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Chapter 1

# Introduction to hospitality marketing

## Chapter Objectives

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

- Define key marketing terms and understand the 'marketing concept'
- Describe major environmental influences which impact on hospitality customers and organizations
- Explain the special characteristics of service businesses to which marketers need to respond
- Identify the eight elements of the hospitality marketing mix.

## Introduction

In this chapter, you will be introduced to the key concepts of marketing. We will start by explaining what a market is, and reviewing different definitions of marketing. We will then discuss the macro- and micro-environments in which hospitality companies operate, the special characteristics of services marketing, and the hospitality marketing mix.

Whether we recognize it or not, we are all involved, willingly or unwillingly, in marketing. We come into contact with marketing practice every day as customers making buying decisions and at work, even if we do not have a job in marketing. Although marketing has a powerful influence in modern life, it is often misrepresented and misunderstood.

Students learning about marketing for the first time can be confused, because academic definitions of marketing differ from the everyday use of the term. Students can also be confused about the role of marketing, since marketing is both a business philosophy and a management function.

### Activity 1.1

- Write down what you think 'marketing' means, before reading the chapter
- Write down what you think marketers do
- List the jobs that you think marketers are responsible for.

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

## What is a market?

Originally a market was a meeting place where people could buy and sell produce, and of course this type of market still exists today. In modern societies a 'market' is much more complex, but retains the core principles of bringing together buyers and sellers with common interests. This modern concept of the market is based on groups of people who have similar needs and wants (actual and potential buyers or consumers), and companies that aim to satisfy the consumers' needs and wants better than their competitors (an industry). *Needs* can range from the basic requirements for survival – food, shelter, safety – to much more complex social needs, such as belonging and recognition.

*Wants* are how different people choose to satisfy their needs, and are shaped by culture and personality. Hence people with similar needs, for example the need to travel for a family event and stay overnight, can have different wants – some may stay with relatives while others book their own hotel accommodation. Obviously, a major limitation on how people can satisfy their wants is the amount they can afford to pay.

Consumers have to make buying choices based on their own resources or buying power. Consumers will often buy the best bundle of benefits provided by a product, for the price that can be afforded. The combined purchase decisions of *all* the individuals buying a product (or service) is described as *market demand*. Market demand is normally measured using two criteria:

- 1 The number of units sold, which is a reflection of the number of people buying the product or service; this is called the volume
- 2 How much people have paid for the product; this is called the value.

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

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

- Tourist board, motoring, or other, organization ratings for hotels and restaurants (e.g. star rating classification)
- Purpose of travel (leisure or business)
- Niche markets (youth action adventure holidays, conferences or gourmet food).

The level of market demand and the amount of industry capacity is a crucial factor underpinning the profitability of hospitality markets:

- When market demand is consistently high and industry capacity low, the hospitality business should be operating at high capacity and be profitable
- When market demand fluctuates and industry capacity is high, the hospitality business will be operating in a highly competitive environment and profitability will rise and fall.

## Categories of demand

One way to think about marketing is to view it as the art and science of managing customer demand. Because demand states vary, so does the task of marketing.

Table 1.1 provides a list of eight categories of demand and the marketing response. Where demand states 1–4 occur, actual demand is lower than the desired level of demand and the hospitality marketer is primarily interested in facilitating and stimulating more consumption. Negative demand exists where consumers positively dislike a product – e.g. an unpopular food or drink product. The marketing response is to encourage demand by educating consumers about the positive

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**Table 1.1** Demand Management (source: taken from Philip Kotler, *Marketing Management*, 11th edn, 2003, p. 6)

	<i>Category of demand</i>	<i>Marketing task</i>
1	Negative demand	Encourage demand
2	No demand	Create demand
3	Latent demand	Develop demand
4	Falling demand	Revitalize demand
5	Irregular demand	Synchronize demand
6	Full demand	Maintain demand
7	Overfull demand	Reduce demand
8	Unwholesome demand	Destroy demand

features of, or benefits from, the product. You can often witness free tastings of food and drink products in supermarkets and wine shops, which enable potential customers to see, taste and buy the product.

Where there is no demand, the marketing task is to create demand. Raising awareness by advertising and public relations activity to demonstrate a product's positive attributes will help to educate consumers, and encourage them to sample the product.

Latent demand means that demand would exist if there were a product/service available to meet consumer needs. The development of domestic short breaks as a hotel product was originally based on consumers' increasing affluence and available leisure time.

Where demand is falling, the task is to revitalize demand. This situation can occur when a product/service is beginning to lose its appeal. Marketers need to research the reasons why the product no longer meets consumers' needs, reformulate the offer and re-launch the product to stimulate consumer interests and revitalize demand.

Irregular demand can be described in hospitality markets as the seasonality of demand. In these situations, companies strive to develop marketing strategies to synchronize demand over the high and low seasons, often using price-led promotions.

Full demand occurs when actual demand matches the desired demand, and the marketing task is to maintain current demand. In hospitality markets full demand rarely occurs, since competitors are likely to enter attractive markets and disturb the equilibrium.

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

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

**Table 1.2** Categories of Demand in Hospitality

	<i>Domestic</i>	<i>International</i>
Business	Domestic business demand	International business demand
Leisure	Domestic leisure demand	International leisure demand

## Market demand in hospitality

Market demand in hospitality can be broadly described under four key headings:

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

Some types of travel do not fit easily into these broad categories. People often combine business and holidays in the same trip. However, these are convenient descriptions which tourist and hospitality organizations use. Table 1.2 summarizes these descriptors of market demand in hospitality.

# What is marketing?

## The philosophy of marketing

One set of marketing definitions suggests that marketing is primarily a business philosophy that puts the customer first. From this perspective, the primary goal of hospitality businesses should be to create and retain satisfied customers. This concept proposes that satisfying customers' needs and wants should be at the center of an organization's decision-making process. Professional marketers believe that this customer focus is the responsibility of everybody in the organization. Adopting this philosophy requires a total management commitment to the customer, and companies that pursue this approach can be described as having a *customer orientation*.

## Definitions of marketing

Early definitions of marketing centered on the exchange/transaction process. Kotler (2000) proposes that in order to satisfy people's needs and wants, products

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and services are exchanged in mutually rewarding transactions generally, but not exclusively, using the monetary system. Kotler originally suggested that this exchange process, now known as transaction marketing, is a core concept in marketing, and is a 'value-creating process which leaves both parties better off than before the exchange took place'.

Another set of definitions suggests that marketing is a management process aimed at delivering customer satisfaction. Examples of this approach include the definitions offered by the Chartered Institute of Marketing, and the American Marketing Association. These definitions introduce a crucial aspect of marketing management – planning, which is discussed in greater detail later but is implicit in all of an organization's marketing activities.

These earlier definitions of marketing have been criticized on the grounds that the transactional focus is on generating first-time sales only. Relationship marketing evolved as a response to that criticism, and has become more fashionable as academics and practitioners recognize that the lifetime value of a customer can be high, even if the value of each transaction is relatively low. Relationship marketing is the development of mutually beneficial long-term relationships between suppliers and customers. In hospitality markets, a 'relationship marketing' approach has seen the major hotel groups focus their marketing activities upon frequent travelers in an attempt at encouraging repeat and recommended business.

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### Marketing insight

#### Different Perspectives of Marketing

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

(Chartered Institute of Marketing, UK)

'Marketing is the process of planning and executing the conception, pricing, promotion, and distribution of ideas, goods and services to create exchanges that satisfy individual and organizational objectives.'

(American Marketing Association)

'In services, every contact between customers and employees includes an element of marketing.'

(Jan Carlzon, 1987)

Relationship marketing aims to 'identify and establish, maintain and enhance, and where necessary, terminate relationships with customers and other stakeholders, at a profit so that the objectives of all parties involved are met; and this is done by mutual exchange and fulfillment of promises.'

(Christian Grönroos, 1994)

'Marketing's central purpose is demand management ... and marketers ... need to manage the level, timing and composition of demand.'

(Philip Kotler, 1999)

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## Delighting the customer

Another view of marketing proposes that satisfying customers is no longer enough in a competitive environment. Companies, striving to develop sustainable competitive advantage, compete by 'delighting their customers' to ensure repeat and recommended business. Albrecht (1992) suggests that there are four product levels that companies can offer (see Figure 1.1):

- 1 At the basic level, a company provides essential core attributes (e.g. a clean bed) that customers need. If this basic level is not provided, customers will not buy the product – if the bed is not clean, customers will not be satisfied and might check out of the hotel. A hospitality firm that only offers a basic level of value is not competitive, and is unlikely to generate significant repeat and recommended business.
- 2 At the expected level, a company provides attributes that customers expect and take for granted – for example, efficient check in, a clean bed and availability of a bar/restaurant might be examples of the attributes expected from a mid-scale hotel. A hospitality company providing attributes at the expected level is only providing an average standard service; there is nothing better about the service offer compared to the competition. Customers may only be moderately satisfied, and there is no incentive to return or recommend this company.
- 3 At the desirable level, a company provides attributes that customers know of but do not generally expect. The friendliness of the staff, the quality of the food and the efficiency of the service are examples of attributes that customers know, but do not always expect. Companies providing the desirable offer are competing more effectively than most of their competitors.

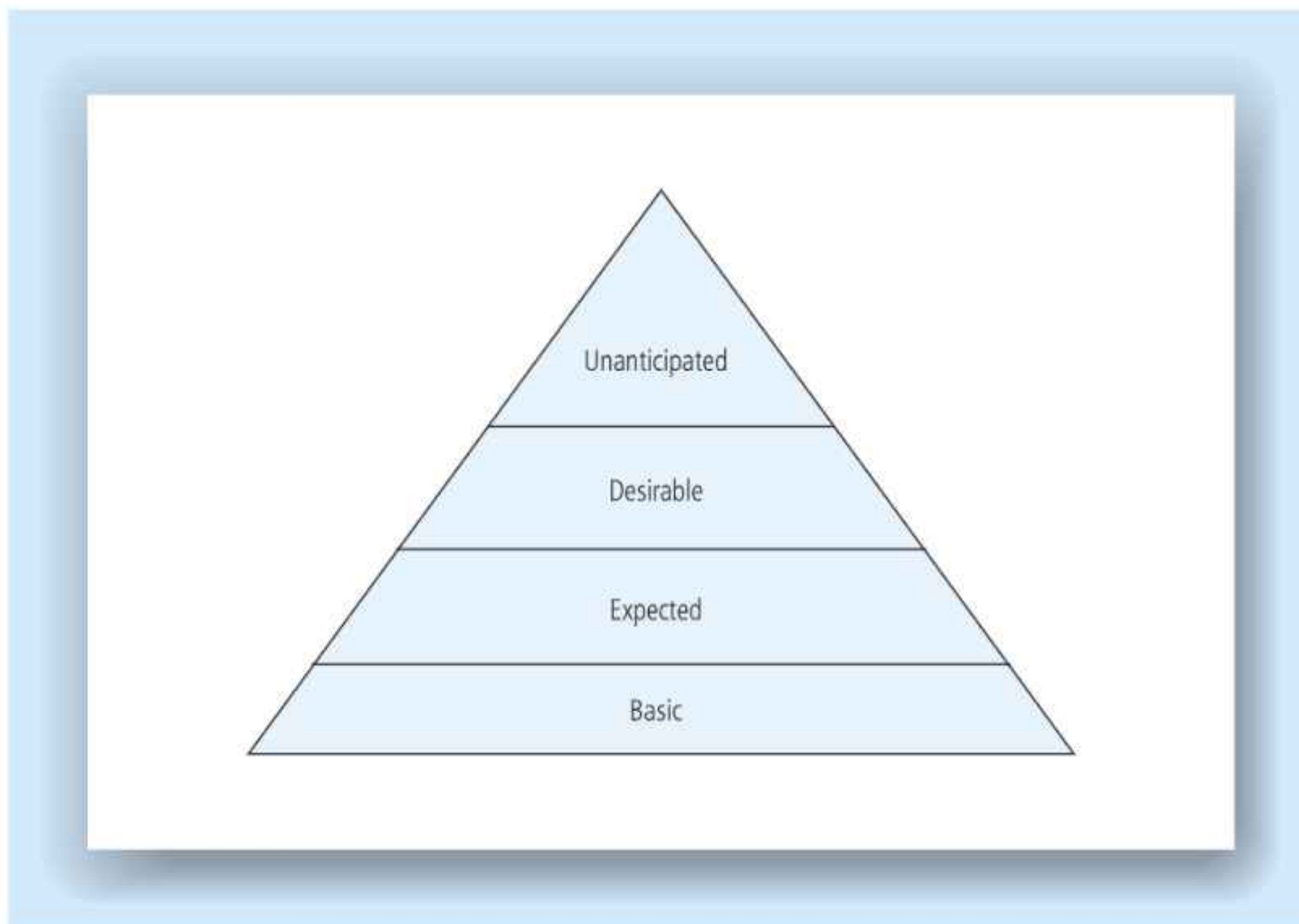


Figure 1.1 The hierarchy of customer value (adapted from Albrecht, 1992)

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- 4 At the unanticipated level, hospitality operators offer customers 'delightful and surprising' attributes that demonstrate outstanding service quality. Examples might include imaginative decor and fittings, staff who perform exceptional service, or cuisine with unforgettable taste sensations. Companies operating at the unanticipated level can be said to *delight* their customers with memorable experiences, and are achieving a significant advantage over their competitors.

The difficulty with providing unanticipated levels of service all the time is that customers begin to *expect* these delightful surprises, and competitors copy them.

### Managing demand

All these different definitions must seem quite confusing, particularly when many people who work in marketing are actually involved with increasing sales via promotional activity. Most hospitality marketers are employees in sales, sales promotion, print and publicity, direct mail, advertising, public relations, customer relations and marketing research jobs.

So how can we bridge the gap between the various philosophies and definitions of marketing with the jobs which marketers do?

The key concept that underpins marketing theory and practice is *the management of demand*. After a lifetime devoted to developing marketing theory and promoting the benefits of marketing, Philip Kotler (1999) stated that 'marketing's central purpose is demand management' and marketers need 'to manage the level, timing and the composition of demand'. This definition of marketing seems to explain most accurately what marketers do, and why they do it.

## The marketing concept

To summarize the various approaches and definitions of marketing, the following core principles can be put forward:

- 1 Marketing is the business philosophy that places the customer at the center of a hospitality organization's purpose. Increasingly, hospitality companies recognize that developing long-term relationships with customers is mutually beneficial.
- 2 There is an exchange activity between hospitality organizations and their customers, which should be mutually rewarding.
- 3 The central purpose of marketing is to manage demand.
- 4 Marketing is a management process that focuses on planning for the future success of the organization.
- 5 There are a set of marketing tools which marketers utilize in understanding customer needs and wants, and in developing appropriate products and services to satisfy or delight customers.

Companies that place the customer at the center of their thinking are said to have adopted the marketing concept. A key feature of marketing orientated companies is that they have an external focus and are constantly researching their customer needs and wants, their competitors, and the environment in which they operate.

## Postmodern marketing

Postmodern marketers (Brown, 2001) have criticized formal academic definitions of marketing and the marketing concept, which are predicated on a rational planning and decision-making process. Most modern marketing theories were developed in a period of stable economic and social conditions in the USA between the end of the Second World War and the mid-1980s. The impact of postmodern thinking in the arts, architecture, history, literature and sociology has created considerable interest in marketing practice. Although postmodern criticisms of marketing do not put forward a set of alternative theories, they do challenge the over-reliance on quantitative marketing research, simple geo-demographic segmentation criteria, the concept of a dominant culture being more important than other cultures, and a formulaic approach to marketing planning. Postmodernism in marketing implies recognition of consumers as individuals and the rejection of a coherent marketing theoretical framework. Postmodern marketers suggest that marketing should be more inspirational in connecting with consumers. Whilst these criticisms may be valid, it is important to understand the core principles and practice of marketing. This is our goal.

## Management orientations

Five different competing management philosophies have been identified in free market economies (see Figure 1.2). Called 'orientations', some of these generic philosophies have been linked to specific economic conditions, and to certain periods in economic history. It should be noted that a hospitality organization could adopt any one of the following orientations, regardless of the economic circumstances.

### Operations or production orientation (mass marketing)

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

The production orientation is based on conditions of mass production and limited consumer choice. This leads to an inward-looking focus as management strives to control costs, improve quality and efficiency, and increase volume. Critically, from a marketing concept perspective, the needs and wants of customers can be forgotten in the interests of organizational efficiency. Providing customers are satisfied with the low-cost, mass-produced product, then a production orientation is appropriate.

There are many examples of product innovation generating strong demand in the fast-food industry. When American fast-food operations entered the major cities of countries like China and Russia, they generated high demand for what was considered an innovative foreign food product. This meant that McDonald's adopted a production orientation. The McDonald's management's main focus was on achieving operational efficiency by improving their food supply chain and

Starting point	Focus	Means	End
<b>Production orientation</b>			
Innovative, strong, hospitality products	Satisfying high demand	New technology generating mass production at low prices	Profit through mass sales
<b>Product orientation</b>			
Existing hospitality product/service	Maintain and improve existing product concept	Minor improvements and adaptations of existing marketing mix	Profit dependent upon stable market conditions
<b>Selling orientation</b>			
Existing hospitality product/service	Existing and new facilities	Aggressive selling and promotional tactics	Profit through sales volume
<b>Marketing orientation</b>			
Business and leisure markets	Business and leisure customer needs and wants	Integrated marketing (including marketing research)	Profit through customer satisfaction
<b>Societal-marketing orientation</b>			
Business and leisure markets AND the needs and wants of the community and environment	Socially concerned hospitality business activities	Integrated marketing which takes into account the needs and wants of consumers and society	Profit through enhanced image and customer satisfaction

Figure 1.2 Marketing orientations (adapted from Kotler, Bowen and Makens, 2003)

training staff to service the high demand. Airline, contract and welfare food service operations also have a production focus because of the mass markets they serve, with varying degrees of success.

There are also examples of hospitality organizations using a production orientation ineffectively. Holiday Inn used to provide managers with mega-size standard operational manuals detailing the rules and procedures for every aspect of the hotel operation, but such a bureaucratic approach can end up stifling innovation, making hospitality managers focus on the systems and paperwork instead of on customer care. Smaller companies can also neglect customers by adopting an operations focus. Simplifying the production process for operational convenience can lead to limited customer choice – for example, small sandwich shops can easily fall into the trap of limiting the choice of fillings to reduce waste, and thereby losing customers.

## Product or service orientation

The product or service orientation is not linked to any specific economic era or to specific market conditions. Companies adopting a product orientation believe that their customers can *only* be satisfied with a particular type of product. Management concentrates on developing better versions of the *existing* product, but fails to recognize that customers could be satisfied better by different *types* of products. For example, hospitality companies with a product orientation include the famous restaurants with celebrity chefs, who serve what they think customers should eat regardless of what the customers actually want! Chefs like this may lose touch with the question of whether customers actually want to buy the product; they become overly focused on the product.

Theodore Levitt's famous article 'Marketing myopia' (Levitt, 1960) warned companies that a product orientation could lead to failure. The product management focus is again inward looking. Whilst a company can prosper with a product orientation, changes in consumer tastes and fashion can quickly undermine a product-led company.

## Selling orientation

The selling orientation was developed in the 1920s, when American companies developed efficient production systems and needed to generate more sales to maintain profitability. Companies adopt the selling orientation when their products are competing in markets where supply exceeds demand, and growth is low or declining. A critical issue for management is surplus capacity combined with a high fixed capital investment in the building and plant. This combination can force management to focus on high sales volume and aggressive sales generation to strive to make a profitable return on investment. Despite this external focus on sales generation the management is still inward looking, since it is concentrating on selling the product to potential customers and is not focusing on satisfying customer needs and wants.

Companies with the selling orientation tend to accept every possible sale or booking, regardless of its suitability for the business or other customers. By mixing incompatible customer segments hospitality companies can fail to deliver customer satisfaction, which is ultimately self-defeating. Longer-term, profitable relationships with existing customers can be damaged in the pursuit of short-term sales generation.

*A sales orientation is endemic in the hospitality industry, as many marketing programs are really only sales promotions aimed at filling bedrooms, bars and restaurants – regardless of customers' needs and wants.*

Whilst selling is a vital element of hospitality marketing, sales strategies should be integrated into the marketing plan and be consistent with a marketing orientation.

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### The Sales and Marketing Function in Hotels (Source: Hotel Marketing Association and BDRC, 2000)

The Hotel Marketing Association carries out regular marketing research into the opinions of senior UK hotel marketing executives who work for the top hospitality brands. The 2000 survey discovered that 70 percent of hotel groups combine the sales and marketing function in the same department, with 'sales' dominating 'marketing'. However, seven of the top twenty hotel chains do separate marketing from the sales department. Marketing is not

Marketing  
insight

recognized at the main board level – only one in eight heads of marketing actually sits on the main board, and only one in three has a seat on a subsidiary board. Although 57 percent of the senior marketers recognized that the role of marketing should focus on ‘the customer and their needs’, many leading hospitality marketers still have a strong tactical bias focusing on advertising, public relations and sales.

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### Marketing orientation

The marketing orientation is considered by some authors to be the same as the marketing concept. It is an alternative strategy to the selling orientation, to cope with similar economic conditions (i.e. surplus capacity leading to a fiercely competitive environment). Companies adopting the marketing orientation recognize that customers have considerable choice in the marketplace. Companies aiming to maintain long-term profitability need to understand and serve customers better than their competitors.

To achieve superior business performance companies therefore need to identify what customer needs and wants are, and to satisfy them better than competitors. This means that companies need to carry out marketing research and to develop an integrated approach to marketing, to ensure that all marketing activities are coordinated and help to deliver customer satisfaction. A marketing orientation is an outward-looking management philosophy, which responds to changes in the environment and considers the business from a customer perspective. As customers’ needs and wants change, so the business adapts accordingly.

The advantage of a marketing orientation is that the business focus is on developing long-term relationships with customers, and avoids price competition. The adoption of a marketing orientation suggests that companies are seeking longer-term profits, as opposed to increasing profits in the short term at the expense of longer-term customer satisfaction.

At its most advanced level, a marketing orientation becomes focused on the satisfaction of individual customers, whether organizations or people. Companies that tailor their offer to meet the needs of individual customers are said to be practicing one-to-one marketing. In hospitality, the ability of computers to store and retrieve guest history increasingly enables hotel companies to record customer likes and dislikes, and to personalize services and communications to the needs of individual customers. This one-to-one style of marketing is predicted to become more important in the future.

### Societal marketing orientation

In the 1980s, the marketing orientation was criticized for its narrow focus and lack of concern for environmental and social issues. The original marketing orientation ignored the potential conflict between consumers’ wants, and societies’ needs. The societal marketing orientation was a response to these criticisms, and recognizes that commercial organizations have a wider responsibility than simply looking after customers and staff. A societal marketing orientation suggests that companies should become proactive in the community, adopting a ‘good neighbor’ policy in their company’s best interest.

A number of hospitality organizations have genuinely adopted a societal marketing approach. One example is Prêt à Manger (see Case study 1.1). Other organizations

claim to adopt a societal marketing approach, but are really only carrying out public relations activity to gain positive publicity. The distinction between a genuine societal marketing approach and a superficial approach lies in the core values of the organization. If the entire organizational culture is clearly committed to an environmental and social awareness in its philosophy, and demonstrates this in all its activities, then it has adopted a societal marketing approach.

## Case study

### 1.1 Prêt à Manger

Prêt à Manger, a sandwich shop founded by Julian Metcalfe and Sinclair Beecham as a single unit in south London, is now a major brand in the UK and is rapidly expanding in the USA. The company's success is rooted in the values of its owners, who are 'passionate about food'. Prêt's mission statement explains their business proposition: 'to create handmade, natural food, avoiding the obscure chemicals, additives and preservatives common to so much of the "prepared" and "fast" food on the market today'. The mission, website and packaging materials consistently promote examples of their suppliers, who are named along with details of their free-range farms and organic husbandry, and staff, who work in interesting jobs ensuring the natural quality of the produce.

All sandwiches are freshly made on each shop premises; and unsold sandwiches are offered to the homeless. At Christmas, a special festive sandwich is sold with a 10p donation to a homeless charity included in the price. Prêt's human resource management practices are better than most in their sector, including competitive pay and very good promotion prospects.

McDonald's bought a minority shareholding in this privately owned company, so it will be interesting to see how Prêt develops in the future. Prêt's management orientation is based on a societal marketing approach, and continued expansion in the UK, USA, Hong Kong and Japan suggests that its mission works.

(Source: Prêt à Manger)

## Summary

A company's orientation may be:

- Formally adopted in a written planning statement
- Informally agreed by the management team
- Simply implied by the company's operating procedures.

Many hospitality companies may not even be aware of their business orientation. Clearly recognizing which orientation a company is using will enable managers to understand their operation more effectively. Opinions differ on whether a specific orientation is appropriate for a given economic situation. Some experts maintain that a marketing orientation is the only appropriate orientation, whilst others suggest that the economic situation should determine which orientation to adopt. Growing companies can adopt different orientations at different stages of their growth, while global companies can adopt different orientations depending upon which country they are operating in.

# Environmental influences on hospitality organizations

Since marketing is an outward-looking business philosophy, marketers in hospitality companies need to understand and adapt to changes in the business environment. Both macro- and micro-environmental factors influence the marketing of a hospitality business.

## The macro-environment

The macro-environment includes political, economic, socio-cultural, technological and environmental forces, and is therefore known as the PESTE environment. Hospitality companies have limited, if any, control over PESTE influences; but major changes in any one PESTE factor can significantly impact on the business. PESTE factors are constantly changing. These changes affect consumers, drive market demand, and influence the competitive environment. Figure 1.3 provides an overview of the environmental influences on hospitality organizations.

## Political

The political direction of a country determines how consumers and commercial organizations can act. The political philosophy of government can either stimulate

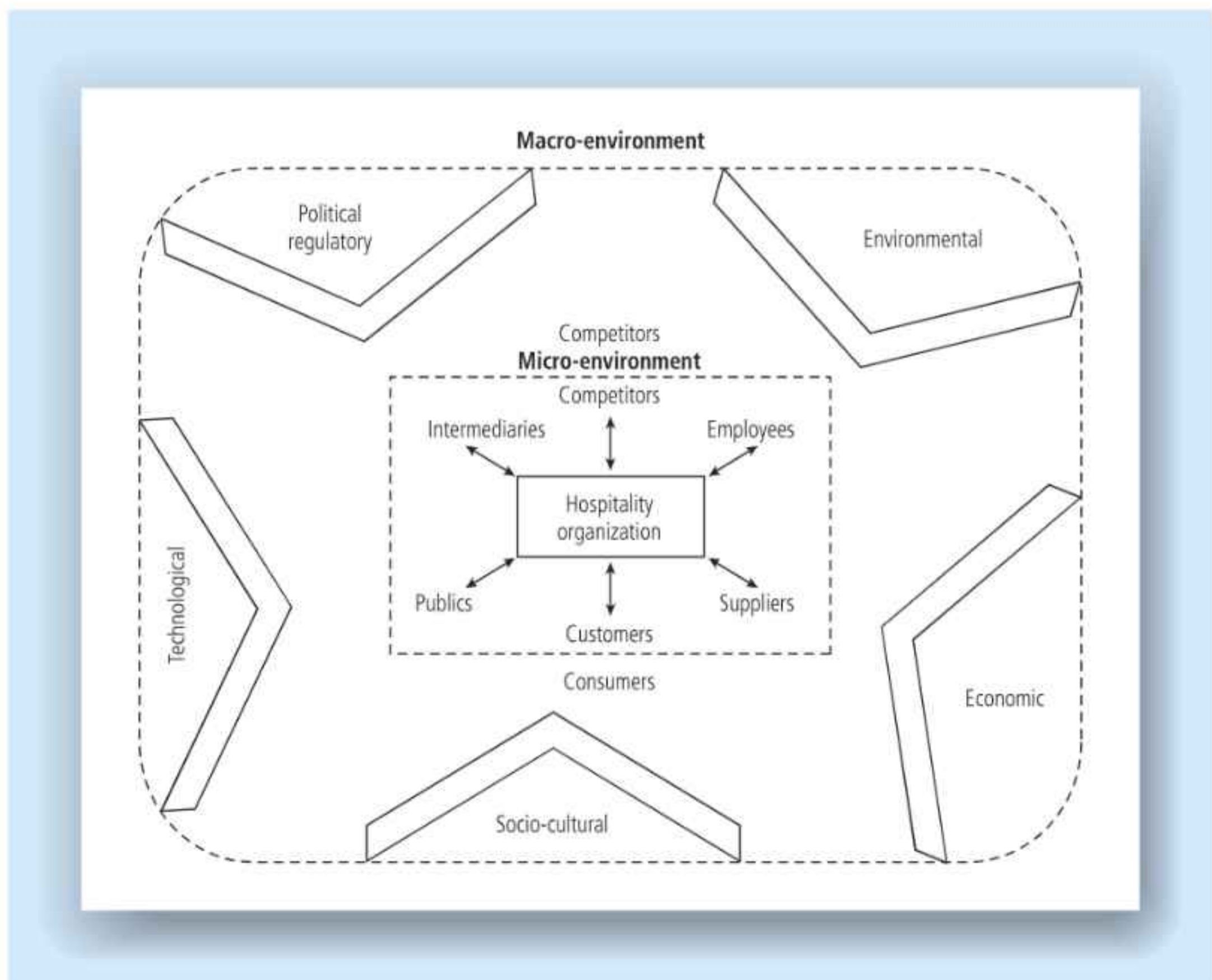


Figure 1.3 Macro- and micro-environmental influences on hospitality organizations

or stifle economic, social and technological development. While the USA fosters an open economy, encouraging tourism and creating a positive climate for hospitality businesses, Burma restricts international access and inhibits the development of tourism and hospitality businesses. Political and governmental decisions are constantly changing the environment in which we live and work and the impact on hospitality marketing activity in a variety of ways.

For Europeans, the political environment includes the European Union as well as their own national governments. Decisions about the Single Market and the euro currency are examples of European political regulation.

The political environment includes the legal/regulatory environment, and covers any legislation that influences the marketplace. Examples include:

- Planning regulations (permission for building hotel, restaurant and leisure extensions or developing new properties), which alter the industry capacity
- Licensing laws, which regulate the opening times of licensed premises
- Local, regional or national government taxes, which impact on prices (Value Added Tax and General Sales Tax rates, and excise duty on alcoholic drinks) and therefore influence the demand for hospitality products
- Regulation of marketing communications (different European countries have different regulations concerning advertising, direct mail and the use of databases for marketing purposes).

## Economic

The economic environment includes all those activities that influence the wealth and income of the population. Examples of economic influences are:

- The state of the economy
- The structure of employment and the level of unemployment
- The rate of inflation
- The exchange rate.

These factors combine to influence business confidence, consumers' disposable income and consumer confidence, which play a significant role in changing demand for hospitality markets. When business and consumer confidence is high, hospitality markets thrive; when business and consumer confidence is low, hospitality markets decline and firms are prone to failure.

A key economic factor is the business cycle, which influences demand. Hospitality firms need to respond to the stages in the business cycle. Whilst hospitality businesses all trade at the same stage of the business cycle, firms will respond differently according to their financial and marketing strengths, and their leadership. The stages of the hospitality business cycle (see Figure 1.4) are:

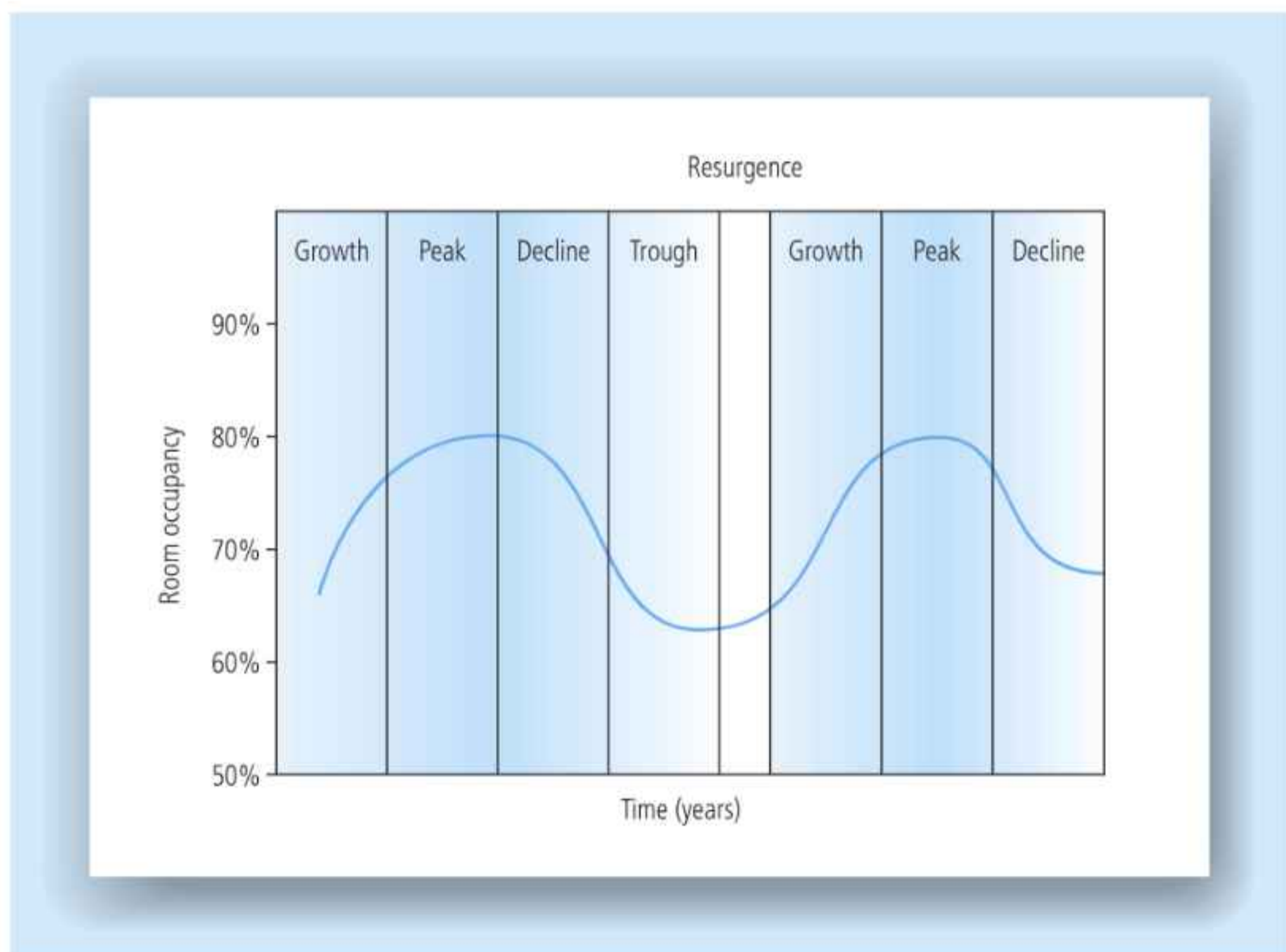
- *Growth*. Occupancy and room rates increase in response to growing demand, there is a strong positive cash flow (which means that capital is available for further investment), property values increase, and hoteliers have high business confidence.
- *Peak*. Occupancy and room rates remain strong, and funds are still available for investment; however, growth tends to slow.
- *Decline*. Occupancy begins to decrease. If the decrease is gradual, room rates are increased in line with inflation. Investors sense the higher risk in declining occupancy and seek increased returns before agreeing to invest in hotel

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businesses, property values begin to fall, the rate of decline becomes more rapid as occupancy falls, price competition becomes more intense and achieved room rates fall, and the rate of decline can become faster as the industry moves toward recession.

- *Trough.* There is a large imbalance of supply and demand during a recession; low occupancy, low room rates and a slump in property values means that highly geared (over-borrowed) companies are put into receivership. There is a bottoming out period as demand gradually stabilizes and then slowly begins to increase.
- *Resurgence.* There is a gradual resurgence, and the cycle starts all over again.

A major recurring problem for the hospitality industry is that hotel development projects are funded in the growth and peak stages of the business cycle but, because of the time lag between gaining investment funds and planning permission, many hotels open for business just as the cycle peaks. Hence additional new build capacity is added to the stock just as demand falls, creating further problems for the industry. Capacity does not really diminish during periods of declining and low demand. From a hospitality marketing perspective, companies' response to the business cycle during a downturn period and a recession is problematic. Companies engage in major cost-cutting activities; marketing employees and expenditure are often significantly reduced, and financially weaker brands are vulnerable to take-over. During resurgent and growth periods marketing activity increases as companies respond to the growth in hospitality demand. Whilst nobody can accurately predict the precise timing of a stage in the business cycle, it is vital for hospitality managers and owners to understand the implications of each stage.



**Figure 1.4** Typical hotel industry cycle

## Socio-cultural

The socio-cultural environment influences consumers' purchase and consumption behavior. A country's socio-cultural environment is a complex mix of its geography, climate, history, religion, and ethnic make-up. We are all influenced by the values of our own culture, even though we are not aware of this all the time. Indeed, cultural differences between countries provide hospitality marketers with some of the greatest challenges when developing global brands.

One of the key aspects of a country's hospitality industry, which is heavily influenced by national culture, is eating and drinking habits. Each country and region has developed its own cooking based on factors like the climate, which dictates the produce available. The growth of international travel for business and leisure purposes has widened people's cultural knowledge and encouraged the development of new food and beverage concepts.

Demographic changes (changes in the make-up of a population) also make a significant impact on market demand in hospitality. Examples include the following:

- The increase in the number of older people living in Western countries is changing the demand characteristics for holidays
- The increase in the number of single people (caused by people marrying later, and more people getting divorced) is changing the demand characteristics for eating out.

Hospitality marketers need to be aware of socio-cultural and demographic trends to ensure their companies understand changes in markets in order to remain competitive.

## Technological

The technological environment in hospitality is closely associated with innovation and developments in information communications technology (ICT). The rapid development of ICT in the late 1990s and during the current decade has had a major influence in the industry. Improvements in the technological environment include:

- The growing sophistication of computerized reservation services
- The development of global distribution networks
- Increasing consumer and commercial use of the Internet
- Improvements in kitchen equipment, which has changed food production techniques
- The development of in-hotel computerized systems, which has improved in-room comfort and security for guests.

The current rate of technological change is fast, and new developments are constantly altering the technological environment.

## Environmental

Environmental factors have become more important in all parts of the world as people recognize the impact tourists have on the planet. In particular, mass tourism has become much more controversial. Tourism:

- Encourages new hotel and leisure developments
- Impinges on natural habitats

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- Uses up scarce resources
- Generates air and noise pollution
- Creates waste disposal problems.

Although the concept of sustainable tourism is much publicized, and 'green' pressure groups lobby government and hospitality companies to improve the industry's environmental policies, the hotel and restaurant industry does not have a good reputation in this area.

### Interaction of PESTE factors

Some factors in the macro-environment will affect all of the PESTE variables, and each individual element of the PESTE can influence other elements. This means that analyzing the macro-environment can be confusing, since it is difficult to separate the impact of each influence.

For example, demographic changes are forecast to become a major influence on economic, social and political factors in the twenty-first century. National population changes affect a country's economy. Global and national changes in population affect socio-cultural forces, and influence the composition and character of travel markets. Countries react politically to migration pressures; and demographic changes can also stimulate the creation of pressure groups, which lobby government on behalf of their interests. Thus one driver of change influences several PESTE factors, and each of the PESTE factors interacts with the others.

### The micro-environment

The micro-environment includes internal company factors (customers, employees, suppliers and intermediaries) and external factors (the direct competitors operating in the same locations, and the various 'publics' with which a company interacts). Unlike the PESTE framework for the macro-environment, there is no recognized formula or mnemonic to describe the micro-environment. Hospitality companies have more influence over the micro-environment than over the macro-environment.

#### Customers

Hospitality companies typically target a broad mix of customers, including business and leisure hotel residents, non-resident diners and drinkers. Managing the customer mix to ensure that all the different types of customers are satisfied or delighted is one of the major roles for marketing. Over time customers can change their needs and wants, so companies have to monitor and respond to these changes.

#### Employees

For most hospitality organizations, the local labor market is a key resource. The availability and quality of skilled employees who have been educated and can be easily trained is an important factor in delivering a quality service. Because employees interact with customers, they can have a major influence on the level of customer satisfaction.

#### Suppliers

The hospitality company's performance is dependent upon its suppliers. Although marketers are not directly involved in operational purchase decisions, marketing

should have an input into setting quality standards and specifications. The hospitality marketer will certainly be responsible for handling relationships with external marketing communication and marketing research agencies.

### **Intermediaries**

Intermediaries are those companies who advise, influence and make bookings for customers. They include travel agents, tour operators, conference placement agencies and incentive agencies. Intermediaries are important links in the distribution channel from the customer to the hospitality outlets. Marketing managers needed to cultivate good relationships with actual and potential intermediaries.

### **Competitors**

The competitive environment includes different kinds of competitors:

- Direct competitors – these are businesses offering a similar product or service, which is aimed at the same customer group. Direct competitors operate in the same geographic location and in the same (or adjacent) product category. For hotels, a three-star provincial business hotel could have a local competitor set including all three-star hotels, and possibly some two- and four-star hotels, within a 10-mile radius or 15 minutes' travel time. Watching, knowing and anticipating what your competitors are doing is a vital part of knowing your market.
- Competitors offering substitute products – these are offers that potential consumers can choose instead of a hospitality product and which satisfies the same need (e.g. staying at home and cooking a meal instead of going out to a restaurant).
- Indirect competition – this includes all those companies and non-profit organizations that are competing for consumers' disposable income (e.g. choosing between buying a new car or going on an exotic holiday).

The competitive environment in many hospitality markets has become more intense in recent years. The actions and reactions of competitors has radically changed market structure, influenced consumer behavior, and altered market demand.

### **Publics**

The location of a hospitality premises and the size/scale of the company will determine the character of the organizations (also called publics) with which the organization interacts. These publics will include:

- Local government authorities (who enforce health and safety, hygiene and planning regulations)
- Other businesses and people who live in the neighborhood (some of whom may also be customers)
- Community, educational, religious, social and voluntary institutions
- Leisure, sporting and tourism attractions
- The local media.

Local publics can exert considerable influence on a hospitality business. Developing effective public relations activities and fostering good relationships with local publics is part of the marketing task.

## Special characteristics of services marketing

The special characteristics faced by services marketers (including of course hospitality marketers) are seasonality, intangibility, perishability, inseparability, variability, interdependence, supply exceeding demand, and high fixed costs. You can use the mnemonic *SIPIVISH* to remember the characteristics.

### Seasonality and demand fluctuation

Seasonality refers to the fluctuations and demand in any given period. In hospitality operations, seasonality can occur at:

- Different seasons of the year
- Different months of the year
- Different times of the week
- Different times of the day.

The demand for business accommodation is highest during the middle of the week, outside the peak holiday periods of Easter, summer and Christmas/New Year. Country hotels can have a poor midweek winter business but achieve high occupancies at the weekends, when city hotels can be quiet. Restaurants can be full with customers on a busy Saturday night and empty on a Monday evening.

Case study 1.2 illustrates a seasonal business.

## Case study

### 1.2 Ski Olympic – a seasonal business

Ski Olympic, a British tour operator with a single product – skiing in the French Alps – owns chalet hotels like Les Avals in Courcheval. The chalet hotels are open during the skiing season from mid-December to the end of April, and they are closed for seven months from May to November. Revenue generated in the short twenty-week opening period has to cover the operational costs of running the hotels during the ski season, as well as the annual administrative, marketing and financial costs.

(Source: Ski Olympic)

The under- or over-utilization of capacity creates operational difficulties. Sudden unexpected increases in customers can lead to production problems, unacceptable waiting times and dissatisfied customers. The profitability of hospitality companies suffers during low season periods, so one of the challenging roles for marketing is to increase demand in low season periods and to deflect over-demand from peak periods to other times.

### Intangibility

Services are described as intangible products, meaning that they cannot be experienced – heard, seen, smelt, tasted or touched – prior to being purchased. Unlike

shopping for a personal stereo or buying a motorcar, hospitality consumers cannot really examine competing hotel, restaurant or leisure products without entering into a purchase contract and buying the product. For example, they cannot stay overnight in a hotel and test out the rooms without being expected to pay first.

Marketing intangibles create difficulties for the service provider. Customers often sense a higher level of risk, and also find it difficult to assess quality. Customers need to be provided with information to help them to choose an appropriate hospitality outlet to satisfy their particular needs and wants. The challenge for marketers is how to provide such information in a way that will encourage customers to choose *their* offer without raising customer expectations too high, and then failing to deliver customer satisfaction. The role of marketing communications in designing effective promotional material to generate appropriate bookings is crucial.

### Perishability

Everyone working in hospitality knows that you cannot sell last night's bedroom tonight. Hotels and restaurants have a fixed number of rooms and seats available each day or night. Unlike manufactured products, which can be stored in warehouses, services cannot be stored; this feature of service industries is called 'perishability'. The difficulty for hospitality companies is how to manage their capacity (the inventory) with a fluctuating demand pattern.

Hospitality managers recognize that managing the inventory is a critical issue in optimizing customer satisfaction, sales and profitability. The key marketing principle is to ensure that the price at peak demand times is set to deliver the maximum return to the company, providing it is compatible with customer satisfaction. In low season periods, the aim is to generate additional sales by developing attractive promotions. Managing the booking process to ensure that the business achieves this balance is essential.

### Inseparability

Customers have to be present to consume the hospitality product. The simultaneous production and consumption of services means that hospitality employees are an important part of the hospitality product. Equally, customers themselves play a significant part in the hospitality product by enhancing or spoiling the atmosphere for other customers. These factors mean that customer interaction with hospitality staff and other hospitality guests provides a variety of opportunities to influence customer satisfaction positively or negatively.

Ways to manage the problems of inseparability include:

- Ensuring that customer segments are compatible
- Ensuring that the operations system is suitable for the projected market demand
- Adopting appropriate booking policies
- Organizing effective queuing systems
- Training staff effectively.

### Variability

Partly as a result of inseparability, hospitality operations suffer from considerable fluctuations in the standards of delivery of the service. This is called variability, and is influenced by human factors. Services comprise a high element of interaction between customers and staff; indeed, every service performance is a unique event.

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Human interaction cannot be standardized, and consequently it is impossible for service companies to deliver a totally non-variable experience.

The difficulties arising out of variability are considerable:

- Imagine that the same customers order the same meal, which is cooked by the same chef and served by the same staff, in the same restaurant, at the same time of the week. The resulting meal experience can be very different from one week (possibly perfect) to the next (possibly disastrous)!
- Again, two different sets of customers could be served the same meal, at the same time, in the same restaurant and by the same staff, but because of their different knowledge, experience, personal character and feelings, could have very different experiences.

Some customers may be highly knowledgeable about food and wine. These 'expert' customers, with their different understanding of service and quality, may be highly critical of the meal experience compared to less knowledgeable customers, who may have really enjoyed the occasion. Companies respond to this problem of variability by trying to standardize their operations and training their staff to perform according to the company's standard operating procedures, but with varying degrees of success.

### Interdependence

Tourists make a variety of travel purchase decisions in one trip, and their overall satisfaction with a visit is based upon a complex set of evaluations of different elements – including the travel arrangements, accommodation, attractions and facilities of a destination.

The choice of hospitality products is only one element on which the consumer needs to decide. Hotel accommodation sales in particular are influenced by the consumer's choice of other tourism products. First and foremost is the tourist's choice of destination. Visitors may base their decision to travel to a particular destination on the range of attractions, the ease and accessibility of transport to and from the area, the image of the destination, the price, and 'word of mouth' comments made by family, friends and the media. This means that the generation of demand for some hospitality operations is directly connected to the demand for complementary tourism products – i.e. the demand is interdependent.

The response to interdependency is that individual businesses, regardless of the tourism sector they operate in, their size or ownership, have to cooperate in the promotion of their destination. Destination marketing organizations work closely together with local government and tourism authorities to promote demand for tourism in their own particular area.

### Supply exceeds demand

The hospitality industry is frequently described as a fragmented industry with low barriers to entry. It is relatively easy to obtain finance and buy or build a hospitality company. Indeed, many of today's great brands (Hilton, Marriott, and McDonald's) were originally small companies developed by visionary entrepreneurs.

Although regulations obviously vary in different countries, government planners have generally welcomed the development of sustainable tourism. The last ten years have witnessed a dynamic building period, with massive investment in new

resorts, hotels, restaurants, cruise ships, leisure facilities and casino operations culminating in excess capacity in most sectors of the industry and in many parts of the world. Despite record numbers of people traveling for business and leisure purposes, the growth in hospitality capacity has not always been matched by a sufficient growth in demand. When supply exceeds demand the competitive environment becomes more intense, and price competition can affect all firms' profitability.

### High fixed costs

The cost structure of hospitality firms influences marketing activity. Hospitality businesses are capital, labor and energy intensive. Typical hospitality firms have high property costs and also employ large numbers of staff, many of whom are full-time, permanent employees. These costs do not change; they are 'fixed' regardless of the number of customers using the premises. During periods of low demand, high fixed costs erode the profitability of the business. Companies need to generate sales to help make a contribution towards the fixed costs. The marketing response to seasonality and high fixed costs is to design attractively priced promotions to stimulate sales in the low season.

## The role of marketing management in hospitality

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The main task of the hospitality marketing manager is to *influence demand* for the organization's products and services.

Marketing  
insight

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Marketers aim to:

- Understand the drivers of demand
- Understand consumers and customers
- Increase the *volume* of transactions – bed nights, covers served, number of passengers
- Increase the *value* of transactions – improving the average achieved room rates, the average spend per head, the average price for holiday
- Increase both the *volume* and the *value* of transactions (but normally there is a trade-off between increasing the volume sales and increasing the achieved spend)
- Shift demand from periods where there is too much demand (high season) to periods where there is too little demand (low season or the shoulders).

The marketing manager's tasks include:

- 1 Research and analysis into
  - the needs and wants of customers and target markets
  - changes in the PESTE environment
  - the actions of competitors

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- 2 Planning marketing strategies to achieve agreed marketing objectives in
  - customer service and satisfaction
  - sales and profits
  - bringing new products to the market
- 3 Implementing marketing strategies by
  - designing, developing and rolling out new product concepts
  - setting brand standards
  - designing and executing marketing communication campaigns
- 4 Monitoring and control of marketing campaigns by
  - ensuring that marketing objectives are being achieved during a campaign
  - ensuring that marketing activities are carried out within the agreed budget
  - understanding the reasons why there are any variances between targeted performance and actual performance
  - commissioning marketing research to evaluate marketing performance
- 5 Influencing other departments to become more focused on the customer – for example
  - operations needs to make or buy what customers want to experience
  - human resources needs to recruit the right type of people to interact with customers.

Some of these marketing activities will be carried out in-house by the company's own marketing personnel; other activities will be delegated to specialist marketing and publicity agencies.

### The hospitality marketing mix

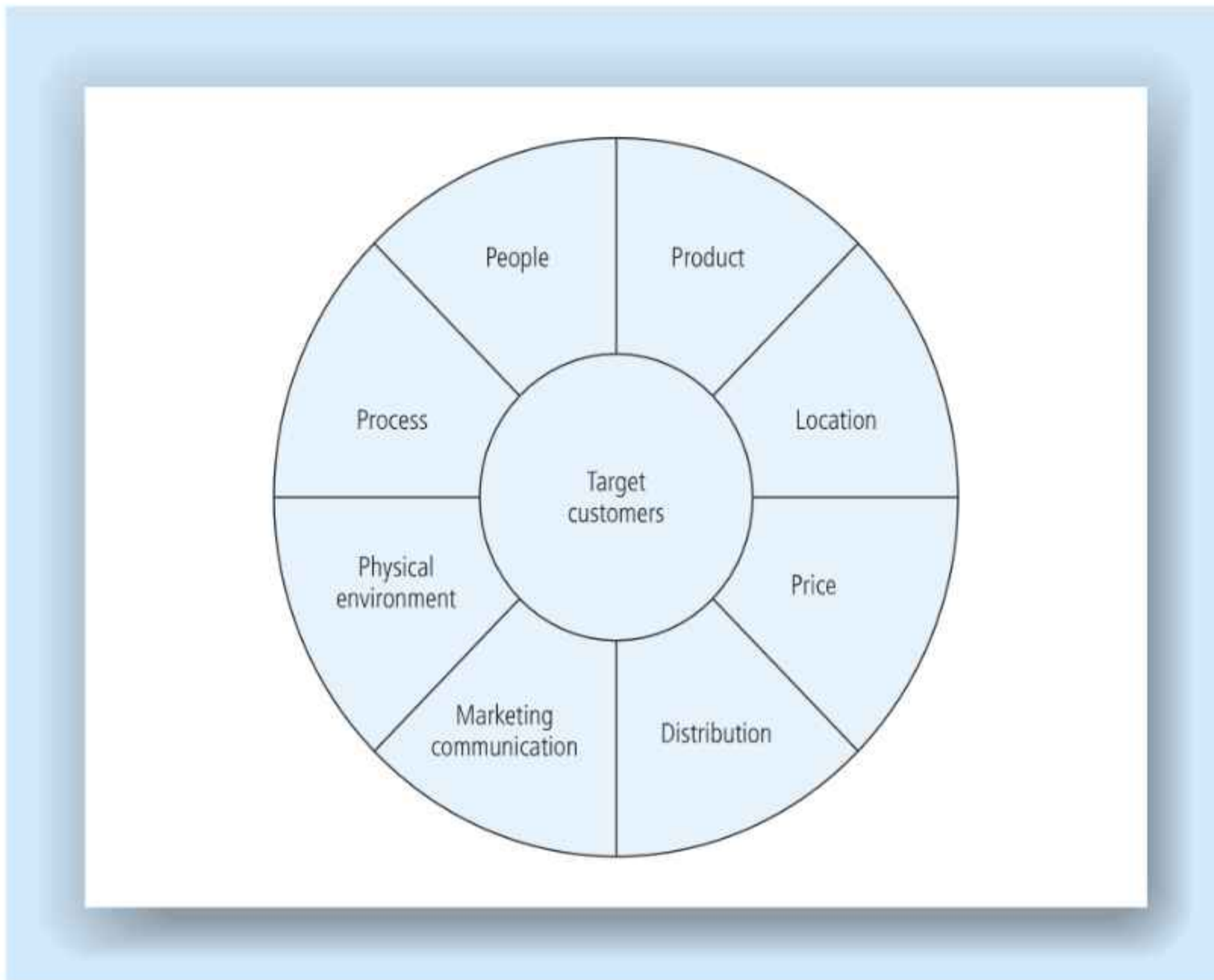
The term *marketing mix* is used to describe the tools that the marketer uses to influence demand. The marketing mix is a core concept in marketing. The hospitality marketing mix adopted in this text is based on the eight marketing activities shown in Figure 1.5.

#### Product/service offer

Hospitality products and services are primarily designed to satisfy the needs and wants of business and leisure travelers. Examples include:

- Accommodation – a bed, bedroom, cabin or suite, in a hotel, inn, chalet, apartment, time-share, cruise ship, hospital
- Food and beverage – a drink, sandwich, fast food, family meal, gourmet dinner, in a café, cafeteria, restaurant, bar or pub, aeroplane, motorway service station or ship, at an attraction or leisure center
- Business services – a meeting, conference, communication bureau, in a hotel or conference center
- Leisure – a short break, domestic holiday or international holiday, in a hotel, resort, self-catering accommodation, camping and caravan site, or a cruise.

Marketing, working with operations, should play a role in developing the product and service offers to ensure that the needs of customers are the focus of planning and product development.



**Figure 1.5** The hospitality marketing mix

## Location

Location decisions are incorporated with distribution under the heading 'Place' in the generic marketing mix. Because the choice of location is the first and crucial marketing decision for hospitality companies, this text includes location as one of the main elements of the marketing mix. Location decisions focus on where the hospitality business should build, buy, franchise or rent the site(s) from which it operates.

## Price

The pricing decisions a hospitality organization makes include:

- Setting the tariff, or rack rates
- Agreeing the level of discounts for key accounts
- Pricing all-inclusive packages (conferences, functions and leisure breaks)
- Developing special priced promotions to increase sales during low season periods.

Pricing decisions influence demand, are crucial in driving profitability, and play an important role in presenting the 'image' the hospitality firms wants to project to customers and stakeholders.

## Distribution

In most textbooks, distribution decisions are generally discussed with location under the heading 'Place'. Distribution in hospitality is concerned with how a

company can make it timely and convenient for a potential customer to book hospitality products directly from the hospitality company or through intermediaries. The impact of ICT and the Internet has transformed the distribution channel, and is changing relationships between hospitality providers and travel agents, tour operators, conference placement houses and incentive houses.

### Marketing communications

Originally called 'promotion' and now popularly described as 'marcom', marketing communication covers all the tools that hospitality firms can use to communicate with customers, employees and other stakeholders. This is the function of most marketing and sales departments. The key elements of marketing communications in hospitality are:

- Brand/corporate identity
- Personal selling (the sales team)
- Print and publicity material (e.g. brochures)
- Advertising
- Direct mail (often part of a broader database marketing or direct marketing effort)
- Sales promotion
- Public relations
- Merchandising
- Sponsorship
- Website design.

### Physical environment

The physical environment (or physical evidence) consists of the tangible features of the hospitality offer – the external appearance of the premises (the landscaping, lighting and signage) and the internal layout (appropriate decor, furniture and furnishings). Intangible factors are intimately linked to physical evidence – the ambience or atmosphere – and clearly the success of a hospitality product is dependent upon the appeal of the physical environment to the customers.

### Process

Because of the simultaneous production and consumption prevalent in hospitality services, the processes through which customers buy and consume hospitality products are crucial to marketers. Important processes include booking, checking in and checking out, queuing systems and service operations. Marketers need to ensure that the organization's service delivery processes are efficient, customer friendly and competitive.

### People

In the services marketing mix, 'people' includes both customers and employees. We have already discussed how hospitality customers interact with each other whilst on the premises – indeed, in certain hotel and holiday environments a good rapport between customers is an essential ingredient of the successful product. Managing the customer mix and ensuring that target markets are compatible plays a key role in delivering customer satisfaction.

Hospitality is a service where the interaction between customers and employees is also a critical element of the customer experience. Marketing therefore needs to

have an input into human resources aspects of the operation, and this is called *internal marketing*.

## Hospitality brands and integrating the marketing mix

Brands are central to the marketing of multi-unit hospitality businesses. Hospitality companies develop branded concepts, and then blend the elements of the marketing mix to provide target customers with a better brand offer than their competitors (see Case study 1.3). It is crucial that each element of the marketing mix is consistent with all the other elements. For example a luxury hotel brand cannot be successfully located in a 'down market' area, and a cheap and cheerful restaurant cannot successfully promote gourmet cooking.

Those hospitality companies that do not provide a consistent marketing offer confuse customers by sending out mixed messages.

Breaking down each element of the marketing mix helps you to understand the complexity of the marketing offer. However, it should be remembered that customers form opinions based on their overall impression of the offer, and this can be influenced by minor items – for example, the price of a drink – as well as by more obvious factors like the quality of service.

If you reflect upon all the different elements of the marketing mix, it becomes clear that marketers need to work closely with operations (on product, process and physical environment decisions), with finance (on pricing and marcom budget decisions), and with human resources (on employment strategies). In smaller, single-unit operations, where the owner/management is close to the business and is responsible for all these decisions, the integration of marketing with other departments is easier. In large-scale, multi-unit, national and international operations, such cooperation is much more difficult to achieve. Effective marketing is dependent upon all the departments in a hospitality business working closely together.

## Case study

### 1.3 Travel Inn – an integrated approach to marketing

In the 1980s, market demand for better quality low-cost accommodation in the UK grew significantly and Travelodge (the original developer of the concept) expanded rapidly. In 1987, Whitbread developed a competitor concept, called Travel Inn, which imitated the market leader in most aspects. Whitbread franchised the new brand to five of their company-owned restaurant/pub chains, such as Beefeater. Despite intense competition from Days Inn, Express by Holiday Inn, and Accor, Travel Inn overtook Travelodge after ten years. With a marketing objective 'to be the customer's first choice' in the budget market, the Travel Inn brand team – who had complete control of all elements of the marketing mix – focused on setting and maintaining consistent brand standards. Properties that failed the brand standard's inspections were de-branded. The marketing mix comprised:

- *Product* – low-cost, mid-market accommodation standards, with factory-built standardized bedrooms, which are easy to install on site. Each room is refurbished on a regular cycle

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depending upon occupancy rates – the objective is that old rooms look as good as new rooms, and the product offer is consistent throughout the chain.

- *Location* – there are three types of location. The core product units, called Travel Inns, are located on major roads and motorways; then there are units located in provincial cities and towns called Travel Inn Metro, and finally units located in London called Travel Inn Capital. All units are located adjacent to Whitbread-owned restaurants and inns.
- *Price* – each brand has one single price structure, and there are no discounts.
- *Distribution* – Travel Inn operates a computerized reservation system, with links from its website and a telesales call center. Although intermediaries like travel agents can book rooms, they do not receive any commission.
- *Marketing communication* – a major investment in branding, with standardized material, a new logo, and a £20 million television and radio advertising campaign over four years, promoted the key message ‘a good night’s sleep’.
- *Physical evidence* – the external signage was changed to incorporate the new logo, and the internal maintenance program is designed to keep product standards consistent.
- *Process* – Travel Inn is a simple product, with minimum service levels (only reception and housekeeping); customers who want to eat visit the Whitbread restaurant or pub next door. The focus is on easy-to-use operating systems.
- *People* – The manager of the Whitbread unit next door aims to recruit local, friendly staff who know the area, rather than ‘professional hotel staff’ for the Travel Inn. The company has an ‘Investors in People’ UK government training award.

Investment in the Travel Inn brand has been rewarded by continued growth. The aim is to double the number of properties every five years. The introduction of a 100 percent satisfaction guarantee for comfortable surroundings, quality rooms and friendly staff was a first in the UK market. Travel Inn’s integration of all the elements of the marketing mix provides a consistent marketing offer, which is customer focused and financially successful.

(Sources: Travel Inn presentation to the HMA, [travelinn.co.uk](http://travelinn.co.uk) website, and Middleton and Clarke, 2000)

### Activity 1.2

Look back to Activity 1.1.

- Compare what you wrote about the meaning of ‘marketing’ with the definitions we have presented in this chapter. How different are the academic definitions to popular ideas about marketing?
- Reflect upon the ‘marketing concept’ and the eight elements of the marketing mix. Write down a new list of all the activities involved in marketing.
- Have you changed your ideas about the role of marketing?

## The three marketing mixes

Because of the perishability and inseparability of hospitality products, marketers need to give consideration to producing three marketing mixes, each aimed to influence demand at different times.

Before the customer comes to the property to experience the meal or the accommodation, the marketer is faced with identifying and influencing customer expectations, and trying to generate a first-time purchase. The first marketing mix is therefore called the *pre-encounter marketing mix*, because it happens before the customer has the encounter with the service provider.

The second marketing mix occurs at the point of sale and consumption, and is therefore called the *encounter marketing mix*. The task of this marketing mix is to produce a service encounter that meets or exceeds the customer's expectations, to avoid producing customer dissatisfaction and negative word-of-mouth.

The third marketing mix is known as the *post-encounter marketing mix* because it is designed to influence customers after the service experience, with a view to creating a long-term relationship.

Different parts of the eight-element marketing mix are important at each of the stages – before, during and after the encounter. Before the encounter, marketing communications such as advertising, selling, price lists and brochures influence expectations. Marketers need to understand the product/service expectations of customers, as they design offers for the customers. They also must make products easy to buy by establishing appropriate distribution channels.

During the encounter, customers come in to contact with the people element of the marketing mix (employees and other customers), processes, and physical evidence at locations where the service is produced and consumed.

After the encounter, hospitality marketers will want to communicate with customers to find out what they thought of the experience, to identify and satisfy customer complaints, and to encourage the customer to come back and give positive word-of-mouth. Marketing communications is therefore used to build future demand from existing customers. Table 1.3 summarizes what is important at each stage of the customer relationship with the firm.

**Table 1.3** Marketing Before, During and After the Encounter (✓ Indicates which Element is Important in each Particular Marketing Mix)

	<i>Pre-encounter marketing mix</i>	<i>Encounter marketing mix</i>	<i>Post-encounter marketing mix</i>
Product/service offer	✓	✓	
Location	✓	✓	
Price	✓	✓	
Distribution	✓		
Marketing communications	✓	✓	✓
Physical environment	✓	✓	
Process	✓	✓	✓
People		✓	

## Conclusion

A popular misconception is that marketing is the same as 'selling and advertising'. This chapter will have shown you that there is much more to marketing than promotional tools. Indeed, effective marketing encompasses virtually every aspect of hospitality organization.

In this chapter, we have explained:

- That marketing is a business philosophy that places the customer at the center of the hospitality organization
- The essential purpose of marketing, which is to manage demand
- How marketing-led companies seek to satisfy customers better than competitors
- Why marketers need to scan the PESTE and micro-environment to understand future changes in the marketplace
- The special characteristics of hospitality (SIPIVISH) and why marketers need to understand them
- The hospitality marketing mix, which comprises eight factors that need to be integrated and consistent to ensure brand integrity
- How marketers work to influence demand before, during and after the service encounter.

## Review questions

Now check your understanding of this chapter by answering the following questions:

- 1 Discuss the advantages and disadvantages of each management orientation. Provide examples of each management orientation from your own experience of the hospitality industry (either as a customer or as an employee).
- 2 Identify three different definitions of marketing, and explain the differences between them.
- 3 Discuss the external and internal factors that might influence a hospitality organization you know.
- 4 Evaluate the special characteristics of hospitality and services marketing.
- 5 Describe briefly the role of each element of the hospitality marketing mix.

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Part B

# Pre-encounter marketing

