

GLOBAL  
EDITION



# Marketing for Hospitality and Tourism



EIGHTH EDITION

Philip Kotler • John T. Bowen • Seyhmus Baloglu



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Philip Kotler • John T. Bowen • Seyhmus Baloglu  
Contributions by Cristian Morosan

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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.  
A special recognition and thank you to my friend and colleague, Jim  
Makens, who coauthored the previous seven editions of the book. We  
appreciate his contributions to the past editions, many of which live  
on in this edition.*

**J. T. B.**

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

**S. B.**



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Welcome to the eighth edition!

*Marketing for Hospitality and Tourism* guides you down the intriguing, discovery-laden road to learning marketing. These are exciting times in hospitality marketing. There is an ever-increasing number of tourists, both domestic and international. This coupled with advances in digital technologies have created a new, more engaging and connected world.

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 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.

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. We strive to develop a book that is student friendly and clearly explains and illustrates the application of marketing concepts. This has resulted in the book being used around the globe in nine different languages.

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

***Philip Kotler, John T. Bowen, 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: Defining Hospitality and Tourism Marketing and the Marketing Process**—Introduces you to the concept of hospitality marketing and its importance.

**PART II: Understanding the Marketplace and Customer Value**—Helps you understand the role of consumer behavior and how it affects the marketing environment.

**PART III: Designing Customer Value-Driven Strategy and Mix**—Identifies and explains strategies for promoting products, the various distribution channels and the latest developments in digital marketing.

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

## ■ ■ ■ 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 catering to the customer experience has helped deliver an authentic customer experience and, in turn, paid big dividends for Indian Hotels Company Limited (IHCL).



The Taj Mahal Palace Hotel is a five-star luxury hotel located near the Gateway of India and is the flagship property of Taj Hotels, Resorts & Palaces. Courtesy of Joe Raw/ Shutterstock.

### Objectives

After reading this chapter, you should be able to:

1. Describe the importance of marketing to the hospitality industry and outline the steps in the marketing process.
2. Explain how to analyze customer needs, wants, and demands and the marketplace.
3. Explain how to design a customer value-driven marketing strategy.
4. Describe how to build profitable customer relationships.
5. Discuss the outcomes of creating customer value.
6. Explain the major trends impacting the marketing landscape.

### Creating Customer Value and Engagement Through Marketing for Hospitality and Tourism

**Indian Hotels Company Limited (IHCL): Delivering an Authentic Customer Experience**

Founded in 1868 by Jamsetji Tata, Indian Hotels Company Limited (IHCL) is part of the Tata Group, a global business consisting of over a hundred enterprises. The IHCL's fundamental approach is underlined in *Aspiration 2022*, a three-pronged strategy that aims to establish itself as the most profitable and iconic hospitality brand in South Asia. The three key elements of *Aspiration 2022* are restructuring, reengineering, and reimagining business interests. At the heart of this approach, launched in 2018, is the company's desire to deepen guest experience while strengthening its position as the market leader and fueling transformative growth and profitability.

The IHCL is the largest hospitality business in South Asia with distinctly Indian origins. Its operations range from hotels to urban leisure and from service retail to travel. Each of the brands—Taj (luxury business and world travelers), *SoloQuestors* (upmarket), *Vivanta* (modern travelers), *The Gateway* (premium brand being replaced by *Vivanta*), *Ginger* (millennials), *Expressions* (hospitality ancillary services), and *Signature* (selective discrete markets). In 2019-2020 alone, the company opened 12 hotels to total 200 hotels with 25,000 rooms in over a hundred different locations. It is the only Indian hospitality business with key hotels in London, Dubai, San Francisco, and New York.

## Boxed Marketing Highlights

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

### Marketing HIGHLIGHT

11.1

### 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.



Theaters, like the one in the Bellagio Hotel, Las Vegas, where the Cirque du Soleil show "O" is performed, often apply revenue management by charging more for seats with better views and during times when demand is higher.

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. This allows companies 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

## 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, retain key information, and ties the content of the chapter back to chapter objectives. The format for the chapter review was the suggestion of a student.



## ■ ■ ■ Applying Your Knowledge

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### 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.

## ■ ■ ■ Applying Your Critical Thinking Skills

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### 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.

### In-Class Group Exercises

These end-of-chapter questions will challenge your students to address real-world applications of the concepts presented in the chapter. They can be done in class to supplement the lectures.



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 eighth edition of *Marketing for Hospitality and Tourism*.

This book is written with the hospitality and travel students in mind. The solicited and unsolicited comments we received from students and instructors have been incorporated into the eighth 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 have listened to your comments and 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 domestic 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.

## ■ ■ ■ Instructor Supplements

**Instructor’s Manual.** Includes content outlines for classroom discussion, teaching suggestions, and answers to selected end-of-chapter questions from the text.

**PowerPoint Presentations.** Our presentations offer clear, straightforward outlines and notes to use for class lectures or study materials. Photos, illustrations, charts, and tables from the book are included in the presentations when applicable.

To access supplementary materials online, instructors need to request an instructor access code. Go to [www.pearsonglobaleditions.com](http://www.pearsonglobaleditions.com), where you can register for an instructor access code. Within 48 hours after registering, you will receive a confirming email, including an instructor access code. Once you have received your code, go to the site and log on for full instructions on downloading the materials you wish to use.

## ■ ■ ■ 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 Seyhmus Baloglu, [seyhmus.baloglu@unlv.edu](mailto:seyhmus.baloglu@unlv.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. Thanks go to the following group who provided comments and feedback for this eighth edition: Jamie Cooperstein, Delaware County Community College; Gretchen Friend, Columbus State Community College; Debbie Howarth, Johnson & Wales University; Rick Lagiewski, Rochester Institute of Technology; Mary-Pat Maciolek, Middlesex County College; Melih Madanoglu, Florida Atlantic University; Quantella Noto, Southeast Missouri State University; George Ojje-Ahamiojie Wor-Wic, Community College; Kunsoon Park, South Dakota State University; Joel Reynolds, Niagara University; Gregory Turner, Claflin University; Yasong (Alex) Wang, Indiana University of Pennsylvania; Alvin Yu, St. Cloud State University.

The following people provided reviews of past editions: Tazeem Gulamhusein, University of Houston; 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; 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, Jamal Feerasta, 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, David Schoenberg, Ralph Tellone, Muzzo Uysal, Nancy Warren, Anna Graf Williams, and Gregory R. Wood.

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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.

## Global Edition Acknowledgments

Pearson would like to thank Jon and Diane Sutherland for contributing content to the global edition.

Pearson is also grateful to Alison Maton, Coventry University London and Maureen Griffiths, Monash University for reviewing the content for this edition.

## What's New in the Eighth Edition

The 8th edition of *Marketing for Hospitality and Tourism* is a landmark entry in the long successful history of the market leader. We've thoroughly revised the eighth 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.

- At the end of each chapter we have added a group of In-Class exercises. These are exercises students can perform that reinforce the information being thought in the chapter. They are meant to bring the marketing class to life for the students. They provide an excellent way for instructors to break up their lectures with engaging hands-on exercises to keep the students engaged.
- Cristian Morosan, an expert in digital marketing was brought in to write the chapters on digital and direct marketing and the distribution. There have been sweeping developments in online distribution of hotel rooms, online delivery services for restaurants, and online access to peer-to-peer accommodations. User-generated content on social media can make or break a restaurant, while at the same time providing a useful source of customer information. Listening and gathering data over the Internet has produced large amounts of data, processed by artificial intelligence to give us information that helps us better serve our customers. Dr. Morosan has rewritten Chapters 12 and 16 to include the latest advances in technology and social media.
- One point of differentiation of the text is it has an international focus. The eighth 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 even outside of North America. This international approach makes the text relevant to students all around the world, while showing them that they can find a truly rewarding career in the area of international business.

- The eighth edition continues to track fast-changing developments in marketing communications and the creation of marketing content. Marketers are no longer simply creating integrated marketing communications programs; they are joining with customers and media to curate customer-driven marketing content in paid, owned, earned, and shared media. You won't find fresher coverage of these important topics in any other hospitality marketing text.

The eighth edition continues to improve on its innovative learning design that has made it the market leader. One design feature of the text is the opening vignette that provides an example of how hospitality companies implement principles that will be discussed in the chapter. New chapter vignettes have been added through the text. The chapter-opening objectives have been revised, reflecting what is covered in the chapter. The end of the chapter summaries have been rewritten to mirror and reinforce the opening objectives. The marketing highlights that provide industry examples of the marketing concepts discussed in the chapter have been updated and will continue to be a valued benefit of the text. New cases have been added to the collection of case studies.



## ABOUT THE AUTHORS

**Philip Kotler** is S. C. Johnson & Son Distinguished Professor of International Marketing at the Kellogg School of Management, Northwestern University. He earned his master's degree at the University of Chicago and his PhD at MIT, both in economics. He 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. He has presented marketing courses and seminars in Asia, Australia, Central America, Europe, and South America. He 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. He 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*. He 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. He 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.

**Seyhmus Baloglu** is Professor and Barrick Distinguished Scholar at the Harrah College of Hospitality, University of Nevada Las Vegas (UNLV), where he has also assumed leadership roles as associate dean of research and director of Harrah Research Center for 10 years. 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. He 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. He 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*. He 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, the Claudine Williams Distinguished Chair, and Harrah Distinguished Chair.

## Contributor

**Dr. Cristian Morosan** is an associate professor at the Conrad N. Hilton College of Hotel and Restaurant Management at the University of Houston. Prior to joining Hilton College in 2012, he taught marketing at Temple University, Kansas State University, and University of St. Thomas Houston. His work has been funded by regional organizations such as the Hospitality Financial and Technology Professionals, state and local destination organizations, and universities such as University of Houston and Kansas State University. His research has resulted in over 110 peer-reviewed publications that include book chapters, journal articles, invited articles, and conference proceedings, in journals such as *Tourism Management*, *International Journal of Hospitality Management*, *International Journal of Contemporary Hospitality Management*, *Journal of Travel & Tourism Marketing*, *Journal of Travel Research*, *Journal of Hospitality & Tourism Research*, and *Journal of Hospitality Information Technology*. He is the recipient of several prestigious academic awards, including the Teaching Excellence Award for Innovation in Instructional Technology, Stephen Rushmore/HVS Research Excellence Award, The Provost's Certificate of Excellence in Recognition of Extraordinary Achievements, the Barbara S. Stowe Endowed Faculty Development Award and Big 12 Faculty Fellowship Award. He is a member of the Editorial Board of *International Journal of Contemporary Hospitality Management*, *International Journal of Hospitality Information Technology*, and *Tourism Review International*, and has been recognized by the International Council on Hotel, Restaurant and Institutional Education (I-CHRIE) as an outstanding reviewer in the information technology area. He presented his work at I-CHRIE, the International Federation for Information Technologies in Travel and Tourism, the International Hospitality Information Technology Association (where he received the iHITA Best Research Paper awards in 2015 and 2018), Hospitality Financial and Technology Professionals, and Travel and Tourism Research Association. He has numerous media appearances and invited presentations at conferences, colloquia, and workshops throughout North America, Europe, and Asia.

Dr. Cristian Morosan earned a Bachelor's of Science from University Ștefan cel Mare Suceava Romania, and Master of Science and PhD from Iowa State University.

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# Defining Hospitality and Tourism Marketing and the Marketing Process



- 1 Creating Customer Value and Engagement Through Marketing for Hospitality and Tourism
- 2 Services Marketing Concepts Applied to Marketing for Hospitality and Tourism
- 3 Marketing Strategy: Building Customer Engagement, Value, and Relationships



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# 1



The Taj Mahal Palace Hotel is a five star luxury hotel located near the Gateway of India and is the flagship property of Taj Hotels, Resorts & Palaces. Courtesy of Joe Ravi/Shutterstock.

## Objectives

*After reading this chapter, you should be able to:*

1. Describe the importance of marketing to the hospitality industry and outline the steps in the marketing process.
2. Explain how to analyze customer needs, wants, and demands and the marketplace.
3. Explain how to design a customer value-driven marketing strategy.
4. Describe how to build profitable customer relationships.
5. Discuss the outcomes of creating customer value.
6. Explain the major trends impacting the marketing landscape.

# Creating Customer Value and Engagement Through Marketing for Hospitality and Tourism

## Indian Hotels Company Limited (IHCL): Delivering an Authentic Customer Experience

Founded in 1868 by Jamsetji Tata, Indian Hotels Company Limited (IHC) is part of the Tata Group, a global business consisting of over a hundred enterprises. The IHCL's fundamental approach is underlined in *Aspiration 2022*, a three-pronged strategy that aims to establish itself as the most profitable and iconic hospitality brand in South Asia. The three key elements of *Aspiration 2022* are restructuring, reengineering, and reimagining business interests. At the heart of this approach, launched in 2018, is the company's desire to deepen guest experience while strengthening its position as the market leader and fueling transformative growth and profitability.

The IHCL is the largest hospitality business in South Asia with distinctly Indian origins. Its operations range from hotels to urban leisure and from service retail to travel. Each of the brands—Taj (luxury business and world travelers), SeleQtions (upmarket), Vivanta (modern travelers), The Gateway (premium brand being replaced by Vivanta), Ginger (millennials), Expressions (hospitality ancillary services), and TajSATS (catering)—serve discrete markets. In 2019–2020 alone, the company opened 12 hotels to total 200 hotels with 25,000 rooms in over a hundred different locations. It is the only Indian hospitality business with key hotels in London, Dubai, San Francisco, and New York.

Reengineering involves a greater use of technology and investment in employees to help deliver improved customer experience with ease of use and personalization of services. The process also calls for aligning each brand more precisely so that growing market segments can be targeted with efficiency. The IHCL has managed to fuse the warmth of traditional Indian hospitality with the efficiency of world-class service.

Taj Hotel's move into the increasingly competitive digital environment in its hunt to woo millennials is a prime example of reengineering. Recognizing the danger that apps like Airbnb and OYO present to the business, the group is adapting to capture the millennial market, often the only generation consistently spending more on travel. Traditionally, Taj Hotels targets the 35–60 age group, but it is now tapping into a broader market that would normally take two holidays a year, an international one and a domestic one.

To cater to this new market, the hotel chain needed to radically rethink some of its offerings and marketing strategies. Millennials are more interested in hotel and holiday experiences that allow them to be immersed in local culture and interact with local people. For the business, this means creating a blend of luxury and reality. Experiences typically revolve around local cuisine, art and wellness, all of which have been personalized to match the needs and expectations of the customers. A couple on a trip to Puducherry (or Pondicherry) could taste French delicacies or sample the bakeries there, just like someone holidaying in Goa could savor seafood and visit the seaside shacks serving *feni*, a traditional liquor distilled from the fermented juice of cashew apples.

Often, the business wraps up the local experiences with a common thread. In 2018, for example, the theme was “changing relationships.” The idea was to celebrate life, special events, and moments with loved ones on holiday. The hashtag #WeTime was used to symbolize the real emotional impact of spending time with loved ones and how it helped build better relationships and greater bonds. It was an opportunity to reconnect with others. Taj Bekal Resort & Spa in Kerala, for instance, came up with an offer where families could experience traditional village life and enjoy local delicacies together.

The focus on customer value and engagement is a direct reaction to the growing demand for experiential vacations and hotel stays coupled with increased and improved digital connectivity. The millennial market has rising income levels and demands affordable airfare, curated vacation packages, and will expect mobile access to services and information. Taj Hotels has tried to position itself to provide tailor-made services such as personalized dining, excursions, or room service options rather than off-the-shelf packages.

As a broader part of the scheme, to improve the experiences of customers, the IHCL has positioned Taj as a luxury brand (88 hotels in 54 destinations), while Vivanta focusses on the upscale segment (32 hotels in 26 locations), and Ginger covers the lean luxury market (64 hotels in 41 locations). The Ginger brand is particularly popular with the IHCL's newest and youngest customer segments who appreciate the flexibility of the packages and services being offered.

To further enhance its appeal, the IHCL used brand consultants to spearhead a revamp to reflect the changing nature of customer profiles and expectations. Award-winning restaurants were rebranded and four new brands—Golden Dragon, Thai Pavilion, Wasabi, and House of Ming—introduced. These were all placed under the broader brand heading Expressions, which would also take on responsibility for the spas, salons, and lifestyle stores. At the same time, the all-new SeleQtions—launched in 2019 with 12 hotels across India—would be home to IHCL's collection of named hotels, each of them unique and targeting specific customer segments.

The IHCL has also embraced social media for direct interaction with millennials and to ensure that the focus remains on matching their expectations. The brands have active social media accounts with frequent content posts. The Taj Hotel app was created knowing that millennials are, above all, a digitally connected generation. The app allows customers to enjoy guest experience before they even enter the hotel. Customers can plan, book, arrange arrival, browse, and book experiences and then share these with friends.

Perhaps the most revolutionary development was the creation of Taj.Live. This is an industry first for India and is, in effect, the physical space where the business can monitor social media and engage with customers in real time; it handles around 2,000 conversations a day. The IHCL is able to listen and interact with customers and, as a result, is able to enhance the guest experience through all digital contact points (social media and e-mail).

Taj.Live does away with the need to have a dedicated individual at each hotel to deal with social media interactions; instead, the hub is located at the corporate base in Mumbai, allowing swift deployment and involvement of key specialists to handle problems. It also means that the tone and intent of the IHCL's communications are standardized and consistent.

Within three months of the launch of the service in 2018, the IHCL's response rate rose from 39 percent to 85 percent, generating more than 200 sales leads worth nearly \$250,000. More importantly, the process of hyper-personalization to cater for the new generation of guests was established within the context of social media, an integral part of millennial lives.<sup>1</sup>

## ■ ■ ■ 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 and power 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 \$US1.5 trillion and over 1.33 billion travelers.<sup>2</sup> China's 1.4 billion people take over 5 billion domestic trips each year, spending \$US700 billion. The rapid growth of domestic tourism in China, combined with over 150 million inbound tourists, has led to a tremendous growth of hotels, resorts, airport facilities, and other facilities to support tourism.<sup>3</sup> China's outbound tourists number 135 million and are a target market for many tourist destinations. The title "The World's Best Airport" is not held by an American or European airport but by Singapore. The world's best hotel is Hotel Il Pellicano in Tuscany, Italy. There were 15 countries that were home to the top 20 hotels in the world. The best international airline is Air New Zealand.<sup>4</sup>

The world's travel industry is alive, exciting, competitive, and challenging. Hospitality companies and tourism planning/promotion departments are filled with college graduates from across the globe. Competition is strong and getting tougher each day. Yet opportunities are greater than ever before.

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 fulfil 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.<sup>5</sup> Ritz-Carlton promises and delivers truly "memorable experiences" for its hotels' guests. McDonald's grew into the world's largest restaurant chain by providing its guests with QSC&V (quality, service, cleanliness, and value). These and other successful hospitality companies know that if they take care of their customers, market share and profits will follow.

Singapore's Changi Airport is known for the fantastic interior design, which includes gardens like the one above throughout the airport. Pablo Hidalgo/123RF.





**Purpose of a business** To create and maintain satisfied, profitable customers. Naruedom Yaempongsa/123RF.

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

The **purpose of a business** is to create and maintain satisfied, profitable customers.<sup>6</sup> 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 also talk favorably to others about their satisfaction.

“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.
- 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. at any 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. Marriott’s vice president of sales and marketing services said, “We used to reward restaurant managers for things that were important to us, such as food costs. When have you heard a customer ask for the restaurant’s food costs? You have to reward for what customers want from your business.”<sup>7</sup>



The restaurant creates value for the customer through good customer service and excellent food. Managers and employees need be rewarded for things that are important to the customer. Ammentorp/123RF.

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.<sup>11</sup>

Without customers, assets have little value. Without customers, a new multimillion-dollar restaurant will close, and without customers, a \$300 million hotel will go into receivership, with the hotel being sold 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 nonpromotional 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 in addition to **promotion** are **product**, **price**, and **distribution**. Distribution is sometimes called place, allowing the marketing mix to be referred to as the **four Ps**. Marketing also includes planning, research, information systems, and understanding buyer behavior.

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 has developed products that it can sell at prices people expect to pay for fast food. Most people living in an urban area 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. This is why McDonald's has over 15,000 restaurants in North America. This allows McDonald's to make effective use of mass media, such as television, as they can spread the cost out over many restaurants. The marketing mix must be just that—a mix of ingredients to create an effective product/service package for the target market.

**Marketing mix** Elements include product, price, promotion, and distribution (place). Sometimes distribution is called place, resulting in the mix called the four Ps.

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.<sup>8</sup> Another study found that an increase of five percentage points in customer retention rates yielded a profit increase of 25–125 percent.<sup>9</sup> Accordingly, a hotel that can increase its repeat customers from 35 to 40 percent should gain at least an additional 25 percent in profits.<sup>10</sup> The former president of Scandinavian Airlines summed up the importance of a satisfied customer:

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 its Moxy concept; Daniel Meyer designed the Shake Shack burger 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.”<sup>12</sup>

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 customer targets and needs and then prepare an easily accessible and available value package.

## ■ ■ ■ Marketing in the Hospitality and Travel Industries

### 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. The entrance of corporate giants into the hospitality market transformed it from a mom-and-pop industry, where individually owned restaurants and hotels were the norm, to an industry dominated by chains. These chains operate in a highly competitive environment where aggressive marketing skills are used to win customers. Almost one-half of the 650,000 restaurants in the United States are part of multiunit operations.<sup>13</sup>

The hotel industry is undergoing a consolidation, with companies such as Accor, Hilton, and Marriott buying hotel chains and operating different brands under one organization. The marketing expertise of these large firms has created a competitive marketing environment. In response to growing competitive pressures, hotel chains are relying more on the expertise of the marketing director. While the marketing director 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

**Travel industry** The travel industry includes travel agencies, providers of land transportation for tourists, tour operators, resort retailing, entertainment activities for tourists, and convention centers.

The two main industries that comprise the activities we call tourism are the hospitality and travel industries. The **travel industry**, as we define it, includes those organizations outside of the hospitality industry that provide travel services. These organizations include travel agencies, providers of land transportation for tourists, tour operators, resort retailing, entertainment activities for tourists, and convention centers. Hospitality and travel industries are linked, and thus, making a clear demarcation between the two is difficult. The distinction between the two industries is not as important as realizing both industries are highly dependent on each other. 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 the cruise lines to come, they then promoted Boston to key travel agents. This was critical because travel agents account