relationships between customer value and satisfaction.
4. Understand why the marketing concept calls for a customer orientation.
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Introduction: Marketing for Hospitality and Tourism

Banyan Tree Hotels and Resorts

Imagine yourself soaking in an outdoor pool at the back of a large hotel villa that you and your partner checked into just moments ago. As you take a sip from your glass of mango juice, you gaze from under the shade of an overhanging tree into the vastness of the open sea. Your partner sits beside the pool while reading the latest issue of *Under the Banyan Tree*, an in-house magazine published by Banyan Tree Hotels and Resorts.

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The idea for Banyan Tree was first conceptualized by the husband-and-wife team of Ho Kwon Ping and Claire Chiang See Ngoh. The founders named their company after the rustic Banyan Tree Bay in Hong Kong, where the couple lived for three years. For Ho, Banyan Tree stands for romance and intimacy, a sanctuary for the senses. This is the founding value of the original Banyan Tree brand. Both founders are also strong advocates of sustainable development. Banyan Tree wants to grow responsibly and believes that sustainability is defined in terms of the environment as well as the benefits to the local communities that it operates in. As such, it created the motto "Embracing the Environment, Empowering People" to highlight its pursuit of sustainability. These are the core values that

have propelled Banyan Tree from an unknown operator of hotels and resorts to one of the most trusted brands in Asia's hospitality market.

Since its inception, Banyan Tree has positioned itself at the top end of the luxury resorts market. For example, an ocean view pool villa at Banyan Tree Vabbinfaru in the Maldives can cost up to \$1,200 per night, excluding taxes. To support such pricing, each villa comes with a private pool or spa treatment room. This provides the ultimate privacy and intimacy to guests who do not want to be disturbed by other guests—a concept marketed by Banyan Tree as the “Banyan Tree Experience.” Banyan Tree's premium positioning was initially supported by a two-year extensive promotional campaign in order to gain international recognition, and it was subsequently scaled down to cut costs. At the heart of the early campaign was the core advertising emphasis on the “romance of travel.” It used visually stimulating pictures and films to communicate the romance and intimacy that a stay at a Banyan Tree resort offers. Since then, public relations and specific direct marketing programs have taken over, but the core values of romance and intimacy remain.

The company cultivates good relationships with travel editors and advertises only in premier travel magazines like the *Condé Nast Traveller* and in airline magazines like Singapore Airlines' *SilverKris*. To gain more exposure, Banyan Tree also partners with other magazines for model shoots; in one case, it collaborated with a Korean bridal agency for their model shoot. In addition, Banyan Tree uses its Web site to drive reservations and actively market its properties online. Guests can also purchase souvenirs online, make comments on the Banyan Tree Facebook page, and send e-gift vouchers with personalized online messages directly to their loved ones. These vouchers can be used in all Banyan Tree resorts, retail stores, and spas.

Banyan Tree places great emphasis on environmental conservation and undertakes numerous corporate social responsibility initiatives that involve their employees, the local community, and even their guests. For example, to commemorate World Environment Day, Banyan Trees' hotels are committed to planting trees each year, and they encourage their guests and employees to get involved. In 2015, two trees per night booked were planted in each Banyan Tree hotel over a week's period. Between 2007 and 2013, more than 277,000 trees were planted by its hotels and resorts worldwide. Other green initiatives include the development of a Green Imperative Fund through which Banyan Tree matches every dollar contributed by their hotel guests and uses these funds for social and environmental projects. Since 2001, the Fund has raised more than \$7 million.

The concept of sustainable development took a central role in many of Banyan Tree's basic designs. All Banyan Tree hotels and resorts are designed to reflect the culture of the destination, and furnishings are often sourced locally. The villas, built with local materials, are purposefully and delicately blended into the surrounding natural environment so as to provide a feeling of sanctuary from the outside world. In Banyan Tree Ringha, for example, all lodges and suites are constructed to look like Tibetan farmhouses using traditional techniques, without the use of modern materials like nails. In addition, each Banyan Tree resort has food menu items that are created using traditional, local ingredients and which include popular local dishes. A Banyan Tree Gallery is set up within each property to showcase local crafts, which are often hand-made. Banyan Tree Phuket, for example, sells indigenous Thai handicrafts, fabrics hand-made with traditional weaving techniques, and tribal art pieces. This initiative provides employment for local artisans, introduces guests to the local culture and traditions, and helps raise awareness of local issues (such as poverty and the environment). All of these are supported by local community outreach programs that Banyan Tree has managed superbly so far.

Achieving the right customer experience is paramount to the concept of Banyan Tree. To encourage guests to stay, they are offered attractive resort packages and deals. For example, in Banyan Tree Samui, guests can enjoy one complimentary night's stay for every four-night booking. In the Sense of Family package, a family of four gets free daily breakfasts, a 60-minute spa treatment for two, unlimited access to a kids' club, and round-trip airport transfer. Great care is taken by the staff, who often go the extra mile to ensure that their customers have a great experience. Guests are warmly greeted from the moment they step into a Banyan Tree resort. Employees are trained to remember the first names of their guests and to anticipate their needs. To help employees better understand their guests' needs and experiences, some employees are even required to first experience a stay in the hotels.

In sum, good customer service quality is strongly advocated and an integral part of the brand, but Banyan Tree also recognizes that satisfied employees serve their customers better. It understands the importance of internal marketing and, hence, ensures that its employees are well cared for. For example, employees are ferried to work in air-conditioned buses, eat in high-quality canteens, and stay in dormitories with good amenities.

Since its establishment, Banyan Tree has won numerous international hospitality and tourism awards, including the 2012 Global Tourism Business Award, which recognizes

commitment to sustainability. Other awards include Best Spa Resort (Banyan Tree Macau) in the 2013 Travel & Leisure China Awards and Best Sustainable Hotel (Banyan Tree Al Wadi) at the Middle East Hotel Awards in 2015. These accomplishments are made possible only through continuous emphasis on customer experience, service quality, corporate social responsibility, as well as sound brand management practices. Banyan Tree is strongly positioned for sustainability, a value deeply embedded in its management and marketing strategy. To Banyan Tree, success in business is defined not only financially, but also environmentally and socially. It shows the rest of the world how active environmental conservation and community involvement can be greatly beneficial to the building of a corporate brand.¹

■ ■ ■ Your Passport to Success

As a manager in a global economy, marketing will greatly assist your personal career and the success of the enterprise you manage. In today's hospitality/travel industry, the customer is global and is king or queen. This title is bestowed not because of hereditary rights but because customers have the ability to enhance or damage your career through the purchase choices they make and the positive or negative comments they make to others.

The travel industry is the world's largest industry and the most international in nature. International travel has receipts of over \$1.33 trillion and over 1.25 billion travelers.² China's 1.4 billion people take over 3.3 billion domestic trips each year, spending U.S. \$375 billion. The rapid growth of domestic tourism in China, combined with over 135 million inbound tourists, has led to a rapid growth of hotels, resorts, airport facilities, and other facilities to support tourism.³ China is not alone in its promotion of tourism; other national, regional, and local agencies across the globe are also aggressively promoting their destination.

Each region has unique features that will be perceived as benefits to specific markets. The title "The World's Best Airport" belongs to Singapore. The world's best hotel, according to TripAdvisor, is Gili Lankanfushi in the Maldives. There are 17 countries that are home to the top 25 hotels in the world. The best international airline is Qatar Airlines. The best restaurant in the world is El Celler de Can Roca in Spain.⁴

The world's travel industry is alive, exciting, and competitive. Hospitality companies and destination marketing organizations (DMOs) hire thousands of college graduates each year. As the competitive environment becomes more complex and marketing management changes at an ever-increasing rate, there is a great demand for people who have the knowledge, skills, and attitude to compete in today's environment.

Welcome to marketing! Your passport to success!

Today marketing isn't simply a business function: it's a philosophy, a way of thinking, and a way of structuring your business and your mind. Marketing is much more than a new ad campaign. The task of marketing is never to fool the customer or endanger the company's image. Marketing's task is to provide real value to targeted customers, motivate purchase, and fulfill consumer needs.

Marketing, more than any other business function, deals with customers. Creating customer value and satisfaction is at the heart of hospitality and travel industry marketing. Many factors contribute to making a business successful. However, today's successful companies at all levels have one thing in common: They are strongly customer focused and heavily committed to marketing. Accor has become one of the world's largest hotel chains by delivering L'esprit Accor, the ability to anticipate and meet the needs of its guests, with genuine attention to detail.⁵ Smashburger says "Smashed fresh, Served delicious" to let

Gili Lankanfushi in the Maldives was chosen by the users of TripAdvisor as the best hotel in the world. Courtesy of Smileimage9/Shutterstock.



customers and prospective customers know that it uses fresh ingredients that are carefully crafted to produce a great burger.⁶ These and other successful hospitality companies know that if they take care of their customers, market share and profits will follow.

As a manager, you will be motivating your employees to create superior value for your customers. You will want to make sure that you deliver customer satisfaction at a profit. This is the simplest definition of marketing. This book will start you on a journey that will cause your customers to embrace you and make marketing your management philosophy.

Customer Orientation

Purpose of a business. To create and maintain satisfied, profitable customers.

The **purpose of a business** is to create and maintain satisfied, profitable customers.⁷ Customers are attracted and retained when their needs are met. Not only do they return to the same cruise line, hotel, rental car firm, and restaurant, but they will also post pictures with favorable comments on social media.

“What about profits?” Some hospitality managers act as if today’s profits are primary and customer satisfaction is secondary. This attitude eventually sinks a firm as it finds fewer repeat customers and faces increasingly negative word of mouth. Successful managers understand that profits are best seen as the result of running a business well rather than as its sole purpose. When a business satisfies its customers, the customers will pay a fair price for the product. A fair price includes a profit for the firm.

Managers who forever try to maximize short-run profits are short-selling both the customer and the company. Consider the following episode:

A customer arrived at a restaurant before closing time and was greeted with “What do you want?” Somewhat surprised, the customer replied that he would like to get a bite to eat. A surly voice informed the customer that the restaurant was closed. At this point, the customer pointed to a sign on the door stating that the restaurant was open until 9 P.M. “Yeah, but by the time I clean up and put the food away, it’ll be nine, so we’re closed.” The customer left and went to another restaurant a block away and never returned to the first restaurant.

Let’s speculate for a moment. Why was the customer treated in such a shabby manner? Perhaps,

- the employee wanted to leave early to go to a party.
- the employee was suffering from a headache.
- the employee had personal or family problems.

What really happened in the restaurant episode is that this employee once served a customer immediately before closing time, resulting in the employee working until 10:30 P.M. Instead of the corporate office thanking her for serving the customer and staying late, it reprimanded her for putting in extra time. The corporate office wanted to keep down overtime expenses. The employee’s response was to close the business by 9 P.M. whatever the cost. Now the corporate office is happy—they just don’t realize they are losing customers and future business. Much of the behavior of employees toward their customers is the result of management philosophy. The alternative management approach is to put the customer first and reward employees for serving the customer well.

Cruise ships have traditionally been competition for resorts. Disney uses its brand recognition to create a market for its cruises. Disney also combines a vacation at Walt Disney World with a cruise from Florida to the Caribbean. Courtesy of Dmitrijs Mihejevs/Fotolia.



It is wise to assess the customer's long-term value and take appropriate actions to ensure a customer's long-term support. Two studies document this. The Forum Company found that the cost of retaining a loyal customer is just 20 percent of the cost of attracting a new one.⁸ Another study found that an increase of five percentage points in customer retention rates yielded a profit increase of 25 to 125 percent.⁹ Accordingly, a hotel that can increase its repeat customers from 35 to 40 percent should gain at least an additional 25 percent in profits.¹⁰ The former president of Scandinavian Airlines summed up the importance of a satisfied customer as follows:

Look at our balance sheet. On the asset side, you can still see so-and-so many aircraft worth so-and-so many billions. But it's wrong; we are fooling ourselves. What we should put on the asset side is the last year SAS carried so-and-so many happy passengers. Because that's the only asset we've got—people who are happy with our service and willing to come back and pay for it once again.¹¹

Without customers, assets have little value. Without customers, a new multi-million-dollar restaurant will close, and without customers, a \$300 million hotel will go into receivership, with the receivers selling the hotel at a fraction of its book value.

■ ■ ■ What Is Hospitality and Tourism Marketing?

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. In the restaurant industry, many people confuse marketing with advertising and sales promotion. It is not uncommon to hear restaurant managers say that they “do not believe in marketing” when they actually mean that they are disappointed with the impact of their advertising. In reality, selling and advertising are only two marketing functions and often not the most important. Advertising and sales are components of the promotional element of the **marketing mix**. Other marketing mix elements include product, price, and distribution. Marketing also includes research, information systems, and planning.

Marketing mix. Elements include product, price, promotion, and distribution. Sometimes distribution is called place and the marketing situation facing a company.

The four-P framework calls on marketing professionals to decide on the product and its characteristics, set the price, decide how to distribute their product, and choose methods for promoting their product. For example, McDonald's has a fast-food product. It uses quality ingredients and developed products that it can sell at prices people expect to pay for fast food. Most people will not spend more than 15 minutes to travel to a McDonald's restaurant. As part of its distribution plan, McDonald's must have restaurants that are conveniently located to its target market. Finally, McDonald's appeals to different market segments and has many units throughout a city. This allows McDonald's to make effective use of mass media, such as television. The marketing mix must be just that—a mix of ingredients to create an effective product/service package for the target market.

If marketers do a good job of identifying consumer needs, developing a good product, and pricing, distributing, and promoting it effectively, the result will be attractive products and satisfied customers. Marriott developed Moxy Hotels; Darden designed the Olive Garden Italian Restaurant. They designed differentiated products, offering new consumer benefits. Marketing means “hitting the mark.” Peter Drucker, a leading management thinker, put it this way: “The aim of marketing is to make selling superfluous. The aim is to know and understand customers so well that the product or service fits them and sells itself.”¹²

This does not mean that selling and promotion are unimportant, but rather that they are part of a larger marketing mix, a set of marketing tools that work together to produce satisfied customers. The only way selling and promoting will be effective is if we first define our target market, understand their wants, and then prepare an easily accessible and available value package.

Marketing in the Hospitality Industry

Importance of Marketing

Hospitality industry. Made up of those businesses that offer one or more of the following: accommodation, prepared food and beverage service, and/or entertainment.

As we have seen, the **hospitality industry** is one of the world's major industries. In the United States, it is the second-largest employer. In more than half of the 50 states, it is the largest industry. In this book, we focus on the hospitality and travel industries.

Marketing has assumed an increasingly important role in the restaurant sector of the hospitality industry. Marketing today in many ways is the same as it was 20 years ago. We must understand our customers and develop a service delivery system to deliver a product they want at a price they will view as being fair. And do all this while still making a profit. In other ways marketing is ever changing and is changing very rapidly. Social media has given the customer a powerful voice; dashboards track comments customers are making about our product on social media; millennials are replacing baby boomers as the most important travel segment, and their wants are very different than the boomers.

The hotel industry is undergoing a consolidation, with companies such as Accor, Hilton, and Starwood buying hotel chains and operating different brands under one organization. The marketing expertise of these large firms has created a competitive marketing environment. While the director of marketing is a full-time marketer, everyone else must be a part-time marketer. All managers must understand marketing. By applying the principles of marketing to your job search, you will be able to enhance your career opportunities and hopefully end up in a job that you will love.

Tourism Marketing

The two main industries that comprise the activities we call tourism are the hospitality and travel industries. Thus, throughout this book we refer to the hospitality and travel industries. Successful hospitality marketing is highly dependent on the entire travel industry. Meeting planners choose destinations based on the cost of getting to the destination, the value of the hotels, the quality of restaurants, and evening activities for their attendees.

The success of cruise lines is really the result of coordinated marketing by many travel industry members. For example, the Port of Boston wanted to attract more cruise line business. Massport (the port authority) aggressively marketed Boston to cruise lines. Having convinced them to come, they then promoted Boston to key travel agents. This was critical because travel agents account for 95 percent of all cruise line business. The result was that Boston doubled the number of port calls by cruise lines and added \$17.3 million to the local economy through this combined marketing effort.

That's only the beginning of travel industry marketing cooperation to promote cruise lines. Airlines, auto rental firms, and passenger railways cooperatively develop packages with cruise lines. This requires coordination in pricing, promotion, and delivery of those packages. Like Massport, government or quasi-government agencies play an important role through legislation aimed at enhancing the industry and through promotion of regions, states, and nations.¹³

Few industries are as interdependent as travel-hospitality. This interdependence will increase in complexity. The travel industry will require marketing professionals who understand the big picture and can respond to changing consumer needs through creative strategies based on solid marketing knowledge.

Visitors to international destinations, such as these tourists on the Brazilian side of Iguacu Falls, often purchase packages that include airfare, ground transportation, and hotel accommodations. Courtesy of Fabio Lotti/Fotolia.

