



HOSPITALITY

MARKETING MANAGEMENT

6e

David C. Bojanic

Robert D. Reid

WILEY

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David C. Bojanic
University of Texas at San Antonio

Robert D. Reid
AACSB International

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Dedication



I would like to dedicate this book to the memory of my mother, Betty Bojanic, who made life better for everyone around her.

David Bojanic

This book is dedicated with my sincere appreciation and admiration to my friends, family and the many professionals with whom I have had the privilege to work. Each has contributed in ways known and unknown to my own development. Thank you!

Robert Reid

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Preface

Today's hospitality marketing student needs to keep up with the constant changes in the hospitality and tourism industry, including consumer trends, revised industry standards, and environmental concerns. The *Sixth Edition* of *Hospitality Marketing Management* presents many new ideas along with established marketing principles, exploring not only the foundations of marketing in the hospitality world but also new trends in the industry. *Hospitality Marketing Management* explores marketing themes unique to hospitality and tourism. **Chapters 1 through 4** provide an introduction to marketing, including the importance of the marketing environment to hospitality and tourism operations. In addition, it provides insight into consumer behavior and how firms can segment markets and target customers. **Chapters 5 through 7** weave application with theory in the discussion of the marketing planning process and gathering information for marketing decisions, including pricing strategy. **Chapters 8 through 11** focus on developing and managing products and services, and the distribution of the products and services, including the world of e-commerce. **Chapters 12 through 15** explore strategies for promoting products and services, including advertising in different forms of media, personal selling, sales promotions, and public relations.

NEW TO THE SIXTH EDITION

The changes to this *Sixth Edition* were made with the goal of improving the text and keeping it up to date. They include:

- **New Chapter 2, "The Marketing Environment and Sustainability."** In keeping with current industry trends, a new chapter has been written to combine the components of the external marketing environment and sustainability practices in hospitality and tourism.
- **More coverage of the Internet and technology.** In this edition, the added coverage of the Internet and technology was continued, including a section on social media under advertising and promotion.
- **Streamlined content throughout the book.** One of the main goals of this edition was to reorganize the chapters and try to streamline the content to be user-friendly for students. There is one less chapter and the content was arranged within each chapter to be more cohesive. Additional topics were added based on reviewer's comments, and some less important topics were removed.
- **More coverage of the tourism industry within each chapter.** It was decided that it would be better for students if the content from the "destination marketing" chapter was integrated in the appropriate context throughout the book, rather than placed together in one chapter at the end of the book. The book now covers destination marketing in Chapter 1, "Introduction to Hospitality Marketing"; Chapter 6, "Information for Marketing Decisions"; Chapter 8, "Developing New Products and Services"; Chapter 9, "Managing Products and Services"; and Chapter 14, "Sales Promotions and Public Relations." In addition, there are new cases related to tourism.
- **More coverage of international marketing.** The importance of a global economy directly affects the hospitality and tourism industry. As in past editions, an effort was made to provide more international examples and references throughout the book to illustrate this trend.
- **New case studies.** Fourteen new case studies were added to this edition, and each chapter now contains two case studies.

PEDAGOGICAL FEATURES

- Each chapter begins with a list of chapter objectives to focus the reader and provide an overview of the chapter content, and then culminates with a more detailed summary of chapter objectives to bring the discussion full circle and reiterate key points.

- Each chapter also contains a list of key terms and concepts at the end. The terms and concepts appear in **bold** throughout the chapter, and definitions for each appear in a glossary as well as in the text margins at the point they are introduced.

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Electronic Commerce



Courtesy of Mila Sapunskaya/Shutterstock

Chapter Objectives

After studying this chapter, you should be able to:

1. Describe the impact of the Internet on the hospitality and tourism industry.
2. Discuss the attributes and scope of electronic commerce, including traits of a networked economy and security issues.

3. Explain the various strategies and business models used in electronic commerce.
4. Describe Internet marketing strategies for websites and e-mail campaigns.

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Product levels
The varying levels of goods and services that combine to form the final product.

Product life cycle
A theory that describes how a product progresses from its infancy as a new product to its eventual decline.

Resource allocation models
Models used by firms to determine the most effective use of company resources within their product portfolios.

Core product
The most basic form of the product represented by the main benefit sought by customers to fulfill their needs.

Peripheral services
Additional goods and services that expand the core offering and can be used to obtain a competitive advantage.

Facilitating products
Services that enable the customer to consume the core product by making it available where and when the customer wants it.

Supporting products
Additional goods and services that can be bundled with the core service in an attempt to increase the overall utility or value for consumers.

9.1 INTRODUCTION

Developing a sound marketing strategy is a cornerstone of successful marketing. When a company is successful and its marketing programs are the benchmarks among its competitors, it is often the result of a sound and well-developed marketing strategy. This chapter examines the key aspects of managing the product-service mix. The first area concerns the product levels and their importance in differentiating the product. The second area is the **product life cycle**. This advances the concept that all products and services progress through a life cycle, much as people do. The concept of the product life cycle is that different marketing strategies are best used at different stages in the life cycle. The third area involves the **resource allocation models** used by firms to determine the most effective use of company resources within their product portfolios. Most firms have a limited amount of resources, and it is necessary to prioritize their expenditures based on potential returns and company goals.

Finally, this chapter examines the various issues surrounding managing services. The characteristics that distinguish services from goods create different challenges for managers. It is important to manage supply and demand in service industries because of the inability to maintain inventories for intangible products. Basically, there are four product levels: the core product, the facilitating products, the supporting products, and the augmented product. The core product is the basic form of the product. In other words, it is the main benefit sought by customers in an attempt to satisfy their needs as recognized by the gap between the ideal state and actual state. For example, for a restaurant, the core product is the food that will resolve the consumer's state of hunger.

As we can see, there are many ways that this need can be satisfied. Similarly, consumers in the lodging industry are looking for guest rooms with a shower. Two of the other product levels can be referred to as **peripheral services**. These services expand the core offering and can be used to obtain a competitive advantage. Peripheral services must meet or exceed customer expectations if customers are to be satisfied. The facilitating products are services that enable the customer to consume the core product. They must be present to make the product available where and when the customer wants it. Hotels have front desks and reservations departments, and restaurants have hosts or hostesses and wait staff. Supporting products are additional goods and services that can be bundled with the core service in an attempt to increase the overall utility or value for consumers. Examples of supporting products within the hotel industry include concierge service, multi-faceted staff, 24-hour room service, and complimentary newspapers for business travelers.



Courtesy of Wikimedia Commons

Supporting services such as a hotel gym add value for guests.

SUMMARY OF CHAPTER OBJECTIVES

This chapter served a vital function in introducing many concepts that will be used throughout this book. First, it provided an introduction to marketing, including the definition of marketing, the marketing process, and the difference between marketing and selling. For the purposes of this text, marketing was defined as the process of determining consumer needs, creating a product-service mix that satisfies these needs, and promoting the product-service mix in order to attain the goals and objectives of the firm.

The marketing process starts with research to determine the wants and needs of consumers so that products and services can be developed to fulfill those needs. Then, once the product-service mix is determined, the firm develops a marketing program using the other three elements of the marketing mix: price, place, and promotion. The strategies for each of the four P's are combined into a marketing program that is used to position the firm's products and services in the marketplace.

The next section introduced the reader to the important area of hospitality services marketing. It began by describing services and explaining the characteristics that separate tangible products and services. Services are intangible and cannot be inventoried. This requires changes in the distribution process, and it makes it difficult to maintain consistent quality. It also requires more involvement on the part of consumers, who actually become part of the product. The intangible nature of services results in more of an emphasis on experience qualities that are evaluated after a product becomes consumed, and less on search qualities that can be evaluated prior to purchase.

The chapter ended with an overview of destination marketing and a discussion of the service trends affecting the hospitality and tourism industry. Destination marketing was explained and the most common destination marketing organizations (tourism bureaus and convention and visitors bureaus) were described, including the funding and operations of the organizations. Finally, service trends such as shrinking customer loyalty, increased consumer sophistication, and the increased emphasis on the needs of the individual consumer were presented.

chapter review

KEY TERMS AND CONCEPTS

Barter Boundary-spanning roles Credence qualities Destination marketing organization (DMO) Experience qualities External environment Globalization Hospitality marketing mix Marketing Marketing concept Marketing management cycle Marketing mix	Marketing program Perceived value Place Product Product bundling Product-service mix Promotion mix Search qualities Service Services marketing Word of mouth
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QUESTIONS FOR REVIEW AND DISCUSSION

- 1 Why has marketing assumed a position of increased importance in the management of hospitality organizations?
- 2 What is marketing? Why is it important to the success of a firm?
- 3 What is the marketing concept? What role should the marketing concept play in managing a hospitality or tourism facility?

Finally, there are questions and case studies provided at the end of each chapter to give students a chance to test their knowledge of the material. Instructors can use the questions to initiate class discussions, or to review for exams. In addition, each chapter contains case studies that connect theory and practice, and can be used as group projects or for individual class assignments and discussions. The cases are based on real-world situations, whether they reference an actual company or disguise the name for proprietary reasons. The *Instructor's Manual* contains answers for the questions and the case studies for easy reference.

SUPPLEMENTARY MATERIALS

The *Instructor's Manual* has been updated, and is available to qualified instructors on the companion website at www.wiley.com/college/bojanic. In addition, **PowerPoint slides**, a downloadable **Test Bank**, and additional **Case Studies** can be accessed from the same website.

We hope you find these improvements and changes to the *Sixth Edition* of *Hospitality Marketing Management* useful in your quest to learn about the exciting world of marketing in the hospitality and tourism industry.

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1

Introduction to Hospitality Marketing



Courtesy of San Antonio Convention and Visitors Bureau.

Chapter Objectives

After studying this chapter, you should be able to:

- 1.** Explain the importance of marketing to the success of a hospitality operation, including the definition of the term *marketing* and the marketing process.
- 2.** Understand the hospitality marketing mix and the differences between the traditional marketing mix and the hospitality marketing mix.
- 3.** Explain how marketing intangible services is different from marketing tangible goods.
- 4.** Identify the role of a destination marketing organization.
- 5.** Explain the service trends that are affecting the hospitality and tourism industry.

1.1 INTRODUCTION

In recent years, most of the growth in the hospitality industry has occurred in chain operations or in the industry's corporate segment. The hospitality industry leaders, such as Marriott International, Hyatt, Hilton, McDonald's, Subway, Choice International, and Starwood Lodging, continue to increase their share of the market at the expense of smaller chains and independent operators. While independent operators have continued to prosper, especially in the food service sector, the marketplace is much more competitive. An increased level of competition has meant greater emphasis on marketing. No longer is it possible for an individual to open and operate a food service facility successfully on good food alone. To ensure a steady flow of customers, a hospitality manager must possess a thorough understanding of marketing. Without the marketing management skills the hospitality industry demands, a hospitality manager is less likely to achieve success today. With this continual change and increased competition, what are the marketing functions that a successful hospitality manager must fulfill? This chapter introduces basic marketing definitions and concepts, including the marketing mix, the marketing environment, the marketing management cycle, and the role of marketing within the operation of a hospitality and tourism organization.

1.1.1 Marketing Defined

Marketing

The process of creating, pricing, promoting, and distributing products and services to consumers in a mutual exchange of value.

Product

A good, idea, information, or service created to satisfy a consumer's want or need.

Product-service mix

The strategic blend of a firm's tangible and intangible attributes.

Service

An intangible product that is sold or purchased in the marketplace.

The term **marketing** encompasses many different activities, so it is necessary to discuss some of the terms used in the definition of *marketing*, and throughout the text. First, the term **product** refers to all the goods and services that are bundled together and offered to consumers. For example, computers and automobiles are sold as tangible goods, but they include warranties and service contracts as part of the overall product. Therefore, the term *product* refers to both goods and services, but it is often thought of as a good or commodity. Nearly every product sold includes both tangible and intangible elements. Another term that is used to refer to the product as a bundle of goods and services, and eliminate the confusion, is the **product-service mix**.

A **service** is defined as an intangible product that is sold or purchased in the marketplace. A meal purchased at a fast-food restaurant or an occupied room in a hotel is considered a part of the service segment. Why? Simply stated, after the meal is consumed and paid for or after the individual checks out of the hotel, the individual leaves the facility and does not have a tangible product in exchange for the money spent. This individual has consumed a service that is a part of the hospitality and travel industry, one of the largest service industries.

Each year, millions of individuals spend billions of dollars vacationing and traveling for business and pleasure; when the trip is over, nothing tangible remains. To more clearly reflect the role of service industries, such as the hospitality and tourism industry, the definition of *marketing* can be expanded to include references to services. This will eliminate the confusion caused by the semantic differences between products, goods, and services, discussed earlier. According to the American Marketing Association, "Marketing is the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value to customers, clients, partners, and society at large."¹

The vast majority of hospitality establishments, however, are operated to generate a satisfactory return on investment in the form of profits or excess revenue. These profits are used to pay dividends to stockholders and are reinvested by the organization to promote expansion and further development. Even nonprofit hospitality operations, such as selected hospitals, nursing homes, college or university hospitality operations, and government-run hospitality operations, must be concerned with marketing. Managers of nonprofit operations must still understand the wants and needs of their consumers and provide goods and services at a satisfactory level to as many individuals as possible. A universal concern of all hospitality managers is the financial condition of the organization. Whether a manager is trying to achieve a 20 percent annual return on investment (ROI) or is instead aiming to break even on a very limited budget, the overriding concern is still financial.

Another factor that any definition of *marketing* must include is a focus on the exchange that takes place between a producer and a consumer. In order for an exchange to take place, both

parties must receive something they are satisfied with. In most cases, consumers give producers money in exchange for products and services that meet the consumers' wants and needs. However, the exchange can include anything of value to the parties. Before there was a monetary system, people would **barter**, or exchange goods and services rather than money. There are still companies that engage in bartering today. For example, PepsiCo chose to exchange its soft-drink product with a company in Mexico for wine and other products to avoid incurring the foreign exchange risk associated with the peso, which was devalued at the time.

1.1.2 The Marketing Process

The process of marketing can be best understood by examining the diagram presented in Figure 1.1. As you can see, the target market, or those groups of consumers that the firm chooses to target with its marketing efforts, is at the center of the process. The **marketing concept** is based on the premise that firms determine customer wants and needs and then design products and services that meet those wants and needs while at the same time meeting the goals of the firm. This concept is an extension of earlier concepts that focused on the production process as a means to design products and services, or the selling of already produced products and services. Today, most firms realize the value of customer input in the new product design process. The issues unique to marketing services are discussed later in this chapter, Chapter 3 focuses on the behavior of hospitality consumers, and Chapter 4 discusses the process of market segmentation and positioning products in the market.

In Figure 1.1, the first layer around the target market, or consumers, is referred to as the **marketing mix**. The marketing mix has four components: price, product, place, and promotion. These are often referred to as the four P's of marketing, and they are the variables that managers can control. Firms will manipulate the marketing mix variables to formulate strategies that are combined in a **marketing program** for a product or service. This program is the basis on which the firm's products and services compete with the offerings of other firms in the competitive environment. The marketing mix will be discussed in more detail later in this chapter. The product component is covered in Chapters 7 and 8, the price component is discussed in Chapter 9, the place (distribution and delivery) component is presented in Chapters 10 and 11, and the promotion component is addressed in Chapters 12 through 15.

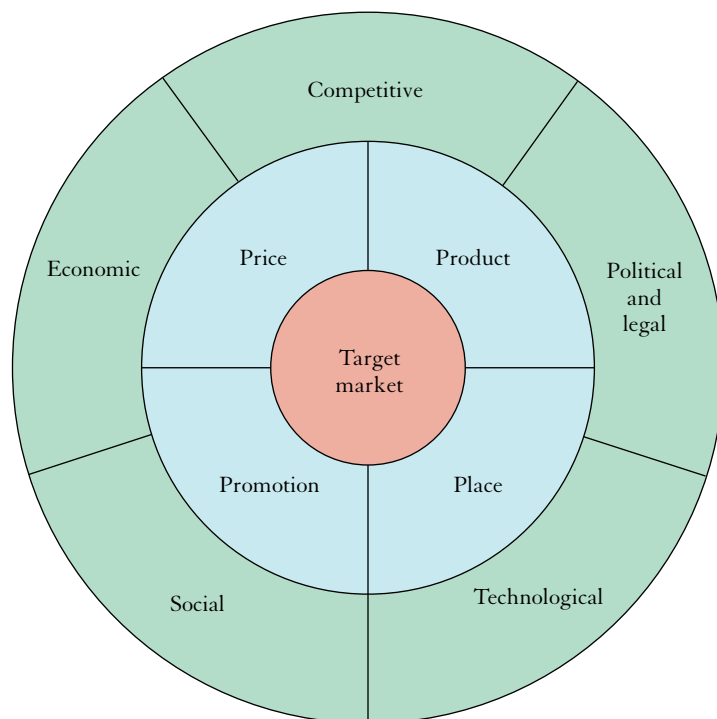


FIGURE 1.1 • The marketing mix and external environment.

Barter

A process of exchanging goods and services rather than money.

Marketing concept

The marketing concept is based on the premise that firms determine customer wants and needs, and then design products and services that meet those wants and needs, while also meeting the goals of the firm.

Marketing mix

The four components (price, product, place, and promotion) that are controlled by organizations and used to influence consumers to purchase goods and services.

Marketing program

The set of strategies based on the manipulation of the marketing mix to meet target market preferences.

External environment

The outside influences on the marketing process that are not under the control of the organization.

Marketing management cycle

The dynamic process involving marketing planning, execution, and evaluation.

The outside layer of the diagram of Figure 1.1 represents the **external environment** that influences the marketing process. The state of the economy, trends in society, competitive pressures, political and legal developments, and advances in technology all affect the performance of a product or service. Firms cannot control these environments, but they must monitor the changes and trends in the respective environments and look for opportunities and threats. The components of the external environment and some of the current trends that affect hospitality and travel firms will be examined in more detail in Chapter 2.

Firms must continually monitor environments and make changes in their marketing programs. The **marketing management cycle** involves marketing planning, marketing execution, and marketing evaluation. This cycle is discussed briefly in this chapter, and Chapter 5 covers the marketing planning process in depth. To be successful in marketing planning, firms need to conduct research and collect information that can be used to evaluate their programs. Chapter 6 discusses the marketing research process used to gather information to be stored in marketing information systems and used to make marketing decisions.

1.1.3 The Emergence of the Marketing Concept

If a hospitality organization is to market its product–service mix successfully, it is essential that the marketing concept be thoroughly understood and fully implemented. Understanding the marketing concept is not difficult, but implementing it may prove to be very challenging for management. Simply stated, the marketing concept is a consumer-oriented philosophy that focuses all available resources on satisfying the needs and wants of the consumer, thereby resulting in profits. As an old rhyme states, “To sell Jane Smith what Jane Smith buys, you’ve got to see things through Jane Smith’s eyes.” Clearly, it is difficult to sell something to someone who has no need for it. If the firm adopts a consumer-oriented marketing philosophy, however, the product–service mix will be designed in direct response to unsatisfied consumer needs. As a result, very limited actual selling will be necessary. In such instances, supply and demand are in balance, and both the consumer and the hospitality providers are satisfied.

Table 1.1 illustrates the two different philosophies of the marketing concept that are often practiced in the hospitality and tourism industry. One demonstrates the actions of a manager who applies the marketing concept; the other demonstrates actions that are not consistent with the marketing concept. The key question to ask when trying to distinguish between the two approaches is: Are consumers given priority or is the operation run to suit the needs of the employees, management, or owners? A manager of a hospitality operation has a difficult series of daily challenges. First, a manager is expected to successfully satisfy the needs of the hospitality consumers. Second, the owners expect a manager to maintain the level of expenses within certain predetermined limits that are usually defined in actual dollars or as a percentage of sales. Third, a manager is expected to generate a satisfactory return on investment (ROI) for the owners.

This return might be the break-even point in a nonprofit operation or a 10, 15, or 20 percent rate of return in a commercial operation. Whatever the expected return, a manager is faced with a series of difficult objectives to achieve, and these objectives often conflict with one another. Even in the most successful companies, there are limited resources that must be used to accomplish seemingly unlimited goals and objectives. Regardless of how well the company has performed in the past, owners and senior management will always expect a little more in the future. Guests develop ever-increasing expectations for all aspects of the product–service mix. Owners want increased profits, and the employees want a little more each year. The manager’s task is to balance the three objectives mentioned in the preceding paragraph. Managers often view profitability as the single-most important objective of the firm. Yet, for the long-term financial well-being of the firm, profits may not be the most important objective. It is quite possible, as many shortsighted owners and managers have demonstrated, to achieve high levels of short-term profitability at the expense of long-term consumer satisfaction and long-term profits. After a period of time, however, consumers will perceive that they are not receiving a high level of value for their money, and the operation will develop a reputation for being overpriced and/or offering poor service. As a result, the number of patrons is likely to decline, and so will profitability.

By contrast, if management establishes a consumer orientation and places customer satisfaction as the number-one priority, the firm’s products and services are more likely to meet customers’

DECISIONS	WHEN THE MARKETING CONCEPT IS APPLIED	WHEN THE MARKETING CONCEPT IS NOT APPLIED
Menu design	"Let's conduct focus group interviews using our current and target market customers to determine which potential new menu items we should add to our menu."	"Let's add two steaks to the menu; that's what I like to eat."
Pricing	"How do you think our guests will perceive the price value of our new weekend package if we increase the price by 5 percent?"	"Let's increase the price by 5 percent; that's what we did last year."
Guest service	"I'm very sorry that you had to wait 20 minutes for your breakfast this morning. May I offer you a complimentary breakfast today, or would you like the credit applied toward your breakfast tomorrow?"	"I'm sorry you had to wait, but we were short-handed today. One of the servers called in sick."
Guest requests	"We don't have any rooms with a king bed available at this time, but I can have one ready for you in 30 minutes. Can I have the bell staff check your bags until then?"	"We don't have any rooms with a king bed left. You'll have to take a room with two double beds."
Reactions to negative guest comments	"That is a very good idea. I'll talk about it at our staff meeting tomorrow and see if we can use your suggestion to improve service. Thanks for suggesting that."	"Your idea isn't feasible, and besides, it's against our policy."

TABLE 1.1 • Marketing Concept Philosophies

expectations. As a result, they will return more frequently to the hospitality operation, and this will have a positive influence on long-term sales and profits. In addition, by telling their friends and acquaintances about their positive experiences, satisfied consumers are likely to influence others to patronize the establishment. This **word of mouth** passed on by satisfied customers can become a very important part of a firm's promotional efforts. It doesn't cost anything, yet it can be a very powerful influence on sales, and as sales increase, so does profitability. Experience shows

Word of mouth

A spoken communication between consumers that involves their perceptions about a product or service.



Courtesy of The Melting Pot.

To remain competitive, hospitality organizations must keep up with the ever-changing market.

that when the marketing concept is understood and applied by all of a firm's employees, substantial changes have often been made in the establishment's manner of operation, and the financial results have often been improved significantly.

1.2 THE MARKETING MIX

Marketing managers have used the term *marketing mix* for a long time. The concept of the marketing mix has gained universal acceptance. It is important for hospitality marketing students to understand this concept, both conceptually and strategically. This section outlines the major components of the traditional marketing mix, and the next section covers the hospitality marketing mix that was offered as an alternative for the industry. We will explain the similarities and differences between the two approaches. A successful hospitality organization is one that focuses on the needs and wants of the consumers and markets the product–service mix of the operation. Management of this type of operation involves integrating the components of the marketing mix into a marketing program that will appeal to potential consumers and meet the goals and objectives of the firm. The following sections will introduce the components of the marketing mix, which will be discussed in more detail in Chapters 7 through 15.

1.2.1 The Traditional Marketing Mix

The marketing mix, many believe, consists of four elements, often called the four P's of marketing: price, product, place, and promotion.

Price

Price refers to the value placed by a firm on its products and services.

1.2.1.1 PRICE. The **price** component refers to the value placed by a firm on its products and services. Some of the decisions involve pricing the product line, discounting strategies, and positioning against competitors.

Place

This component, sometimes called *distribution*, refers to the manner in which the products and services are being delivered to consumers. It involves decisions related to the location of facilities and the use of intermediaries.

1.2.1.2 PRODUCT. This component refers to the unique combination of goods and services offered by a firm to consumers. The product includes both the tangible and intangible elements of the service offering. Product decisions involve product attributes such as quality, the breadth and mix of the product line (i.e., the number and type of products and services offered by a firm), and services such as warranties and guarantees.

1.2.1.3 PLACE. The **place** component of marketing refers to the manner in which the products and services are being delivered to consumers. This component is sometimes referred to as distribution, and it involves decisions related to the location of facilities and the use of intermediaries. In addition, the marketing of services includes the decision regarding customer involvement in the production process.

Promotion mix

The basic elements (advertising, public relations, sales promotions, and personal selling) used by organizations to communicate with consumers.

1.2.1.4 PROMOTION. This component refers to the methods used to communicate with consumer markets. The **promotion mix** includes advertising, personal selling, sales promotions (e.g., coupons, rebates, and contests), and publicity. These are the vehicles that can be used to communicate the firm's intended messages to consumers. The decisions for promotion involve the amount to be spent on each component of the promotion mix, the strategies for each of the components, and the overall message to be sent.

To achieve success in marketing a hospitality operation, a manager must closely examine and understand all the components of the marketing mix. To be successful, these components must be combined into well-conceived marketing programs and managed properly. There is no magical formula that will guarantee success. If there were, no hospitality operation would ever fail or go out of business. Yet each year, many hospitality operations fail because managers are unable to combine the elements of the marketing mix into effective marketing programs, or the marketing mix is not implemented properly.

Courtesy of Red Lobster Restaurants, Orlando, Florida.



Hospitality firms use the elements of the marketing mix to establish a competitive position in the market.

1.2.2 The Hospitality Marketing Mix

Just as researchers have demonstrated distinct differences between goods and services, some researchers believe that the traditional four P's approach to the marketing mix does not apply to the hospitality industry. Rather, a modified marketing mix is more appropriate. This **hospitality marketing mix** consists of five components:²

1. Product–service mix
2. Presentation mix
3. Communication mix
4. Pricing mix
5. Distribution mix

1.2.2.1 PRODUCT–SERVICE MIX. The product–service mix is a combination of all the products and services offered by the hospitality operation, including both tangible and intangible elements. For example, it includes such things as the type of guest room, the amenities offered, and the broad array of elements offered to the consumer. Section 1.3 addresses further the unique nature of services. Keep in mind that once a hospitality consumer leaves the hotel or restaurant, there is nothing tangible to show. Because the consumer has purchased and consumed the service, the largest part of the hospitality industry product–service mix is indeed the intangible elements of service.

1.2.2.2 PRESENTATION MIX. The presentation mix includes those elements that the marketing manager uses to increase the tangibility of the product–service mix as perceived by the consumer. This mix includes physical location, atmosphere (lighting, sound, and color), and personnel.

1.2.2.3 COMMUNICATION MIX. The communication mix involves all communication that takes place between the hospitality operation and the consumer. It includes advertising, marketing research, and feedback about consumer perceptions. The communication mix should be viewed as a two-way communication link, rather than as a simple one-way link with the hospitality operation communicating to the consumer. This two-way link allows for the traditional advertising and promotion that flow from the seller to the buyer, but it also allows for marketing research and

Hospitality marketing mix

Hospitality marketing mix consists of five components: product–service mix, presentation mix, communication mix, pricing mix, and distribution mix.

other data collection vehicles. In these cases, the seller is seeking information and data from the consumer, thereby establishing open communication with the various market segments.

There are some similarities and differences between the traditional marketing mix and the hospitality marketing mix. In the hospitality version, the product component is expanded to include some aspects of distribution. People are part of the production process in services, and distribution occurs in the presence of the consumer. The communication mix is almost identical with the promotion component in the traditional marketing mix, although it does include some additional communications such as marketing research. Finally, the presentation mix represents the largest departure from the traditional marketing mix. It includes price and some of the aspects of the place component such as location, and it adds elements such as atmosphere and the personal contact between customers and employees.

1.2.2.4 PRICING MIX. In addition to the actual price a firm charges, the pricing mix encompasses the consumer's perception of value. The pricing mix includes such variables as volume discounts and bundling multiple products together for an overall discounted price. This bundling approach is used extensively by fast-food chains as a method to increase spending per customer.

1.2.2.5 DISTRIBUTION MIX. The distribution mix includes all distribution channels available between the firm and the target market. Historically, distribution occurred at the point of production, such as the restaurant where the food was produced. This has changed as a result of newer distribution channels, such as the Internet and e-commerce; the importance of the distribution mix has increased.

The marketing mix, whether designed in the traditional or modified hospitality services format, is an important concept for managers of marketing functions. Initially, the marketing mix is used to formulate a marketing strategy and plan (see Chapter 5), but it pervades all aspects of marketing management. Several external factors can reduce the effectiveness of the manager's efforts to successfully implement all the components of the hospitality marketing mix. These factors, which may have either direct or indirect influence, are consumer perceptions, attitudes, and behavior; industry practices and trends; local competition; broad national and international trends; and government policy and legislation.

1.3 SERVICES MARKETING

The growth in the service sector of the worldwide economy has been phenomenal in the last several decades. In the United States, services currently account for more than 75 percent of the gross domestic product (GDP), which is a popular measure of an economy's productivity. Similarly, on an international scale, services continue to account for an ever-increasing percentage of economic activity. Most new jobs are created in the service sector, and the growth in the hospitality and tourism industry is a major contributor.

From the 1940s until the mid-1980s, the emphasis within the marketing community was on products. Today, services have surpassed products and have taken on a more important role in marketing. Services, such as those offered by providers in the hospitality and tourism industry, have developed marketing strategies and practices that are unique. It has been established that the strategies, tactics, and practices that have been used successfully for product marketers do not always work successfully for those who market services. With the distinct differences between products and services in mind, the field of **services marketing** has evolved.

1.3.1 Services Defined

Unlike products, which are tangible, services are intangible. A service is not a physical good; rather, it is the performance of an act or a deed and does not result in the physical ownership of anything. This performance often requires consumers to be present during the production or delivery of the service. Service industries, including hospitality and tourism, are actually selling

Services marketing

The use of marketing principles to create and deliver intangible items to consumers.

consumers an experience. Services vary based on numerous criteria: the degree of tangibility, the degree of customization, the skills of the service provider, the amount of customer contact, and whether they are services for people (e.g., restaurants and health care) or services performed for goods (e.g., dry cleaning and equipment repairs).

Service employees such as front-desk agents, housekeepers, hostesses, wait staff, car rental agents, flight attendants, and travel agents are responsible for creating positive experiences for customers. These frontline employees are critical to the success of service firms and play **boundary-spanning roles** because of their direct contact with customers. These roles are important because customers' perceptions of service firms are formed as a result of their dealings with these employees who represent the company and its intangible product.

Several reasons underlie the remarkable growth in services. Two leading services marketing experts, Christopher Lovelock and Lauren Wright, cite numerous reasons for this growth. The following is a list of reasons that pertain to hospitality and tourism:³

- **Changing patterns of government regulation.** The reduction in government regulation has paved the way for the growth of services. The trend is for government to take a less active role in the regulation of business activities, such as removing barriers to entry and relaxing (or removing) regulations governing marketing elements such as price. For example travel firms such as airlines and hotels have been able to implement models that adjust price continuously in an attempt to sell excess capacity that cannot be inventoried. This is basically a legal form of price discrimination that cannot be used for tangible goods.
- **Privatization of some public and nonprofit services.** Privatization is a process whereby the government allows an industry or business to change from governmental or public ownership or control to a private enterprise. This transformation is necessary in a market-driven economy where meeting consumer needs is a main priority and cost containment is necessary. For example, many countries have released the control of airlines and other travel-related agencies to private firms to improve service quality and make the operations more efficient.
- **Technological innovation.** Technology continues to alter the way firms do business and interact with consumers. In all types of businesses, consumers take a more active role in the service delivery process. For example, in an effort to reduce labor costs and increase speed of service to customers, airlines have aggressively promoted self-check-in, both at ticket counter kiosks and through their websites prior to arrival at the airport. Customers may print boarding passes, receipts, and other documents without intervention by an airline employee.

Boundary-spanning roles

Roles that frontline employees (e.g., front-desk clerks, waiters, flight attendants, travel agents) perform.



Racorn/Shutterstock

The front-desk agent often sets the tone for guest service.