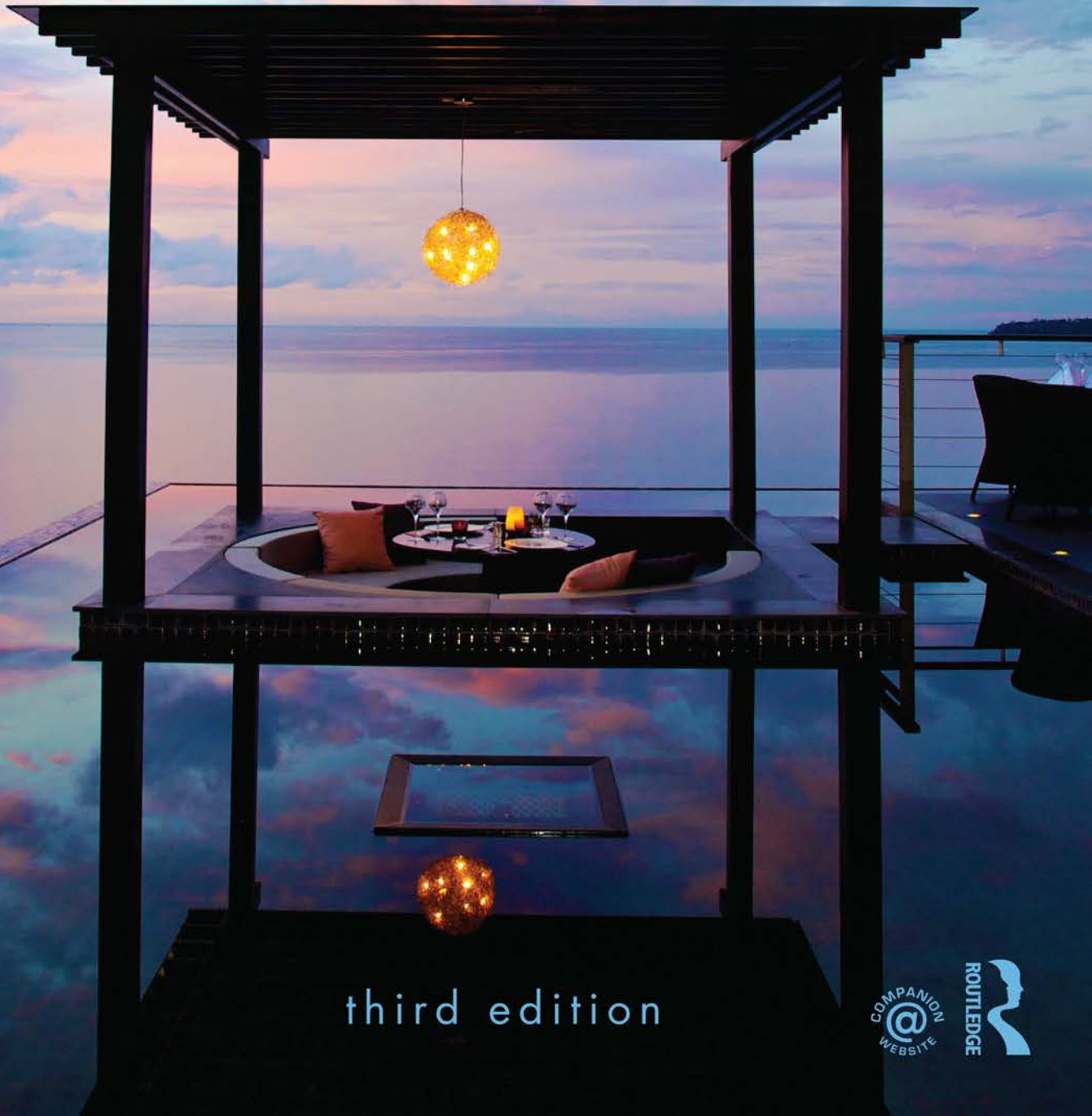


hospitality marketing

David Bowie, Francis Buttle, Maureen Brookes
and Anastasia Mariussen



third edition



Hospitality Marketing

This introductory textbook shows you how to apply the principles of marketing within the hospitality industry.

Written specifically for students taking marketing modules within a hospitality and/or tourism course, it contains examples and case studies that show how ideas and concepts can be successfully applied to a real-life work situation. It emphasizes topical issues such as sustainable marketing, corporate social responsibility and relationship marketing. It also describes the impact that the internet has had on both marketing and hospitality, using a variety of tools including a wide range of internet learning activities.

This third edition has been updated to include:

- Coverage of hot topics such as use of technology and social media, the power of the consumer and effect on decision making, innovations in product design and packaging, ethical marketing and sustainability marketing.
- Updated online resources, including: PowerPoint slides, test bank of questions, web links and additional case studies.
- New and updated international case studies looking at a broad range of hospitality settings such as restaurants, cafes and hotels.
- New discussion questions to consolidate student learning at the end of each chapter.

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For Julie (David)

For Linda, my children Emma and Lewis and their partners, and the next generation,
Caitlin and George – welcome aboard the good ship of life (Francis)

To my husband Justin, the man who knows how to put the 'life' into 'work-life balance'
(Maureen)

For Sofie Charlotte and Leif Magne (Anastasia)



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Preface

Most readers of this textbook will be university undergraduate or college students studying hospitality and/or tourism marketing for the first time. Our main objective in writing the book has been to provide you with an easy-to-read text, which presents a review of modern marketing theory in the context of the hospitality industry. The many examples we've included give you a better understanding of hospitality marketing practice.

The book has the following special features:

- The book's unique structure examines marketing activities before, during and after the customers' experience of the hospitality encounter. This helps you to understand what has to be done to attract customers, provide them with an experience that meets their expectations, and motivate them to return.
- Fifteen chapters, one for each of the key marketing topics you need to understand.
- Many helpful learning activities such as searches of relevant company websites and visits to hospitality units as a customer to collect information are embedded in each chapter. You will then need to analyse and evaluate your findings.
- A companion website www.routledge.com/cw/bowie which contains a student section with further information, case studies and hospitality contact details. For tutors, there is a separate section, which provides additional teaching resources.



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Structure

The book is divided into five parts:

- *Part A – Introduction.* A single chapter, which introduces the key concepts of marketing in the hospitality industry, including market demand, the marketing concept, the special characteristics of service industries, the PESTE environment and the hospitality marketing mix.
- *Part B – Pre-encounter marketing.* This section consists of eight chapters and discusses all the marketing activities that companies have to carry out to attract customers. Chapters include marketing research; understanding and segmenting customers; competitive strategies; developing, locating, pricing and revenue management, distributing and communicating the offer.
- *Part C – Encounter marketing.* This section comprises three chapters, which are concerned with managing the customer experience while consuming the hospitality offer. They include managing the physical environment, managing the service process and managing customer contact employees.
- *Part D – Post-encounter marketing.* These two chapters discuss post-encounter marketing and explain the importance of customer satisfaction and developing mutually beneficial longer-term relationships with customers.
- *Part E – The marketing plan.* The final chapter builds on the previous chapters, and explains how to write a marketing plan for a hospitality business.



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Learning features

Each chapter contains the following features to aid understanding:

- *Chapter objectives*: each chapter begins with bullet points highlighting the main features and learning to be covered in the chapter.
- *Activities*: short practical activities are located at appropriate 'break' points throughout the chapter, which enable you to assess your understanding and marketing experience.
- *Headlines*: these usefully divide chapters into easy-to-read sections.
- *Marketing insights*: marketing anecdotes and observations to contextualize learning.
- *Case studies*: illustrations from hospitality companies around the world are used to illustrate how the theories work in real world situations.
- *Conclusion*: Condenses the main themes of the chapter enabling you to check your learning and understanding.
- *Review questions*: Appear at the end of each chapter allowing you to test your knowledge and understanding, and to put the theory into practice.

Each chapter contains online sources to help students explore the good examples of hospitality marketing in practice.



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PART **A** Introduction

1 Introduction to hospitality marketing

3



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1

Introduction to hospitality marketing

Chapter objectives

After working through this chapter, you should be able to:

- define key marketing terms; understand that the role of marketing is to manage demand; and explain the marketing concept
 - describe major environmental influences that impact on hospitality businesses and their customers
 - explain the special characteristics of services that influence the practice of hospitality marketing
 - identify the eight elements of the hospitality marketing mix.
-

Introduction

In this chapter, you will be introduced to some fundamental principles of marketing. We review several definitions to clarify precisely what we mean by 'marketing', we define 'the marketing concept' and we show that being 'marketing oriented' is one of several ways of running a business. We then describe the macro- and micro-environments in which hospitality companies operate, the special attributes of services and the 'hospitality marketing mix'.

Whether we recognize it or not, we are all involved, willingly or unwillingly, passively or actively, in marketing. We encounter marketing practices every day when we are exposed to advertising and product displays, evaluate brands, make buying decisions, shop and consume; we may also encounter marketing at work even if we don't have a job in marketing. Although marketing has a powerful and pervasive influence in modern life, it is often misrepresented and misunderstood.

Students learning about marketing for the first time can become quite confused, because expert definitions of marketing differ from the everyday use of the term. Many people equate marketing to advertising or selling, but it's much more than that. Confusion grows when you consider that marketing is both a business philosophy and a management practice.

ACTIVITY 1.1

Before you read the rest of this chapter:

- Write down what you think 'marketing' means.
- Write down what you think marketers do.
- List job titles that you think involve marketing.

We will review your ideas at the end of this chapter and see whether they have changed!

What is marketing?

Marketing as a business philosophy

Some experts believe that marketing is primarily a business philosophy that puts the customer first. From this perspective, the primary goal of any hospitality business is to create and retain satisfied customers. Marketers who endorse this 'business philosophy' idea believe that customer focus is not just a marketing responsibility but that everyone in the organization should consider the customer as they make management decisions, whether in operations, finance, human resources or marketing. Adopting this philosophy requires a total management commitment to the customer, and companies that pursue this approach can be described as having a *customer orientation*.

Marketing as a management practice

An alternative perspective proposes that marketing is a management practice that aims to manipulate customer demand. After a lifetime devoted to developing marketing theory and promoting the benefits of marketing, the celebrated marketing guru Professor Philip Kotler claimed that 'marketing's central purpose is demand management' and marketers need 'to manage the level, timing and the composition of demand' (Kotler, 1999). This perspective on marketing explains most accurately what marketing managers do day-to-day. Marketing management practice is part art and part science. Marketing is art in the way it uses creativity and innovation to stimulate consumers' imaginations and arouse intentions that ultimately translate into demand. It is also a science in the way that it uses data and customer insight to guide the demand management toolkit which is known as the 'marketing mix'.

Transactional and relationship marketing

Marketers work in a variety of contexts that require different demand-management responses. At one extreme, the challenge is to make a one-off sale; at the other, the challenge is to build a long-term relationship with the customer that delivers many transactions over time. These are respectively known as transactional and relationship marketing.

- *Transactional marketing* is associated with hospitality businesses that serve transient or temporary markets. For example, independent food and beverage businesses operating in day-tripper destinations aim to generate sales from customers who are unlikely to ever return. These businesses provide products and services that are mutually rewarding for both parties, generating profit for the seller and satisfaction for the buyer.
- *Relationship marketing* is associated with businesses that have repeated transactions with customers over time. Relationship marketing involves the development of mutually beneficial long-term relationships between suppliers and customers; relationship marketers recognize that the lifetime value of a retained customer can be high, even though the value of each transaction may be relatively low. The major hotel groups stress relationship marketing when striving to build repeat business from guests. Offering added value to these high-value guests is a component of these companies' loyalty or reward programmes.

Institutional definitions of marketing

Two important professional bodies for marketers are the American Marketing Association (AMA) and the UK-based Chartered Institute of Marketing (CIM). They offer these definitions of marketing:

Marketing is the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large.

(AMA)

Marketing is the management process responsible for identifying, anticipating and satisfying customer requirements profitably.

(CIM)

The AMA definition stresses the importance of value creation. Customers experience value when they use or consume a product or service. This is known as 'value-in-use'. A restaurant meal or a guest room has no value until such time as customers use or consume them. The CIM definition stresses the importance of satisfying customer requirements. To integrate both definitions we can say that every customer's broad requirement is to experience value. If the customer does not experience value from a hospitality company's products or services then they will not be satisfied; on the other hand, once value is experienced then customer satisfaction is more likely.

These definitions also stress the importance of bringing the voice of the customer into the business. The CIM definition notes the importance of identifying customer requirements. The AMA definition stresses the activities and processes that enable businesses to create offerings that have value for customers. Taken together, these mean that businesses have to monitor markets, customers and competitors for shifts in customer requirements and expectations, and continually adapt offerings to ensure that customers experience value. These monitoring and forward-looking processes mean that the voice of the customer continues to be heard in the business, and that the business

is externally oriented towards customers. Marketers become ambassadors or spokespersons for customers, and ensure that the organization is always focused on the value-in-use expectations of customers.

The marketing concept

Companies that place the customer at the centre of their thinking, and organize their operations and communications around the value requirements of customers, are said to have adopted the marketing concept. In competitive markets, these companies accept that to achieve their goals they must be more effective than competitors at creating, delivering and communicating value to their chosen customers. Companies that adopt the marketing concept are said to be 'marketing orientated'.

What is a market?

Originally, a market was a meeting place where people could buy and sell produce; and, of course, this type of market still exists today. In modern societies where people connect online, markets can be much more complex, but they still reflect the core principle of bringing together buyers and sellers with common interests. This modern concept of the market is based on groups of people who have similar needs and wants (potential consumers and actual customers) and companies that aim to satisfy those needs and wants better than their competitors (an industry).

Needs can range from the basic requirements for survival – food, shelter, safety – to much more complex social needs, such as belonging and recognition. *Wants* are how different people choose to satisfy their needs; wants are shaped by culture and personality. People with similar needs – for example, the need to travel for a family event and stay overnight – can have different wants; some will want to stay with relatives, while others may want to have the independence of staying in a hotel.

A major limitation on how people can satisfy their wants is the amount they can afford to pay. Consumers have to make buying choices based on their own resources or buying power. Consumers will often buy the best bundle of value-creating benefits provided by a product for the price that can be afforded. The aggregated purchase decisions of *all* the individuals buying a product (or service) are expressed as *market demand*. Market demand is normally measured using two criteria:

- 1 The number of units sold – this is called the volume.
- 2 How much people have paid for the product – this is called the value.

Individuals can satisfy similar needs in many different ways. Not everyone wants the same bundle of benefits and this creates sub-markets, or market segments, within the overall market. In hospitality markets, deluxe, luxury, midmarket, economy and budget market segments represent different bundles of benefits sought by different groups of customers. Over a period of time, the volume and the value of market segments can increase or decrease depending on a wide range of factors.

Market supply can also be measured and this is called the *industry capacity*. In the hotel market, the number of hotels and bedrooms in an area is called the *market capacity*. If the number of hotels and bedrooms is increasing, because new hotels or bedroom extensions have been built, then the market capacity increases. In the hospitality industry, market supply is often categorized under the same headings as market demand segments; thus the luxury, deluxe, midmarket, economy and budget classifications are also used to describe the different types of operations serving those market segments. Other ways of categorizing hospitality market supply include:

- purpose of travel (e.g. business, leisure)
- niche markets (e.g. ethnic restaurants, vegetarian restaurants)
- tourist board, motoring or other organization ratings for hotels and restaurants (e.g. the American Automobile Association (AAA) Diamond rating classifications for hotels or the Michelin Guide star ratings for restaurants).

The level of market demand and the amount of industry capacity are crucial factors underpinning the profitability of hospitality firms:

- When market demand is high and industry capacity is low, hospitality businesses should enjoy high sales volume and profitability.
- When market demand falls (e.g. in an economic downturn or recession) but industry capacity remains high, sales and profitability will normally fall.

Marketing as demand management

We have suggested that one way to think about marketing is to view it as the art and science of managing customer demand. Because demand states vary, so does the task of marketing. There are eight categories of demand:

1. negative demand
2. no demand
3. latent demand
4. falling demand
5. irregular demand
6. full demand
7. overfull demand
8. unwholesome demand.

When demand states 1–4 occur, actual demand is lower than the business's desired level of demand and the hospitality marketer is primarily interested in facilitating and stimulating more demand.

Negative demand exists when consumers dislike a product – for example, an unpopular food or drink product. The marketing response is to encourage demand by educating consumers about the positive features of, or benefits from, the product. You can often witness free tastings of food and drink products in supermarkets and wine outlets, which enable potential customers to see, taste and maybe buy the product.

When there is no demand, the marketing task is to create demand. Raising awareness by outbound communications such as advertising and public relations to demonstrate a product's positive attributes may help to educate consumers and encourage them to try the product.

Latent demand means that demand would exist if there were a suitable product/service. The development of domestic short breaks as a hotel product was originally based on consumers' increasing affluence and available leisure time. When demand is falling, the marketing challenge is to revitalize demand. This situation can occur when a product/service is beginning to lose its appeal. Marketers need to research the reasons why the product no longer satisfies customers, reformulate the offer and relaunch it to refresh interest and revitalize demand.

Irregular demand is widespread in hospitality; it takes the form of seasonal demand. In these situations, companies strive to develop marketing strategies and tactics to synchronize demand over the high and low seasons, often using price-led promotions. Full demand occurs when actual demand matches the desired demand. Here, the marketing task is to maintain the current level of demand. In hospitality markets, full demand rarely occurs, since competitors are likely to enter attractive markets and disturb the equilibrium.

If there is too much (or overfull) demand, the hospitality operation will not be able to cope and there is likely to be considerable customer dissatisfaction. Hospitality marketers respond by reducing demand either by increasing prices or by managing the booking/queuing process to prevent overfull demand. A long-term solution to overfull demand is to increase capacity by building more bedrooms or extending the seating area in a restaurant, but managers need to be confident that overfull demand will be sustained.

Unwholesome demand can occur when prohibited activities such as drug dealing, gambling or prostitution, are taking place on the hospitality premises. Management clearly has a legal and ethical duty to try and inhibit or destroy unwholesome demand; however, this can be a difficult situation when customers are willingly involved.

Market demand in hospitality

Market demand in hospitality falls into four broad categories:

- 1 Business travel demand includes all those journeys business people make to meet customers and suppliers, or attend conferences, exhibitions and seminars. Business travel does not include the daily journeys people make when commuting to and from work.
- 2 Leisure travel demand includes journeys that people make away from home for amusement, entertainment or relaxation – for example, holidays, weekend breaks or same-day visits. A major component of leisure travel is visiting friends and relatives and this is described using the acronym 'VFR'.
- 3 Domestic travel demand includes all the travel generated within a country by people living in that country – so, for example, the domestic demand for business travel in Australia is all business journeys taken in Australia by people living in Australia.
- 4 International travel demand includes all the journeys generated to a country from people living in other countries. France is one of the world's most popular tourist destinations and attracts international visitors from all over the world.

Table 1.1 Categories of demand in hospitality

Purpose of travel	Domestic	International
Business	Domestic business demand	International business demand
Leisure	Domestic leisure demand	International leisure demand

Some types of travel do not fit easily into these broad categories, for example, people who combine business and holidays in the same trip, but these are convenient descriptions that tourist and hospitality organizations use to broadly categorize the major markets – see Table 1.1.

Management orientations

Not every company is ‘marketing oriented’. Five different management philosophies, or orientations, have been identified in developed economies. Some of these orientations have been linked to specific economic conditions or to certain periods in economic history. Hospitality organizations, like other businesses, could adopt any one of the following orientations, regardless of the economic circumstances.

Product or service orientation

Companies adopting a product orientation believe that their customers can *only* be satisfied with a particular type of product or service and that the foundation of corporate success is product or service excellence. Management may concentrate on developing better versions of the *existing* product, but fail to recognize that customers could be satisfied better by different *types* of products. For example, hospitality companies with a product orientation include the famous restaurants with celebrity chefs, who serve what they think customers should want regardless of what the customers actually want! Product-oriented management is inward looking. Although a company can prosper with a product orientation, changes in consumer tastes and fashion can quickly undermine a product-oriented company as businesses lose touch with changes in customer preferences. Theodore Levitt’s (1960) famous article ‘Marketing myopia’ warned companies that a product orientation could lead to failure.

Operations or production orientation

Originally developed by the automobile entrepreneur Henry Ford in the early 1900s, a production orientation is appropriate when there is a rising demand for strong, innovative products. If demand exceeds supply, management concentrates on producing volume to satisfy the growing demand. Improved technologies generate economies of scale, which allows management to reduce prices further and grow the market.