Marketing *of* Hospitality *and* Tourism Services

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Preface

Hospitality and tourism related services are gaining significance all over the world and especially in India in this millennium. Though there is considerable literature available in relation to the marketing of hospitality and tourism related services, it is mostly written by foreign authors and found to be unnecessarily exhaustive. Many a time, students face the difficulty of getting their hands on to one book that has everything to cover their syllabus, without any superfluous content. The book *Marketing of Hospitality and Tourism Services* is an effort in this context to provide the students of Hotel Management a one-stop reference for the hospitality and tourism services marketing. While compiling this book, an attempt has been made to cover the syllabuses of most of the Indian universities and institutes of hotel management under NCHMCT. This book will definitely be handy for all those who are practicing hospitality services marketing both academically and professionally.

Chapter 1 of the book deals with the general marketing and various concepts. Chapters 2 – 14 of the book speak about the hospitality services' marketing and Chapter 15 gives inputs on tourism marketing. Case illustrations and examples have been incorporated wherever possible. Every chapter ends with self-assessment questions, analytical questions and activities to develop skills in hospitality and tourism marketing.

All efforts have been made to bridge the gap between the available material and future requirements by providing necessary inputs to make the book more user-friendly. But still, suggestions to improve upon the book are always welcome. I request my readers to feel free in criticising the contents wherever necessary and correcting me wherever the need is.

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INTRODUCTION TO MARKETING

LEARNING OBJECTIVES

This chapter would help the students to understand and analyse:
- the meaning of market and marketing
- the different types of markets and the various entities dealt with
- the features and characteristics of market
- the nature and scope of marketing
- the significance of marketing
- the benefits of marketing
- the various concepts of marketing and its benefits

MARKET

Meaning and Definition

For a layman, "market" is a place where buyers and sellers meet personally to finalise the deal after personal inspection of goods. However, for a student of marketing, it represents that place where buyers and sellers come in contact with one another due to which the prices of goods and services tend to be equalised easily and quickly.

> In the words of Prof. Mitchell, "the market must be thought of not a geographical meeting place but as any getting together of buyers and sellers in person, by mail, telephone, telegraph or any other means of communication."

Thus, market does not mean a place of exchange per se. It is an arrangement that provides opportunity of exchanging goods and services for money or money's worth.

A market is a set of actual and potential buyers who might transact with a seller. Market is the social arrangement where exchange of goods and services takes place among the buyers and the sellers.

Traditionally, a "market" was a physical place where buyers and sellers gathered to buy and sell goods. Economists describe a market as a collection of buyers and sellers who transact over a particular product or product class (e.g., the housing market or grain market). Modern economies abound in such markets. Manufacturers go to resource markets (raw material markets, labour markets, money markets, etc.), buy resources, and turn them into goods and services; then they sell finished products to intermediaries, who sell them to consumers. Consumers sell their labour and receive money with which they pay for goods and services. The government collects tax revenues to buy goods from resource, manufacturer, and intermediary markets, and uses these goods and services to provide public services. Each nation's economy and the global economy consist of complex interacting sets of markets linked through exchange processes.

Marketers often use the term market to cover various groupings of customers. They view the sellers as constituting the industry and the buyers as constituting the market. They talk about *need markets* (e.g. the health-seeking market), *product markets* (e.g. the textile market), *demographic markets* (e.g. the infant market), and *geographic markets* (e.g. the Indian market). They also extend the concept to cover other markets, such as voter markets, labour markets, and donor markets. Sellers and buyers are connected by four flows. Sellers and buyers are connected in a mutual framework where the sellers send goods, services, and communications to market; in return they receive money and information.

Types of Markets

There are different types of markets as stated by Kotler, such as—Consumer, Business, Global and Nonprofit.

Consumer Markets

Consumer markets are the markets for products and services bought by individuals for their own or family use. Goods bought in consumer markets can be categorised in several ways:

Fast-moving Consumer Goods ("FMCG′s")
— These are high volume, low unit value, fast repurchase
— Examples include: Ready meals; Baked Beans; Newspapers

Consumer Durables
— These have low volume but high unit value. Consumer durables are often further divided into:
— ***White goods*** (e.g. fridge-freezers; cookers; dishwashers; microwaves)
— ***Brown goods*** (e.g. DVD players; games consoles; personal computers)

Soft Goods
— Soft goods are similar to consumer durables, except that they wear out more quickly and therefore have a shorter replacement cycle
— Examples include clothes, shoes

Services   (e.g. hairdressing, dentists, childcare, hospitality services)

Business Markets

Business Markets are the markets where individuals, or organizations, including commercial businesses, governments and institutions, facilitating the sale of their products or services to other companies or

organizations that in turn resell them, use them as components in products or services they offer, or use them to support their operations. Also known as industrial marketing, business marketing is also called business-to-business marketing, or B2B marketing.

Business vs Consumer Markets

To help explain the differences between business and consumer markets, it is worth drawing some comparisons between the two.

Consumer	Business
Every customer has equal value and represents a small % of revenue	There are a small number of big customers that account for a large % of revenue
Sales are made remotely, the manufacturer doesn't meet the customer	Sales are made personally, the manufacturer gets to know the customer
Products are the same for all customers. The service element is low	Products are customised for different customers. Service is highly valued
Purchases are made for personal use - image is important for its own sake	Purchases are made for others to use - image is important where it adds value to customers
The purchaser is normally the user	The purchaser is normally an integrator, someone down the supply chain is the user.
Costs are restricted to purchase costs	Purchase costs may be a small part of the total costs of use
The purchase event is not subject to tender and negotiation	The purchase event is conducted professionally and includes tender and negotiation
The exchange is one of transaction. There is no long-time view (financial services differ)	The exchange is often one of strategic intent. There is the potential for long term value

Global Markets

Markets which have historically been tied to international trade are most readily identified as being *global*. A marketing strategy used mainly by multinational companies to sell goods or services internationally. Global marketing requires that there be harmonization between the marketing policies for different countries and that the marketing mix for the different countries can be adapted to the local market conditions. Global marketing is sometimes used to refer to overseas expansion efforts through licensing, franchises, and joint ventures.

Non profit and Government Markets

Non-profit markets are areas where marketing is conducted by organizations and individuals that operate in the public interest or that foster a cause and do not seek financial profits. These markets involve organizations-Charitable groups, Unions, Universities etc., people-political candidates etc., places-resorts, convention centers, ideas-stop smoking as well as goods and services

Government markets buy goods and services to support their internal operations and to provide the public with education, water, energy, national defence, road systems and health care, etc. Consumer group composed of central or state government units.

MARKETING

Meaning and Definition

As a comprehensive term, *marketing* encompasses the entire economic process by means of which goods and services are exchanged and their values are determined in monetary terms. It is that phase of business activity through which human wants are satisfied by exchange of goods and services.

Marketing is the organisation's task to determine the needs, wants, and interests of target markets and to deliver the desired product/service more effectively and efficiently than competitors in a way that preserves or enhances the consumer's and the society's well-being.

Harry L Hanson defines marketing as "the process of discovering and translating consumer needs and wants into product and service specification, creating demand for these product and services, and then in turn expanding this demand." It is the performance of those business activities that direct flow of goods and services from the producers to the consumers.

Most people think that marketing is only about the advertising and/or personal selling of goods and services. Advertising and selling, however, are just two of the many marketing activities.

In general, marketing activities are related with identifying the particular wants and needs of a target market of customers, and then going about satisfying those customers in a better way than the competitors. This involves doing market research on customers, analysing their needs, and then making strategic decisions about product design, pricing, promotion, and distribution.

Marketing is a **societal process** which discerns consumers' wants, focuses on a product or service to fulfill those wants, and attempts to move the consumers toward the products or services offered.

Marketing is a social and **managerial process** by which individuals and groups obtain what they need and want through creating and exchanging products and value with others.

The term *marketing* has changed and evolved over a period of time. Today marketing is based around providing continual benefits to the customer. While marketing its products, the company promises certain benefits to the customer and a transactional exchange takes place on the condition that they will be provided by the company.

DEFINITION

The Chartered Institute of Marketing defines marketing as "The management process responsible for identifying, anticipating, and satisfying customer requirements profitability."

If we look at this definition in more detail, Marketing is a management responsibility and should not be exclusively left to junior members of staff. Marketing requires co-ordination, planning, execution of campaigns, and a competent manager(s) with the suitable skills to ensure success.

"Marketing is the process of planning and executing the conception, pricing, promotion, and distribution of ideas, goods, services, organisations, and events to create and maintain relationships that will satisfy individual and organisational objectives." (The American Marketing Association.)

Marketing objectives, goals, and targets have to be monitored and met; competitor strategies analysed, anticipated, and exceeded. Through effective use of market and marketing research, an organisation should be able to identify the needs and wants of the customer and try to deliver benefits that will enhance or add to the customers' lifestyle, while at the same time ensuring that the satisfaction of these needs result in a healthy turnover for the organisation.

Marketing is 'satisfying needs and wants through an exchange processes'.—Kotler
"Marketing is everywhere. Formally or informally, people and organisations engage in a vast number of activities that could be called marketing. Good quality marketing has become an increasingly a vital ingredient for business and marketing profoundly affects our day-to-day lives. It is embedded in everything we do, from the clothes we wear to the web site we click on."

Good quality marketing is no mishap, but a result of careful planning and execution. Marketing practices are constantly being refined and reformed in almost all industries to boost the probability of success. Marketing is both an "art" and a "science"—there is constant pressure between the formulated and the creative side of marketing.

A market-focussed or customer-focussed organisation first determines what is its potential customer's desire, and then builds the product or service. Marketing theory and practice is justified on the belief that customers use a product or service because they have a need, or because it provides a perceived benefit.

Two major factors of marketing are the *recruitment of new customers* (acquisition) and the *retention and expansion of relationships with existing customers* (base management). Once a marketer has converted the prospective buyer into favouring his product, base management marketing takes over. The process for base management shifts the marketer to building a relationship, nurturing the links, enhancing the benefits that sold to the buyer in the first place, and improving the product/service continuously to protect the business from competitive encroachments.

Within this exchange transaction customers will only exchange what they value (money) if they feel that their needs are being fully satisfied; clearly the greater the benefit provided the higher transactional value an organisation can charge.

Definitions of Marketing

"Marketing is so basic that it cannot be considered a separate function. It is the whole of business seen from the point of view of its final result, that is, from the customers point of view…Business success is not determined by the producer, but by the customer."—**Peter Drucker**

"Marketing consists of individual and organisational activities that facilitate and expedite satisfying exchange relationships in a dynamic environment through creation, distribution, promotion, and pricing of goods, services, and ideas."—**Dibb, Simkin, Pride, and Ferrell**

"The marketing concept holds that the key to achieving organisational goals lies in determining the needs and wants of target markets and delivering the desired satisfaction more efficiently and effectively than the competition."—**Philip Kotler**

As the definitions above illustrated, marketing is much more than just advertising your business or producing a new brochure. It is a structured system of operations that allow you to satisfy your customers' requirements; generate business from current and new customers; generate awareness of what your business has to offer; effectively develop, manage, and monitor your sales performance.

Fundamentals of Marketing

Marketing evolves from the basic needs and wants of the consumers. A need or want of a consumer compels him to look for ways to fulfill it. This leads him in search of a product or service which satisfy his need or want. Here, the consumer also looks for quality and value of the product or service which he is considering to buy. In this process, he gets involved in the exchange exercise. This develops into a transaction which, in case of being successful, leads into the formation of a relationship between the consumer and the seller in the long run. Thus, a market is created where the buyer and seller interact and exchange regularly.

Redefining Marketing

The American Marketing Association has changed the official definition of marketing since 1985. The new definition is

DEFINITION

"Marketing is an organisational function and a set of processes for creating, communicating, and delivering value to customers and for managing customer relationships in ways that benefit the organisation and its stakeholders."

Comparing to the old definition, the new definition has incorporated the "customer" in the spectrum of marketing, who is the *king* in the marketing.

DISTINCTION BETWEEN "MARKET" AND "MARKETING"

"Market" is a framework or an atmosphere or a mechanism that facilitates the price-fixing forces to

operate. In Today's world, the physical presence of goods or people at a place is not an essential condition of a developed and sensitive market.

Marketing, on the other hand, is the process comprising all those activities that are related to the free-flow of goods from the *point of production* to the *points of consumption*. Physical movement of goods is the hallmark of marketing. That is, once the price fixation takes place, the journey of goods starts from the sellers to the buyers.

Precisely, the word "market" is the solid foundation to push the goods. It is an outlet to let out the products. It is the key to the vehicle of marketing. On the other hand, the word "marketing" indicates the gigantic machinery which works to move the goods by creating the utilities of place, time, and ownership.

MARKETING *vs.* SELLING

There will always be, one can assume, a need for some selling. But *the aim of marketing is to make selling superfluous*. The aim of marketing is to know and understand the customer so well that the product or service fits him and sells itself. Ideally, marketing should result in a customer who is ready to buy.

All that should be needed then is to make the product or service available. (Peter Drucker)

Marketing includes selling but should be preceded by needs assessment, marketing research, product development, pricing, and distribution. Marketing based on hard selling carries high risk and dissatisfied customers. Table 1.1 describes the difference between *selling* and *marketing* in relation to its focus, means, and ends.

TABLE 1.1   Difference between Selling and Marketing

	Focus	*Means*	*Ends*
Selling	Products	Aggressive Selling and Sales Promotion with emphasis on price variations to close the sale. "*I must somehow hook the customer*"	Maximise profits through sales volume
Marketing	Customer Needs	Integrated Marketing Plan encompassing product, price, promotion, and distribution, backed by adequate environmental scanning, consumer research, and opportunity analysis with emphasis on service. "*What can we do that will make us, in the customer's eyes, better than and superior to our competitors.*"	Maximise profits through increased customer satisfaction and hence, raise market share.

In a nutshell, modern concept says that marketing is not mere selling; it is something more. Professor Theodor Levitt in his article "Marketing Myopia" brings out very concisely the distinction between selling and marketing

These points of distinction are:
1. Selling focusses its attention on sellers' needs while marketing on buyers' needs.
2. A seller is interested in turning a commodity into cash while a marketer in consumer satisfaction.
3. Selling aims at profits through sales while marketing through serving consumer needs.

DIFFERENT ASPECTS OF MARKETING

Nature of Marketing

Consumer-oriented Process

The basic objective of marketing is to fulfill the needs of human beings. Hence, identifying the customer needs is the most significant aspect of every marketing organisation. Therefore, the marketing activities undertaken by the marketer should be focussing on customer needs. The marketer must produce only such goods that best satisfy constomer needs. In the words of Levitt, instead of trying to market what is easiest for us to make, we must find out much more about what the consumer is willing to buy.

Starts and Ends with the Customer

Since marketing is about satisfying the customer needs it is very essential for the marketer to collect relevant information about customer choices and preferences about the product or services. The marketer should adopt proper *research techniques* to find out the tastes and interests of the buyers. Thus, we can say that marketing starts and ends with the customer; marketing starts even before the production.

Guiding Element of Business

Marketing today is considered as an essential element in the development of every economy. An economy which is market driven will definitely raise the standard of living of the people. Hence, the responsibility of modern marketing is to integrate all the activities involved in the marketing and reach the customer at a maximum speed with minimum cost.

System-oriented Process

Marketing is an input-output process. This means that there is a whole lot of interaction happens between the marketer and the customer in the process of marketing. It is a process of receiving inputs of marketing from the environment—i.e. the customers—such tastes, preferences, etc., and translating them into output such as desired products and services for the fulfillment of the customer needs and the subsequent achievement of the organisational goals.

Goal-oriented Process

No business can be successful unless it has a goal to achieve. Since marketing is the one of the most important activity that any organisation performs, setting proper goals is very essential. There can be goals such as increase in the volume of sales, increase in profit, etc. In the process of attaining these objectives, organisations should assume social responsibilities to a greater extent.

Exchange Process

Marketing is a dynamic process of exchange of goods and services between the sellers and the buyers. Not only goods and services are exchanged, but a whole lot of information about the goods and services is also exchanged between the sellers and buyers.

Process-oriented Process

Marketing is a flexible process of various interrelated activities which are performed in a particular order. The marketing process has been influenced by various environmental factors. Necessary improvements should be brought in the process to suit these changes.

Importance of Marketing

Marketing plays an important role in the success of a business enterprise. Marketing is primarily concerned

with movement of goods and services from the producer to the consumers in order to satisfy their needs. Marketing contributes directly to keep the wheels of the organisation moving on the path to progress and prosperity. The importance of marketing is explained as follows:

- Marketing helps in the realization of the objectives for which the organisation has been set up. In fact, effective marketing is essential for the survival and growth of the organisation.
- It helps the community to satisfy their economic and social needs and thus raise their standard of living. It ensures better deal and services for the consumers. It helps the enterprise to fulfill its social responsibilities.
- It helps in producing those products that are needed by the consumers and community at large. It activates the production-consumption chain. Thus, it helps in an efficient and productive utilisation of resources—human and materials—eliminating wastages.
- It helps the enterprise to adapt to the changing conditions and circumstances.
- It provides guidance to the organisation on the innovations to be adopted, enabling it to face competition more squarely.
- It helps the enterprise in achieving the maximum efficiency, productivity, and profitability with the minimum effort and cost.
- It ensures the economic growth of the enterprises which results in growth and economic development of the country.

Benefits of Marketing

A. Benefits to Society

Marketing is a social process as it is a business process and business is for society. The benefits to society are:

1. It is the Instrument for Changing the Living Standards of Society   Today, the society depends on marketing for all its requirements of products or services. Marketing is a means to convert production and purchasing power into consumption. That is why Prof. Paul Mazur said "Marketing is the delivery of standard of living."

2. It provides Gainful Employment Opportunities   Just as every industry provides employment opportunities to thousands of skilled, semi-skilled, and unskilled workers, so does marketing. Marketing is a complex and mammoth mechanism involving number of functions and sub-functions, warranting the services of highly specialised and talented men and women. It is a prolific source of livelihood for many.

3. It is the Stabiliser of Economic Conditions   Economic stability is the sure sign of any efficient and dynamic economy. It indicates that the economic activities are set at high which are consistent and continuous. It is the hallmark of economic soundness. It is marketing that reduces the severities of the extreme economic situations of inflation and deflation as it connects the two wheels of production and consumption.

B. Benefits to the Individual Firms

Here, the term *firm* means any form of organisation, be it a sole-trading unit, a partnership firm, a company, or even a co-operative society. The benefits to a firm are:

1. It is an Outlet to Earn Profit   Profits is the core on which the super-structure of business is built. To earn the desired profit, the business community has to struggle as there is no simple and straight

formula to earn a profit. There must be some channel to provide the firms with opportunities to earn a decent return on funds and efforts that they put in manufacturing goods or providing services. By creating time, place, and ownership utilities, one can earn a surplus. Thus, marketing is a dependable source of profit.

2. It provides Base for Business Decisions   The basic problems of every producer are—what to produce; when to produce; where to produce; how to produce; how much to produce and at what cost to make the goods and services available. He gets answers to these questions through marketing system which acts as a stethoscope to feel the pulse of the economy. In the light of the latest information, he can take timely and sound decisions.

3. It is a Source of New Ideas   The marketing conditions are ever changing. It is the environmental changes that bring about the changes in the business variables of a unit. Marketing unit is only a *sub-system* of a *supra-system*. It means that the consumer needs, likes, tastes, preferences, etc. differ from time to time, and place to place. Today, the marketer is to shoot the flying game than a fixed budget. Through his efforts, marketing provides up-to-date and authentic information, to the organisation.

Green Marketing

Like manufacturing organisations, service organisations also are very much concerned about environment these days, as an outcome of consumer's outcry for better green markets. Service providers also enter the market to serve new green customers by a number of tactics. The hotel industry is already at the forefront of the greening of the hospitality industry, with a long list of efforts to reduce its carbon footprints. Fast food restaurants have promoted recycled and recyclable packages; hotels ask their clients not to waste energy, asking them to switch off lights; and to indicate whether the towels are to be laundered or may be used again.

MARKETING MANAGEMENT

Marketing management signifies an important functional area of business management responsible for the flow of goods and services from the producers to the consumers. It is one accountable for planning, organizing, directing, coordinating, motivating and controlling the marketing activities. It is the demand management under consumer oriented marketing philosophy. It is the management of the crucial and creative task of delivering consumer satisfaction and thereby earning profits through consumer demand.

According to American Marketing Association, it is "planning production and control of entire marketing activity of a firm or a division of a firm, including the formulation of marketing objectives, policies, programmes, strategy and re-appraising product development organization to carry out the plans, professional working operations and controlling performance".

In words of Professor Philip Kotler, "it is the analysis of planning, implementation and control of programmes designed to bring about desired exchanges with target audience for the purpose of personal or mutual gains. It relies heavily on the adaptation and coordination of product, price, promotion, and place for achieving effective response".

In short, marketing management sets marketing objectives, develops marketing plan, organizes marketing plans and strategies into action and monitors the marketing programme in the final analysis. **Marketing Manager** is the person who is involved in marketing analysis, planning, implementation, and control activities

MARKETING PHILOSOPHIES/MARKETING CONCEPT

In any walk of life, "thinking" results in "doing"; it is the *way of thinking* that determines the *course of action*. A concept is a philosophy, an attitude, a course of thinking, an idea, or a notion relating to any aspect of divine and human creation. The philosophy of an organisation in the dynamic realm of marketing is referred to as a *concept*. In other words, a concept, is an orientation or a marketing management philosophy. In the words of Robert H Hartley, "marketing concept is an integration of marketing activities directed towards customer satisfaction."

Basic Components of the Marketing Concepts

The basic components of marketing concepts are:

1. Consumer Orientation

Consumer orientation refers to the organisational culture, processes, and systems aimed at understanding customer needs strategically and developing products and services that provide satisfaction to the consumers in ways that yields profitability to the business.

2. Integrated Marketing

This is a strategy aimed at unifying different marketing methods such as mass marketing, one-to-one marketing, and direct marketing. Its objective is to complement and reinforce the market impact of each method, and to employ the market data generated by these efforts in product development, pricing, distribution, customer service, etc.

3. Marketing Research and Long-term Planning and Development

The concept of marketing has changed and evolved since the Great Industrial Revolution that took place during the second half of the eighteenth century and first half of the nineteenth century in United Kingdom. While in today's business world, the customer is at the forefront, not all businesses in the past worked according to this concept. Their thinking, orientation, or ideology put other factors rather than the customer first. These concepts which were prevalent in the past are given here.

Manufacturing Concept According to this concept, the Company believes that based on quality and features, it has a superior product, and the customers would like it. Here, the marketer believes that consumers favour the available products and they are able to produce highly affordable products. Since the company concentrates on manufacturing, the management should improve production and distribution systems on a regular basis. However, companies still work keeping their customer always in mind.

Product Concept Till 1930s, there prevailed a strong feeling that whenever a company or a firm has a good product, it results in automatic consumer response and so it needed little or no promotional efforts. Product or production oriented marketing concept was built on the statement "good wine needs no bush." That is, if the product is really very good and the price is reasonable, there is no need for special marketing efforts.

Under this marketing concept, production is the starting point. The product acceptability occurs after the product is produced. According to this concept, the demand for a product is greater than its supply. This concept is used to increase profit by focussing on production efficiencies, knowing that all
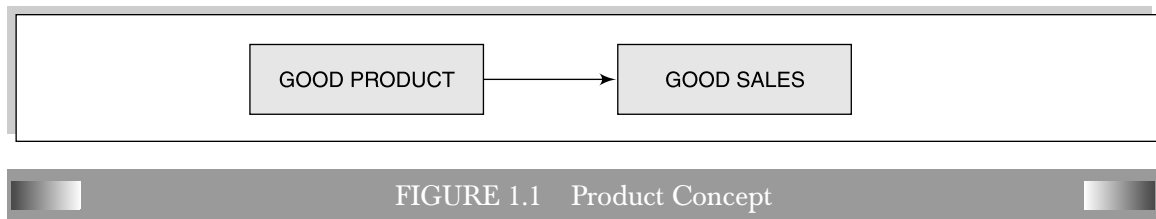
output can be sold. This concept is also useful when increasing production raises economies of scale etc. to reduce price. Henry Ford said, "Doesn't matter what colour car you want, as long as it is black." This was a typical quote during the production era. Symbolically, this concept can be represented as in Fig. 1.1.

The focus of the business is not on the needs of the customer but on reducing the cost by mass production. This concept propagated the belief that by reaching economies of scale, the business will Maximise profits by reducing costs. This concept believes that consumers prefer existing products and product forms and management's job is to develop good versions of these products. However, the management should not forget the customer.

Selling Concept   The failure of the product orientation philosophy of 1930s paved way for the change in the outlook during 1940s and holds good to a certain extent even today. This philosophy has been sales oriented. It states that mere making available the best product is not enough. It is futile unless the firm resorts to aggressive sales promotion, effective salesmanship, and vigorous advertising. The product moves in the market only when we have tremendous and forceful promotional efforts—both personal and impersonal. The essence of sales oriented marketing philosophy is that the goods are not bought but are sold. It is the question of telling that the product is the best even, though it is best by itself. According to this concept, the demand for a product is equal to its supply. Symbolically, it can be represented as under in Fig. 1.2.

FIGURE 1.2   Selling Concept

The focus here is to make the product, and then try to sell it to the target market. However, the problem could be that consumers do not like what is being sold to them. This concept believes that consumers will not buy enough products unless the company undertakes large selling and promotion efforts. The management's aim is to Maximise sales without worrying about customer satisfaction. This concept also fails to establish a long-term relationship with customers.

Marketing or Customer Concept   This philosophy was brought into play during the 1950s and it points out that the fundamental tasks of the firm is to study and understand the needs, wants, desires, and values of the potential customers and produce the goods in the light of these findings, so that the customers or the users will have the desired satisfaction. Here, the starting point is the customer than the product. The enterprise starts with customer and ends with product. It emphasises the significance of marketing research prior to the output launch.

This meant a radical change in philosophy. It meant the following two basic changes.

1. Move from production orientation to market orientation
2. Gradual shift from the age old "caveat emptor" to "caveat vendor".

This consumer orientation is based on the following assumptions:

1. Consumer is the king.
2. Market information is a must for understanding the customer.
3. The dual objective of consumer satisfaction and profit maximisation is to be kept in focus.

According to this concept, the supply for a product is greater than demand, creating intense competition among suppliers. This concept is symbolically represented as in Fig. 1.3.

| CUSTOMER | → | MAREKTING RESEARCH | → | PRODUCT | → | SALES PROMOTION | → | SALES |
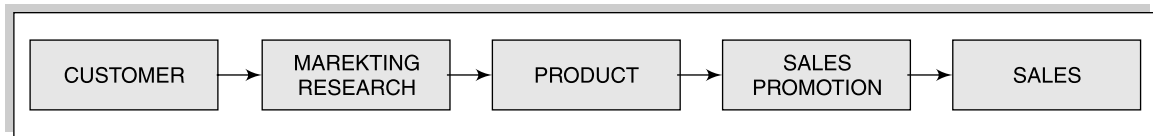
FIGURE 1.3   Marketing or Customer Concept

This concept puts the customer at the heart of the business. The organisation tries to understand the needs of the customers by using appropriate research methods and appropriate processes are developed to make sure that information from customers is fed back into the heart of the organisation. In essence all activities in the organisation are centered round the customer. The customer is truly the King! This concept believes that organisational goals can be achieved only when the management is able to identify the needs and wants of target markets and deliver desired satisfaction better than competitors. This concept believes that the long term customer relationships can be created. This concept is not the same as "Selling Concept."

To illustrate the marketing concept Peter Drucker, said:

"If we want to know what business is, we must first start with its purpose... . There is only one valid definition of business purpose: to create a customer. What business thinks it produces is not of first importance—especially not to the future of the business or to its success. What the customer thinks he/she is buying, what he/she considers "value" is decisive—it determines what a business is, what it produces, and whether it will prosper?"

In today's competitive world, putting the customer at the heart of the operation is strategically important. Whilst some organisations in certain industries may follow anything other than the market orientation concept, those that follow the market orientation concept have a greater chance of being successful.

Societal Marketing Concept   There has been further refinement in the marketing concept, particularly during 1970s and 1980s. Accordingly, the latest concept has gone beyond understanding the consumer needs and making the products and services available as per his aspirations. It tries to replace consumer satisfaction by consumer welfare or social welfare. The social welfare speaks of better or pollution-free environment and quality life. That is, the marketing organisation should discharge its social responsibilities in the normal course of making available consumer goods and services. Thus, a company manufacturing cigarette or cigars is not only making the best quality products but also warning the consumers of the dangers of smoking. In fact, in this sense the automobile industry is to produce pollution-free vehicles. Thus, social welfare becomes the new dimension of the marketing concept. Symbolically, it is represented in Fig. 1.4.

| CUSTOMER | → | MARKETING RESEARCH | → | R&D | → | PRODUCT | → | SALES PROMOTION | → | SALES |
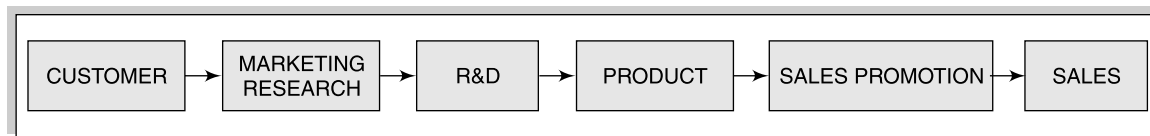
FIGURE 1.4   Societal Marketing Concept

The social oriented philosophy is called "integrated" approach and works on the following four basic points:

1. To produce the products that adds to the general welfare
2. To enhance the consumer satisfaction
3. To meet the social responsibility at reasonable profit
4. To supply or deliver the goods to the society as warranted by changing conditions in various dimensions.

Organisations should determine the needs, wants, and interests of target markets and deliver the desired satisfaction more effectively and efficiently than competitors in a way that maintains or improves the consumer's and society's well-being

Which is the Best Marketing Concept?

A very pertinent question arises as to which of these concepts is the best. The most ideal approach would be an integrated one or the latest one in which the sequence of events of a firm begins with market research and product research working together on the need for the product and feasibility and capacity for producing it. This approach is superior to other approaches and represents the direction that many advanced and progressive marketing firms are taking. The production oriented firm suffers from manufacturing products that are not really needed by the market, thereby increasing the cost of promotion and selling; when the technological orientation goes to extremes, the products can be an engineer's dream and the marketer's nightmare. An overriding marketing orientation creates problems in the opposite direction. This easily results in the proliferation of the products none of which is possible. By contrast, the integrated approach or system is an open approach or system that guarantees two-way communication among all the events on one hand and efforts on the other.

Integrated Marketing

Therefore the "*total*" or "*integrated*" *marketing concept* implies that the fundamental strategies of business and all aspects of both its long-term and short-term management decisions are based on a thorough understanding of the needs and desires of the customers who compose the market.

Outstanding Features of Integrated Marketing

In its fullest sense, the marketing concept is a philosophy of business which states that the consumer wants and their satisfaction is the economic and social justification of a company's existence. The outstanding features of an integrated marketing concept are discussed here.

1. Consumer Orientation   The new concept is one that replaces the product by consumer—a focal point in the whole scheme of marketing. Consumer is the King and is the pivot around which all the philosophy or thinking rotates. It is the radical change in the line of thinking.

2. Consumer Satisfaction   Modern marketing is also founded on consumer satisfaction. The success of a company is measured more in terms of its capacity to satisfy the consumer needs than the ability of making more profits, adding to its assets. Consumer satisfaction is felt in its capacity to meet the dimensions of consumer.

3. Integrated Managerial Action   Marketing activities are only a part of total management activities. That is, marketing management cannot be an independent function. The management functional areas are *interdependent* and not *independent*. Marketing function influences production, finance, and personnel and is in turn influenced by these functions. Any firm wedded to modern marketing concept cannot think of working in isolation.

4. Realisation of Organisational Goals   Though the consumer satisfaction is the mainstay of modern marketing concept, it is not the final aim. On the contrary, it is the means to attain the managerial goals. Among the other basic aims, the organisation may aim at survival, growth, innovation, productivity, profits, social obligation, and so on. These goals can be achieved effectively through consumer orientation.

Benefits of Marketing Concepts

The modern marketing serves certain purposes and extends certain *benefits*. These benefits can be viewed from the perspective of firm and society.

A. Benefits to the Firms   *1. It Makes Firm More Adaptive*   The integrated concept of marketing impels the firm to keep abreast of latest changes. It helps the firms to make use of tools and techniques to feel the pulse of changing markets. These tools are marketing research, consumer testing, marketing audit, and evaluation of marketing performance.

2. It Guarantees Financial Success   Studying and identifying the consumer needs in their various dimensions of cost, time, quality, and quantity, encourages innovation and accepts and implements diversification which lead to profit maximisation. Profits from operations guarantee financial success. This financial victory is the outcome of consumer satisfaction.

B. Benefits to Society   *1. It Delivers the Goods as Per Societal Needs*   Society expects from all the business houses goods and services at reasonable prices, of improved quality, in sufficient quantity, at convenient locations. Not only the society wants to choose and bargain, it also shows credit, rejection, or return in case of dissatisfaction. Modern marketing has accepted all.

2. It Uplifts the Living Standards   The standard of the community's living is influenced deeply by the level of efficiency of the marketing organisations. Economic backwardness can be attributed to the inefficiency of marketing arrangement in any country. It is the satisfactory working of the economic system that makes available more and more products and services at least cost, bringing them in the reach of common people.

3. It Builds Up Dynamic Manpower   The opportunities and the challenges in this dynamic and pragmatic field make possible the development of managerial talents. Constant exposure to these ever changing challenges develops good managers who find satisfactory solutions to the problems. This man power development takes place under most natural settings rather than the deliberated situations of artificial type.

SELF-ASSESSMENT QUESTIONS

1. What is Market?
2. Define Market.
3. What is Consumer Market?
4. What is Business Market?
5. What is Global Market?
6. What is Governmental Market?
7. What is Marketing?
8. Define Marketing.
9. Distinguish between market and marketing.
10. Distinguish between marketing and selling.
11. What is "Green Marketing"?
12. Discuss the nature of marketing.
13. Discuss the significance of marketing.
14. What are the benefits of marketing?
15. What is Marketing Management? Discuss the various philosophies of marketing management?
16. Which is the best marketing concept? Why?
17. Discuss the benefits of marketing concepts.
18. Discuss the features of integrated marketing.

ANALYTICAL QUESTION

1. Many managers think that the purpose of business is to a profit while some view it as is being able to create, maintain, and expand customer and customer base. Explain how these alternative viewpoints could affect a company's interactions with its customers. If a manager views the purpose as being able to create and maintain a customer, does this mean that the manager is not concerned with profits?

TRY THIS OUT?

Visit the street near to your residence and collect a list of type of businesses that are functioning and assess the benefits these business houses offer to the society.

2

Introduction to Hospitality Services Marketing

LEARNING OBJECTIVES

This chapter would help the students to understand and analyse:

- meaning of service and service marketing
- reasons for the growth of service sector
- fundamental nature, role, and difference in goods and service marketing
- meaning of hospitality marketing
- transition of hotel marketing
- various marketing concepts of hospitability marketing
- various techniques of managing hospitality customer expectations and perceptions
- different strategies to manage the service businesses
- determinants of service quality
- significance of Six Sigma in hotel industry
- optimum utilization of employee skills for enhancing the employee efficiency and customer satisfaction

MEANING AND DEFINITION OF SERVICE

Taking into account the physical nature of the *primary* and *secondary* economic activities such as manufacturing, mining, agriculture, etc., it is easier to describe and define services, which include a vast variety of activities and involve many *intangible* inputs and outputs. A service is an *act* or *performance* offered by one party to another. Although the process may be attached to a physical product, the performance is momentary, often intangible in nature, and does not normally result in ownership of any of the factors of production.

A service is an economic activity that creates value and provides benefits to customers at specific times and places by bringing about a desired change in, or on behalf of, the recipient of the service. More humourously services have also been described as something that can "be bought and sold, but which cannot be dropped on your foot."

Definitions of Services

DEFINITION

"A service is any activity or benefit that one party can offer to another that is essentially intangible and does not result in the ownership of anything. Its production may or may not be tied to a physical product".**—Kotler**

"Services are those separately identifiable, essentially intangible activities which provide want satisfaction, and not necessarily tied to the sale of a product or another service. To provide a service may or may not require use of tangible goods. However, when such use is required, there is no transfer of title (permanent ownership) of these tangible goods."

—Stanton

The Concept of Service

Service is not only giving customers what they want, but also providing something beyond their normal expectations. Many a times, the service provider limits himself with the provision of basic products and services. However, service is about fulfilling the multitude of less obvious customer needs.

The service provider must address these less obvious customer needs (such as listening with empathy). When the service provider's perception about the service which he is providing and the customer's expectation are not the same, there develops a gap between the expectation and satisfaction level. This is the occasion where the customer looks for competitive products or service.

Every time a customer does business with a service provider, he, without fully realising it, scores the service provider on how well he delivers the service—not only in giving them what they want, but also in fulfilling the six basic customer needs. Following is a list of these needs:

- **Friendliness:** It is the most basic of all customer needs. It is usually associated with being greeted politely and with courtesy.
- **Understanding and empathy:** Empathy is one of the basic needs which customers are looking for. The service provides should put oneself in the customers' shoes and act to fulfil their need.
- **Fairness:** The need to be treated fairly is high up on most customers' list of needs. There should not be bias in the provision of service given to a customer.

- **Control:** Control represents the customers' need to feel as if they have an impact on the way things turn out. This brings confidence in the customer's mind.
- **Options and alternatives:** Customers need to feel that other avenues to getting what they want are available.
- **Information:** Customers need to be educated and informed about the products, policies, and procedures they encounter when dealing with your company.

A popular of customer service advice states that if you give customers what they ask for (just say yes) then you end up with satisfied customers. *This belief is false*. Customers do ask for what they want, but they usually don't ask for these six basic needs. We go into a pizzeria and say, "I'd like one slice of pepperoni pizza, please," but never add, "Could you please be understanding, friendly, and fair?" Customers don't ask for such needs but if these needs are not provided, they are sure to form a negative impression about the service. To really provide top quality provides customer service, you need to move beyond the "yes" advice in order to fulfill all your customers' needs.

It is significant to properly identify the particular want(s) of the customer which the service aims to fulfil. Sometime we may make wrong identification of customer wants, which causes failure in the business activities. For example, a restaurant was started for serving exclusive Western and Chinese cuisine with an expensive décor, a live band, beautifully liveried waiters, and a high-price menu. The venture failed to take off from the beginning. Later on it turned out that the location of the restaurant, which was in a busy commercial complex, was responsible for its failure. The people who visited the restaurant during the lunchbreak did not have time for relaxation. They came for a quick lunch and had limited time at their disposal. So they wanted to have a clean meal at a reasonable price, with minimum frills and fancy. The restaurant then changed to a "Fast-food" outlet, which served the basic hunger need of the office-goers who had constraints of time and money. This time, the restaurant did thriving business.

A marketing manager involved in marketing of services needs to adhere to the following steps:
- Identify the basic need which is being fulfilled by the service.
- Find ways and means to differentiate it from that of the competitors so that there is an increase in the number of customers and the establishment can also command their loyalty.

GROWTH OF SERVICE SECTOR

In several countries, increased productivity and automation in agriculture and industry, combined with growing demand for both new and conventional services, have equally resulted in a continuing increase over time in the percentage of the labour force that is employed in services. There is a hidden service sector—classified by within many large corporations government statisticians as being in manufacturing, agricultural, or natural resources industries. These so-called *internal services* cover a wide range of activities, including recruitment, legal and accounting service, payroll administration, office cleaning, landscape maintenance, supply-chain management, advertising, and many other kinds of services. Organisations are increasingly choosing to outsource the *internal services* which can be delivered more efficiently by a specialist subcontractor (Facility Management Companies).

In the wider marketplace, internal services are emerging as separate service operations. Since these services are being outsourced, the market for such services is becoming more competitive and becoming more easily identifiable as a service component of the economy. Among the forces that shape service markets are government policies, social changes, business trends, advances in information technology, and internationalisation.

The following can be noted as some of the implications of such changes in the service operations

- Growing demand for many services
- Greater competition
- Innovation through the application of new and improved technologies
- Evolution of customer needs and behaviour
- Introduction of better marketing strategies

The willingness and ability of managers in service firms to respond to the dramatic changes affecting the service economy will determine whether their own organisations will prosper or be beaten by the more adaptive competitors.

Reasons for the Growth of Service Sector

The growth of service sector can be traced to the economic development of society and the sociocultural changes that have accompanied it. As stated by Schoell, K.F. and J.T. Ivy, the following are some of the reasons for the growth of service sector and the different types of services required:

- **Higher percentage of working women:** In today's world more women are taking up careers which has led to the growth various services such as crèches, baby-sitting, domestic help, etc.

- **Greater complexity of new products:** Due to the inventions and innovations, a whole range of new and complex products have been manufactured. This has led to the need for the services of skilled specialists for repair and maintenance of air-conditioners, cars, home computers, computer based programming, etc.

- **Greater life expectancy:** The life expectancy of the population has increased in present times as compared to earlier times. This is due to the emergence of nursing homes, health care services, etc.

- **Increasing complexity of life:** Due the pressures of modern work and life, people find life more complex and complicated. To find solutions for their problems and issues, they depend on specialists like Income Tax consultants, Labour Law consultants, other legal consultants, marriage counselors, employment consultants, etc.

- **Greater concern for ecology:** Now, as there is a greater concern for the environment in which one is living, a wide range of services like car-rentals, time-sharing, public transport system, etc,. have evolved to manage the scarce resources.

Services Marketing

Services Marketing is concerned with creating brand awareness and inducing trial before sale. It also aims at demonstrating benefits and building brand awareness most effectively after the sale. It is the process of researching and promoting the nonphysical goods known as services.

GOODS AND SERVICES

Functional Difference between Goods and Services

The goods and services can be differentiated in many ways based on their characteristics. Table 2.1 (Thomas Fitzgerald) depicts how goods and services are differentiated on the basis of function.

TABLE 2.1 Functional Difference between Goods and Services	
Goods	*Services*
Can be Precisely defined	Defined generally, not precisely
Can be measured objectively	Can be measured subjectively
Are manufactured	Are delivered
Production and Distribution are two separate functions	Production and Distribution happens at the same time
Can be communicated with tangible clues	Cannot be communicated with tangible clues
Cost-based pricing	Limited cost-based pricing
Limited flexibility to the producer	Broad flexibility to the producer
Months to years of time interval between production and consumption	Consumption is simultaneous or shortly after production
Consistent delivery in case of goods	Variable delivery of services
Days to years of shelf life	Zero shelf life—immediate distribution
Customer perception about goods is standardised	Customers have to consume a service to evaluate it
Traditional and external marketing	Non-traditional and largely internal marketing

Goods Marketing vs. Services Marketing

As far as goods marketing is concerned, pre-production, production, post-production, and consumption activities play a strong and significant part in the marketing, where the demonstration of benefits, brand building, etc. create, greater awareness and thereby lead to inducement for trial by the consumers. Here, the word-of-mouth communication plays a very insignificant role in marketing (Fig. 2.1). For example,
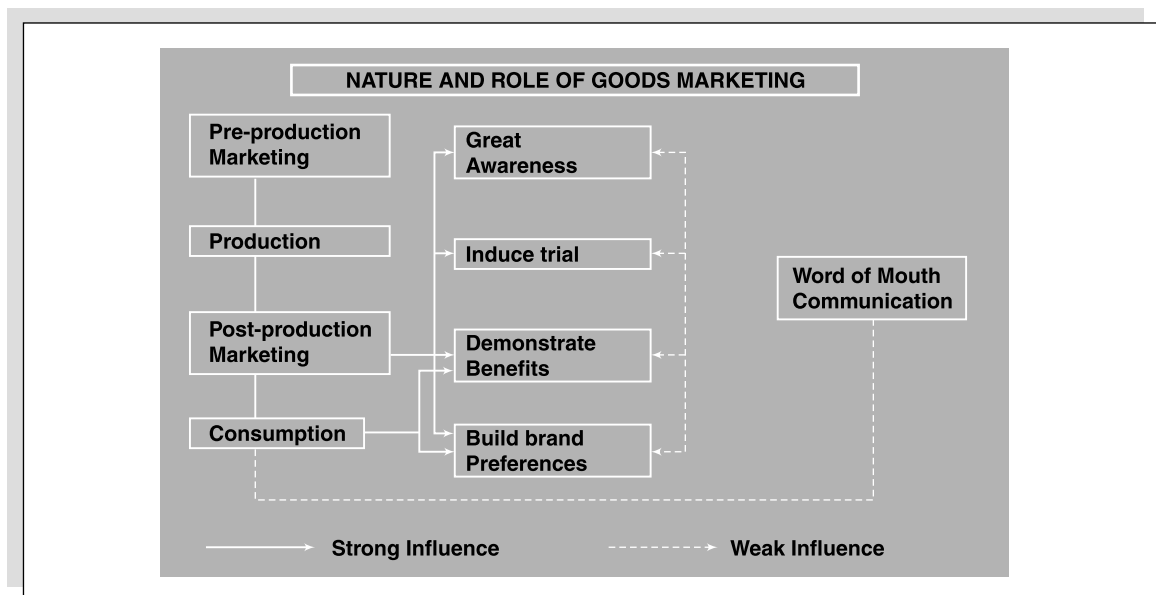
FIGURE 2.1 Nature and Role of Goods Marketing
(Source: Leonard L. Berry, A. Parsuraman, Marketing Services- Competing through Quality)

if a customer is looking for the purchase of car, he must already have awareness about the various cars in the market. Also, there is a great possibility that he would have tried driving different brands of cars and must have developed a brand preference himself. This will lead to the ultimate purchase of his favourite car.

In the case of services marketing, the production and consumption takes place simultaneously, hence word-of-mouth communication plays a very significant role in creating awareness and thereby inducing trial and subsequently building brand preferences (Fig. 2.2). Let us take the example of person who wants to visit a particular destination. Here he has no prior experience. He cannot try it out as a sample trial as in the case of car. Hence, he has to rely on the word-of-mouth communication of other people who have already visited the same destination. Based on their experience, he has to make the choice to visit that destination or not.

NATURE AND ROLE OF SERVICES MARKETING

Pre-production Marketing

Post-production Marketing

Post-production Consumption

Great Awareness

Induce trial

Demonstrate Benefits

Build brand Preferences

Word of Mouth Communication

→ Strong Influence   ---→ Weak Influence
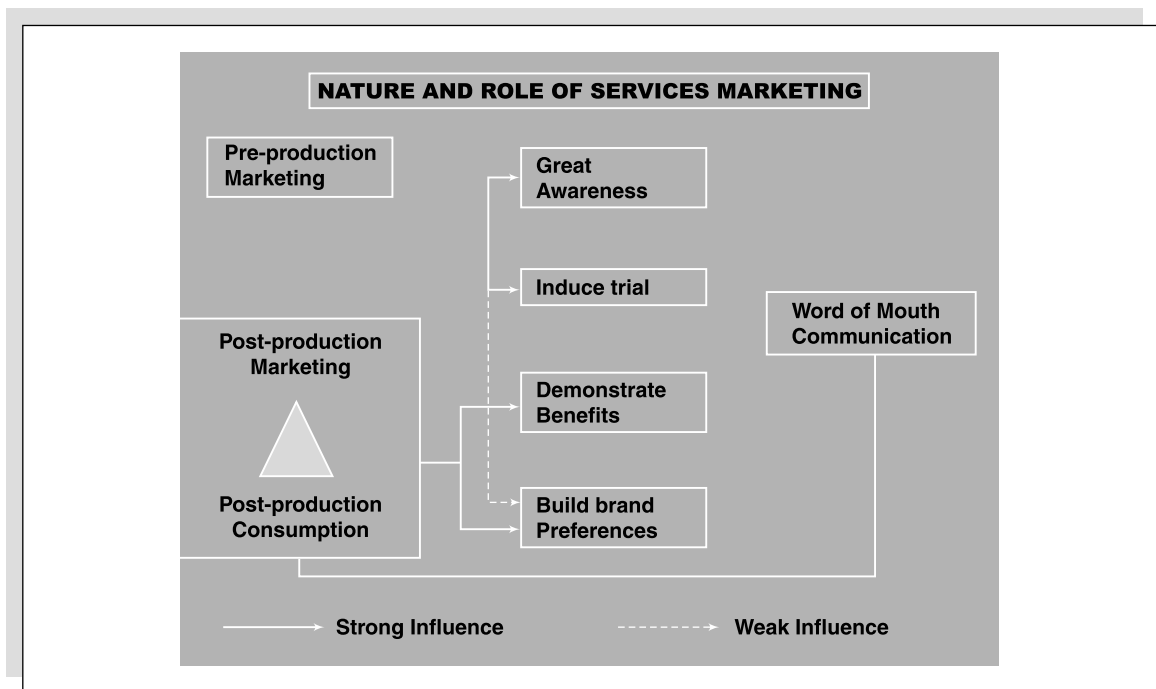
FIGURE 2.2   Nature and Role of Services Marketing
(Source: Leonard L. Berry, A. Parsuraman, Marketing Services- Competing through Quality)

DEVELOPMENTAL STAGES OF SERVICES MARKETING

The services marketing has seen its development through the last century. It was not distinguished from product marketing till the year 1980 which is called as stage one. During the period from 1980 to 1990, i.e. the second stage, the services marketing has seen its initial distinction from the traditional marketing. Since, 1990 there was a greater shift in the thinking regarding quality and the need for services in everyday life both in business and personal matters. This is the third stage.

ECONOMIC EVOLUTION OF SERVICES

The three periods of evolution of services based on the stages of development of societies are as follows:

1. **Pre-industrial Society**
   (i)   Population tries to survive against the forces of nature
   (ii) Technology has very low impact or is nonexistent
   (iii) Societies are agrarian and structured by traditions
2. **Industrial Society**
   (i)   Production of goods dominate economic activities
   (ii) The quantity of produced goods is the primary factor
   (iii) Labour union helps regulate social life and rights
3. **Post-industrial Society**
   (i)   Quality of life is the most important aspect of day-to-day activities
   (ii) Information is the key resource
   (iii) Services such as health-care and education that improve life activities are paramount
   (iv) Dominance of jobs in the service sector such as knowledge workers with professional and technical skills

HOSPITALITY MARKETING

The word "hospitality" is derived from the Latin *hospes*, which is formed from *hostis*, which originally meant a "stranger".

Hospitality refers to the reception and entertainment of guests, visitors, or strangers, with liberality and goodwill. Hospitality frequently refers to the hospitality industry jobs in hotels, restaurants, casinos, catering, resorts, clubs, and any other service position that deals with tourists.

The concept of Hospitality Services, also known as "accommodation sharing", "hospitality exchange" (short "hospex"), and "home stay networks", refers to centrally organised social networks of individuals who trade accommodation without monetary exchange.

DEFINITION
"A total system designed to plan, price, promote, and make available to selected markets, hospitality products and services in the form of benefits and experiences that create satisfied guests and achieve organisational objectives."

Transition of Hospitality Marketing

Taking into consideration the wants, needs, and expectations of the guests, the hospitality goals, objectives, principles, policies, and actions are to be modified. Hotel marketing over the last few decades has undergone tremendous changes. In the early period, hospitality marketing focussed more on the products. Today, it has moved from a product-centered outlook to market-centered outlook. In the initial stages, hospitality marketing was oriented towards the past experiences of the guests. Now it has become more future-oriented and looks at the future needs and wants of the customers.

Hospitality marketer today concentrates on *competition* rather than *negotiation*. Hospitality marketing concentrates on focussed search rather than opportunistic search which was the trend during the earlier

stages. Earlier hospitality marketing was concerned with the *resource accumulation*. Today, it is concerned with *resource management*. Today, hospitality organisation's look at every opportunity as learning experience and try to develop the establishment as a learning organisation rather than treating it as a mechanistic structure. Instead of following the old carrot-and-stick approach, it tries to empower its employees to build a longstanding relationship with its customers. Hospitality marketing now believes in a relationship-based information system than a transaction-based information system. As compared to the traditional markets, it looks at benefit-based markets. It believes in network membership to face the future challenges rather than being a self-contained business.

Hospitality Marketing Orientation

From the above discussion about hospitality services, we can see that hospitality services marketing are highly dynamic in nature. It is involved more with providing services to customers than supplying goods. Like in the case of goods marketing, the services marketing, especially in the case of hospitality marketing, follows certain concepts which are more or less overlapping. The following are some of the hospitality marketing concepts:

1. Supplier/Provider Orientation
2. Sales Orientation
3. Promotional Orientation
4. Marketing Orientation

Supplier/Provider Orientation

In a situation where the market demand is higher or there is a scarcity of resources, particularly in the lodging sector, the provider orientation is a better option. In the provider orientation approach, the hospitality industry focusses on internal operations, activities, and procedures, and guests are expected to adjust to the hospitality offerings instead of the offerings being adjusted to the guests. This philosophy is very much rigid in its nature as it is not focussing on the customer needs or wants and not ready to accept the changes in the environment. It is concerned with developing and providing standardised products and services.

Sales Orientation

This orientation or philosophy believes in cut-throat competition and concentrates on forceful sales through competitive pricing. Here, the service provider does not bother about the profits. This concept also has the limitation of standardisation of products and services.

Promotional Orientation

This orientation has given importance to the promotional activities. Here, the service provider feels that forceful selling does not work unless promotional activities like advertising, personal selling, sales promotion, public relations, etc. are undertaken to build awareness and image of the product and service. The products and services will not survive in the market without being supported by promotional activities. This concept also ignores the importance of guest needs and wants and focusses more on sales volume.

Marketing Orientation

The marketing orientation or the customer orientation focusses on the needs and wants of the guests in hospitality services. Here before the services are provided to the guests, proper survey is conducted to collect information regarding the guest preferences and tastes. Based on the information collected and analysed, products and services are developed and provided. This orientation became popular as a result of a significant increase in other businesses adopting marketing approaches and hospitality markets

becoming more competitive. Most of the leading food and lodging enterprises started focussing more on guest wants and expectations, and looking externally rather than internally. They became more flexible, change-oriented, and responsive to markets. Marketing research was used regularly to gather and analyse guest data and monitor market developments in order to plan more strategically.

Traditional Orientation *vs.* Modern Marketing Orientation

The *traditional orientation* is based on the philosophy that a service provider basks in his strengths like having a fine-dine restaurant, a mid-size hotel, some culinary skills or experience, etc., which he thinks is enough to get a customer into the fold of his business. With strengths or capabilities, he launches himself into the market. The hospitality offerings may or may not be what guests want and guest reactions will determine success or failure.

On the other hand, the *marketing orientation/philosophy* rely on guest wants and needs to drive the process well before any business is established. Here, the hospitality service provider starts the marketing process by identifying the needs, wants, and desires of the customer. To make the customer experience delightful, he tries to match his capabilities and external resources. He also collects information of the other marketing environment and after careful analysis of the same, he tries to perceive the market opportunities and identify the target markets and segments that he wish to serve. A well-designed feedback system will be in place to gather the customer reaction so as to make adjustments for better services in the future. Figure 2.3 shows the difference in approach of traditional and modern marketing orientations towards hospitality services.

IMPORTANCE OF HOSPITALITY MARKETING

Hospitality marketing encompasses a wide range of activities related to travel. The hospitality industry is a service-oriented business providing food and accommodation to the travellers. The hospitability business is gaining its momentum as it is increasingly becoming important to the economic well-being of the society. The development in the field of hospitality business ushers changes in technology, socioeconomic environments, life styles, and rising guest expectations. The hospitality industry gains its importance as it brings in foreign exchange earnings to the country by promoting its natural resources and destinations.

CHARACTERISTICS OF HOSPITALITY SERVICES MARKETING

What exactly are the characteristics of a service? How are services different from a product? In fact, many organisations do have service elements to the product they sell, for example, McDonalds sells physical products, i.e. burgers, but consumers are also concerned about the quality and speed of service, and cheerfulness and manners of the staff.

A *service* is the action of doing something for someone or something. It is largely intangible (i.e. not material). A product is tangible (i.e. material) since you can touch it and own it. A service has to be an experience that is consumed at the point where it is purchased, and cannot be owned since it quickly perishes. A person could go to a café one day and have excellent service, and then return the next day and have a poor experience.

According to Philip Kotler, a service is "any act or performance that one party can offer to another that is essentially intangible and does not result in the ownership of anything. Its production may or may not be tied to a physical product."

```
Provider                              Identify
Strengths                             Customer
                                      needs, wants
    |                                     |
    v                                     v
  Start                               Mobilize
  Business                            Resources
    |                                     |
    v                                     v
  Provide                             Identify Target
  Service                             market
    |                                     |
    v                                     v
  Guest                               Provide Service
  Reaction                                |
                                          v
                                      Guest reaction
                                          |
                                          v
                                      Feedback
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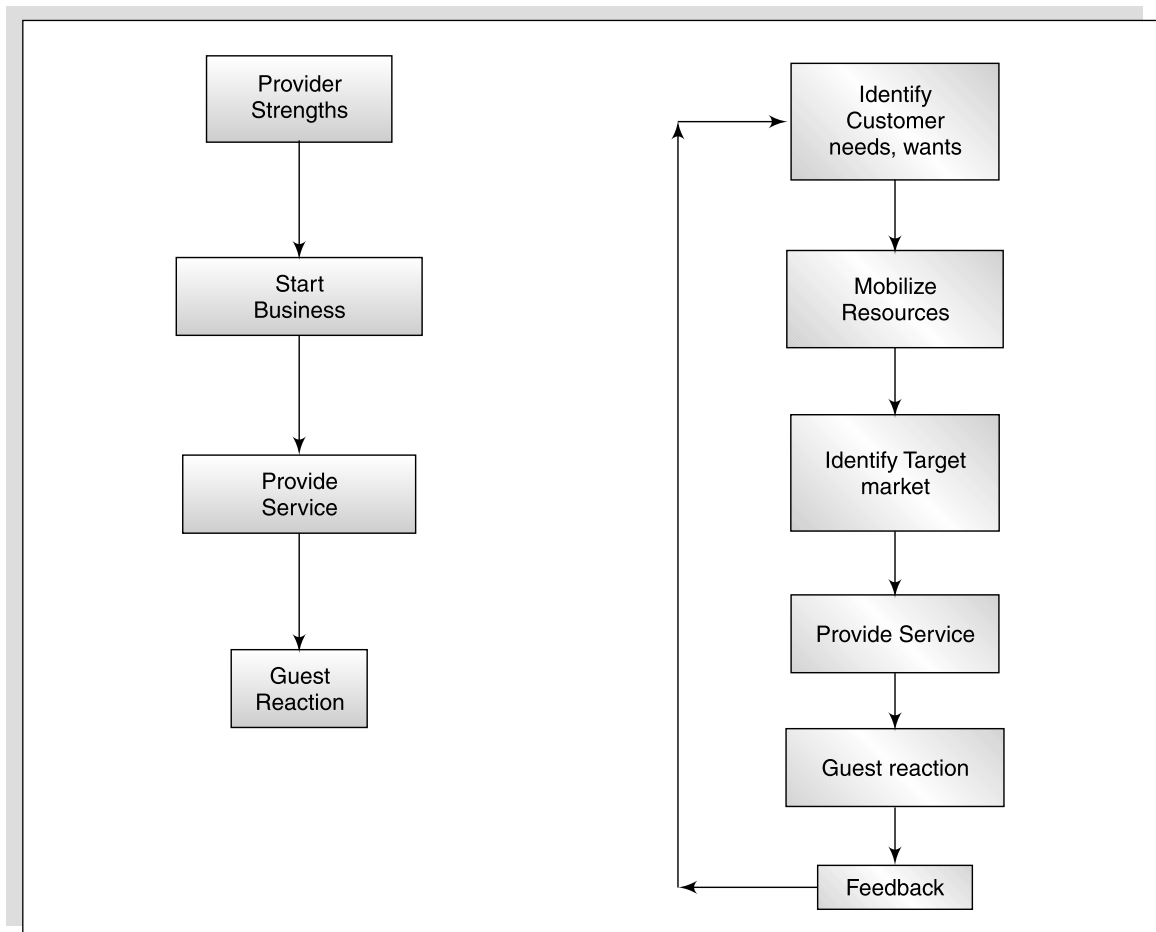
FIGURE 2.3   Traditional Marketing Orientation vs. Modern Marketing Orientation

Quotes on Services
"Services are identifiable, intangible activities that are the main object of a transaction designed to provide want satisfaction to customers".—**Stanton**

"Managers do not control the quality of the product when the product is a service . . . . The quality of the service is in a precarious state—it is in the hands of the service workers who 'produce' and deliver it."—**Karl Albrecht**

Services are described as "objects of transaction offered by firms and institutions that generally offer services or that considers themselves service organisations"—**Gronroo's**

Characteristics of Service Marketing

Services have a number of unique characteristics that make them different from products. Some of the most commonly accepted characteristics are show in Fig. 2.4.

Intangibility

Can't be seen, tasted, felt, heard, or smelt before purchase

Inseparability

Can't be separated from service providers

Service

Heterogeneity

Quality depends on who provides them and when, where and how

Ownership

Ownership remains with the service provider

Perishability

Can't be stored for later sale or use
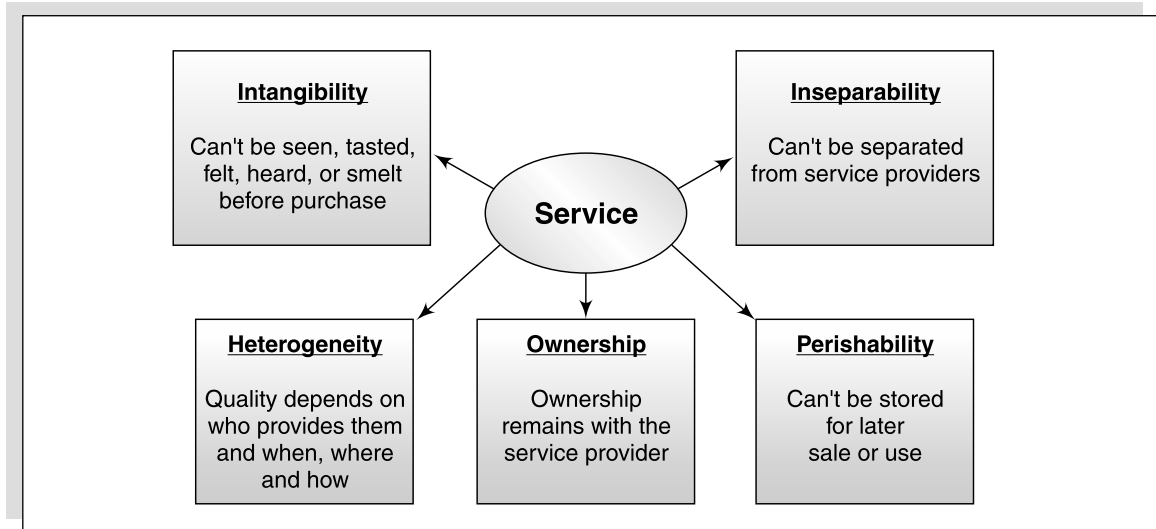
FIGURE 2.4   Characteristics of Services

1. Intangibility

Intangibility is the basic characteristic of any service. This means that pure services are intangible in nature. When you buy a car, you can see, feel, touch, and have a test drive to check its effectiveness, mileage, etc., but when you send your child for tuition class and pay fees for a month, you are paying for the benefit of deriving knowledge and education, which is delivered to your child by the teacher. In contrast to the car where you can immediately check its benefits, there is no way you can do so in case of the teacher who is providing your child the benefits. Teaching is an intangible service. J. Bateson describes the following intangible characteristics of services, which make them distinct from products:

- A service cannot be touched
- Precise standardisation is not possible
- There is no ownership transfer
- A service cannot be patented
- Production and consumption are inseparable
- There are no inventories of the service
- Middlemen roles are different
- The consumer is part of the production process so the delivery system must go to the market or the customer must come to the delivery system.

Services are experienced rather than procured. Unlike in the purchase of a commodity in the case of service, the customer always goes back empty handed but with a memory. He has an experience to

remember. The customer is not sure what he is buying or what he will get. He cannot even be sure if he will get what he got the previous time. Since consumer comes with an expectation, the marketer has a two-fold job—*one* to develop the expectation appropriately and the *other*, to match that expectation with his delivery of service. In hospitality industry this has tremendous implication for both service design and delivery and the promotion function.

Continuum of Tangible and Intangible Products/Services   This continuum highlights the fact that most services are in reality a combination of products and services having both tangible and intangible aspects. There are only a few truly pure tangible products or pure intangible services. Figure 2.5 (L. Shostack) presents the tangible-intangible dominant aspect of goods-service continuum.

TANGIBLE DOMINANT
Salt
Soft Drinks
Detergents
Automobiles
Cosmetics
Fast Food Outlets

Advertising Agencies
Airlines
Investment and Portfolio
Management firms
Insurance
Consulting
Teaching
INTANGIBLE DOMINANT
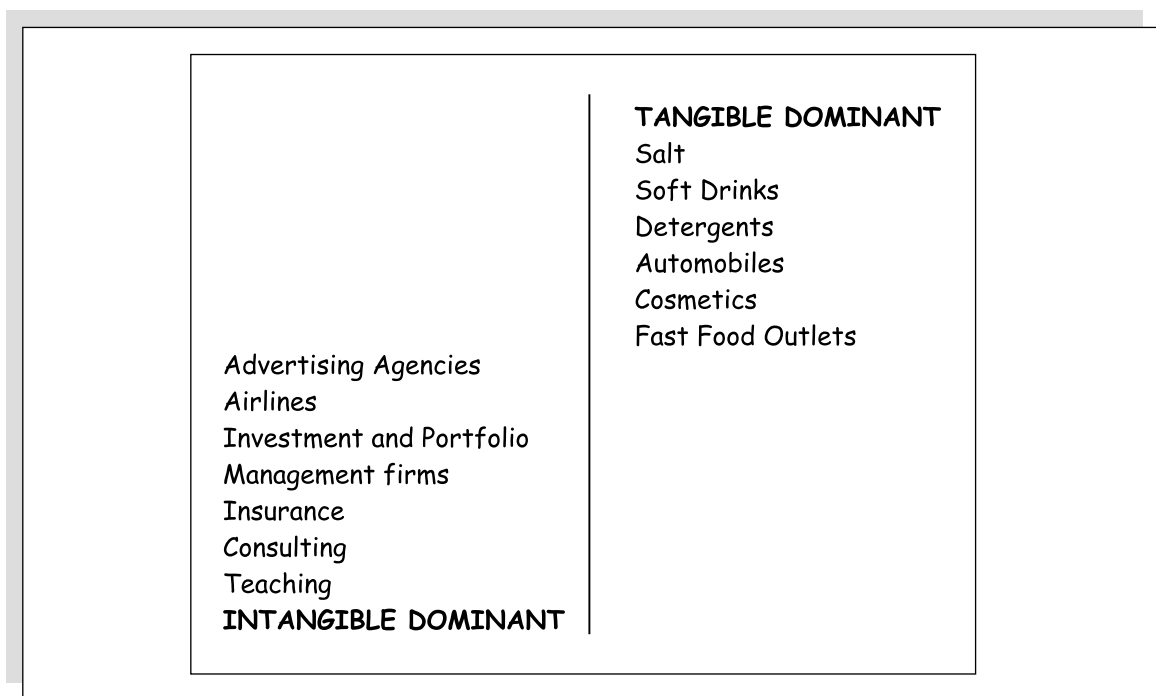
FIGURE 2.5   Continuum of Tangible and Intangible Products/Services

You cannot hold or touch a service unlike a product. Although services are intangible, the experience that the consumers obtain from the service has an impact on how they will perceive it. He might perceive the location and the inner presentation of where they are purchasing the service.

2. *Inseparability*

In case of goods manufactured, the person who made the product need not be present at the time of delivery of the same to the end user. A service cannot be separated from the person or firm providing it. A service is provided by a person who possesses a particular skill (singer), by using equipment to handle tangible product (dry cleaning) or by allowing access to or use of a physical infrastructure (hotel, train).

An Electrician has to be physically present to provide the repair service; a painter has to be physically available to do the painting. This is not the same in the case where goods are produced in the factory today, stocked for the next two or three or more months, and sold when the order is procured.

Services cannot be separated from the service providers. A product when produced can be taken away from the producer. However, a service is produced at or near the point of purchase. Take the example of visiting a restaurant. When you order your meal, the waiting and delivery of the meal, the service provided by the waiter, etc., are all a part of the service production process and so inseparable; the staff in a restaurant is as a part of the process as well as the quality of food provided.

3. Heterogeneity

Unlike the manufactured goods which are homogeneous in nature, the services have tremendous variability. Here we define lack of uniformity not only from the aspect of the services being rendered but also from the customers need (one customer might need a piping hot cup of tea, whereas another customer may want the tea to be cold). The human element is very much involved in providing and rendering services and this makes standardisation a very difficult task to achieve. To overcome the problems of heterogeneity in hospitality services, a wide range of standardised procedures and systems have been put into practice. For example, if you have to reserve a room in a hotel, there are straightforward procedures where all the steps are clearly defined. Though there is minimal human contact in the computerised reservation systems in a hotel, there will be a person at the reception to hand over the key to your room, interact with you, and provide all the information required for your comfortable stay in the hotel. The rooms, the food, the facilities may all be perfect, but it is the people interacting with you who will make all the difference between a favourable and unfavourable perception of the hotel.

It is very difficult to make each service experience identical. If you are travelling by plane, the service quality during your second time may differ from the first time you travelled by that airline because the airhostess might be more or less experienced. A concert performed by a group on two nights may differ in slight ways because it is very difficult to standardise every dance move. Generally, systems and procedures are put into place to make sure that the service provided is consistent all the time. Training in service organisations is essential for there will always be subtle differences.

In order to reduce the problem of heterogeneity in hospitality business, the hospitality marketer gives opportunity to the consumers for socializing in the production process. This would enhance the knowledge, experience and proficiency of the consumer in the hospitality purchase process.

4. Perishability

Goods manufactured can be stored for a specific period of time till they are distributed for final consumption. Services cannot be stored and are perishable. A hair stylist with no customers on a day, spare seats in an aero plane, unsold seats in a cinema hall, the number of covers unsold during a particular session of the day in a restaurant, the number of rooms unsold for the day/night in a hotel represent a service capacity, which is lost forever. Perishability is one of the most dangerous aspects of many services which are facing fluctuation in demand. There is peak demand and slack demand for most of the services. Certain hotels or restaurants are always more heavily occupied than others. The fluctuating demand pattern is a cause of concern for many services, especially in hospitality business.

Services last a specific time and cannot be stored like a product for later use. If travelling by train, coach, or air, the service will last only for the duration of the journey. The service is developed and used almost simultaneously. Again because of this time constraint, consumers demand more. The perishability, in essence, seems to be more of a management problem than a consumer problem in the hospitality industry. This is managed mainly by price discounting and customer upgradation of the product.

5. Ownership

Goods can be owned when something is bought whereas services cannot be owned by the customer. If you are buying a pencil, book, car, or T.V., you become its owner. In case of a service, you may pay for its use but you never own it, for example, when you book a hotel room for a night, you will not become the owner of the room for that night, instead you will occupy or possess the room for that particular night; similar is the case with hiring a car. In case of a service, the payment is not for purchase but only for the use of or access to items or facilities for a limited time.

You cannot own and store a service like you can a product. Services are used or hired for a period of time. For example, when buying a ticket to Europe, the service lasts maybe nine hours each way but consumers want and expect excellent service for that time. Because you can measure the duration of the service, consumers become more demanding of it.

Service Characteristics and its Implications

Based on the characteristics of services mentioned above we can discover the following implications (Table 2.2)

TABLE 2.2   Difference between Goods and Services—Its Implications
(Source: Zeithoml, Berry, *A Conceptual Model of Service Quality and its Implications.*, Donald, *The Marketing of Services*)

Goods	Services	Resulting implications
Tangible	Intangible	• Services cannot be stocked • Services cannot be patented • Services cannot be readily displayed or communicated • Pricing is difficult
Standardised	Heterogeneous	• Service delivery and customer satisfaction depend on employee actions • Service quality depends on many uncontrollable factors • There is no sure knowledge that the service delivered would match to what was planned and promoted
Production separate from consumption	Simultaneous production and consumption	• Customers participate in and affect the transaction • Customers affect each other • Employees affect the service outcome • Decentralization may be essential • Mass production is difficult
Nonperishable	Perishable	• It is difficult to synchronise supply and demand with services • Services cannot be returned or resold

Ways to Overcome the Implications of Service Characteristics

Every service provider should make necessary efforts in solving the various implications attached to the service characteristics. Following are some of the ways as stated by Donald Cowell to overcome the implication of service characteristics:

1. Intangibility: In order to overcome the implications of intangibility characteristic of service, the service provider has to focus on the benefits of the service, use brand names, use personalities to personalise service, develop reputation, and increase physical representation.

2. Inseparability: To overcome this implication, the service provider has to learn to work in larger groups, work faster, and train more service performers.

3. Heterogeneity: To overcome this implication of service characteristic, the service provider should carefully select and train the service personnel, define their behaviour norms, reduce human role, and, mechanise and automate maximum possible operation.

4. Perishability: The service provider has to bring a better match between supply and demand by price reductions in low demand season to overcome the implication of this characteristic of service.

5. Ownership: The implication of this characteristic can be overcome by stressing advantages of non-ownership such as easier payment scheme. In case of purchase of a product, the customer becomes the owner of the product, but in case of a service there is no ownership or title passes from the service provider to the customer. The marketer should make the customer feel about the possession about the service premises, rather than own and staff corporate lodging, negotiate a rate with a hotel and pay for only what you use.

TYPES OF MARKETING IN SERVICE INDUSTRIES

There are three interlinked groups that work together to develop, promote, and deliver services. These key players such as

- The company (or SBU or department or "management"),
- The customers, and
- The providers (whoever it is that actually deliver the service to customers).

There are three types of marketing that must be successfully carried out for a service to succeed:

- External marketing
- nteractive marketing
- Internal marketing

According to Grönroos the internal marketing has to be managed by the company's leadership, the interactive marketing happens between the employees and the clients and the external marketing is what takes place between the company's management and the clients. For services, all three types of marketing activities are essential for building and maintaining relationships with customers. These three typical activities are discussed below.

External Marketing

External marketing is the transaction between the marketer and the customer. External marketing represents the promises which the organization makes to its customers with regard to the products and services they offer. Organisations promise to its customers the various offerings and how they deliver it. These communications affect the expectations of the customers to a larger extent. Promises are made through various forms of promotional tools such advertisements. These influence the customer positively and negatively. Customers use price as an indication of the service offering. External marketing will be successful only when marketer is able create a delighted customer through internal and interactive marketing strategies. In a service industry where the word of mouth plays a significant role it is important for the service provider to make sure that all the needs and wants of the external customer is met satisfactorily.

Interactive Marketing

Marketing is an interaction between the buyer and the seller at particular point of time. In a customer oriented market as the customer directs the market it is very important to know what are the customer preferences, likes and dislikes, to provide the right kind of product or services. The marketer should constantly interact with the customers to know their perception of the service quality. Interactive marketing is about keeping the promises made to the customers by the marketer. Interactive marketing is the actual contact between the service employees and the customers and is called "Moments of Truth" or service encounter. It is the decisive moment in the process where organizations actually show that they can do and how they meet the set expectations.

Internal Marketing

Internal marketing is a very significant aspect of services marketing. The marketing process that enables the marketer to deliver promises to the customers is called internal marketing. The service firm must select the right man for the right job and develop them as customer oriented employees. Internal marketing is extremely important for the success of any business, where the employers have to effectively sell the internal product (job) to the internal customer (employees). Internal marketing hinges on the assumption that the employee satisfaction and customer satisfaction are interlinked, thus internal marketing must precede external marketing.

STRATEGIES TO MANAGE HOSPITALITY SERVICE BUSINESSES

Service providers must increase their competitive differentiation, service quality, and productivity. In order to achieve the desired profit, a service organisation should maintain a link between the service provided and the profit desired. Any organisation delivering a service should think about making some amount of profit which is required for the growth of the organisation in the future. The profit should be a healthy margin without being perceived as a burden by the customer. Creating a customer is the primary motive of marketing; however maintaining a customer is equally important. For this, the service provider should make sure that the customer is satisfied and the loyalty of the customer is gained. Every service organisation should attach a certain value—unique in nature as compared to the competitor—to the services provided. In order to achieve the desired profit for the services provided, an organisation should create an internal atmosphere which is conducive to satisfied and productive employees. When an organisation is able to create and maintain an internal service quality through developing proper quality management systems, it will achieve the desired profit for the services.

In case of a service, the production and consumption are simultaneous and the employees form a part of the service delivery process. Hence, managing the employees is a significant aspect of the service delivery. Training and motivating employees to provide good customer service is internal marketing. A point-of-encounter is any point at which the employee encounters the customer. Since there is significant element of risk involved in service delivery, the customer should be kept at ease about the service by providing adequate information about the service. Familiarisation trips encourage clients to experience the enterprise in a low-risk situation. Whenever there are new or fresh customers in case of a service, he or she should be familiarised and educated about the use of some of the equipments or tools while a service is provided.

Perishability in services is a very critical feature. Here, the service provider should carefully handle the capacity of the organisation in such a way that the optimum level of capacity utilisation is achieved at any point of time—peak or slack season. When the capacity utilisation exceeds a certain limit, complaints from the customers are bound to happen. Conversely, when there is lower capacity utilization, the service provider is in a position to a give adequate attention to each and every customer. Whenever the capacity utilisation increases beyond a certain limit, the service provider may find it difficult to give proper attention to all the customers. The service provider should handle such situations very carefully otherwise dissatisfaction of the customers would lead to erosion of the organisation's customer base.

The services provided by the organization should be more or less consistent in nature as most of the customers are regulars. Care should be taken to avoid surprises in the delivery of services. Not only should services be provided correctly, but they should be delivered in the same way every time. A well-designed Total Quality Management system should be used to ensure consistent services. Organisations should beware of fluctuating demand and unintentional company policies that may affect consistent delivery of services. Since there is a lot of variation in the market demand, the service provider must focus on those policies of the company which may be modified quite often to adjust with fluctuations in demand.

Every service provider's aim is to maintain a longstanding customer relationship. In order to do this, a comprehensive marketing programme should be in place. The management must have a business strategy which helps in maintaining proper relation with each and every customer. Proper use of information technology is another important aspect of the service delivery for better understanding of the customers. Since most of the organisations try similar kinds of customer relationship strategies, one must develop unique styles in maintaining lasting relationships with customers. As there is no 100 percent fool-proof system in providing a service to the customer due the unique features of services, problems are bound to happen. In case of problems or difficulty in providing service, the customer should be informed about the same. In case any failure happens in providing a service, the customer should be given recovery options.

Managing Service Quality

It is a phenomenal task to manage the quality of a service. There are many visible and invisible factors that affect the service experience of a customer. The visible factors are environment, contact personnel/service providers, and other consumers. It is very important for the management to decide as to which part of the organisation would be exposed to the customers. The customer experience can be positive or negative, which he may spread to other customers through word-of-mouth. Hence, it is very important for the service provider to manage the interactive nature of services and customer involvement in production process.

Managing Service Quality

The following are some of the situations in which the service provider has to manage the service quality:

- If we don't meet the expectation of the customer, he is dissatisfied; if we promise and provide what the customer expects, he is satisfied. But today's customers are looking for more than what is promised by the service provider. Here, the marketer should provide more services than promised by the organisation and expected by the customer to make a "delighted" customer.

Word-of-mouth plays a significant role in the marketing of services and so it is important for the service provider to make the experience of the service by the customer as a memorable one so that there is positive word-of-mouth publicity by the customer.

- If the customer experiences a good quality service, his return to the organisation is definite; this not only shows his obsession for the same service but also results in the enhancement of business through positive word-of mouth publicity. Service quality is the commitment made by the top management to maintain standards and specifications of the services. Quality services can be provided when systematic and standard operating procedures are implemented so that minimal human error occurs in the delivery of service. It is important not only to set standards and make a service delightful for the customers but also to see that those standards are met and the management should have a proper performance appraisal system to evaluate the performance of the organisational segments.

Managing Customer Expectations and Perceptions of Hospitality Services

One should understand that it is highly difficult for any company or service firm to meet all expectations of all of its customers. Expectations of every customer are changing and increasing. A firm should look to the determinants of expectations and check the firm's capabilities. Hence, the service provider should set an optimum level of service expectation for its customer as very high expectation can lead to highly dissatisfied customer. Customers derive maximum satisfaction out of the unprompted and unsolicited employee actions. This necessitates the close association of service strategy, service delivery system, and the provider with the customers. As Bitner and Tetreault (1990) states that the customers look at the basic needs (Table 2.3).

TABLE 2.3   Hotel Customer and Principal Expectations

Type of Service	Type of Customer	Principal Expectations
Hotel	Customer	**Provide a Clean Room.** "Don't have a deep-pile carpet that can't be completely cleaned… You can literally see germs down there."
		Provide a Secure Room. "Good bolts and peephole on door."
		Treat Me Like a Guest. "It is almost like they are looking you over to decide whether or not they are going to let you have a room."

Every hospitality marketer should start looking at the market point of view of the customer. Here, he has to look at the problems or needs which the customer is trying to solve or fulfill. Hospitality marketing should, first and foremost, try to solve customer's problems. Often a customer first feels the problem and then expresses wishes need. This expression could be immediate or may take some time. Once the need is expressed then the impulse to buy or the move to buy a product is made by the customer and in the case of hospitality industry, the customer makes that move with a level of expectation. Both the purchase of expectations and solutions require a sacrifice, which is price (or money). It follows that the greater the sacrifice, the, greater the expectation, and the more demanding the customer.

The size of the expectation and value and risk will obviously differ from service to service. The key is to reduce the gaps and provide satisfaction. In other words, the model just tells us to provide the customer what they want, when they want it, where they want it, and at a price they are willing to pay (Fig. 2.6).
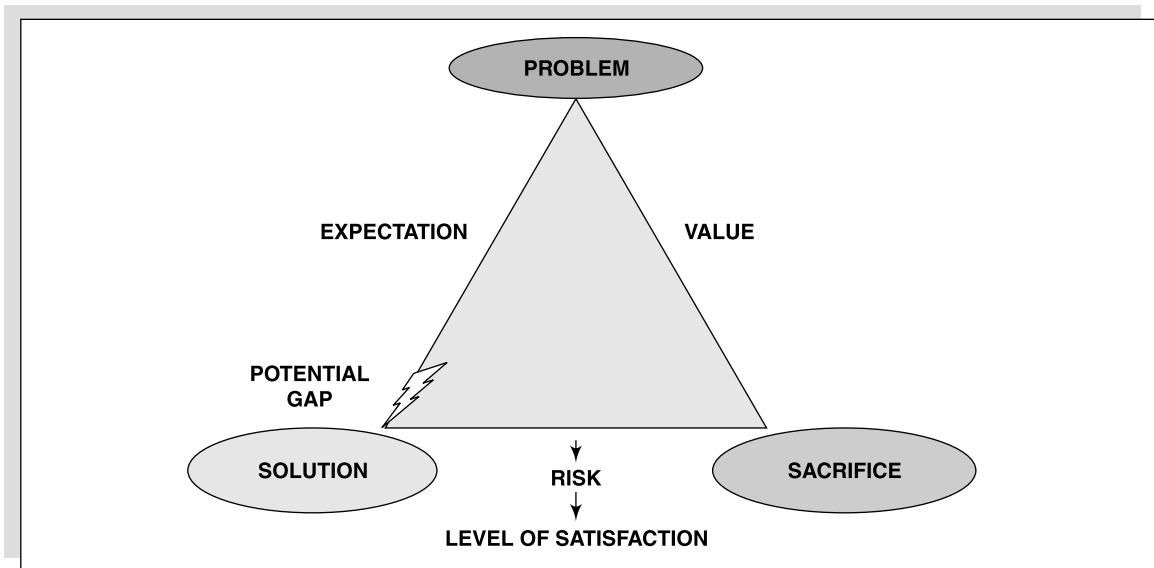
When a customer gets more than what he expects, satisfaction occurs. Thus, satisfaction becomes an end product of hospitality marketing and not a part of process. The key is to keep the expectation gap as low as possible. Hospitality marketing differentiates available solutions through creation of appropriate expectations. When a customer is paying a certain price (sacrifice) for a product or service (solution) he has an expectation of "value for his money" which he spends for the solution. A marketer should try to reduce the perceived risk involved in this process and should persuade and convince the customer that the solution is worth the price he pays.

If the market target is consistent, defined, and clear, the issue of creating expectations becomes fairly simple, but this is really not so in the hospitality market. The hospitality product/service selected by the same customer to fulfill the same basic need will change constantly. For example, a customer may choose a five-star hotel when he/she is on an expense trip for business and a three-star hotel if he/she is spending from his/her own pocket like when going on a vacation with the family. The same customer obviously has to be addressed by both five-star and three star establishments. Therefore, it becomes very crucial for the hospitality marketer to create a product-service-environment combination that addresses a specific choice or need of a customer, creates the right expectations in him, and delivers more than his expectations. Thus, taking this orientation and noting these characteristics, it becomes all the more important that hospitality marketing starts with first understanding the marketing needs and then deciding on the positioning parameters. This is especially required at the time of developing an appropriate mix of product, services, and environment.

Managing expectations holds the key to success in service marketing. To understand expectations, it is necessary that the market be segmented on the basis of expectations rather than needs. It should also be kept in mind that all the expectations cannot be met. Thus, a service firm should set its offering in view of the process capabilities it possesses. In order that these expectations are managed well, a strategy should be oriented towards customers as well as the employees—in particular the contact persons as their attitude and expertise keep up the performance of an organisation.

Hospitality Service Encounter

Hospitality Service Encounter is referred to as an interaction between the hospitality service provider and guests. The success or failure of such an encounter depends on factors like attitudes, skills, expectations, desires, and personalities. The guests come with a whole lot of expectations about the quality of service and the service provider brings human resource, training, and other resources along with management expectations. If the guest expectations exceeds or equals the service provider's expectations then the service encounter is successful. If not there comes a GAP.

At the time of checking into a hotel, the following service encounters might take place:

- **Arrival of guest at the entrance**: The guest encounters difficulty in finding the hotel as there is no sign boards on the main road, no parking space, etc.
- **Greeting**: No one greets the guest at the entrance and he/she finds it difficult to get a seat.
- **Reception**: The front office personnel is helpful and welcoming and gives a briefing about the hotel and room.
- **Luggage handling**: No bellboys are present to unload the luggage or they are very slow in moving luggage after unloading to the room
- **Trip to room**: The guest has to carry the luggage up a flight of stairs and along a passage. The bell boy gives a brief description about the hotel and the guest had to carry the luggage up a flight of stairs and along a passage.
- **Entry into the room**: The guest finds the room well prepared and pleasant and the bellboy explains about the operational control systems in the room.

Hospitality encounters may be simple or complex, standard or custom, low-tech or high-tech, remote or friendly, low or high skill, frequent or occasional. The service provider must identify the critical components of each of the encounter.

● **Space**: Where the service happens, appropriateness of the space for service, adequacy of the space, etc.
● **Systems**: information adequacy, co-ordination between various departments, etc.
● **Support**: What kind of financial, human, and other support—reward systems, technology, employee training, supervision, etc—is needed to do the job
● **Style**: Attitude, emphasis on quality by the service provider.

Service Quality Process

Five-Gap Model

Figure 2.7 (Parsuraman, Zeithaml) shows the five-gap model which defines the service quality as meeting customer expectations, i.e. knowing what customers expect is the first and foremost critical step in the delivering service quality. The loopholes in the service quality process can be plugged by the measures shown below:
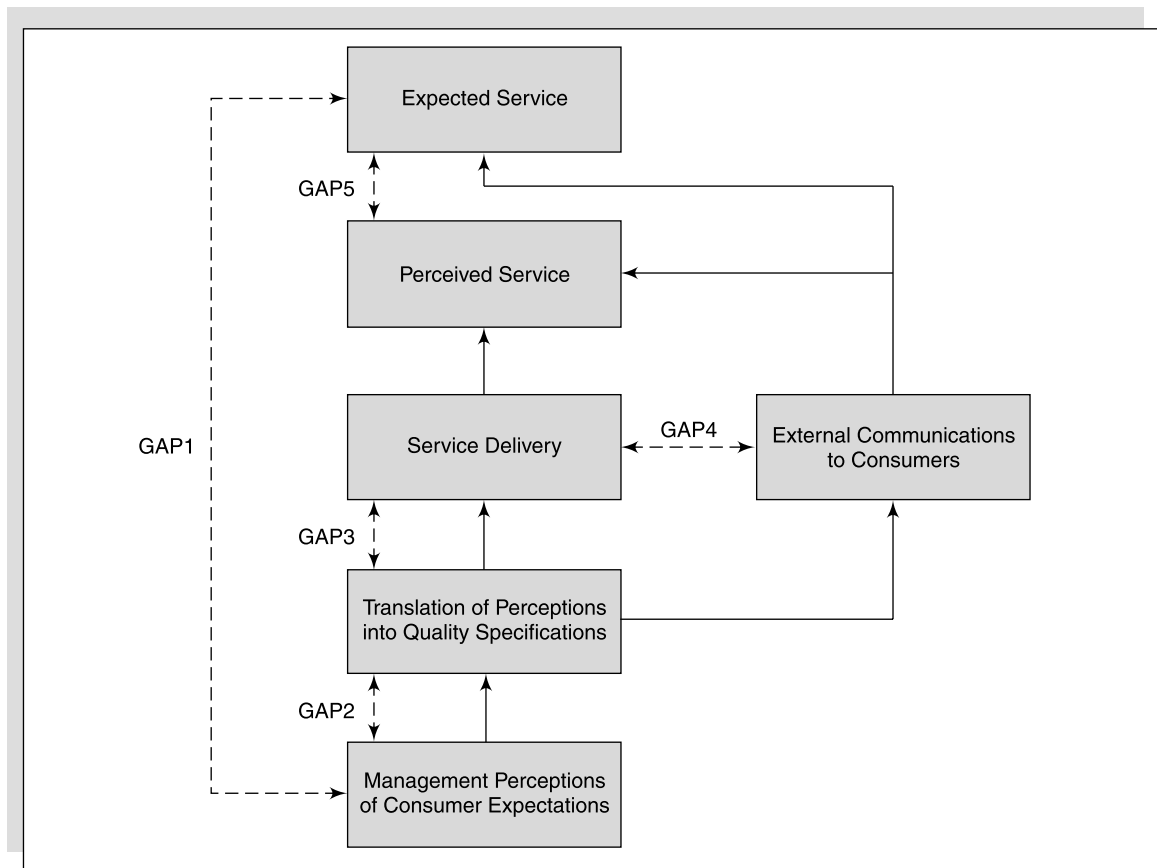
FIGURE 2.7   The Five-Gap Model of Service Quality

Close Gap 1   This Gap 1 is the difference between the service perceived by the customer and the perception of the customer's expectation by the management. To bridge this gap, the marketer should talk to customers and ascertain their needs and preferences. This should be communicated correctly to the customer contact employees. This can be successfully done by implementing the marketing information systems properly through customer surveys, analysis by segment, and focus groups.

Management should reduce levels of management, so that the messages can be quickly transmitted between the service provider and customer.

Close Gap 2   This is the Gap that arises between the management's perception about the customer's expectations and the translation of perception into quality specifications. In order to reduce this Gap, there should be a commitment from the management. All the resources should be optimally used—the contact employees should be trained well and motivated so that they deliver proper service. To make this gap narrow, the service provider should use of hard and soft technology adequately.

Close Gap 3   This Gap occurs at the time service delivery. Though all specifications of the customer expectation are translated into quality product or service, sometimes the final delivery may not be satisfactory as far as the customer is concerned. To minimise this gap, the customer contact employees need to be trained properly, the internal marketing system should be executed well. There should be excellent team work among the various departments and staff who is involved in the service delivery. The staff needs to be appraised properly and adequately rewarded. The service provider should conduct proper service quality audit.

Close Gap 4   This gap exists when a service is delivered and the recipient of the service the external customer, has not understood it properly. Therefore, all the concerned parties involved in the making and delivery of the service should have adequate knowledge of the capabilities of the firm. There should be a proper internal communication system among the departments and staff.

Close Gap 5   This gap is situation where the *expected service* and the *perceived service* are not the same. In order to solve this problem the service provider manages the core components of the service quality.

Core Components of Service Quality   The five core components of service quality are reliability, assurance, tangibles, empathy,and responsiveness.

The relative importance of these variables is also measured. This enables you to compute the relative importance of any gaps between expectation and perceptions. Management can then focus on strategies and tactics to close the important gaps.

Determinants of Service Quality

Adding value to the services delivered is an important aspect of services marketing. Unless quality of services is not maintained, it is difficult to retain the customer. The following are some of the factors that influence the customer expectations and perception of the service quality as stated by Parsuraman et al.:

Reliability   A hospitality customer looks for consistency in performance and dependability. The service provider should try to keep the promises made from the very beginning.

Responsiveness   This is another factor which influences the customer expectation. The service provider should have willing and ready employees to provide service. Promptness in service is a crucial factor which influences the customer perception.

Competence   The employees should possess of the required skills and knowledge to perform the service.

Access   Easy accessibility and approachability of the contact personnel is another significant factor which influences the customer expectation. It means the service is easily accessible by telephone (lines are not busy and the customer is not put on hold).

Courtesy   The service contact personnel should be polite, respectful, considerate, and friendly.

Communication   An open system of communication is very important in hospitality services. The service provider should inform the customers using the language they understand and listen to customers actively.

Credibility   Trustworthiness, credibility, and honesty of the service personnel are other factors which the hospitality customer looks from hospitality encounter. The service provider should keep in mind the interests of the customer and the company reputation while delivering the service.

Security   Every hospitality customer is concerned about physical safety, financial security, and confidentiality. The service provider should make sure that the customer is made comfortable during the stay.

Understanding/ Knowing the Customer   The hospitality service provider should be a shrewd salesman making all the efforts to understand the customer's needs so that he can deliver personalised services as per the specific requirements of the guests.

Tangibles   Since most of the hospitality products and services are intangible in nature, service provider should include necessary physical evidence of the service to make it more tangible in nature.

Customer Expectations and Satisfaction in the Hospitality Industry

Five Step Process for Improving Customer Satisfaction
Figure 2.8 (Martin) enlists the various steps that can be adopted to improve the customer satisfaction.

Exceeding Customer Expectations
Crego and Schiffrin have proposed that customer centred organisations should study what customers value and then prepare an offering that exceeds their expectations. They see this as a three-step process:

1. Defining the Customer Value Model   The company first lists all the product and service factors that might influence the target customers, perception of value.

2. Building the Customer Value Hierarchy   The company assigns each factor to one of four groups—*basic*, *expected*, *desired*, and *unanticipated*. Consider the set of factors at a fine restaurant.
- **Basic**: Timely delivery of an edible food is the basic of a restaurant service from the restaurant's point of view. This alone would not make the customer satisfied.
- **Expected**: There is good china and tableware, a linen tablecloth and napkin, flower, discreet service, and well prepared food. (These factors make the offering acceptable but not exceptional).
- **Desired**: The restaurant is pleasant and quiet, and the food is especially good and interesting.
- **Unanticipated**: The restaurant serves a complimentary sorbet between the courses and places candy on the table after the last course is served.

3. Deciding on the Customer Value Package   Now the company chooses a combination of tangible and intangible items, experiences, and outcomes, which it designed to outperform competitors and win the customers delight and loyalty.

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│  Define your own standards of   │←──────────┐
│  quality service with measurable│           │
│           indicators            │           │
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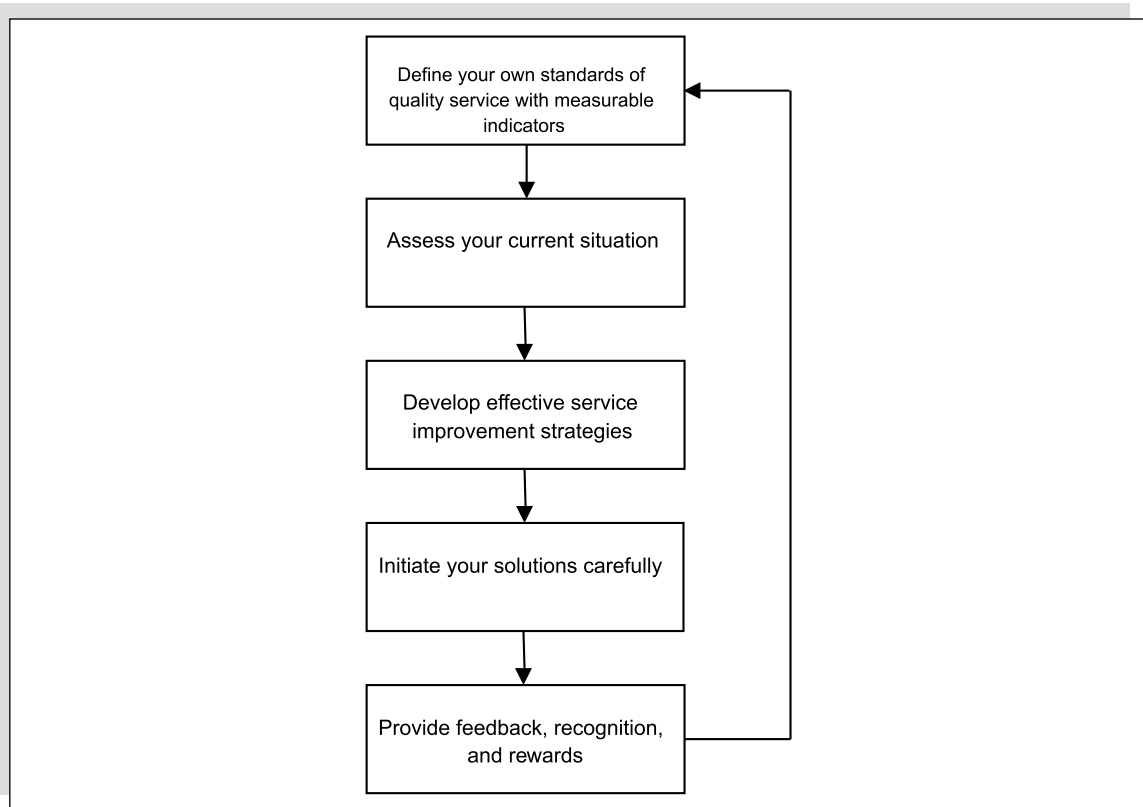
FIGURE 2.8   Five Step Process for Improving Customer Satisfaction

"SIX SIGMA" IN HOTELS

"The call of the hour is to welcome Six Sigma in this industry and utilise the skill to enhance employee efficiency and customer satisfaction.

If the first commandment of Six Sigma talks about the customer, how can we leave out an industry which is the epitome of customer service and thrives purely on achieving customer delight consistently. Increasing competition from other organisations and intensive work reaffirms the above hypothesis. In an industry where customer interactions occur on an hourly basis, each customer touch-point is critical for building personalised service credibility and developing customer affinity.

Some of the Areas/Processes where this Approach may Add Value

- Hotel-wide
- Enhance Customer Loyalty
- Reduce Employee attrition
- Productivity/Efficiency Improvement
- Improve work-life balance

- Reduce billing errors/losses
- Developing better performance measures/ metrics
- Increase revenue
- Reduce cost
- Capture "Voice of Customer" data

Front Office Operations/Sales and Marketing

- Reduce wait-time during peak check-in time
- Reduce wait-time during peak check-out time
- Eliminate billing errors and improve accuracy
- Reduce "no shows"
- Increase occupancy
- Utilise optimally of the current product mix (rooms) to increase revenue
- Increase customer delight at the Executive Club
- Reduce/Eliminate loss calls (operator's area)
- Maintain accuracy of information

Food and Beverage Service/Production

- Maintain optimal inventory
- Minimise wastage/pilferage
- Standardise output of food and beverage
- Reduce the time from order to service
- Utilise optimally the current product mix (F&B/Outlets) to increase revenue

Accommodation Operation (Housekeeping)

- Reduce the turnaround time of making/turning down a room
- Standardisation of cleanliness across areas
- Purchase/Stores
- Reduce Inventory surplus
- Cost-benefit Analysis between cost of inventory and cost of storage of products where prices vary seasonally
- Standardise the operating procedure of issuance to various departments
- Reduce the turnaround time of issuance to various departments

Human Resources/Personnel

- Maintain accuracy of payroll
- Have a good system of documentation management
- Reduce the turnaround time of recruitment
- Reduce the turnaround time of relieving
- Increase the employee satisfaction rate

THE FUTURE OF HOSPITALITY MARKETING

The future of hospitality marketing would be based on following developments.
- Rapid changes make yesterday's techniques out-of-date
- All company departments are becoming involved in satisfying customers
- A focus on internal as well as external marketing

One of the recent studies on the future of hospitality marketing brings out the following revelations.

Opportunities for Growth into New Markets

Emerging markets—particularly Russia, India, China, and the Gulf—offer significant opportunities but cannot be treated as a homogenous whole. For example, customers from China will search for, plan, and book a hotel in a different way than the customers from Russia. The notion of brand integrity is crucial—hotels will need to supply consistent service in a global environment while adapting to support customers with new cultural background and sensitivities in local markets.

Information—Key to Servicing the Demanding Customer

The modern traveller wants to have experiences built around their personal needs. The hotel industry recognises that it must go further in its adoption of social networking. User reviews expose the truth of a hotel's brand since customers often use their peer group as the main source of information. Hotels are now challenged with maintaining high standards and meeting the expectations of customers who have done a significant amount of research before they travel.

The more demanding customer of the future will want to engage with a hotel across all the appropriate touch-points. Hotels will need to capture and store more data yet access to it must be faster and more targetted in order to personalise the guest experience.

Technological Integration to Improve Operational Efficiency

As distribution channel and content management becomes more complex, ensuring tight integration between these core systems will become an even higher priority for hotels. Applications, databases, and networks must integrate more easily with each other and third-party systems to facilitate collaborations with partners.

The growing importance of the mobile channel is clear. Although the use of smaller devices for booking is not yet commonplace, it is anticipated that the technology platforms used by hospitality companies must support and enable all user interactions to integrate in the future—from phone to fax to PC to PDA to mobile.

Globally, the Hospitality Industry faces many challenges, more so in India; along with these challenges comes tremendous opportunities. Through effective business strategy and the right technology, the hospitality industry can meet these changing needs of customers and increase the level of personalisation to gain customer's loyalty and be successful in business.

MANAGING THE CUSTOMER EXPERIENCE

Customer experience management is becoming the new frontier for organisations facing hyper-competition and pricing pressures. Whether it is physical product or a service, the key to improved margins and shareholder value lies in delivering memorable customer experience.

The Taj Experience........!!!!

On a recent trip to Mumbai, the editor of a business publication found himself pleasantly surprised when he was upgraded from his usual room to a special suite at the Taj; a suite that normally costs seven or eight times as much as a normal room at this south Mumbai hotel. **Reason**: This was his fiftieth visit to the hotel and the management wanted to show he was someone special. But even

if he had stayed in his normal room, he would have got princely treatment—a butler on call, not just a room attendant; someone to take care of all the little things he needed to do from check-in to check-out; like unpacking, packing, restaurant reservations, and movie tickets—if that's what he wanted. The hotel removed buttons for room service and other functions from telephones to convey to the guest the message—"The butter will do it all for you".

The Taj management does not anymore want to think of itself as a place to stay and eat when you are travelling. There are hundreds of hotels willing to do that and, possibly at much lower prices. Instead, the management wants its patrons to think of the Taj experience as something which "offers personalised service with the trappings of luxury." In its properties in Kerala, the hotel has rolled out branded ayurveda based-spas like the Jiva Spa, where retail therapy, yoga sessions, and herbal messages are staples. The Taj is doing all this because they discovered during dipstick survey that hotel customers take the usual services—efficient transportation, room service, cleanliness, etc.—for granted. What they are now seeking is something beyond the normal, a memorable experience that they can take with them when they leave.

SELF-ASSESSMENT QUESTIONS

1. Define Services.
2. What do you mean by "Intangibility"
3. What do you mean by "Inseparability"?
4. What do you mean by "Heterogeneity"?
5. What do you mean by "Perishability"?
6. What is ownership in service industry?
7. What do you mean by Services Marketing?
8. State few service sectors.
9. Distinguish between Goods and services.
10. What is Hospitality Marketing?
11. What are the reasons for the growth of service sector?
12. Define the role of marketing and its importance.
13. Explain the Nature and Scope of Hospitality marketing.
14. Discuss the characteristic features of Hospitality services.
15. State and explain the Hopitality marketing concepts.
16. Discuss briefly the transition of Hotel Marketing?
17. What does Marketing Orientation mean?
18. What does Promotional Orientation mean?
19. What does Provider Orientation mean?
20. What is Sales Orientation phase?
21. Describe the economic benefits of marketing.
22. Explain the significance of customer expectations as a key element of Hospitality services?
23. Discuss the factors influencing the customer expectations and perceptions of service.
24. Discuss briefly the determinants of service quality.

25. Discuss the strategies for managing the customer expectations.
26. Discuss the meaning, nature, and scope of Hospitality services marketing.

ANALYTICAL QUESTION

1. Being a hospitality customer, what are your expectations from a hospitality product/ service and discuss how would you manage the gaps in your expectation as a customer and as a hospitality service provider.

TRY THIS OUT?

1. Study an organisation engaged in marketing of the following services:
    (a) Food
    (b) Rooms
    (c) Banquet
Now describe
  (i) The need or want that these services satisfy.
 (ii) The nature of services which these organisations are providing.
(iii) How the services of these organisations are differentiated from those of their competitors?
2. Choosing any six functional differences between goods and services, describe how have they been translated into the service design or delivery system, in case of any hotel/restaurant that you are familiar with.
3. The hospitality trade off model suggests that the expectation levels of consumers of hospitality products will vary according to the risk associated with the use of the product which in turn depends upon the sacrifice made to use the service. Can you test this proposition by surveying a small group of hotel and restaurant goers, to study the contrast in their expectation levels while going to a five-star hotel as those while going to a family restaurant?

3

Hospitality Marketing Mix

LEARNING OBJECTIVES

This chapter will help the students to understand and conceptualise:
- Meaning of Marketing Mix
- Emergence of 4Ps in Marketing Mix
- Expansion of the Marketing Mix (7Ps)
- Development of Hospitality Marketing Mix

MEANING AND DEFINITION OF MARKETING MIX

The first stage of any marketing activity is defining your Marketing Mix. The Marketing Mix sets out the marketing variables that your business needs to understand and control in order to achieve your overall business objectives.

The Marketing Mix principles (also known as the 4Ps) are used by business as tools to assist them in pursuing their objectives. The Marketing Mix principles are controllable variables which have to be carefully managed and must meet the needs of the defined target group. The Marketing Mix is a part of the organisation's planning process and consists of analysing the following defined marketing variables:

- How will you design, package, and add value to the product?
- What pricing strategy is appropriate to use?
- Where will the firm locate?
- How will the firm promote its product?

The Marketing Mix is a term used to describe the combination of tactics used by a business to achieve its objectives by marketing its products or services effectively to a particular target group.

Marketing Mix is an integral part of business which needs to make sure that they are marketing

- the right product to
- the right person at
- the right price in
- the right place and at
- the right time

The Marketing Mix was originally developed by Prof. Neil Borden of Harvard (4Ps) which has got six elements—Product Planning, Pricing, Distribution, Promotion, Servicing, and Market Research. These were later reduced to four elements by McCarthy—Product, Price, Place, and Promotion. Figure 3.1 narrates the various Marketing Mix (4Ps).
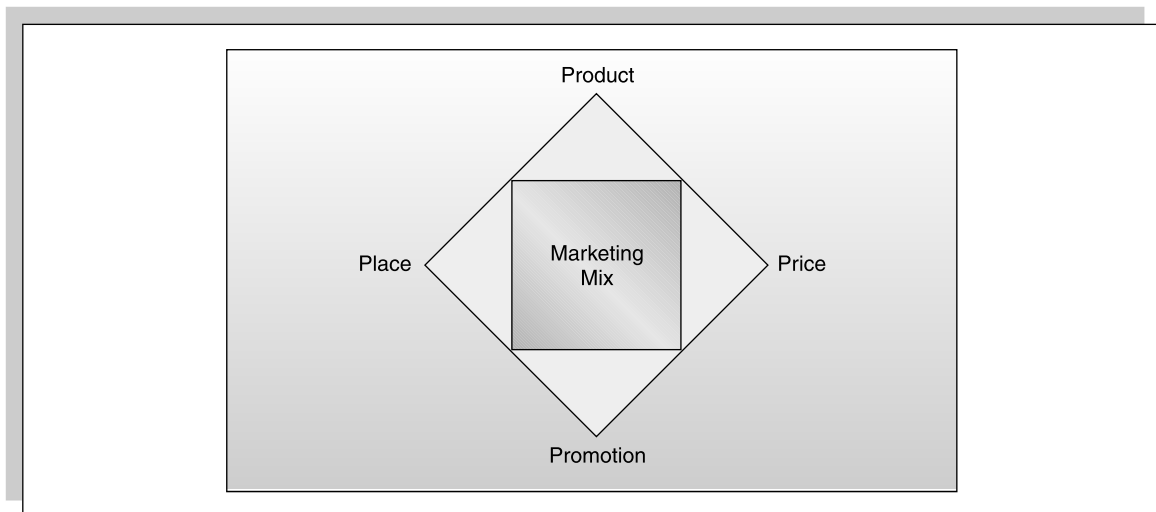
FIGURE 3.1   The Marketing Mix (4Ps)

Marketing Mix is the totality of a hospitality company's offerings to the market place to satisfy guest's wants and needs.

DEFINITION

"Marketing Mix is the controllable marketing variables that the firm uses to pursue the sought level of sales in the target market."

Marketing Mix comprises the tools available to a business to gain the reaction it is seeking from its target market in relation to its marketing objectives. It is the blend or the compound of all the marketing efforts hovering round the four ingredients namely, product, price, place, and promotion

The Marketing Mix is the ultimate outcome of the company's philosophy and mission statement, and the final delivery of the company's offering to the marketplace. It is based or should be based on the needs, wants, and problems of the customers.

According to Victor P Buell "The concept of Marketing Mix suggests that the company resources devoted to Product, Price, Distribution (Place), and Promotion (and the sub-sections thereof) should be mixed in varying proportions depending upon the industry category of the firm, its position in the market, and the competitive situation."

4Ps OF MARKETING MIX

For marketing products, the four elements of Marketing Mix are Product, Price, Promotion, and Place, which are used in a specific combination to arrive at the marketing strategy. These four elements of Marketing Mix are discussed here.

Product

In a narrow sense, a product is a set of attributes assembled in an identifiable form. But in a broader sense, product indicates that the consumers are not really buying a set of attributes, but rather benefits that satisfy their needs. Thus, product in a very broader term includes goods, services, places, persons, and ideas.

Price

The price of a service is the value attached to it by the service provider and it must correspond with the customer perception of value. Price is the exchange value of a product or service; price is always expressed in terms of money. In the service sector, the term *price* often passes under a number of names (interest fees, rent, salary, etc.); sometimes it reflects the nature of relationship between customer and provider.

Promotion

Promotion is a tool of communication used to inform the target market customers about the goods and services to facilitate the exchange process. It is concerned with informing, educating, persuading, and reminding customers. It a supporting activity that includes such things as displays, trade shows, some advertising materials, contests, trade promotions, coupons, samples, and premiums.

Place

Place refers to contact between the service provider and the person who gets the benefits of the service, i.e., the consumer. All such channels that are available between the firm and the target market to increase the probability of getting the customer to the product are referred to as place. These various channels are to own a property and run it, to manage a property, to franchise, and to use channel intermediaries.

7Ps OF SERVICES MARKETING

Companies are competing strategically through service quality for greater differentiation in today's competitive market place. Successful companies focus on the services-dominant paradigm with investment in people, technology, human resources policies, and compensation linked to service performance of employees. This is important because contact employees' attitudes and behaviours significantly influence the quality of service. They present the "face and voice" of their organisation to customers.

Extension of 4Ps—7Ps Services Marketing Framework

The 4Ps Marketing Mix which represents Product, Place, Pricing, and Promotion has been most widely employed as a model for product marketing. It shows the company preparing an offer mix of the product and price, with an integrated promotion mix to reach the target customers through the selected distribution channels. The 4Ps of marketing have been the key areas where marketing managers allocate scarce

corporate resources to achieve the business objectives. Services have unique characteristics—intangibility, heterogeneity, inseparability, and perishability. To discern the differences between services and physical products, Booms and Bitner suggested the extension of the 4Ps framework to include three additional factors—People, Physical Evidence, and Process as Marketing Mix (Figure 3.2) variables for services marketing.
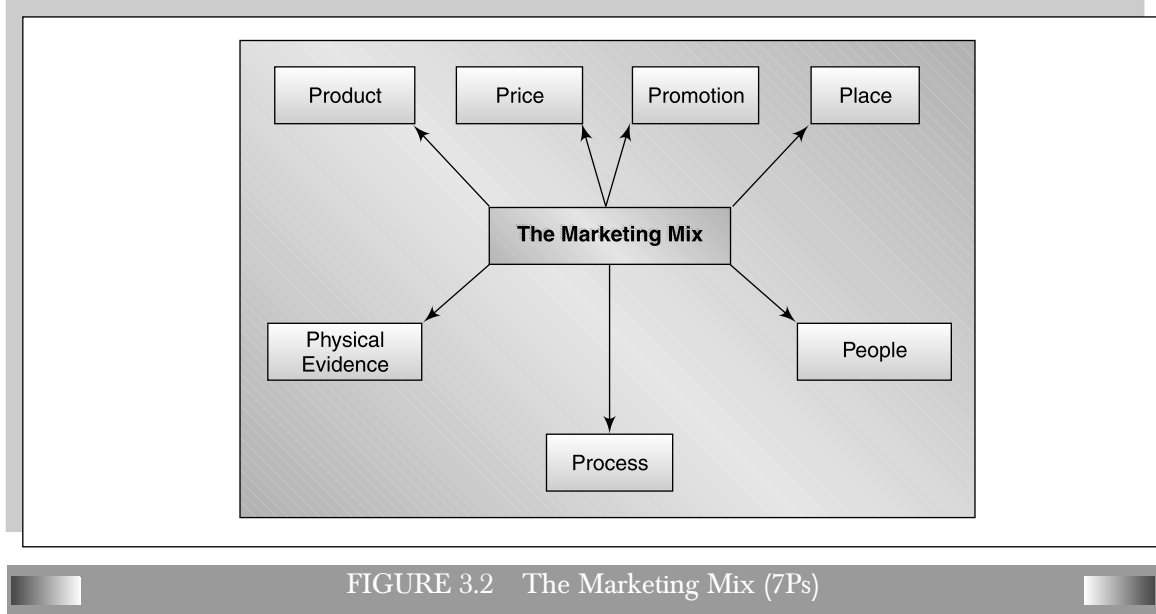
FIGURE 3.2   The Marketing Mix (7Ps)

1. **People** refer to all people directly or indirectly involved in the consumption of a service like employees or other consumers. An essential ingredient to any service provision is the use of appropriate staff and people. Recruiting the right staff and training them appropriately in the delivery of their service is essential if the organisation wants to obtain a form of competitive advantage. Consumers make judgments and deliver perceptions of the service based on the employees they interact with. Staff should have the appropriate interpersonal skills, aptititude, and service knowledge to provide the service that consumers are paying for. Due to the inseparability of production and consumption for services which involves the simultaneous production and consumption of services, service firms heavily depend on the ability of the contact employees to deliver the services. Contact employees contribute the service quality by creating a favourable image of the firm and by providing better service than the competitors. It is very significant for the service provider to maintain standards in the delivery of service as there is an element of heterogeneity in the performance of services by contact employees. The attitude and behavior of service personnel can significantly affect the customer perception of the service quality, which in turn influence the future purchase decisions.

2. **Physical Evidence:** Where is the service being delivered? Physical Evidence is the element of the service mix which allows the consumer again to make judgments on the organisation. If you walk into a restaurant your expectations are of a clean, friendly environment. If you travel first-class on an aircraft, you expect enough room to be able to lie down–Physical evidence is an essential ingredient of the service mix; consumers will make perceptions based on their sight of the service

provision which will have an impact on the organisation's perceptual plan of the service. Physical evidence relates to the environment in which the service is delivered and the tangibles that help to communicate and perform the service. The physical evidence of a service includes the brochures, letterheads, business cards, reports, signage, internet presence, and equipment. For example, in the hotel industry, the design, furnishing, lighting, layout, and decoration of the hotel as well as the appearance and attitudes of its employees will influence customer perceptions of the service quality and experiences.

3. **Process** refers to the systems used to assist the organisation in delivering the service. Imagine you walk into Burger King and you order a Whopper Meal and you get it delivered within two minutes. What was the process that allowed you to obtain an efficient service delivery? Banks that send out Credit Cards automatically when their customer's old one has expired again require an efficient process to identify expiry dates and renewal. An efficient service that replaces old credit cards will foster consumer loyalty and confidence in the company. Process is the delivery and operating systems of procedures, mechanisms, and flow of activities required for the consumption of services. The process of travelling with a budget airline is very different from that of a full-fledged premium airline. As services are performances or actions done for or with the customers, they typically involve a sequence of steps and activities. Managing the process factor is essential due to the perishability of services which means the services cannot be inventoried, stored for reuse, or returned. Hotel rooms not occupied and airline seats not purchased cannot be reclaimed. Since services are created as they are consumed, and because the customer is often involved in the process, there are more opportunities for customising the service to meet the needs of the customers. Figure 3.3 gives the details of the expanded Marketing Mix for services (Booms and Bitner).

HOSPITALITY MARKETING MIX

The first attempt at developing a new Marketing Mix for the hospitality industry was undertaken by Leo. M. Renaghan. According to him, the hospitality Marketing Mix contains three major sub-mixes—the Product/Service Mix, the Presentation Mix, and the Communication Mix. To these we add one of the original elements defined by Borden—distribution.

Hospitality Marketing Mix is a mechanism by which a hospitality enterprise provides services to its target market through the various market offerings. One of the fundamental responsibilities of the hospitality service provider is to develop a Marketing Mix. It is concerned about allocating and adjusting marketing inputs to create a unique offering that satisfies the guest wants and needs and thereby achieve the organisational goals.

PRODUCT	PLACE	PROMOTION	PRICE
Physical good, Features, Quality Control, Accessories, Packaging, Warranties, Product Lines, Branding	Channel Type, Exposure, Intermediaries, Outlet location, Transportation, Storage, and Managing Channels	Promotion Blend, Sales People, Advertising, Sales Promotion, Publicity	Flexibility, Price Level, Terms, Differentiation, Discounts, Allowances

PEOPLE

Employees
Customers

EXPANDED MARKETING MIX
7 Ps

PROCESS

Flow of Activities
Number of Steps
Customer Involvement

PHYSICAL EVIDENCE

Facility Design
Equipment
Signage
Employees Dress
Business Cards
Guarantees

FIGURE 3.3   Expanded Marketing Mix for Services

SELF-ASSESSMENT QUESTIONS

1. What is Marketing Mix?
2. Define Marketing Mix.
3. State and Explain the 4Ps.
4. What are the basic elements of Marketing Mix?
5. What are 7Ps?
6. What is meant by Product/ Service in marketing?
7. What is price in marketing?
8. What is Promotion in marketing?

9. What is Place marketing?
10. What is meant by people in marketing?
11. What is physical evidence in marketing?
12. What is process in marketing?
13. Discuss the elements of services Marketing Mix?
14. What is meant by Hospitality Marketing Mix?
15. What are "Hospitality Services"?

ANALYTICAL QUESTIONS

1. Illustrate how a hotel or a restaurant can deal with the intangibility, inseparability, heterogeneity, and perishability of the service it provides. Give specific examples to illustrate.
2. Identify the physical evidence provided by a restaurant and a hotel in your locality to help to tangibilise their products.

TRY THIS OUT?

1. Recall your experiences of eating out at your favourite restaurant over the past year. How has the factor of "heterogeneity of service" affected your satisfaction levels on different occasions? What is the kind of "standardisation," if any, is practised by the restaurant management to prevent dissatisfaction on account of unfavourable heterogeneity?

4

Product/Service Mix

LEARNING OBJECTIVES

This chapter would help the students to understand and analyse:

- Meaning of Product/Service Mix
- Various elements and components of hospitality product/service mix
- Various product strategies, product decisions, product brands
- Product Lifecycle (PLC) and various strategies to be adopted during various PLC
- Product planning and the factors affecting product planning
- Implications of various stages in the development of the new product/service development

MEANING AND DEFINITION OF PRODUCT/SERVICE MIX

Marketing is about identifying, anticipating, and satisfying customer needs and for that the marketer should make sure that the products and services continue to meet the customer needs. In order to make sure that the customers' needs are met according to their level of expectation, the marketer has to follow the following steps:

1. Carry out a simple research by asking customers:
   - What they think of each product or service?
   - How satisfied are they with the quality?

- How satisfied are they with the support services?
- How effective is the product or service in meeting customer needs?
- How they see their needs change in short term and long term the future?
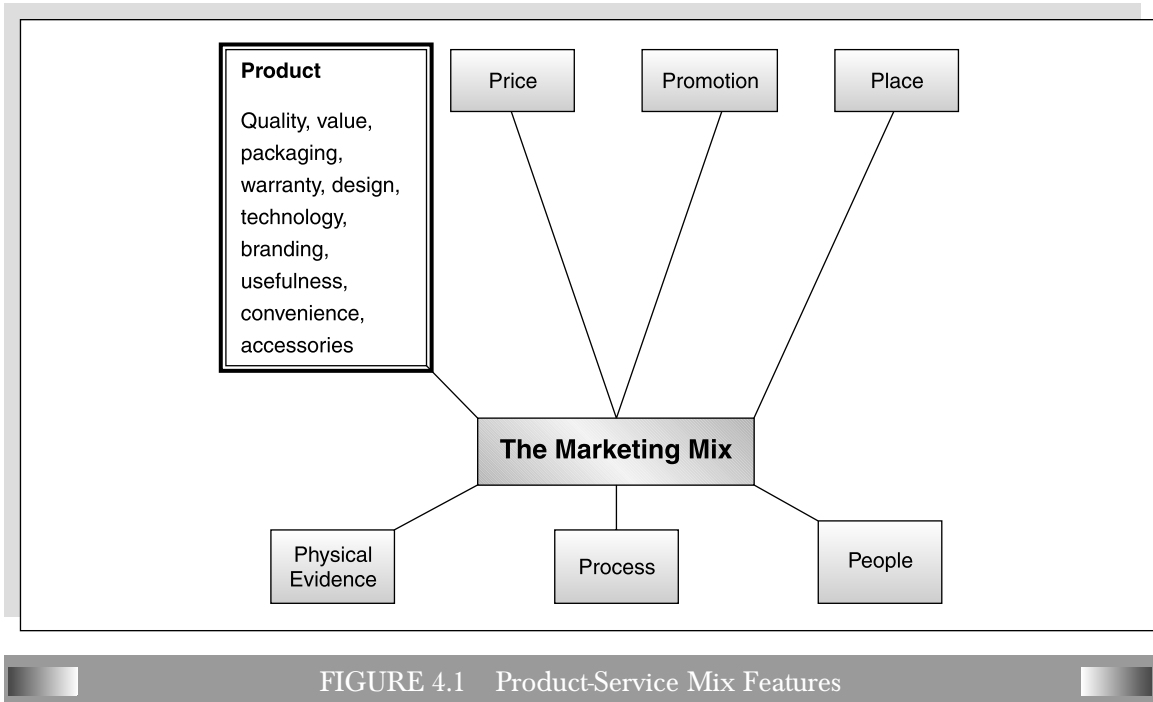
FIGURE 4.1   Product-Service Mix Features

2. Carry out step number one for each and every product or service offered.
3. Have a system of feedback collection and its analysis for new product development.
4. Find out which stage of the product lifecycle has been reached.
5. Analyse the profitability of each product or service offered.

One of the most important issues in the service marketing is understanding what benefits and satisfaction the consumer is seeking from the service. Let us take the case of restaurant service from the viewpoint of a restaurant manager—the restaurant is providing food but the customers coming to the restaurant might be seeking an "outing"—an atmosphere—different from home, relaxation, entertainment, or even status. Therefore, it is very important that the service product should match both from the customers' and the suppliers' viewpoint.

Product is the sum-total of physical and psychological satisfactions it provides to the buyer. Product/ Service mix is the composite of the products and services offered by a firm. Product mix is made up of many product or service variables like product line and range (for example a hotel has various facilities like rooms, restaurants, casinos, coffee shops, banquet halls, etc.), product design (like the physical appearance, capacity, uses of the product, etc.), packaging, quality labelling, branding, etc.

According to Prof. Philip Kotler a product is a made up of three parts:

1. tangible product—materials and construction,
2. extended product part—services, and
3. generic product—the benefits.

Basic Hospitality Product

The **basic hospitality product** is a combination of goods, services, and environment.

Goods

Goods refer to the tangible items provided by a hospitality marketer to its customers. Goods can be items such as beds, food, room, furnishings, AC, and all the physical things that are available in a hotel. In order to add tangibility to the services, many marketers try to add price as an element due to the fact that the customer perceives price as a tangible element. These physical goods are under the direct control of the management.

Services

Service comprises all the non-physical and intangible attributes that management can and should control. Here, employees play a major role with variables like friendliness, speed, attitude, professionalism, responsiveness, and so on. Though the management can and should control, everything depends on the systems that are set up by the management.

Environment

Environment is an element of product which may or may not be physical or tangible in nature and consists of those items where the management has some control, but not direct or easy. These are the feelings that the customer is looking for in a product. For example, an electronic lock in a bedroom door is physical and tangible, but what is getting marketed here is the feeling of security for the customer. Environment comprises calm atmosphere, comfort, ambience, architecture, colour, etc. The environment created should look like a deliberate attempt by the service provider to make the customer delightful.

COMPONENTS OF HOSPITALITY PRODUCTS

The hospitality products are a combination of products and services, whether free or for sale, aimed at satisfying the needs of the target market. There are five different components for a hospitality product which are as follows (Figure 4.2)

The Core Product

Core product refers to the fundamental benefit that the customer receives from a hospitality service. Hospitality products provides different core benefits to the customers; for example a hotel delivers a place to sleep and meet while restaurants satisfy the need to eat and socialise.

Facilitating Products

Facilitating products are those goods or services that must be present for the guest to use the core product. In the case of hotel stay, it is a basic room which guest needs, and in case of the restaurant, it could be the food.

The Tangible Product

Tangible product is the physical translation of the basic product. In an economy range hotel, for example, tangible products could be a 10×10 room with TV, telephone, and a small bathroom, priced Rs. 2000 per night.

Supporting Product

Supporting products are extra products offered to add value to the core product and to help to differentiate it from the competition. For example, a mini bar in the room.

```
                        ┌──────────┐
                        │   Core   │
                        │ Product  │
                        └──────────┘
                             ↑
┌─────────────┐        ┌───────────────┐        ┌─────────────┐
│ Facilitating│   ←    │  Components   │   →    │  Tangible   │
│   Product   │        │ of Hospitality│        │   Product   │
└─────────────┘        │   Products    │        └─────────────┘
                       └───────────────┘
              ↙                              ↘
    ┌─────────────┐                    ┌─────────────┐
    │  Supporting │                    │  Augmented  │
    │   Product   │                    │   Product   │
    └─────────────┘                    └─────────────┘
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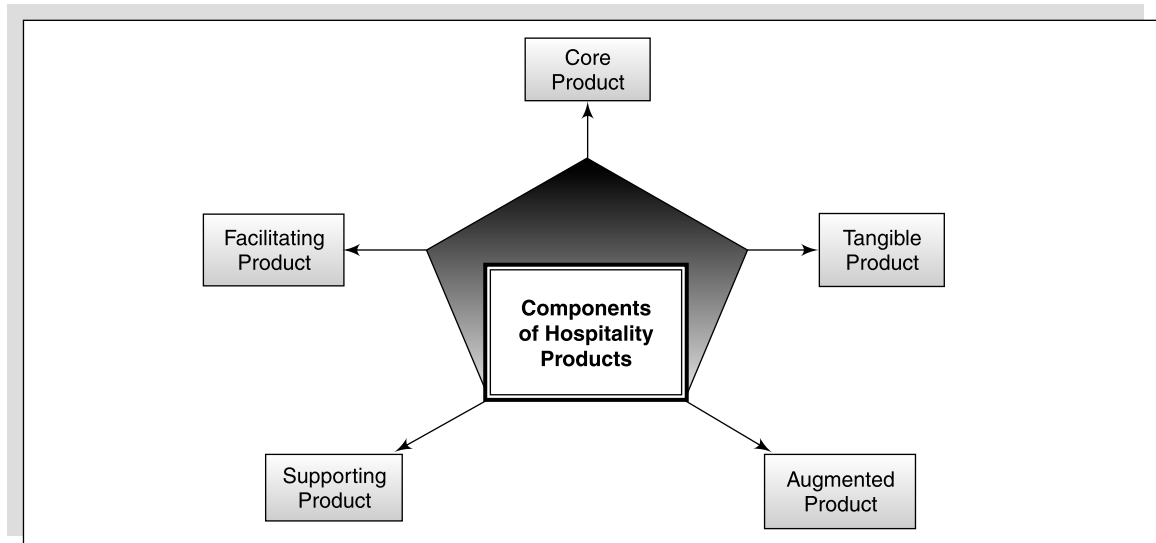
FIGURE 4.2   Components of Hospitality Products (C.Gonroos)

Augmented Product

Augmented products are the products or services provided by a marketer to enhance the quality of the service with or without additional charge. It is the complete product offering including the atmospherics, behaviour of the staff, décor, and the accessory services like transportation to and fro, communication, and secretarial assistance. Table 4.1 shows the various augmentation techniques used in accommodation section and food and beverage section of a star hotel respectively.

WHAT THE HOSPITALITY CUSTOMER SEEKS FROM A HOSPITALITY PRODUCT/SERVICE?

A hospitality customer seeks various kinds of satisfactions from the hospitality product or service which he is planning to buy. The hospitality products are an output of the hotel and catering industry and can be defined as the set of hospitality satisfactions and dissatisfactions that a customer receives or expects to receive from hospitality experience.

Satisfactions

These satisfactions could be physiological, economical, social, or psychological.

Physiological Satisfactions

The physiological satisfaction is the basic satisfaction which a customer is trying to obtain from a hospitality product. This could be a satiated appetite, quenched thirst, comfortable bed and room, pleasant environment, etc.

TABLE 4.1   Augmentation in Accommodation Section and
Food and Beverage Section of a Hotel*

Accommodation Section	Food and Beverage Section
Reservation System Convenience	Speed in food service
Reservation System Simplicity	Ordering Convenience
Acknowledgement of Reservations	Telephone
Lift Attendants	Advance orders
Room Service	Order-taking table staff
Standards of Housekeeping	Complaints procedures
Courtesy	Advance Reservations
Discount for Club Referrals	Reliability of F&B quality
Procedures of handling overbooking	Customer advice on Wines
Information Service	Provision for special foods
Customer Recognition	Cooking to Order
Credit Provision	Acceptance of Credit cards
Baggage handling	Variation in portions
Pet/Child care	Home deliveries
Provision for disabled	Extension of non-available menu items
Group Accommodation	Fiber /calorie information
Cleaning and Laundry	Provision for doggy bags
Courtesy Care	Function catering facilities
Willingness to bill later	Quality table of appointments
	Entertainments , privacy/discretion

*Francis and Buttle—"Hotel and Food Services Marketing.

Economic Satisfactions

By economic satisfaction, we mean the value gained by the customer in relation to the sacrifice made to obtain the hospitality product or service. Every customer who is buying a hospitality product or service will be looking for good value for money, speedy service, and excellent location and credit facilities. It is a match between the sacrifice made by the customers and the solution he/she achieved.

Social Satisfactions

Whenever a customer makes a purchase he looks for social fulfillment from it. This could be in the form of an enjoyable company, attentive staff, and honest advice on selection of food and wine. This can be attributed as social satisfaction.

Psychological Satisfactions

Psychological satisfaction is a perceived notion. For example, a hospitality customer looks for fulfillment of needs relating to self-esteem, status, and security.

Dissatisfactions/Satisfactions

Some of the dissatisfactions are controllable and others are uncontrollable by the management directly. For example, dirty uniform, indifferent staff, unclean cutlery, or cramped arrangements are controllable variables, whereas the condition of roads leading to the hospitality location, behaviour of other customers, and changes and preferences of consumers are non-controllable variables.

According to Medilik the following are the five basic components of hotels, which contribute to these satisfactions/dissatisfactions:

Location

It is the geographical placement of a hotel in a particular village, town, city, or country. It comprises access and convenience, freedom from noise and other disturbances, and attractiveness of surroundings.

Facilities

These are the infrastructure and recreational facilities—bedrooms, restaurants, bars, conference and committee rooms, swimming pools, gym and tennis courts.

Services

These are the facilities provided through its personnel by a hotel to the guests. The services provided are personal in nature and the quality and style of these services are either formal or informal. There will be variation in the degree of personal attention, efficiency, and speed in the delivery of the service.

Image

Image is the perception of the hospitality product or service by the consumer. These are controllable inputs like location facilities and service. It is also contributed by factors like its name, appearance, atmosphere, and associations as to who stays and eats, thereby what it communicates about itself and by what people say about it.

Price

It is an expression of the value provided by the hotel through its location, facilities, service, and the satisfaction derived by the consumers from the use of the above elements of the service product.

Satisfactory Services

The following are the various factors to be analysed to provide satisfactory services to the guests in a hotel based on the needs, wants, and desires of the target market:

- What does the customer perceive in a product or service?
- How does it satisfy the customer needs?
- What benefits does it offer?
- How does it satisfy demand?
- Who uses it? Why?
- How does it compete?
- What are the occasions for its use?
- What are its attributes?
- How is it positioned?

LEVELS OF SERVICE DELIVERY

Taking into account the satisfaction and dissatisfaction levels which a consumer receives from the service

delivered, the service provider need to analyse the service product. Now, we discuss the conceptualisation of a service product and the various levels of service delivery.

1. The Customer Benefit Concept

This is the first level in the conceptualisation of a service product. Sometimes the customer who is buying a service product may not have clear idea of what he is seeking. At times he may find it difficult to express what benefits he is looking for from a hospitality product or service. In many cases, the benefits which he seeks may be changing over a period of time which may lead to satisfaction or dissatisfaction. Once the benefit which the customer is seeking is identified, this translates into the development of service concept.

2. Service Concept

This is the second level in the conceptualisation of a service product. The service concept is the specific benefits which the service offers. Here the service provider has to define the "What business are they in?" For example, a hotel may provide accommodation facility in the general sense, but it has to be more specific as to what kind of accommodations they have for different segments of customers like deluxe, executive, premium, etc. Once the service provider defines the specific benefits the service offers to the customer, the next level emerges in the delivery of the service.

3. The Service Offer

This is the third level in the service delivery. Here the service provider has to give a shape and form to the basic service concept. For example, in case of a hotel, explain the features of each type of rooms in details making it more tangible to the customer. Once the service provider gives shape and form to the service concept, the next level of service delivery develops.

4. The Service Forms

It is an extension of the third level. Here the service provider has to give the details of the service product, in which way and how the service product will be delivered to the customer. Service form means the various options in relation to each service element by adding tangible elements to the service offer. For example, in case of hotel accommodation, details about packages available can be given to the guests.

5. The Service Delivery System

This is the fourth level in the service delivery. The two main elements in a delivery system are the people and the physical evidence. In a restaurant, the waiters are the elements of delivery system. The physical evidence components are the 'facilitating goods' and 'support goods'. This also explains the process of the service delivery to the end user.

Figure 4.3 (C. Gonroos) depicts the graphical conceptualisation of the service product and the levels of service delivery.

Methods used to improve or differentiate the product and increase sales or target sales more effectively to gain a competitive advantage e.g.

- Extension strategies
- Specialised versions
- New editions
- Improvements—real or otherwise!
- Changed packaging
- Technology, etc.

| Level 1 | Consumer Benefit Concept | → | Concerned with what benefits do customers looks for |

Translated into ←

| Level 2 | Service Concept | | Concerned with what the general benefits the service will offer |

Translated into ←

| Level 3 | Service Offer | | Concerned with detailed shaping of service concept decision on:

Service Elements (tangible and intangible)

Service forms (in what way and how)

Service levels (Quantity and Quality) |

Translated into ←

| Level 4 | Service Delivery System | | Creation and delivery service built into the service offer concerned with people, processes, facilities, etc |

FIGURE 4.3   Conceptualisation of Service Product and Levels of Service Delivery

Product element includes all aspects of what it is marketer is trying to sell; for instance in a hotel it will include not only the actual property but also the facilities on offer—whether it is the restaurant, bar, en-suite bathrooms or the provision of fully cooked breakfasts.

When developing the product offering, there is a need to consider what it is that would make someone want to use the product over the competitors. The product offering should be tailored for the business objectives.

The product should also include the systems for customer service—good customer service is the key to develop repeat business and customer loyalty.

The marketer should also consider the external products that are on offer in the surrounding area e.g. key tourist attractions, local amenities, and entertainment venues. Will these external products make people more likely to use the product? If so, the marketer should harness these benefits in the product offering.

Consideration should also be given to product branding—this is the method to achieve stand out for the product. A strong brand identity allows people to recognise the product and associate that with the product offering.

PRODUCT STRATEGIES

When an organisation introduces a product into a market they must ask themselves a number of questions.

1. Who is the product aimed at?
2. What **benefit** will they expect?
3. How do they plan to **position** the product within the market?
4. What **differential advantages** will the product offer over their competitors?

We must remember that Marketing is fundamentally about providing the correct bundle of benefits to the end user, hence the saying

"Marketing is not about providing products or services it is essentially about providing changing benefits to the changing needs and demands of the customer" —*P. Tailor*

Product Decisions

When placing a product within a market many factors and decisions have to be taken into consideration. These include:

- Product design
- Product quality
- Product features

Branding

Branding of products is of strategic and increasing importance. One of the most important decisions a marketing manager must make is about branding. Branding is the process of finding and fixing the names of identification. It is nothing but naming the product like naming a child.

The value of brands in today's environment is phenomenal. Brands have the power of instant sales; they convey a message of confidence, quality, and reliability to the target market.

Brands have to be managed well. In many organisations they are represented by brand managers, who have huge resources to ensure the success within the market.

Brand

A brand is a tool which is used by an organisation to differentiate itself from competitors. A brand is a symbol, a mark, or a name that acts as a means of communication to bring about identity of a given product or service. It is an image, a quality, a value, a personality.

> DEFINITION
>
> In *Principles of Marketing* by Philip Kotler and Gary Armstrong, a brand is defined as 'a name, term, sign symbol or a combination of these, that identifies the maker or seller of the product'.

P. Tailor defines a brand as a 'Marketing tool that allows consumers to recognise the maker of a product'.

According to American Marketing Association "Brand" is a "name, term, symbol, or a design or a combination of them which is intended to identify the goods or services of one seller or group of sellers and differentiate them from those of competitors".

A brand name is the part of brand which can be vocalised. It consists of words, letters, and/or numbers. For example, Hotel names like Taj, Oberoi, Le Meridian, Leela, and Windsor and restaurants chains like Coffee Day, McDonald's, etc. A brand mark, on the other hand, is a name which cannot be vocalised. It can be a symbol or a design, vibrant colour combination, lettering. For example mark of Nike shoe

When a brand has a legal sanction or protection, it becomes a 'trade-mark'.

Brand Equity

Brand equity refers to the value of the brand. A brand needs to be carefully nurtured and marketed so that the consumers feel the real value and trust the brand. Taj, Oberoi, Le Meridian etc. are example of hotels with high brand equity. These brand command high awareness and consumer loyalty. It is difficult to put a value on these brands.

Branding Strategies

When a company manages its brands it has a number of strategies it can use to further increase its brand value. These are:

● **Line Extension**   Line extension refers to the process where an organisation adds to the current product line by introducing versions with new features. For example, Taj group of hotels extended its line by adding Heritage hotels to its business class and luxury hotels.

● **Brand Extension**   Brand extension is a process where a company uses the brand name to extend into new or existing areas, when current brand name is successful. For example, Reliance industries extending its brand from textiles to petro-chemicals to mobiles to retailing.

● **Multi Branding**   This refers to the situation where the company decides to further introduce more brands into an already existing category. Kellogg's, for example, having a number of brands in the cereal market and the cereal bar market. Multi-branding can allow an organisation to maximise profits but a company needs to be exhausted over their own brands competing with each other over market share.

● **New Brands**   This is a strategy in which a new brand may be used to compete with existing rivals and may be marketed as something 'new and fresh'.

PRODUCT LIFE CYCLE

Anything which is created in this universe has a life. The product life cycle is a theoretical depiction. It is product aging process. Human life has a typical life cycle. Similarly the products or services also have

a similar route. It is simply a graphic portrayal of the sales history of a product or service from time to time—from when it is introduced to when it is withdrawn.

According to Kotler it is "an attempt to recognise distinct stages in the sales history of the product".

As a concept, it means three things:

1. Products/services move through the cycle of introduction-growth-maturity and decline at different speed.
2. Both sales volumes and profits rise correspondingly till the growth stage and fall correspondingly after maturity stage. However, in maturity stage, sales volume rises but profits fall.
3. The successful product/service management needs dynamic functional approach to meet the unique situations of sales and profitability.

The Product Life Cycle (PLC) is based upon the biological life cycle. For example, a seed is planted (introduction); it begins to sprout (growth); it shoots out leaves and puts down roots as it becomes an adult (maturity); after a long period as an adult, the plant begins to shrink and die out (decline). The Figure 4.4 (Kotler et al) shows the various stages of the Product Life Cycle.
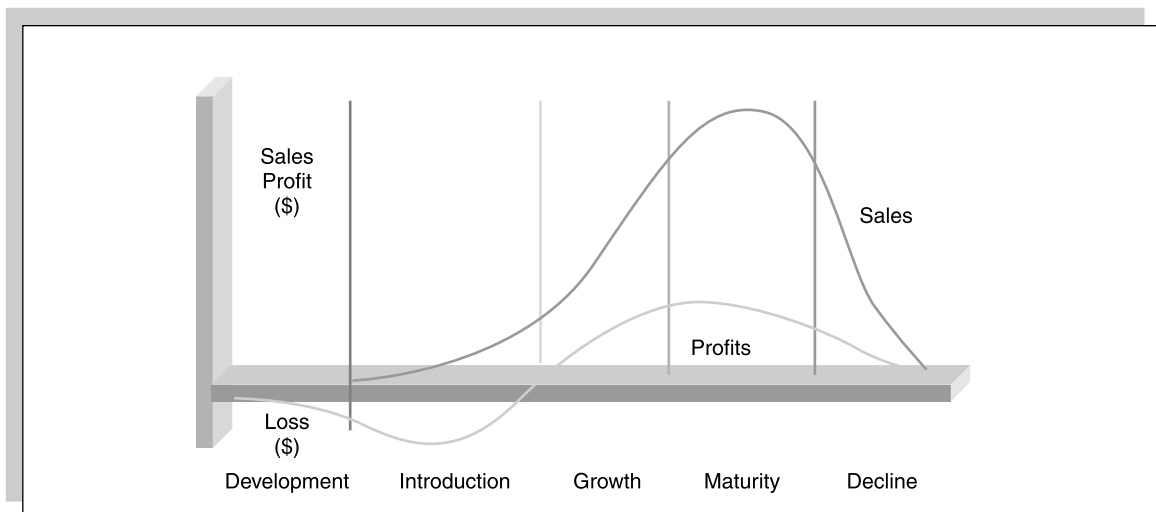
FIGURE 4.4   Stages of Product Life Cycle

In theory it is the same for a product. After a period of development it is introduced or launched into the market; it gains more and more customers as it grows; eventually the market stabilises and the product becomes mature; then after a period of time the product is overtaken by development and the introduction of superior competitors, it goes into decline and is eventually withdrawn.

Though almost all the products and services go through all these stages in its life, many products or services fail in the introduction phase. Others have very cyclical maturity phases where declines see the product promoted to regain customers.

The hospitality product requires regular assessment and re-assessment. Product life cycle analysis is concerned with what happens to hospitality products over time, from their initial formulation of life in the marketplace. Let us examine the life cycle for hospitality products. The following stages may be considered in product planning.

Development

This stage narrates the development of a new concept or idea. There are many sources from where the ideas come, such as staff, guests, etc. The new ideas can also be derived from the careful analysis of the opportunities or threats prevailing in the market, emergence of new technologies, government developmental initiatives, or competitive challenge. Toward the end of this stage, a detailed business plan will usually emerge and will bring to light the financial implications.

Pre-launch

This stage begins when product development is completed and a firm's commitment is made to proceed. During this stage, full details of the proposed marketing strategies need to be worked out, including the choice of markets, the scope of the product offer, pricing schedules, initial selection and development of marketing distribution networks, and preliminary outline of the promotional, selling, and advertising plans. Toward the end of this stage, a "soft opening" is often possible where the guests are received so that operating procedures can be thoroughly tested. Invitations may be issued to local government, business, and tourism leaders to visit the property and see the staff and facilities at work. If all goes well, the official opening follows.

Introduction

This stage denotes actual introduction of the product into the market. Whenever a new product is introduced, it has only proved demand and not the effective demand. This period marks a period of slowness as the product is just entering in the market. The sales are low and creeping very slowly. Profits are nonexistent because of the heavy expenses of product introduction in the introduction stage, the product offer is implemented, resources are committed, and the staffs are working hard to attract and satisfy guests under new, often difficult circumstances. During this phase, we may experience unanticipated operational difficulties, unforeseen opportunities, etc. As the introduction proceeds, budgets will need to be rethought, staff skills developed still further, and systems redesigned. This is a learning phase, where experience is the teacher.

The major objective of this phase is trial, followed by favourable word-of-mouth publicity. Apart from the need to attract prospective guests, the introduction phase is critical to the internal marketing to staff and network partners. They need to know how the product is doing, what is working and what is not, and which contributions are highly valued.

Growth

A period of rapid market acceptance and substantial profit improvement. Growth phase is a stage where the concept gets accepted in the market and gets an immediate success and repeat business begins to build. Once the market has accepted the product, the sales begin to rise. The prices may remain high to recover some of the developmental expenses. With high sales and prices, profits rise sharply. This encourages competition leading to possible product improvement. During this stage, management may emphasise building long-term relationships with key target markets, pricing to achieve penetration, strengthening distributor relationships, and refining the product offer. It may be right time to introduce the next round of product innovation, remembering the long lead times that can occur between a new hospitality idea and its implementation.

Maturity

Eventually, the market becomes saturated because the demand is satisfied and distribution channels are

full. Sales levels off and over capacity in production become apparent. There will be a slowdown in sales growth because the product has achieved acceptance by almost all the potential buyers. Profits tend to stabilise or decline because of increased competition. During the maturity phase, market growth begins to slow and a period of superficial stability begins that can sometimes continue for many years. The stability is superficial because behind-the-scenes competition is likely to be intense as prices are trimmed, margins decline, cost pressures mount, profits are squeezed, and competitors seek to define niche markets and differentiate themselves from others. Innovation and outstanding guest relations achieved through the delivery of breakthrough service are some of the means of coping with competitive pressures in the mature phase of the life cycle.

Decline

In this terminal stage, sooner or later actual sales begin to fall under the impact of new product competition and changing consumer tastes. The final phase is one of decline, and the result is either closure or rebirth of a product or a business in a new form, sometimes under completely new ownership. This is quite common in the restaurant business, where new restaurants often replace those that failed. Sales show a downward drift and profits erode

PRODUCT LIFE CYCLE—MARKETING STRATEGIES

A company's positioning and differentiation strategy must change as product, market, and competitors change over the product life cycle (PLC). To say that a product has a life cycle is to assert four things:

1. Products have a limited life.
2. Product sales pass through distinct stages, each posing different challenges, opportunities, and problems to the seller.
3. Profits rise and fall at different stages of the product life cycle.
4. Products require different marketing, financial, manufacturing, purchasing, and human resources strategies in each life-cycle stage.

Introduction Stage-Strategies

At this stage the marketer is not under pressure for immediate profit. The product is promoted to create awareness. If the product has no or few competitors, a skimming price strategy is employed. Limited numbers of product are available in few channels of distribution.

Growth Stage-Strategies

During this stage, competitors are attracted to the market with very similar offerings. Products become more profitable and companies form alliances, joint ventures, and take over each other. Advertising expenditure is high and focusses upon building the brand. Market share tends to stabilise.

Maturity Stage-Strategies

Those products that survive the earlier stages tend to spend longest in this phase. Sales grow at a decreasing rate and then stabilise. Producers attempt to differentiate products and brands are the key. Price wars and intense competition occur. At this point the market reaches saturation. Producers begin to leave the market due to poor margins. Promotion becomes more widespread and uses a greater variety of media.

Decline Stage-Strategies

At this point there is a downturn in the market. For example more innovative products are introduced or consumer tastes have changed. There is intense price-cutting and many more products are withdrawn from the market. Profits can be improved by reducing marketing spend and cost cutting.

Implications of Product Life Cycle Concept

There are some misconceptions regarding this simple concept of product life cycle. These misconceptions are dismissed if one has the clear-cut understanding about the implications of this useful concept. These are:

1. Though most of the literature on product life cycle states that each and every product/service follows through this four phase life cycle, not all products introduction in the market essentially follow through all these four stages. It is quite possible that a product/service might cross the first stage at the most and the second and die a premature death.
2. One cannot have a definite line of demarcation between one and the subsequent stage. The succession is one of merging and not of finite calculation.
3. No two products have identical life cycle. The length of each stage varies from product to product or service to service depending on its nature, the marketing policies adopted, changes in technology, competition, and the laws of the land.
4. At a given point of time or moment, the same product/service might reach different stages in different market segments. In segment one, it might have touched the peak-height of maturity; in segment two, it may be in growth stage, and in segment three, it may be heading towards decline.

Product Life Cycle in a Nutshell

The Figure 4.5 gives the brief about the characteristics, marketing objectives, and strategies of Product Life Cycle.

PRODUCT/SERVICE PLANNING

Product planning is a technique applied to the creation, development, and marketing of new products on a planned basis to maximise the profitability. It is the plan that proposes to match the products to the requirements of consumers by making available existing products, modifying them or making entirely a new product. In the words of Prof. Dale Littler "Product planning involves devising procedures to evaluate the performance of products, planning aimed at extending their lives; the deletion of those products which have reached the 'terminal stage' of their lives; and the development and marketing of new products".

Factors to be Considered while Planning a Product/Service

In this crucial planning work, the executives have to consider the following points. These points are conflicting in nature and need perfect balance to be brought about and maintained. The following factors to be kept in mind while planning a product/service:

1. Profitability of the Product/Service-line

Profitability of product must be maintained and improved. If the existing product/service line does not permit this, the products/services are to be rationalised through modification or replacement of old. All this need a regular review and analysis of profitability of products/services in the line. This helps in controlling and reducing costs and prices of products/services.

PRODUCT LIFE CYCLE

Stages of PLC	Characteristics				
	Sales	**Profits**	**Customers**	**Costs**	**Competitors**
Introduction	Low	Negative	Innovators	High Cost per customer	Few
Growth	Rapid Rising	Rising	Early Adopters	Average Cost per customer	Growing number
Maturity	Peak	High	Middle Majority	Low Cost per customer	Stable number
Decline	Declining	Declining	Laggards	Low Cost per customer	Declining number

Stages of PLC	Marketing Strategies				
	Product	**Price**	**Distribution**	**Advertising**	**Sales Promotion**
Introduction	Offers a basic product	Use cost-plus	Build selective distribution	Build product awareness among early adopters & dealers	Use heavy sales promotion to entice trial
Growth	Offer product extensions, service warranty	Price to penetrate market	Build intensive distribution	Build awareness and interest in the mass market	Reduce to take ad vantage of heavy consumer demand
Maturity	Diversify brands and models	Price to match or beat competitors	Build more intensive distribution	Stress brand differences & benefits	Increase to encourage brand switching
Decline	Phase out weak items	Cut price	Go selective; phase out unprofitable outlets	Reduce to level needed to retain hardcore loyal customers	Reduce to minimum level

Stages of PLC	Marketing Objectives
Introduction	Create product awareness and trial
Growth	Maximise market share
Maturity	Maximise market share while defending market share
Decline	Reduce expenditure and milk the brand

FIGURE 4.5   Characteristics of Product Life Cycle

2. Range of Product/Service Line

It is not a product alone that matters. In fact the whole range of product/service line is to be kept under review. It is the capacity of the product/service mix that has the impact on consumer satisfaction. Regular pruning, rationalisation, modification, and introduction of products/services are needed. However, this should not be attempted beyond a limit that boomerangs. Careless creation of products/services is more dangerous than not producing at all.

3. Matching Production and Marketing Efficiency

The marketing executive is to know the role of co-ordinated planning and execution of those plans departmental-wise. Marketing and production departments have to work together for the success of the firm without any friction. It is the question of timing, balancing, and integrating the efforts, inputs, and interests.

4. Product/Service Quality Standards

Product/service planners should know how the quality standards are changing to ensure that their firm is producing products or services to expected quality standards. There is no point in serving the market with the product or service with a high quality and costs when the market expectations are of low cost and price and therefore, quality. Don't provide a customer single non-AC room when he wants deluxe room.

5. The Force of Competition

The competition is ever on the line of increase and is subject to change. A careful watch must be kept on changing competitive developments in the market.

Conclusion

It is the design and development of something new as yet unknown and not in existence which will establish a new economic configuration out of old and existing elements.

In words of Peter Drucker , "innovation will change the customer's wants, create new ones, extinguish old ones, create new ways of satisfying his wants, changes his concepts of value or make it possible to give him greater satisfaction".

PRODUCT/SERVICE INNOVATION

These are the critical days where the saying "innovate or die" rules the world of industry. That is why Prof. Peter Drucker has rightly said that any enterprise must have two basic functions—**innovation** and **marketing** as it is basically the task of creating customer. Innovation has four basic directions:

1. **Improvement and development of existing forms**   Thus a restaurant operator who was running an a la carte restaurant may change the business into a fast food restaurant.
2. **Improvement and development of existing processes**   Thus a hotel may use electronic means of reservation systems of rooms instead of direct walk-in reservations.
3. **Introduction of novel production processes**   Thus the introduction of thermal cooking processes by restaurants instead of traditional cooking processes.
4. **Introduction of new products and services**   Thus the introduction of fast foods or instant foods and instant drinks to the extraordinary time-conscious customers.

NEW PRODUCT/SERVICE DEVELOPMENT PROCESS

A new product or service is the culmination of a process, a series of steps beginning with generation of ideas and ending in commercialisation. This process is like a hurdle race where new product idea is to cross all barriers to reach the final stage. These stages are outlined in Figure 4.6 (Kotler et al.):
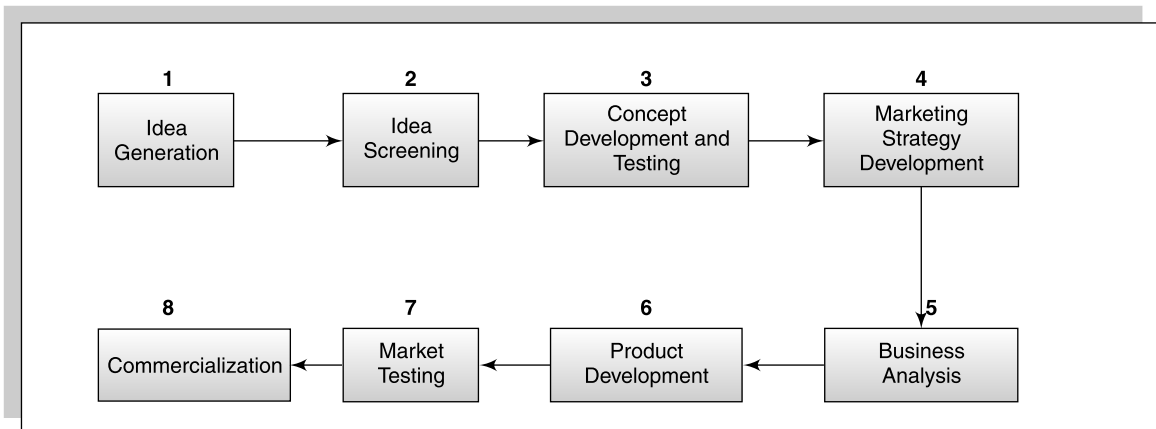
FIGURE 4.6   Stages of New Product/Service Development Process

Step 1. Idea Generation

Product or service idea generation means fusion of perceived need with the recognition of a technical opportunity. The perceived need may be new or old, latent or apparent. However, a product or service idea generates only when a technical opportunity is recognised to satisfy the need. Idea generation involves using various ideas sources and idea generation techniques. Idea Generation is the Systematic Search for New Product or services through internal or external sources.

The **internal sources** are:

- Basic research
- Manufacturing
- Sales people
- Top management
- Front line personnel
- The suggestion box
- New developments arising from existing services

The **external sources** are:

- Secondary sources of information
- Competition
- Customers
- Resellers
- Foreign market
- Inventors

The **methods to generate new product or service ideas** are:

- Focus groups
- Attribute listening
- Forced relationships
- Brain storming
- Reverse-brain storming
- Problem inventory analysis
- Experts in the field
- Market demand analysis
- Gap analysis

Step 2. Idea Screening

From this stage onwards, there will be every effort to weed out irrelevant and unsuccessful ideas. The ideas are pruned. Screening is the critical part of the development activity. New product or service screening is the development and systematic use of criteria to evaluate the potential of new product or service ideas. It is an evaluation that relies heavily on managerial judgment and experience.

The basic **reasons for cutting the ideas** are:

- All good ideas are not equally promising
- Resources constraints
- Product development is continuous process

The screening is done with the help of **two reliable methods** namely,

- Check-list method
- Idea rating method

The executives are to avoid the errors in screening known as **'drop' and 'go'** errors.

Many companies have systems for rating and screening ideas which estimate:

- Market Size
- Product Price
- Development Time and Costs
- Unit Costs
- Rate of Return
- Then, the idea is evaluated against a set of general company criteria.

In order to ensure the consistency of the ideas with the organisation's existing strategy, the image of the organisation and its capability, its appeal to particular segment, and its cost and profitability, we have to screen the ideas using different criteria.

Step 3. Concept Development

- Develop new product ideas into alternative detailed product concepts
- Concept Testing—Test the new product concepts with groups of target customers
- Choose the one that has the strongest appeal to target customers

This is done through market research, when ideas have survived after the screening process. In this process, the idea or concept is presented to the target market and their reactions are studied to make necessary modifications to the product/service before it is launched. Testing a service concept involves producing brochures and literature (physical evidence) to illustrate the idea

Step 4 Marketing Strategy

In developing a new product, the marketer can adopt three types of marketing strategy such as:

- Overall Strategy—This strategy is concerned with deciding about the Target Market, Product Positioning, Sales and Profit Goals, Market Share, etc.
- Short-Term Strategy—Here we decide about the Product's Price, Distribution, Marketing Budget
- Long-Term Strategy—In the long run the firm has to make strategies regarding Sales and Profit Goals, Marketing Mix Strategy, etc.

Step 5. Business Analysis

Business analysis is the in-depth study of the estimated economic feasibility of new product or service ideas. It is an attempt to predict the economic consequences of the product or service for the company as a whole. It is assessing the profitability of the new product idea that helps management in deciding

whether to introduce the new product, continue the development and the evaluation further, or to drop the idea. This stage translates the idea into a business proposal by defining the market market size and structure, consumer trends in the market, levels of demand, current and future external environment factors likely to affect performance, competition, market share forecasts, financial forecasts, costing, breakeven analysis, etc.

Step 6. Product/Service Development

This stage marks the making of proto-type of the product, its testing; refining and then the marketing campaign is planned. Business analysis reviews the product sales, costs, and profits projections to see if they meet company objectives. If not, product concept is eliminated. If yes, move to product development.

At this stage, we have to set up the plant and machinery and production facilities but the service providers have to undertake the work of designing and supplying literature and supporting materials. This is the translation of idea into an actual service.

Step 7. Test Marketing

Test marketing is the ultimate test to experience and experiment with the actual selling and purchase of the product or service. Test Marketing is the stage where the product and marketing program are introduced into more realistic market settings. Before the product is launched in the final market, using an artificial panel of consumers we have to test the product or service at their residence or testing in the actual market but in a small area.

According J.A Gold Test, Marketing is "a research technique in which a product under study is placed on a sale in one or more selected areas and its reception by consumer and trade is observed, recorded and analysed".

Step 8. Launch (Commercialisation)

Commercialisation is the last stage in the new product/service development. Commercialisation is the introduction of the new Product/service into the marketplace. Here the marketer tries to find the answers to the following questions.

- When is the right time to introduce product/service?
- Where to launch a new product/service?

The product/service launch is the final stage and the organisation now can make decisions on when to introduce the new service, where to whom and how to introduce the new service. It is at this stage that the life cycle commences. It is at this stage major decisions are taken regarding the timings of the launch, the geographical location of the launch and the specific marketing tactics to be used in support of that launch.

Successful commercialisation involves two important decisions namely,

- Entire market versus selected segment
- Crash versus roll-out introduction

The first deals with an alternative of either entering first a particular segment and then to the entire market or entire market at a stretch. The second decision with full scale commercialisation or part by part commercialisation much depends on the individual conditions faced by the company.

Innovation—The Kellogg Way—A Case

In 1906, after disagreeing with his brother about the future of their invention—toasted wheat flakes—Kellogg decided to start his own business. He left his brother's company and created his own, calling it the Battle Creek Toasted Corn Flake Company. His first product was, as expected, corn flakes.

Kellogg continued to experiment with and perfect his flakes by changing the ingredients his brother had used. For instance, instead of using whole corn, Kellogg decided to try using corn grits.

He also added malt to improve their taste. He knew little about running a cereal business, but his recipe was a success. And all the while, Kellogg remained certain of the potential the new food had, saying, "I sort of feel it in my bones that we are preparing a campaign for a food which will eventually prove to be the leading cereal of the United States, if not the world".

Kellogg decided to focus solely on selling corn flakes for the first few years in business. He began to advertise heavily, using large billboards to get people's attention. In fact, in 1912, when the company erected a sign that stood 106 feet wide and 50 feet high, it proved to be the largest advertising billboard in the world at the time. It featured a painting of a young farm girl holding corn, and she quickly became known as the "Sweetheart of the Corn."

In Kellogg's first year in business, he continued to operate under the Sanitas name. But within a year, he had replaced the name with his own. He created a new slogan for his boxes, which read: "The original bears this signature, W.K. Kellogg." Sales began to soar.

Product Innovation route to success— The Barista Story

In a country where the annual per-capita consumption of coffee is less than one cup per annum (for north India), what prompted the Indian youth to flock to Barista cafes and partake of coffee? Barista was not a shop for drinking coffee but offered much more than coffee. It offered youth a place to socialise, to do what they were fond of doing (like reading, playing games like Pictionary, having fun). The décor used Italian styling with trendy and attractive signage; the walls were enlivened with catchy posters and music videos on TV screens helped capture the spirit of youth. The open kitchen concept gave customers more involvement in the coffee making—adding to the novelty of the experience.

New Barista outlets are equipped with Wi-Fi connectivity, which enables youth to surf the net or answer mails while sipping their favourite brew. Barista also popularised the concept of "Brew Masters" who were experts at whipping up exotic coffee preparations and therefore won accolades from customers. This also enabled them to address customers by first name enjoy a poor relation (without being subservient to them as is generally the case in most Indian restaurants).

Barista has innovated with its menu and its "Chillers & Fillers" category offers wholesome and filling meals for lunch. It features everything from a latte to cappuccino, caramel café, café mocha, flavoured coffee, and deserts like brownies and cakes.

When it comes to affordability, the chain has established itself as a "one-stop beverage point" with offerings like Iced Latte (a cold coffee) for Rs. 25. It has also launched the Swiss Hot Chocolate at Rs. 35, Sundaes in two flavours, Frozen Swiss Chocolate, pastas and rolls, chilly cheese toast, a new range of sandwiches with wafers, besides a health range of sandwiches—slimmers' choice with brown bread and low fat option.

Competitive advantage can be significant with the right kind of product innovation and any company that aspires for market leadership should tread the path of product innovation.

SELF-ASSESSMENT QUESTIONS

1. What is Product/service mix?
2. Define Product.
3. Define hospitality product/Service.
4. What are core products in Hospitality marketing?
5. What are tangible products in hospitality marketing?
6. What are augmented products in hospitality marketing?
7. What are facilitating products in hospitality marketing?
8. What are supporting products in hospitality marketing?
9. Discuss the various components satisfactions and dissatisfactions derived from a hospitality product?
10. What are the components of product/service mix?
11. What are the basic components of a hospitality product?
12. Discuss the product strategies in case of hospitality business.
13. What is branding?
14. What is a brand?
15. What is brand name?
16. What is brand mark?
17. What is trade mark?
18. What is brand equity?
19. Discuss the various branding strategies
20. Discuss the various stages of the Hospitality Product Life Cycle.
21. Discuss the various marketing strategies to be adopted in various stages of the Hospitality Product Life Cycle.
22. What are implications of product life cycle concept?
23. What is product/service planning?
24. Discuss the various factors affecting the product/service planning.
25. What is product/ service innovation ?
26. Discuss the various stages of the new product/service development
27. What do you mean by Target Marketing?
28. What is Commercialisation?

ANALYTICAL QUESTIONS

1. Using a product from the hospitality industry illustrate with suitable example the following: Core Products, Facilitating Products, Supporting Products, and Augmented product.
2. Most of the new ideas for a product or service come from the customer. Do you agree? Why or Why not?

TRY THIS OUT?

1. A service product can be analysed at the levels of the customer benefit concept, the service concept, the service offer, and the service delivery system. Try to recapitulate the services that you have enjoyed while a restaurant or a hotel. Analyse the services offered by the hotel or restaurant at the five levels discussed in this chapter.
2. There are ways of augmenting service products in order to enhance the total package being offered to the market. Look at the services offered by:
   (a) An airline
   (b) A Multi-cuisine restaurant
   Study the services offered by them to define the concept of
   (i) The core service
   (ii) The facilitating service
   (iii) The augmented service offer

5

Price Mix

LEARNING OBJECTIVES

This chapter would help the students to understand and analyse:
- Meaning of Price and Pricing
- Objectives of Pricing
- Hospitality Pricing Objectives
- Factors Influencing Pricing Decisions of Services
- Methods and Strategies of Hospitality Pricing
- Concept of Hotel and Restaurant Pricing
- The Common Errors in Hospitality Pricing
- Concepts of Yield Management in Hospitality Pricing
- Revenue Management in Hospitality Pricing

MEANING OF PRICE AND PRICING

The price of a service is the value attached to it by the service provider and it must correspond with the customer's perception of value. Price is the exchange value of a product or service, always expressed in terms of money. In the service sector, the term price often passes under a number of names (interest fees, rent, salary, etc.), sometimes it also reflects the nature of relationship between the customer and the provider. Price is equal to the product or service expectations, namely, physical product, service, and other attributes making it available such as delivery, installation, credit, return privileges, and other after sale services.

Pricing is the art of translating the qualitative offerings into quantitative terms (rupees and paise). Price is the value of a unit of service, to customers at a point of time.

Pricing is one of the most important elements of the marketing mix, as it is the only mix, which generates a turnover for the organisation. The remaining 3Ps constitute variable cost for the organisation. These are costs to produce and design a product, to distribute a product, and to promote the product. Price must support these elements of the mix. Pricing is difficult and must reflect **supply** and **demand**

FIGURE 5.1   Price Mix and Pricing Strategies

relationship. Pricing a product too high or too low could mean a loss of sales for the organisation. Pricing should take into account the following factors:

- Perishability
- Intangibility
- Fixed and variable costs
- Competition
- Company objectives
- Proposed positioning strategies
- Target group and willingness to pay
- Government regulations

Pricing is key in the hospitality industry. Issues such as seasonality and regional variations affect the price, that is charged for what in effect is the same product. In addition, the market place is heavily competitive and nowadays trading happens on a global basis.

The development of the Internet and e-commerce means consumers are much more price conscious and more able to shop around i.e. they can compare the costs of a break in twenty different locations, with twenty different suppliers without leaving the comfort of their premises.

Setting the right price and comparing this price with the competitors is crucial, as it will affect the demand for the product and also the profit that can be made.

Objectives of Pricing

Like other areas of market planning, pricing of products or services begins with setting pricing objectives. Pricing objectives are the foundations for price policies and strategies to be framed, and implemented in due course by the firm. Though, these pricing objectives differ widely from firm to firm, following can be noted as the most common pricing objectives. The firm chooses from these according to its individual requirements because all the objectives cannot be achieved at one time in a sweep.

The pricing objectives fall into three major categories:

1. Financial Objectives

The financial objectives may be:

Profit Maximisation   Profit maximisation is the age-old objective of pricing. Under given market conditions, the aim is to earn total profit. It is based on the overall activities of the firm, rather than on a single line, as it means open exploitation and resistance to charges in the marketing environment. It is also a long-term objective.

Resource Mobilisation   Mobilising resources either for self development or reinvestment elsewhere is another pricing objective. Prices are deliberately set high in certain cases, not to make profit but to generate more surpluses for the purpose of reinvestment. This is mostly followed by governmental undertakings (ITDC) which can afford to do so.

Price and Profit Stabilisation   Stabilising prices and profits can be a long term objective of a firm. Fluctuating prices, fluctuating profits bring into play unwanted forces that affect the hotel's economic health and status in the market place. Stabilisation of prices and margins is more critical in industries where oligopoly prevails. Stable prices help in preventing price wars against the competitors.

Cash Flow Management   Product or service pricing policies are extremely important to the financial manager. Today large sums of money are needed to meet research and development commitments, and ever increasing advertising bills have made firms financially alert. Thus, the price policy is framed to retain as much cash as possible, to meet such commitments.

Pre-determined Profit Level or Target Return on Investment   Pricing for profit is the most logical objective of pricing. Pricing to attain pre-determined profit involves the establishment of specific profit goals, either on sales or assets managed as a percentage. It can be a percentage of sales or "Return on Investment" (R.O.I.) or "Return on Asset Managed" (R.O.A.M). This objective expects a pre-determined rate of return on capital employed at the end of each year. That is to say, the sales should cover costs and leave a decent margin equal to the rate decided.

2. Patronage Objectives

It is also referred to as customer objective. The following are the various customer objectives:

  (a) **To instill confidence** in the minds of the customers by price stability.
  (b) **To induce** the customers to try for buying the product or service by giving special offers.
  (c) **To desensitise** the customer, to the price, through package deals.
  (d) **To differentiate one product from another or to emphasis on an added service provided.**
  (e) **Meeting Competition** prices can be used as a weapon to meet competition or eliminate it. Matching or marring the competitors is the simplest strategy incase of those firm's that are more interested in non-price strategies. Meeting of competition is to charge the same price being charged by the competitors and marring is to charge less or lower prices than the competitor's, alongwith the use of non-price competition weapons.
  (f) **Maintaining an Image** Every firm has an identity, from the moment it opens its doors. It is an identity representing what it has done to convey and convince the public. It is the sum-total of the impressions that the people have about the firm. It is about its products, services, packages, trademarks, brand names, names of employees, graphics, marketing programme, and so on. The image of the firm is rests on how it handles this weapon of pricing.

3. Volume Objectives

These objectives are particularly prevalent in the hotel industry because it is such a highly 'volume-sensitive' business, i.e., fixed costs are high but variable costs are low.

(a) Price is used as means to maintain the market share of a service during its life and is used tactically to defend its position against its competitors. Market share is a really meaningful measure for the success of a firm's marketing strategy. A market share objective can be either to maintain the market share or to sometimes increase and sometimes decrease it. The company uses price as an input to enjoy a target market share. Target market share means that portion of the industry sale, which a company aspires to attain. It is expressed as a percentage of the total sales of the industry.

(b) Another volume objective is to build business by increasing the customer base, as occurred in airlines. With this strategy, prices are usually lowered, either temporarily or in special promotions, to attract more customers with the hope that they will become permanent customers.

(c) Another objective is to **increase the turnover** by lowering the price.

(d) Another objective of pricing is to **build up new markets** for the services.

(e) A final volume objective is the **contribution to fixed costs**, that is made by any incremental business.

Survival is the fundamental pricing objective. Organisations tolerate any form of deficiency, for example, short-run losses, internal reorganisation, reduction in size, and the like to survive. Survival price objective is a short-run objective and is insisted only when the hotel faces a survival crisis. Once it turns the corner, it shifts to other objectives.

Pricing decisions are influenced by **social considerations,** like low price for education of public, sports clubs, etc.

HOSPITALITY PRICING OBJECTIVES

Taking into account the characteristic features of hospitality services such as intangibility, perishabilitiy, heterogeneity, etc. the hospitality marketer has to keep the following objectives in mind, while fixing the price for hospitality products and services. Following are some hospitality pricing objectives (Lazer and Layton):

- Increase market share by a certain percent
- Realise a specific profit level
- Achieve a specified rate of return
- Maintain an exclusive image
- Appeal to new market segments
- Use facilities in off-hours and seasons
- Exercise price leadership
- Give guests superior value
- Gain competitive advantage
- Discourage competition
- Convince guests to try new/additional items
- Increase sales of specific items
- Meet competitor's prices
- Increase volume to spread overhead
- Generate guest loyalty

FACTORS INFLUENCING THE PRICING DECISIONS OF SERVICES

Internal and External Factors

The factors that influence price determination can be classified as internal and external factors (Adrein Palmer).

1. Internal Factors

The internal factors are controllable in nature, which are discussed below:

(a) Organisational Policies   As price decision is an outcome of production and marketing, the pricing (takes at the top level and the lower level of an organisation.)

(b) Service Differentiation   In order to differentiate own services from that of the competitor, the service provider has to price the services differently.

(c) Service Cost   It is necessary to assure that the price charged for a service covers the fixed, variable and semi-variable costs incurred in providing that service.

(d) Marketing Mix   The price of a product or service varies depending upon whether the product or service idea is new or an established one, whether the service provider is an agent or a sub-agent, or the main provider (distribution channels) and also the various pricing objectives.

2. External Factors

On the other hand external factors are uncontrollable in nature, such as:

(a) Demand   Markets have to be segmented effectively according to

Different Groups of Users   In order to obtain maximum value from each segment of users, different prices can be charged for offering the same service. Depending on the user's demand for the product or service like heavy user, medium user, on low user the pricing variations are made.

Different Points of Consumption   On the basis of the point of production and consumption, service organisations charge different prices at different service locations. Depending on the place where the consumption takes place, the prices are to be varied. For example, Taj group of hotels will not charge the same price for its deluxe rooms in Delhi, Mumbai, Chennai and Bangalore.

Different Time of Production   Owing to the perishability characteristic of the services, they are priced discriminatorily, depending upon the time at which they are offered. For example, hotels in Goa follow a different price package during the monsoon season as compared to the peak season of the year i.e. October–May.

(b) Competition   Competition plays a significant role in pricing, due to similarity in the services offered and the satisfaction enjoyed by a customer. Unless the products and services provided by the hotelier are unique in nature, the marketer cannot price the products and services higher than the competitor.

(c) Governmental Control   Government policy regulations affect the pricing decisions of various services. For example, changes in the luxury tax, sales tax, etc. imposed by the government, from time to time, affect the pricing decisions of a hotel or restaurant business.

Conclusion

While determining the prices of services, characteristics such as perishability, intangibility, and heterogeneity are to be considered. A catering business especially, has to keep in mind seasonality of the products and services while fixing the prices.

METHODS AND STRATEGIES OF PRICING IN HOSPITALITY SERVICES

The two methods which a service organisation may use to determine prices are Cost-based pricing and Market-oriented pricing (Lazer and Layton). The former may be regulated by the government or the industry association, on the basis of the cost incurred by the most efficient unit. Such a pricing strategy is effective in restricting entry and aiming at minimum profit targets. Market-oriented pricing may either be a result of the competition or of customer-oriented pricing. In case of competition-oriented pricing, the price may be fixed at the level at which the competitor is charging, or fixed at level lower, to increase market share. Customer-oriented pricing varies according to the customer's ability to pay.

Cost–Oriented Pricing Strategies

Cost-Plus Pricing

This method of pricing takes into account all the costs involved in the production and delivery of hospitality products and services. Under this method of pricing, we take estimates of both, variable and fixed costs per unit. Then a markup is added to costs, to determine the price, which is a percentage of either the costs or the sales price. This pricing is also referred to as full-cost pricing, where costs are fully allocated.

Marginal Cost Pricing

This method is applied as a short-term strategy where a firm is able to respond to the excess capacity utilisation. Here we set low prices that cover variable costs and leave some contribution to fixed costs. When excess capacity exists, the contribution to fixed costs is a better option.

Rate of Return Pricing

Under this method of pricing, we estimate a rate of return on investment, taking into account the variable and fixed costs. Then we make an estimation of the projected sales to be achieved. The rate of return is multiplied by the amount of capital invested in a product or service, and the result is divided by estimated sales. This gives a return per unit, which is added to the costs to determine the price.

Market–Oriented Pricing Strategies

Bundle Pricing

Under this method of pricing, we charge a lower price for a combined bundle of products, that would be charged more, if each of the items were purchased separately. Bundle pricing is often used to encourage guests to purchase a total package, which gives them good value. For example, prices of breakfast buffets encourage guests to order the buffet rather than purchase juice, coffee, and eggs separately, for about the same price.

Complementary Pricing

This method of pricing is applied when products are used together. One product may be priced relatively low to encourage purchase of the other, which bears a premium price. For example, in many bars and some restaurants, salty snacks are offered free while thirst-quenching beverages bear premium prices.

Going-rate Pricing

Under the going-rate method of pricing, we set prices on the basis of the average going-rate of major competitors. This keeps prices in line, by charging what the competition does.

Loss–leader Pricing

In this method, we fix low prices initially, sometimes even below the cost for certain products, to attract guests. The hypothesis is that, once guests are attracted, they will purchase profitable items.

Market Pricing

This method of pricing is based on the concept that the marketer will charge a price as high as the market will bear for his products and services. Prices may not reflect costs, and in rare cases may not even cover costs. It is simply getting the most you can.

Market Segment Pricing

Under this method of pricing, the marketer charges different prices to different segments of the market. It is usually done on the basis of discounts from list (rack) prices, using criterias as volume, position in the channel, buying power, and cost of doing business for differentiation. This is a kind of differential pricing.

Penetration Pricing

Penetration pricing is where the organisation sets a low price to increase sales and market share. A relatively low price is set in relation to what customers are paying, and the average price charged by major competitors, in order to reach or develop new markets. The price charged for products and services is set artificially low in order to gain a market share. Once this is achieved, the price is increased.

Price Leadership

Under this method of pricing, a leading firm in the industry changes price levels up or down, and other companies follow. Thus, competitive pricing is essentially eliminated and prices are stable, since the leader establishes the price for all.

Segmental Pricing

This is a value based pricing method, where we set different prices for various market segments, based on the estimates of value that each segment receives.

Skimming Pricing

The organisation sets an initial high price and then slowly lowers the price to make the product available to a wider market. The objective is to skim profits off the market, layer by layer. Charging a relatively high price in relation to what customers are paying and the average prices of major competitors is "skimming the cream off the top of the market". It attempts to reach customers willing to buy at a high price, before marketing to more price-sensitive customers.

Under this method, the marketer charges a high price because you have a substantial competitive advantage. However, the advantage is not sustainable. The high price tends to attract new competitors into the market, and the price inevitably falls due to increased supply.

Stay-Out Pricing

Under this method, the marketer sets such low prices that they discourage new competitors from entering the market.

Competition Pricing

Setting a price in comparison with competitor's.

Optional Product Pricing

Companies will attempt to increase the amount customer's spend, once they start to buy. Optional "extras" increase the overall price of the product or service. For example, airlines will charge for optional extras such as guaranteeing a window seat or reserving a row of seats next to each other.

Captive Product Pricing

Where products have complements, companies will charge a premium price when the consumer is captured. For example, a restaurant will charge a low price and recoup its margin (and more) solely from the sale of its only specialty.

Tailored Pricing

In this method, the marketer works backward from the established price to determine what the actual components of their offering will be. Prices that guests will pay are first determined (based on research, past experience, etc.) and then the products and services to be offered are tailored to match those prices. Fixed-price dinners at gourmet restaurants, travel tours, and holiday "getaway" packages are among the offerings geared to certain price points.

Product Line Pricing

Product line Pricing is pricing different products within the same product range at different price points. For example, a video manufacturer offering different video recorders with different features at different prices. The greater the features and the benefit obtained, the greater the consumer will pay. This form of price discrimination assists the company in maximising turnover and profits.

Psychological Pricing

The seller here will consider the psychology of price and the positioning of price within the market place. The seller will therefore charge 99 p instead Re.1 or Rs.199 instead of Rs. 200.

Premium Pricing

The price set is high to reflect the exclusiveness of the product. An example of products using this strategy would be Harrods, First class airline services, Porsche, etc. A high price is used where there is uniqueness about the product or service. This approach is used where a substantial competitive advantage exists. Such high prices are a charge for luxuries such as Conrad Cruises, Savoy Hotel rooms, and Concorde flights.

Economy Pricing

This is a no frills low price. The cost of marketing and manufacture are kept at a minimum. Supermarkets often have economy brands for soups, spaghetti, etc.

Geographical Pricing

Geographical pricing is evident where there are variations in price in different parts of the world. For example, rarity value or shipping costs increase price.

Value Pricing

This approach is used where external factors such as recession or increased competition, force companies to provide "value" products and services to retain sales, e.g. value meals at McDonalds.

Yield Management

It constitutes changing the discounts offered, depending on fluctuating demand and advance bookings. Guests are offered the same hotel rooms for different prices depending on when the reservation is booked. Computers are used to change prices daily and hourly depending on whether demand is strong or weak. The firm manages its revenue and inventory by effectively pricing differences based on elasticity of demand for customer segments. Price discrimination techniques are used by setting fences that prohibit customers from one segment to receive prices for another segment. For example: Airlines require a Saturday stay to keep business travelers from taking advantage of low fares. Yield management should be based on sound marketing to help maintain a long-term relationship with desired customers.

YIELD MANAGEMENT—A STRATEGY FOR INCREASING PROFITS

Yield management has been around since the 1970s, when it was introduced by airlines who realised that they needed to have a strategy for offering an identical flying experience to different customers for different prices, based solely upon the time at which they booked and the flexibility that they required. Hotel's only really started practicing it in the mid-1990s, in an attempt to rationalise the wide variety of rates that they were charging different customers.

Revenue per available room (REVPAR) is increasingly used as the definitive measure of a hotel's performance, replacing or complementing the traditional measurements of occupancy and average rate. And yet, too often, too few people in a hotel fully understand the significance of this measurement. Similarly too many people think that REVPAR and yield are the same measurement. Many hotels which claim to practise yield management are simply measuring REVPAR on a daily basis and their staff are incapable of explaining to a guest why different rates are charged on different days for the same room.

Yield management and revenue management is one and the same thing. Essentially they are an approach to increasing profit, by responding to what we know about the past, what we know about the present and what we think will happen in the future. In other words, we are trying to sell the right room at the right time, and at the right price to the right person. Many hotels focus either on occupancy or average rate and make most decisions on a very short-term basis. Yield management is a systematic approach to simultaneously optimise both average rate and occupancy, the ultimate aim being 100% yield i.e. 100% occupancy at rack rate.

Yield is based on the basic economic theory of supply and demand. In times of high demand high prices can be charged. Conversely when demand is low, prices will be lowered. Also, when supply is limited, prices rise and when there is an over-supply, prices drop.

Here we are trying to match supply and demand, by establishing a customer's willingness to pay a certain price. Often the customer with the least flexibility, in terms of date and location, will be prepared to pay the highest price. But then will expect the hotel or airline to afford him a great deal of flexibility, should he wish to change his arrangements. Conversely the customer who is prepared to be flexible with date and location will expect a lower price, but must then appreciate that once booked he no longer has any flexibility.

Yield management only really operates in hotels and airlines because of the following merits:

- Capacity is relatively fixed
- Demand is derived from distinct market segments
- Inventory is perishable i.e. an unsold room today cannot be sold twice tomorrow, to make up for lost revenue

- The product is often sold well in advance of consumption
- Demand fluctuates significantly

Yield is measured as a percentage, being the actual room revenue as a percentage of total potential room revenue. The closer it is to 100, the better the yield is, but a typical hotel will achieve around 60 per cent yield. A yield measurement enables comparisons between hotels of different standards and in different countries.

REVPAR is a monetary amount and is calculated by dividing the total room revenue by the total number of rooms (not just rooms sold). REVPAR enables a comparison between hotels in different cities and with different rate structures.

The psychological disadvantage of both these measurements is that they will be lower than the traditional measurements of occupancy and average rate. But, they are a truer reflection of the business's performance.

The marketer should want to work with yield management because of the following reasons:

- He doesn't want to accept low-rate groups at the expense of high-paying individuals
- He wants to know what rate to quote before the telephone rings
- Booking lead times vary by segment
- Demand from different market segments fluctuates
- He needs help in deciding which business to convert or accept and at which rate

Yield management consists of taking decisions based upon the actual business that one already has on the books, past business and booking patterns, future trends, and most importantly very recent trends.

Yield management is about forecasting, discounting, managing inventories, overbooking, evaluating group enquiries, redirecting demand, and logical and rational pricing. Essentially, the key to successful yield management is the ability to differentiate customers who are prepared to pay high prices, from those who are prepared to change their travel plans to secure low prices, or make a commitment well in advance to secure the low price. Customers should segment themselves. It is all about selling the same room at a different price, depending upon demand and most critically, all of the staff being able to explain to a guest why they have paid a certain price, without having to fall back on a "room-type" argument. For success of the yield management technique, there should be clear direction from senior management, proper staff training in yield management, regular update of information, weekly yield meetings, and modification of strategy.

HOTEL AND RESTAURANT PRICING

Generally, hotels follow comparatively high rack rate, high standard prices, subsequently offers considerable discounts for its customers. Some hotels follow negotiated rates, corporate rates for business houses and government rates for government guests, which are significantly lower than the rack rates, based on a guaranteed number of room nights during a specific period. There are some hotels which charge a price what the market will bear, and "skim the cream" off top of the market, in order to maintain the image of their hotels. Some hotels choose to fix a high room rate and keep low price for food and beverages.

In order to attract customers, many restaurants follow "penetration" pricing policy to gain access to new markets by offering reduced prices, specials, coupons, etc.

The following are some factors which a customer looks at while willing to pay for a restaurant product/service:

- The uniqueness of the menu
- The quality of food and service

- The reputation of the chef
- The image, ambience, etc.

Some Pricing Tactics in Hotels

Pricing policies, strategies and programs are long term in nature, whereas pricing tactics are initiated to address changing circumstances in a short period, even day to day. The following are some popular tactics of pricing:

- Ongoing discount programs (Senior Citizens, Club members, Families)
- Holiday promotions
- Special Event pricing
- Package promotions (dinner/room packages, travel packages)
- Meeting competitor's prices

Some Common Errors in Pricing

Pricing has a significant role to play in the combination of a marketing mix. This is due to the fact that price adds tangibility to the services provided by the hospitality marketer. How much ever care one takes in fixing an affordable price for the products and services, mistakes are bound to happen. These mistakes create wrong perceptions about products and services in the minds of the hospitality customer. The following are some of the common pricing errors made by hospitality enterprises:

- Basing prices on costs while neglecting marketplace forces
- Increasing prices as costs rise, without considering other marketing factors and alternatives
- Holding the line on prices as market conditions change, rather than adapting prices to new situations
- Making pricing decisions piecemeal, rather than an integrated part of the whole marketing mix
- Treating pricing as a financial rather than marketing decision
- Neglecting to relate price to guest's perceptions of value
- Using formulae approaches to setting prices
- Basing prices on management intuition and judgement
- Unrealistic assessing of acceptable consumer options regarding alternative offerings
- Over estimating consumer reactions to company offerings

FOOD & BEVERAGE—COMMON PRICING MISTAKES DURING RECESSION

1. Cannibal pricing

Cannibal pricing is when customers swap from their usual purchase of a Rs.100 Lemon Basil Fish, to your new "bring the crowds back" special Namprik Fish for Rs. 50.

Through it was meant to open up a whole new market, but how do you stop the regulars trading down for a bargain? The original item gave you a Rs. 68 gross profit and the new special gives you only a Rs. 25 gross profit. This is bad news.

The point of specials and coupon deals is to attract new people who enjoy the offer, make them realise they've found a great place and convince them to become a regular. They can also increase purchases by existing customers, who will come back more often or buy an extra item. The cannibalism happens when you compete with your own hero items or best-sellers. Better to introduce

a Rs. 5 Dessert or Half-price Wine Night, and pile on some extra promotion for the existing steak or fish platter.

There's nothing wrong with lower prices (and many menus need a serious correction). But when a discount is made to one or two items without considering the impact on the entire menu, the results can be damaging.

2. Welfare Pricing

Welfare Pricing is when you deliberately under-price an item because you feel the profit margin is "excessive".

You have priced Roasted chicken at Rs.150, for you felt charging Rs. 750 was unjustifiable, and finally settled for Rs. 550, knowing Rs.750 is what customers expect? When you found out that home-made lemonade costs only Rs.3, did you decide to cut the price, or charge the same as other fruit drinks? We've all experienced Greedy Pricing in resorts and tourist traps, but Welfare Pricing is not the antidote!

There's an old saying "if you want to help the poor, don't join them!" Under-pricing confuses customers, who wonder about quality, and robs you of margins to pay for all the other expenses. Your profits are built one recipe at a time—don't waste them!

REVENUE MANAGEMENT IN THE HOSPITALITY INDUSTRY

Why do hotels charge different customers different rates for the same type of room? The differences are the result of an increasingly common strategy to maximise revenue (and profits) in the Hotel industry—a practice referred to as Revenue or Yield Management. Revenue Management (RM) is a scientific technique that combines Operations Research, Statistics and Customer Relationship Management (CRM) and categorises customers into price bands, based on various services. Statistical analysis of past data helps in forecasting demand and establishing appropriate price bands. Applied correctly, Revenue Management helps hotels expand market size and increase revenues. Some industry practitioners also refer to RM as the art of selling the right room to the right customer, at the right time and for the right price.

Why Revenue Management?

Segmented Market

Typical categories include the business traveler and the vacation traveller. Demand patterns for each of these categories may vary significantly, hence, hotels find it difficult to satisfy all demand simultaneously.

Fixed Capacity

A hotel's capacity is relatively fixed—it is nearly impossible to add or remove rooms based on fluctuations in demand. If at all hotel capacity were flexible, there would be no need to manage capacity.

Perishable Inventory

A hotel room that remains unoccupied for a night loses all its value for that night. This inventory cannot be stored and is lost forever.

Low Marginal Cost

The fixed cost of adding a room in a hotel is heavily capital intensive.

Advanced Sales

If all hotel rooms are sold at the same time, the hotel does not have the flexibility to adjust prices upwards, if demand picks up later. The tradeoff occurs when a manager is faced with the option of accepting an early reservation from a customer who wants a low price, or waiting to see if a higher paying customer will eventually show up.

Demand Fluctuations

In the peak season, a hotel can increase its revenues by raising room prices, while during lean seasons, it can increase its utilisation rate by lowering the prices.

Conclusion

Therefore, the most critical challenge facing the hotel industry is predicting potential capacity, and developing a pricing strategy that will encourage maximum capacity and revenue. Revenue Management is the most effective technique to solve this challenge, it is similar to aggregate and hierarchical production planning techniques, often employed in the manufacturing industry.

How Does it Work?

Revenue Management is based on complex optimisation methodologies developed from advanced statistical and analytical models.

Market Segment Identification

The first and foremost step in a hotel RM system is identification of the various market segments for the hotel room, followed by implementation of a differential pricing scheme.

Demand Forecasting

The next step in an RM process is forecasting demand and pricing of the different market segments.

Allocation

The next important step in a RM process is the allocation of inventory (hotel rooms) amongst different market segments. The ratio of discounted versus full priced rooms is not fixed during the reservation period. It is rather dropped appropriately as the date of stay approaches.

To explain these techniques, let us consider a simple two-class scenario. A hotel has two price categories of rooms, say Rs. 3,000 and Rs. 5,000. Since the pricing is different for the two rooms, these rooms are each targeted at a different customer set. Based on the historical preference pattern of customers in each segment, it would be possible to estimate the number of customers who would be willing to buy these rooms at the given price, with a reasonable variance. The term "variance" refers to a tolerance level. For example, an average 50 customers may be willing to pay Rs. 5,000 for some rooms, but it could also mean that the actual number of customers who turn up for the Rs. 5,000 room could be 60 (or even 40) with some probability, or 80 (or 30) with a lesser probability. In statistical terms, this sort of pattern for the different customer segments is said to imitate a normal distribution.

Using past data and applying statistical know-how, we can actually estimate an expectation of revenue by quantifying the probability of a specific demand value and the actual revenue. In the same example, let us assume that this hotel has 100 rooms, which are similar, but priced at the time of booking. If the booking is done fairly closely to the actual date of stay, the customers may need to pay Rs. 5,000, whereas, they might have paid only Rs. 3,000 had they booked in advance. Remember that, on an average, 50 persons are willing to pay Rs. 5,000 for this room. Obviously, many more than 50 (say, 120) are willing to pay Rs. 3,000 for the same room. We should estimate the number of rooms that must be protected for

those customers who are willing to pay Rs. 5,000. If we protect too many rooms, some rooms may go vacant thereby resulting in a loss of potential revenue of at least Rs. 3,000 per room. On the other hand, if we protect too few rooms for Rs. 5,000 customers, we lose the opportunity of Rs. 2,000 per room on that number of rooms.

Overbooking

Overbooking is the practice of intentionally selling more rooms than available, in order to offset the effect of cancellations and no-shows. Studies estimate that although a hotel is fully booked, about five to eight per cent of the rooms are vacant on any given date. Poor overbooking decisions can prove to be very expensive for the hotel. In the short run, it is only a loss of room revenue, but over the long-term, casualties may include decreased customer loyalty, loss of hotel reputation, etc.

PRICING FOR THE FUTURE

Currently, the hospitality industry is faced with a situation that sees some hotels employing poor and potentially risky pricing strategies. Such strategies have the potential to not just negatively impact the revenue of an individual business, but also damage an entire market.

With the advent of the internet and other online customer forums, consumers are becoming more aware of factors that influence pricing. With this increase in consumer awareness, there is a growing imperative for hospitality organisations to be aware of the effect that pricing can play on their revenue potential.

Pricing is, and always will be, one of the most profit impacting decisions that a hotel or resort can make and as such is also inherently complex and fraught with potential risks. The current hospitality industry is faced with a situation that sees some hotels employing poor and potentially risky pricing strategies. Market pricing involves being able to sell a maximum number of rooms and associated packages through the balancing of perceived benefits and at an intelligent price.

How a particular hotel decides its own pricing strategy, ultimately depends on the product it is offering, the market in which it operates and its competitors. When all these factors are taken into proper consideration, pricing becomes dynamic as a direct result.

Dynamic Pricing

Dynamic Pricing has the added benefit of acting as a safeguard against potential scrutiny and complaints levelled by consumers and regulatory bodies. Employing dynamic and fair pricing strategies will not only help limit the risk of pricing scrutiny, but the flexibility of this approach will allow for businesses like hotels to be able to better respond to fluctuations in market conditions, which will ensure a sustainable approach to pricing.

If hotels decide to employ negative pricing strategies without fully considering the wider implications, there is now a greater chance of them damaging their reputation amongst their existing and potential consumer base and even impacting the perceptions of their market.

By investing time and resources into successfully navigating the complex nature of dynamic pricing, companies are not only guaranteeing themselves a pricing advantage, but also an ongoing strategic advantage over the competition. Dynamic pricing allows for the viewing of fiscal strategies in a broader market context and is essential for companies who wish to remain ahead of the competition at any given time.

Positioning of Key Products

There are a range of different factors that need to be taken into consideration when determining how best to implement dynamic pricing strategies. The positioning of key products to key market segments is a vital aspect of dynamic pricing. Gaining an understanding of the competition, both existing and future, and what they are offering consumers is also necessary to gain a strong competitive advantage.

Dynamic pricing is not without its challenges, as one would expect with such a complex program. One of the most inherent and common challenges with the installation of dynamic pricing is a lack of clarity and consistency through companies at different times.

With consumers throughout Asia being more aware of market trends, and understanding which booking mediums to approach at which time, for the best room price, there is more pressure on the hotel's management to carefully consider their pricing strategies, and the flexibility of their pricing structure.

Trusted revenue management partners and dynamic pricing specialists can assist hotels addressing the issue of dynamic pricing and ensure that they are best equipped to anticipate and react to market fluctuations, ensuring that their hotel's pricing always remain competitive and achieve its full potential.

DYNAMIC PRICING IN INDIAN HOTELS DURING RECESSION

A guest was in for surprise when a Bangalore based five-star hotel he had checked into upgraded him to an executive suite. A room that could have cost him over Rs. 28,000 a night went for a mere Rs. 8,000. Hotels make these exceptions as a first timer has the potential to be converted into a regular. This helps, more so during bad times, as hoteliers want to fill up rooms with the hope that guests would return.

The ITC Maurya in New Delhi, has baked a mouth-watering recipe at their super premium wing, the ITC One. The luxury hotel has dropped their room rates in this wing by whopping Rs. 12,500 or 50% compared to last year's (2008) of Rs. 25,000. In order to retain foreign guests and widen the base of Indian guests, hotels are offering the best of what they can.

TIPS ARE NOW A PART OF FOOD BILLS

Wonder why your dinner bills are steeper than usual? Have a closer look at your bill and you may find a "SC" on it, which typically adds another 10% to your food and beverage bill.

The "SC" stands for service charge, something that most fine dining restaurants have started imposing in recent weeks, rather quietly. So for a dinner for two costing Rs. 2,000, one has now to shell out an extra 22.5% (12.5% VAT+10% service charge) on the food and beverage amount. This service charge is not a tax, but a charge by the restaurant for the services rendered by all those involved in getting your food to the table and making sure that you're having a great time.

In other words, it's like the tip, which one has to now compulsorily pay. It doubles up as a variable pay, which is non-taxable that staffers at restaurants get over and above their contracted salaries. Restaurateurs say the reason is high attrition rate of workforce, which is close to 50%, as well as

the meager tips that are often left by people. For a bill of Rs. 5,000, some customers leave tips of just Rs. 50. This demoralises the staff.

Internationally, the norm is that 15% to 25% of the total bill is put down as tip. In India, however, there has never been a norm, though 10% is what is normally expected.

So, then, do you have to leave a tip if a service charge is already levied? And would you have to fork out a service charge on a buffet?

Fast Food Chains Cut Prices to Up Sales

Fast food chains are offering new options at lower prices to persuade people to continue eating out. So now you can have a roll form Kaati Zone at just Rs. 20, or choose from a wider variety of options from the Happy Price Menu of McDonalds, again just Rs. 20 each, or even a pizza from Domino's at Rs. 35.

All these are designed to reinforce the perception of the brands being affordable, and stem the slowdown in footfalls on account of the worries about the economy. Previously, Kaati Zone's cheapest offering was a roll at Rs. 25 and Domino's was Rs. 45. And the brands say the new ranges are already among their best selling products. At Kaati Zone there has been an increase in the number of transactions by over 20% as compared to 2008 which could be attributed to the introduction of the Rs. 20 roll.

Pizza Mania (Rs. 35) contributes to 30% of the Domino's total orders and 15% of the revenue. At Domino's five out of every 12 customers come for the pizza mania offering, which results in 5% increase in sales, since the introduction of the range.

McDonald's introduced in early 2008, the "Har Chotti Khushi Ka Celebration" campaign, wherein it re-introduced the Happy Price Menu with newer offerings like Soft Serve (ice cream), Potato Wedges and Coke Float. The range previously included Chicken McGrill and McAloo Tikki. It also introduced a New Chatpata Burger this year (2009) to make a stronger impact on the minds of the consumers about the brand's "value for money" proposition. All these brands have products that are 5–6 times, or even more highly priced than the newer offerings. So a certain degree of cannibalization could have been expected. Domino's and McDonald's cannibalisation was negligible. In other words, their low price offerings brought in newer customers.

SELF-ASSESSMENT QUESTIONS

1. What is price?
2. Define "Price".
3. What is Pricing?
4. What is "Mark-up Pricing"?
5. What is Cost-plus Pricing?
6. What is Marginal Cost Pricing?
7. What is Rate of Return Pricing?

8. What is Bundle Pricing?
9. What is Complementary Pricing?
10. What is Going-Rate Pricing?
11. What is Loss-Leader Pricing?
12. What is Market Pricing?
13. What is Market Segmentation Pricing?
14. What is Penetration Pricing?
15. What is Price Leadership Pricing?
16. What is Skimming Pricing?
17. What is Stay-out Pricing?
18. What is Optional Product Pricing?
19. What is Captive Pricing?
20. What is Tailored Pricing?
21. What is Product line Pricing?
22. What is Psychological Pricing?
23. What is Premium Pricing?
24. What is Geographical Pricing?
25. What is Value Pricing?
26. What do you mean by "Price Mix"?
27. Explain the objectives of Pricing.
28. Explain the objectives of Pricing in relation to a hospitality product/service.
29. Discuss the various factors influencing pricing decisions.
30. Describe the different methods and strategies of pricing in hospitality services?
31. Critically evaluate the pricing strategies adopted by hospitality organisations during recission.
32. Discuss briefly the concept of Yield Management as a pricing strategy in the hospitlaity business.
33. Discuss the concept of Revenue Management in the hospitality pricing.
34. Discuss the future trends in pricing in hospitality marketing.

ANALYTICAL QUESTIONS

1. One way of increasing revenue is up-selling. Illustrate with suitable examples from the hospitality industry, when up-selling can result in a more satisfied guest.
2. Does Yield Management create and maintain customers, or is it a short-term approach to increase revenue?

TRY THIS OUT?

1. Talk to around ten customers and find out how they use price information to judge service quality, before the service is purchased. In context of services like restaurant, and laundry, how do these customers judge the quality of the services offered? What role does price play in these evaluations?

6

PROMOTION MIX

LEARNING OBJECTIVES

This chapter would help the students to understand and analyse:

- Meaning of Promotion Mix
- Objectives of promotion
- Goals of Promotion
- Promotion process
- Marketing communication and its types
- Guidelines for managing marketing communication
- Various elements of promotion mix—advertising, sales promotion, personnel selling, public relations, publicity, merchandising

MEANING AND DEFINITION OF PROMOTION

Promotion is a tool of communication used to inform the target market customers about goods and services, to help facilitate the exchange process. It is concerned with informing, educating, persuading and reminding customers. It is a supporting activity that includes things such as displays, trade shows, advertising materials, contests, trade promotions, coupons, samples, and premiums. Promotion is the most visible element of the marketing mix. However, promotion will not be effective if treated in isolation from the other six Ps.

Promotion includes all the tools available to the marketer for "marketing communication". According to Neil H. Borden, marketing mix has its own "promotions mix" for marketing communications. Think of it like a cake mix, the basic ingredients are always the same. However, if you vary the amount of even one of the ingredients, the final outcome is different. It is the same with promotions. The marketer must "integrate" different aspects of the promotion mix to deliver a unique campaign. The elements of the promotion mix (Figure 6.1) are:

- Personal Selling
- Sales Promotion
- Public Relations
- Direct Mail

- Trade Fairs and Exhibitions
- Advertising
- Sponsorship
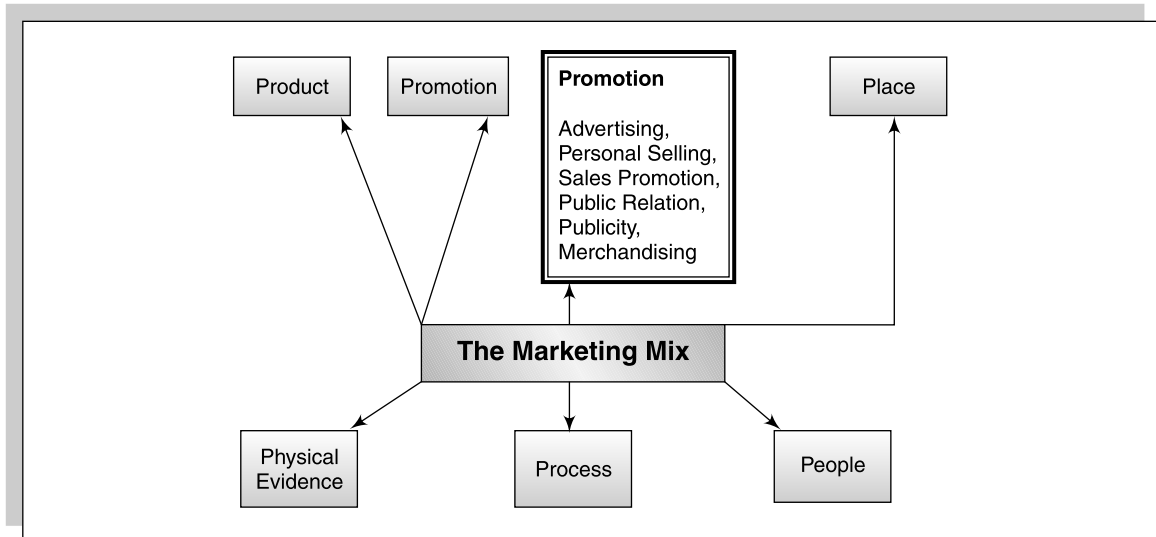
FIGURE 6.1   Promotion Mix and Means of Promotion

While designing the promotion strategy, the following points should be kept in mind.

- The customer relies more on subjective impressions rather than concrete evidence due to the intangible nature of services.
- The customer is likely to judge the quality of service on the basis of the performer rather than the actual service.
- The customer finds it difficult to evaluate its quality and value, as it is difficult to sample the service before paying for it.

OBJECTIVES OF PROMOTION

One of the most significant objectives of promotional activity is to convince customers to make a decision, that benefits the marketer as well as the customer. Marketers must understand that getting customers to commit to a purchase decision is only achievable, when a customer is ready to make the decision.

The objective of a particular marketing communication effort depends on the type of customer the marketer is attempting to attract and the purchase stage. And since a marketer often has multiple simultaneous promotional campaigns, the objective of each could be different. Objectives of marketing promotions given here.

Build Awareness

Initial promotional efforts must focus on establishing an identity as new products and new companies

are often unknown to a market. In this situation the marketer must focus promotion to effectively reach customers, and tell the market who they are and what they have to offer.

Create Interest

The second challenge a marketer faces is to move a customer from awareness of a product to make a purchase. Customers must first recognise they have a need before they actively start to consider a purchase. The focus on creating messages that convince customers, that a need exists is one fundamental of marketing. The promotional activities are targeted at basic human characteristics such as emotions, fears, sex, and humour.

Provide Information

In the purchase process, customers look for various kinds of information regarding the product or service. One of the objectives of promotion is to assist customers by providing necessary information. In the case of a new product or service promotion where there are few competitors, the information is simply intended to explain what the product is and may not mention anything about the competition. Whereas the product or service competes in an existing market, informational promotion is used to help the customer to understand the position of the product or service in the market.

Stimulate Demand

The right kind of promotion is essential to drive a customer to make a purchase. Another objective of promotion is to stimulate the customer to try out those products that he has not previously purchased or has not purchased for a long time. For example, software companies allow free demonstrations or even free downloadable trials of their products through the internet. For products with an established customer-base, promotion can encourage customers to increase their purchase by providing a reason to purchase products sooner or purchase in greater quantities than they normally do. For example, a pre-holiday newspaper advertisement may remind customers to stock up for the holiday by purchasing more than they typically purchase during non-holiday periods.

Reinforce the Brand

Once a purchase is made, a marketer can use promotion to help build a strong relationship that can lead to the purchaser becoming a loyal customer. For instance, many retail stores now ask for the customer's email address so that follow-up emails containing additional product information, or even an incentive to purchase other products from the retailer, can be sent in order to strengthen the customer-marketer relationship.

GOALS OF PROMOTION

The fundamental goal of promotion is to maintain proper communication with the target market. The objective of marketing is to provide customer satisfaction and achieve profit for the business. Having understood the needs and wants of the customer, the marketer needs to promote the products and services for the customer's satisfaction. The following are the goals of Promotion:

- To **inform** the customers about the availability of the product, services, features, price, warranties, etc.
- To **persuade** the customers to make the purchase by inducing them through various offers, discounts, rebates, etc.

- To **remind** the customers about the product or service options and opportunities available in the market.
  RIP acronym= **R**emind **I**nform **P**ersuade

Steps in Promotional Campaign/Promotion Process

Define the Need

The first step in the promotion of any product or service is to identify the need for promotion, taking into account the objectives of promotion. The need for promotion should be clearly defined. This may be to create new business, to create awareness, to create trial purchase or to create positive demand in slow periods, (to take away business, to meet the competition, or to sell specialties.) However the promotional activities should be executed with a single objective in mind at a time.

Define the Target Market

Before launching the promotional campaign the marketer should be aware whether the customers are first-time users, heavy users or non-users? What are the benefits they are looking at? What are their demographic and psychographic characteristics? This is the most important aspect of promotion. The marketer should have a clear idea about what he is going to promote. It could be a new or a free drink, new décor or atmosphere in the lounge, rooms on weekends or free breakfast in bed with champagne.

Analyse the Competition

While launching a promotional activity it is important to analyse the strategies adopted by the competitors in their promotion.

Choose the Tool of Promotion

There may be different ways to promote a product or service to the target market. The best way to promote a product or service could be through an offer or an additional service, a package price, a future incentive, etc.

Allocate the Resources

The next step is to allocate the resources such as human resources, financial resources etc. in the execution of promotional activity.

Communicate Your Promotions

Communication is the key to success of any promotion and marketing. Every step should be taken to communicate various aspects such as price, quality, procedure, place, date, time, and all other necessary details.

Communicate it to Your Employees

It is easy to plan and make a good product promotion. The intentions of the top management in relation to product promotion should be made known to all the employees as well.

Know the B.E.P for Sales and Profit

The knowledge about the Break Even Point of sales and profit to be achieved should be identified so that all efforts of promotion will be successful.

Time the Promotional Tool

The next step is to decide when the promotional activities are to be undertaken. Timing plays an important role in the success of promotion. For example, Prime Time advertisements in TV.

Execute the Promotion

The actual execution of promotional activities is the next step.

Evaluate the Promotion

The last step is to evaluate the outcome of promotional activities in relation to the sales and profit made after promotion. Every promotional campaign needs to be evaluated in the end to see the effectiveness of the promotion. Here the marketer may ask questions like did the promotion meet its objectives? What are the benefits, gains, and losses? Will it work again? If it didn't work, why didn't it? Will there be a lasting effect, or was it a one-shot deal?

While executing the promotional campaign the marketer must make sure that he can fulfill the demand. Don't over-promise or under-promise. Promise what you can provide. Every marketer should make sure that reality meets expectations. It is easy to promote a product or service, but providing it at the right place and at the right time is more important. Don't keep the guests waiting for delivery of the services.

MARKETING COMMUNICATION

The elements of the promotion mix are integrated to form a coherent campaign, as with all forms of communication. The message from the marketer follows the "communications process" as illustrated in the below Figure 6.2. For example, a radio advertisement is made for a specialty restaurant. The specialty restaurant (Sender) pays for a specific advertisement which contains a message to a target audience (Encoding). It is transmitted during a set of commercials from a radio station (Message/Media).The message is decoded by a radio (Decoding) and the target consumer interprets the message (Receiver). He or she might visit a specialty restaurant or seek further information from a specialty restaurant web site (Response). The consumer might buy a specialty food or express an interest or dislike (Feedback). This information will inform future elements of an integrated promotional campaign. Perhaps a direct mail campaign would push the consumer to the point of purchase. Noise represents thousands of marketing communications that a consumer is exposed to everyday, all of them competing for his attention simultaneously.
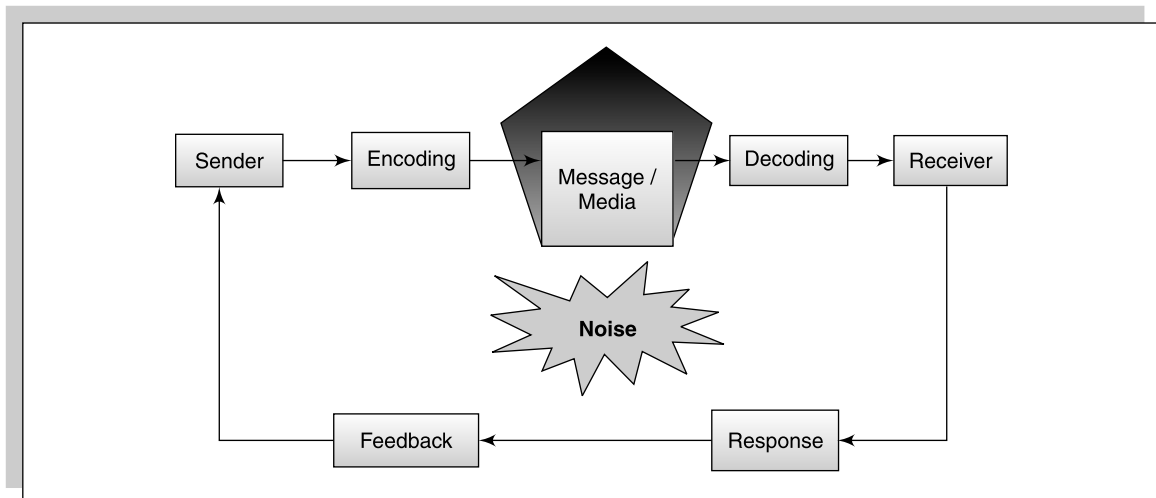
FIGURE 6.2   Marketing Communication Process

Types of Marketing Communication

Personal Communication

Normally used to personally communicate about the market mix to the target clients, on a one on one basis.

Mass Communication

Used to communicate where the customers are widely scattered. Here we use advertising brochures, etc. which are normally mass distributed.

Direct Communication

This method is used where specific information about the product or service should reach a specific target group. This is personalised impersonal communication which is directed to specific customers, for example sales letters addressed to the receivers personally.

Absence of Communication

In some cases where a specific point is mentioned regarding the purchase or sale and in the absence of further communication from the sellers or buyer's end can, confirm that the terms of purchase or sale is accepted. If a marketer is not communicating for a long time in the market, it is a sign of absence of communication and is considered as a negative form of communication.

Interactive Communication

It is communication between the buyer and the seller during service production and delivery. This is a personal method of communication.

Guidelines for Managing Marketing Communication

As propounded by George and Berry, following are some of the guidelines for managing the marketing communication:

Direct Communication Efforts to Employees

Any promotional campaign undertaken by the marketer, should possibly be communicated to the employees, so that they are able to deliver services to their customers as promised in the advertisement. This signifies the role and significance of employees in the whole business process.

Capitalise on Word-of-Mouth

Unlike the product, marketing of services relies on word-of-mouth as a tool for promotion to the customer. Hence the marketer of services should make all efforts to effectively capitalise on word-of-mouth and references as a means of communication.

Provide Tangible Clues

This is another factor which the marketer should keep in mind while designing a promotional plan for his services. Taking the intangibility nature of the services into account, he should make his promotional tools giving adequate tangible clues to the customers.

Make the Service Understood

All efforts should be made to make the services understood by the customer, in the promotional medium used by the service provider. This means, that the service provider should use such statements that convince the customer about the benefits of the services offered by him.

Communication Continuity

In order to achieve the goals of promotion such as inform, persuade and remind a customer about the product and services the marketer needs to maintain continuity in his communication process with the customer. This is done to overcome the deficiency of intangible nature of services.

Promise What is Possible

Don't over-promise and don't under-promise. Promise what is possible to provide to the customer. The customer builds expectations based on the promises made in the promotional tools. Hence the marketer should be very careful in making promises to the customers.

Observe Long-term Effects of Communication

A marketer should never try to look at the short-term relations of communication, rather he/she should focus on retaining existing customers by providing what is promised and thereby maintaining a long-standing relationship. A marketer should not only focus on short term gains but also make sure that there is enough future customer traffic.

Be Aware of the Effects of Absence of Communication

It is to be noted that "something is better than nothing principle" applies in marketing communication also. Sometimes the marketer keeps off the market without communicating for a long time due to some reasons, it is better to keep the customer informed about the negatives rather than shying away from communicating it with the customers.

SETTING THE PROMOTION MIX

All communication between the hotel and target market that increases the tangibility of the product/service should persuade consumers to purchase. Figure 6.3 shows the various elements of a communication mix.
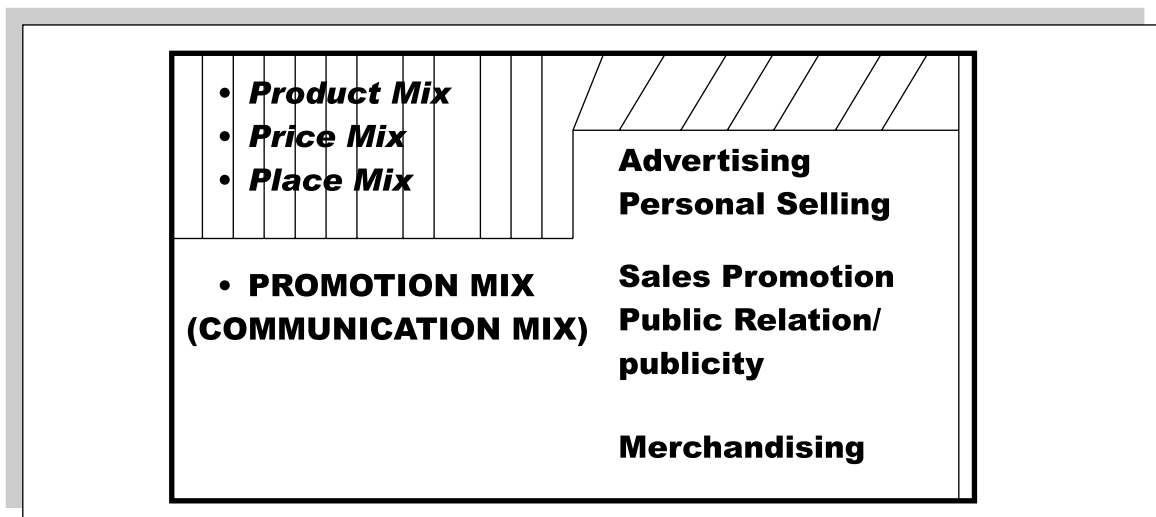
FIGURE 6.3   Elements of Communication (Promotion) Mix

Advertising

Advertising is any paid, impersonal method of promoting goods or services by an identified organisation or individual. There are many services like passenger and freight transport (railways, roadways, airline), entertainment (cinema, theatre), hotel, tourism and travel, insurance, and banks etc. advertise a lot in newspapers, magazines, radio, and television to promote their business.

> **DEFINITION**
>
> Any paid form of non-personal presentation of ideas, goods, or services by an identified sponsor. —Kotler
>
> Advertising →
> ➢ Impersonal
> ➢ Reach many buyers
> ➢ Repeat message many times
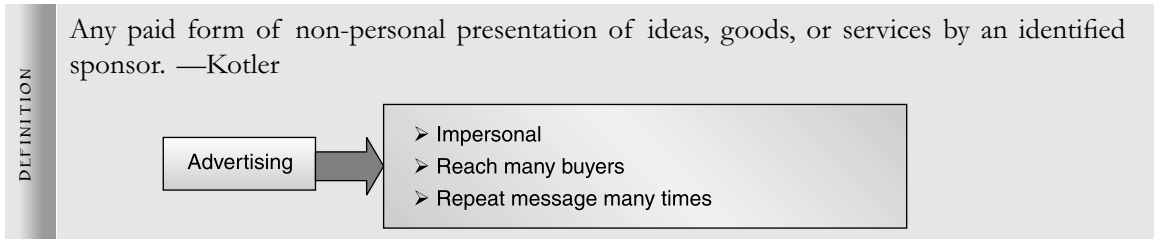
There are different mediums of advertisements like print, radio, television, billboard, direct mail, brochures and catalogs, signs, in-store displays, posters, motion pictures, web pages, banner ads, and emails, etc. An advertisement suggests that the advertised product is standard and legitimate. It is used to build a long-term image for a product and stimulate quick sales. It is an impersonal one-way communication.

Objectives of Advertising

The following are the Objectives of Advertising:

- To **promote** the product or services to the target market. For example, Airtel mobile promotes lifetime use of its connectivity.
- To **remind** the target market about the availability of the product or service. This is also called reinforcement advertisement. For example, Maruti Udyog Ltd. reminds its existing customers to avail the benefits of extended warranty from time to time.
- To **support** the customers by giving information about the products or services in their purchase decisions. For example, infant/baby foods like Lactogen give dietary details about the contents to encourage customers to buy.
- To **compete** with the other marketers. If the marketer does not take initiative in advertising the competitive benefits of the products or services to the customers, there are chances that the competitor firms may take away the business opportunities. For example the Hindustan Liver Ltd advertises the superiority of its detergent brand "RIN" in comparison with the competing brands like "HENKO"
- To **persuade** the customers. Unless a need, want, desire of a customer for a product or service is converted into demand there will be no effectiveness in the advertisement. For example, Pepsi Company persuade the customers with their superior and health conscious brand "Diet Pepsi" through advetisements.

Types of Advertising

There are two types of advertising.

- **Above the line advertising** This is the type of message of advertisements that are placed in TV, radio, newspaper and cinema.
- **Below the line advertising** This type of advertisement is done through direct mail, sponsorship and sales promotion.

The Five Ms of Advertising

Organisations handle their advertising in different ways. In small companies, advertising is handled by someone in the sales or marketing department, who works with an ad agency. A large company will often set up its own advertising department or else hire an ad agency to do the job of preparing advertising programmes.

In developing a program, marketing managers must always start by identifying the target market and the buyer's motives. Then they can make the five major decisions in developing an advertising program, known as the five Ms, (Kotler) viz.

- **Mission:** what are the advertising objectives?
- **Money:** how much can be spent?
- **Message:** what message can be sent?
- **Media:** what media should be used?
- **Measurement:** how should the results be evaluated?

The above mentioned five Ms can be explained by the Table 6.1.

TABLE 6.1   The Five Ms of Advertising

Checklist for planning a marketing or advertising campaign.

- **Mission**
  Sales Goal
  Advertising Objectives

- **Money**
  Stage in PLC
  Market Share and Customer Base
  Competition Advertising
  Frequency
  Product Substitutability

- **Message**
  Message Generation
  Message Evaluation and Selection
  Message Execution

- **Media**
  Reach, Frequency and Impact
  Major Media Types
  Specific Media Vehicles
  Media Timing
  Geographical Media Allocation

- **Measurement**
  Communication Impact
  Sales Impact

- What are the objectives?
- What is the key objective?

- How much is it worth to reach my objectives?
- How much can be spent?

- What message should be sent?
- Is the message clear and easily understood?

- What media vehicles are available?
- What media vehicles should be used?

- How should the results be measured?
- How should the results be evaluated and followed up?

Advantages of Advertising

Every effort made to advertise a product or service brings in some benefits to the firm. The following are some of the advantages of the advertising:

Low Cost Per Contact   Since the advertisement is done on a mass scale, the cost of reaching the individual customer will be cheaper than other means of marketing communication.

Ability to Reach Potential Visitors Where Sales Staff Cannot   In some case it is difficult to reach potential customers individually by the sales staff. In such situations advertisements are an advantage for the marketer.

Great Scope for Creative Versatility and Dramatisation of Messages   As advertisements are mass appealing, there is lot of advantage in providing messages of advertisements in a more versatile, creative and dramatised manner to enthuse the potential customers.

Ability to Create Images that Sales Staff Cannot   Sometimes the sales staff falls short in creating images in the minds of the customer, the advertisements provide additional information to complement the sales personnel.

Non-Threatening Nature of Non-Personal Presentation   Since the advertisements are impersonal in nature, they are not intimidating like the personal selling or sales promotion forms of marketing communication.

Prestige and Impression of Mass-Media Advertising   Advertisements in the mass media like news paper, T.V and other mass communication channels provide greater element of prestige and impression to the organisations image in front of the target market.

Disadvantages of Advertising

Though there are many benefits of advertising, it also has many limitations. The following are some of the disadvantages of advertising:

Inability to Close Sales   In the case of personal selling, the sales staff is able to guide and persuade the customer to buy the product or service, whereas in the case of advertisement it is difficult to close the sales as it is impersonal in nature.

Advertising Clutter   In many cases advertisements ends up creating confusion in the minds of the customers, due to over-crowding of information about the products and services.

Ability for Visitor to Ignore Advertising Messages   The attention value of an advertisement is less when compared to other forms of marketing communication. Many times customers do not pay adequate attention to advertisement messages, unless they are of significance to them.

Difficulties in Getting Immediate Response and Action   Unlike the technique of personal selling in promotion, in case of advertising, it is difficult to yield immediate response and action from the side of the customer, as is no face to face interaction happening between the marketer and buyer.

Difficulties in Getting Guick Feedback and in Adjusting Messages   In case of personal selling, it is easier and quicker to get a feedback about the success or failure of the promotion, whereas in case of advertisements, it not easy to get a feedback about the same.

Difficulties in Measuring Effectiveness   The assessment of effectiveness of an advertisement is difficult. Sometimes the result of an advertisement may be deferred for a long time.

Relatively High Waste Factor   The element of waste is higher in the case of advertisement as compared to other forms of marketing communication. That is why sometimes we feel that advertisement is a wasteful exercise.

Personal Selling

Personal selling is a promotional method in which one party (e.g. salesperson) uses skills and techniques for building personal relationships with another party (e.g. those involved in a purchase decision), that results in both parties obtaining value.

Personal selling refers to oral communication with potential buyers of a product, with the intention of making a sale. Personal selling may initially focus on developing a relationship with the potential buyer, but will always ultimately end with an attempt to "close the sale".

> DEFINITION
>
> "Oral conversations, either by telephone or face-to-face, between sales persons and prospective customers".
>
> Personal Selling → ➢ Personal interaction
> ➢ Relationship building
> ➢ Most expensive promotional tool
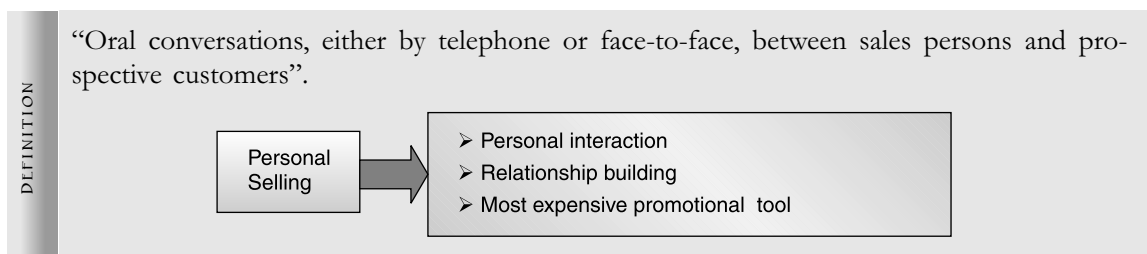
"Oral presentation is a conversation with one or more prospective purchaser for the purpose of making sales".

Examples: Sales presentations, sales meetings, sales training and incentive programs for intermediary salespeople, samples, and telemarketing. It can be face-to-face or via the telephone

Personal selling involves selling a product or service on a one to one basis. This can either be done face-to-face or over the phone. In personal selling there are two kinds of strategies i.e. push and pull strategies. If the organisation is using a pull strategy to sell the product, sales force will be required to make sure that retail outlets are looked after well, that they have enough stock, are trained well so that they can push the product onto the consumer. With a push strategy, the sales force will need to try and persuade retail outlets to carry stock of the product.

Personal selling technique is applied where services cannot be separated from the performer. In order to make personal selling more cost effective to create derived demand, tie ups are done with associated products and services. For example, a chain of hotels team up with an airline to offer a concessional package tour, as has been successfully done for promoting Nepal, and was done by Vayudoot and Indian Airlines and J&K Tourism Department in the 1990s.

Importance of Personal Selling

Personal selling has a very significant role in the marketing of a product or service. Personal selling is that tool of promotion which builds a **personal relationship** between the marketer and the customer. Through personal selling, a marketer is able to keep the customer's interests to his heart and thereby helps to build a **long-term relationship**. As compared to any other form of promotional tools, personal selling allows the marketer to have **personal interaction** with the customers.

Nature of Personal Selling

- The technique of personal selling provides greater freedom to the marketer to adjust a message, in order to satisfy a customer's informational needs. Hence we can say, that personal selling technique is a very **dynamic** form of marketing communication.

- The personal selling is more face-to-face in its nature and enables the marketers to focus on most promising leads as compared to advertising, publicity and sales promotion. It is also more **precise** in nature.
- Personal selling as a tool of promotion gives **more information** to the customers as compared to other forms of promotion tools.
- This is the only tool of promotion where there is a **two way flow of information** between the marketer and the customer. Personal selling is more interactive in nature.
- Personal selling helps the marketer to **discover the strengths and weaknesses** of new products and pass this information to the marketing department.
- Companies spend more on personal selling than on any other form of promotional mix. Therefore, personal selling is **more costly** than other forms.

Personal Selling Process

Personal Selling involves a selling process that is summarised in the following five-stage personal selling process:

1. Prospecting and Qualifying
2. Making the First Contact
3. The Sales Call
4. Objection Handling
5. Closing the Sale

1. Prospecting and Qualifying **Prospecting** is finding prospects, or potential new customers. Prospectus should be "qualified", which means that they need to be assessed to see if there is business potential, otherwise it is a waste of time. In order to qualify the prospects, a marketer needs to plan a sales approach focused upon the needs of the customer, and determine which products or services best meet their needs. In order to save time, the prospects are ranked and those that are least likely to be bought by the customer are left out. From the enquiries received, a list of the prospective clients should be prepared. The marketer should try to identify the centers of influence, from the list of prospective clients. He should then try to send direct mails to some of these prospective clients and make cold calls.

Once the prospecting is complete, the marketer should make efforts to **qualify** the customers based on the need for the product, affordability and willingness to pay the price for the product, authority to sign contract and the accessibility.

2. Making the First Contact The salesperson makes the preparation that he has to go through before he meets the client by means of e-mail, telephone or letter, which helps him to make the call more focused. It is very important that the sales person keeps track of time. Before meeting with the client, he should set some objectives for the sales call. What is the purpose of the call? What outcome is desirable before you leave? He should do some homework before meeting the prospect. This will show that the sales person is committed in the eyes of the customer. In order to save time, he must send some information before the visit. This will help the prospect to get prior information about the sales call. Within the first few minutes or two, he should state the purpose of the call so that time with the client is maximised, and also to demonstrate to the client that sales person is not wasting his or her time. The sales person should have an adequate sense of humour but he should also try to be sincere and friendly.

3. Making the Sales Call It is best to be enthusiastic about the product or service. Focus on the real benefits of the product or service to the specific needs of the client, rather than listing endless features. Try to be relaxed during the call, and put the client at ease. Let the client do at least 80% of the talking. This will give invaluable information about the client's needs. The sales person should to ask plenty

of questions. Before making the sales call, he should develop an outline of the presentation. The sales person should make a formal introduction of himself and the company he is representing. The questions which he is asking the prospective customer must be of probing nature. The sales person should try to identify the prospect's behavioural style. He should be an active listener. The sales person should have a mindset to entertain objections raised by the prospective customer.

4. Objection Handling Objection handling is the way in which sales people tackle obstacles put in their way by clients. The following are some approaches to handle objections:

1. Try to anticipate them before they arise
2. "Yes but" technique allows the sales person to accept the objection and then to divert it.
3. Ask "why" the client feels the way that they do.
4. "Restate" the objection, and put it back into the client's lap.
5. The salesperson could also tactfully and respectfully contradict the client.

Types of Objections

- **Price or Rate** Prospective customers normally have various objections regarding the price of the product or service. Most of the customers will be feeling that the product is priced abnormally high.
- **Products and Services Offered** Many prospective customers will not be happy with the products or services offered and raise questions regarding the quality, features, after-sale service, warranties, etc.
- **Company Image** Sometimes the company reputation, name or image is an issue. Customers raise various objections about the goodwill of the company which the sales person has to face.
- **Too Much Pressure** Some customers will be under pressure due to daily chores of professional or personal life. In such case, the sales people have to face a number of objections raised by the customer which are stressful.
- **Sales Manager's Personality** The sales person's personality could be another target of objection.

Overcoming Objections

- **Agree and Counter** A sales person should try to overcome the objections of a customer first by actively listening to him. Initially he should try to agree with whatever the customer has to say, but later on he should try to convince the customer with adequate justifications about the product or service.
- **Turn the Objection into a Reason for Buying** The sales person should be skillful enough to turn an objection in to an opportunity for selling.
- **Seek More Information** When a customer comes up with an objection, the sales person should try and seek additional information from him, as to what are the additional features or modifications he is looking for, in the product or service.
- **Postpone the Objection** It would be better to redirect the customer to a different aspect of the product or service, so that a particular objection may be postponed.

5. Closing the Sale Most often, sales people leave without even successfully closing a deal. This however, is an important part in personal selling. Hence, it is very significant to learn the skills of closing a sale.

1. Just ask—"Please may I take an order?". This really works well.
2. Look for buying signals involves asking for availability, asking for details such as discounts, or asking for something to clarify again.

3. Just stop talking, let the client say "yes".
4. The "summary close" allows the salesperson to summarise everything that the client needs, based upon the discussions during the call.
5. The "alternative close" does not give the client the opportunity to say no, but forces them towards a "yes".
   - Continued Affirmation: In this case, the sales person tries to close the sale by confirming that the customer is going to buy the product.
   - Prestige or Status Close: Here the sales person tries to ignite the feeling of prestige or status of having the product as an emotional issue and tries to close the sale.
   - Assumptive Close: In this case the sales person assumes that the customer had opted to buy the product and begins to prepare the order form.
   - Closing on a Minor Point: The sales person closes the call by making minor adjustments in the price.

Negotiating Tips

Negotiation is one of the most essential skills of marketing. While negotiating with the customers, a sales person should take into account the following points:

- When you give something up, get something in return
- Look for items other than price to negotiate
- Do not attack the prospect's demand; look for the motive behind it
- Do not defend position; ask for feedback from the prospect

Advantages of Personal Selling

- **Ability to close sales** Since there is direct interaction between the sales staff and the customer, there is a better chance of closing the sales.
- **Ability to hold the prospect's attention** Sales personnel who are normally articulate in nature, will find it easy hold the potential customer's attention through articulating about the product or service.
- **Immediate feedback and two-way communication** Since personal selling is a two-way system of communication between the sales staff and the customer, there are possibilities of getting immediate feedback about the product or service.
- **Presentations can be tailored to the prospect's needs** Looking at the situation where he is involved, the sales personal can tailor the presentation or demonstration of the product or service, taking account the potential customer's needs and preferences.
- **Ability to precisely target the prospect** Having acquired the experience in handling difficult customers, the sales personal will be in a better position to target prospective customers in a more precise format.
- **Ability to get immediate action** As there is direct involvement of the sales staff, personal selling helps the marketer to get immediate action.

Disadvantages of Personal Selling

- **High cost per contact** Since personal selling is focused on specific target market, the cost per contact will be much higher as compared to that of an advertisement.
- **Inability to reach some customers as effectively** Some customers are difficult to reach as effectively due to time or place constraints in getting an appointment fixed by the sales staff.

Communication Model—AIDA

- Attention
- Interest
- Desire
- Action

AIDA is a communication model which can be used by firms to aid them in selling their products or services. AIDA is an acronym for Attention, Interest, Desire, and Action. When a product is launched, the first goal is to **grab attention**. A marketing firm can use skills of people in the organisation or use well-known personalities to sell their products. Once the attention of the customer is grabbed, the firm should think of how to **hold the interest of the customer.** This can be achieved through promoting features and clearly stating the benefits, the product has to offer. The third stage is to create **desire** in the mind of the customer for the product. For this the marketer should use the techniques of demonstrating the products to the prospective customer or arrange for trial of the product. For example, distributing samples or providing test drives in the case of car sales etc. The final stage is the **purchase action**. If the company has been successful with its strategy, then the target customer should purchase the product.

Table 6.2 shows the comparison between advertising and personal selling.

TABLE 6.2 Comparison between Advertising and Personal Selling	
Advertising	*Personal Selling*
What Market is:	**When market is:**
• Geographically dispersed	• Geographically concentrated
• Many Customers	• Few Customers
• Many Industries	• Few Industries
• Mass communication needed	
When Product is:	**When product is:**
• Standardised	• Custom made
• Of Personal nature	• Of high-unit value
• Of low-unit value	• Technical
• Non-technical nature	• Trade-in type

Questions to be answered through advertising before personal selling begins:

- I don't know who you are?
- I don't know your company?
- I don't know your company's product?
- I don't know what your company stands for?
- I don't know your company's customers?
- I don't know your company's record?
- I don't know your company's reputation?
- Now, what is that you wanted to sell me?

MORAL: Sales start before your salesman calls.

Sales Promotion

Sales Promotion describes promotional methods using special short-term techniques, to persuade members

of a target market to respond or undertake certain activity. As a reward, marketers offer something of value to those responding generally in the form of lower cost of ownership for a purchased product (e.g. lower purchase price, money back) or the inclusion of additional value-added material (e.g. something more for the same price).

In case of services, sales promotion techniques are of different kinds. For example, a hotel or restaurant may charge less for more frequent guests when it launches a new item in the menu or a service, or it may charge a lesser amount for the first few days or months.

DEFINITION

"Approaches other than advertising, personal selling, and public relations and publicity, where customers are given a short-term inducement to make an immediate purchase".

Sales Promotion consists of short-term incentives to encourage the purchase or sales of a product/service.

Sales Promotion →

➢ Wide assortment of tools like coupons, contests, discounts, premiums, etc.
➢ Attracts attention and provide information
➢ Creates a stronger and quicker response
➢ Rewards
➢ Efforts short-listed
➢ Dramatises product offers and boosts sagging sales
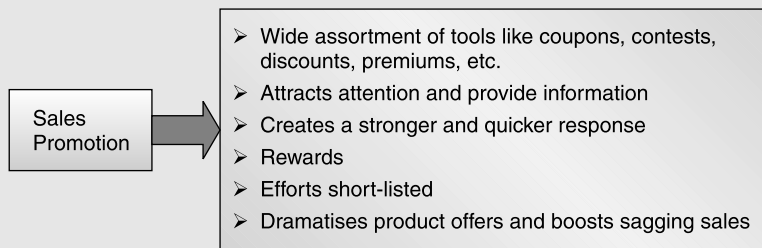
The aim of sales promotion is to increase short term sales and increase in-store or web traffic. The tactics used for this include loyalty cards, coupons, price promotions. For example, BOGOF (Buy One Get One Free), point of sales, packaging promotion or web coupons.

Sales promotions are often confused with advertising. For instance, a television advertisement mentioning a contest awarding winners with a free trip to a Goa, may give the contest the appearance of advertising. While the delivery of the marketer's message through television media is certainly labeled as advertising, what is contained in the message, namely the contest, is considered a sales promotion.

Role of Sales Promotions

To Increase Customer Awareness   Several sales promotion techniques possess the added advantage of capturing customer information at the time of exposure to promotion which helps build product awareness.

To Introduce New Products and Services   Several sales promotion techniques are highly effective in exposing customers to products for the first time and can serve as key promotional components, in the early stages of a new product introduction.

To increase sales volume and revenue—sales promotion helps to build demand by convincing customers to make a purchase which helps to increase the sales volume and revenue.

To Combat Competition   Once customers have made a purchase, sales promotion can be used to both encourage additional purchasing and also as a reward for purchase loyalty. Many companies, including airlines and retail stores, reward good or "preferred" customers with special promotions, such as email "special deals" and surprise price reductions at the cash register. This helps fight the competition.

To Encourage Current Customers to Purchase More   Several sales promotion techniques offer the opportunity for customers to try more products for free or at low cost.

To Stimulate Demand in Non-peak Periods   Several sales promotion techniques are used by many hotels and restaurants to promote their business as "happy hours". Special promotions, especially those that lower the cost of ownership to the customer (e.g., price reduction), can be employed to stimulate sales.

Major Sales Promotion Tools/Techniques

There are two kinds of Sales Promotional Techniques—such as Push techniques and Pull techniques. These are discussed below:

Push Techniques

Point-of-Sale Display   Point of purchase (POP) displays are specially designed materials intended for placement in retail stores. These displays allow products to be prominently presented, often in high traffic areas, thereby increasing the probability of the product standing out. POP displays come in many styles, though the most popular are ones allowing a product to stand alone, such as in the middle of a store aisle or sit at the end of an aisle (i.e. end-cap) where it will be exposed to heavy customer traffic.

Cooperative Advertising   In addition to offering promotional support in the form of physical displays, marketers can attract channel members' interest by offering financial assistance in the form of advertising money. These funds are often directed towards the retailers, who then include the company's products in their advertising. In certain cases the marketer will offer to pay the entire cost of advertising, but more often, the marketer offers partial support known as **co-op advertising** funds.

Advertising Materials   Among the most widely used methods of sales promotion is the promotional product; products labeled with the brand or company name that serve as reminders of the actual product. For instance, companies often hand out free calendars, coffee cups and pens that contain the product logo.

   Meetings and conventions: One final type of trade promotion is the industry trade show (a.k.a. exhibitions, conventions). Trade shows are organised events that bring both industry buyers and sellers together in one central location. Spending on trade shows is one of the highest of all sales promotion forms. Marketers are attracted to trade shows since these offer an opportunity to reach out to a large number of potential buyers in one convenient setting. At these events most sellers attempt to capture the attention of the buyers by setting up a display area to present their product offerings and meet with potential customers.

Pull Techniques

- Sampling
- Coupons
- Premiums
- Contests
- Sweepstake
- Merchandising

Sampling   This is a tool which is used to tempt members of a target market to try a product, often easy, when the trial comes at little or no cost to the customer. Sampling and free trials give customers the opportunity to experience products, (without purchasing it) often in small quantities or for a short duration. Today, these methods are used in almost all industries and are especially useful for getting customers to try a product for the first time.

Advantages
- Gets consumers to try the product
- Represents real value to the consumer
- May produce referrals, word-of-mouth

Disadvantages
- Can be expensive if done for too long
- Food needs to be fresh; may be unattractive
- May displace paying customers

Coupons   This sales promotion tool offers purchasers price savings or other incentives when the coupon is redeemed at the time of purchase. Coupons are short-term in nature since most (but not all) carry an expiration date after which the value may not be received. Coupons are used widely by marketers across many retail industries such as Big Bazzar.

Advantages
- Tangible inducement
- Limited time for discount
- Can focus on specific objectives
- Can calculate the maximum cost in advance

Disadvantages
- Possible fraud
- Redemption rates are not easily predicted

Premiums   Another form of sales promotion involving free merchandise is premium or "give-away" items. Premiums differ from samples and free product in a way that these often do not consist of the actual product, though there is often some connection. For example, a hotel may offer access to free internet or Wi-Fi connections to its guests.

Advantages
- Consumers like to get things for free or at a good price
- Positive word-of-mouth if unique

Disadvantages
- Storing and handling the premium
- Employee theft
- Must match or exceed quality image of firm
- Forecasting demand for premium is difficult

Contests   Contests are special promotions awarding value to winners based on skills they demonstrate compared to others. For instance, a baking company may offer free vacations to winners of a baking contest. Contest award winners are often determined by a panel of judges.

Advantages
- Consumers are involved in the process because of skill/talent test
- Creates interest in the product
- May induce trial; could be required to participate

Disadvantages
- May be difficult to judge; select winner(s)
- Rules may be too lengthy or complicated and turn off customers

Sweepstakes   Sweepstakes or drawings are not based on skill but on luck. Winners are determined by random selection. In some cases the chances of winning may be higher for those who make a purchase, if entry into the sweepstake occurs automatically when a purchase is made. But in most cases, anyone is free to enter without the requirement to make a purchase.

Advantages
- Entry is easy; no purchase is necessary
- Rules are simple; focus is on prizes
- May create more interest since entry is easy
- Selection of winner is easy

Disadvantages
- Entry box may be stuffed; rules may not be followed
- Chance of winning good prize is small; may discourage consumers from participating

Merchandising

Merchandising is a sales promotion technique used in-house to stimulate sales. This technique is used to offset the service perishability charicteristic (e.g. family discounts offered by hotels in off-season, in which two children below 12 years are allowed free of charge) and to overcome the problems faced by customers in evaluating and judging the quality, before making the purchase.

Advantages of Merchandising
- Merchandising can stimulate impulse purchases and higher per capita spending.
- Provides support for advertising campaigns.

Disadvantages of Merchandising
- Not very effective in building long-term loyalty for the destination.
- May contribute to visual clutter.
- May not be noticed by visitors or potential visitors.

Patronage Awards or Loyalty Programs

Promotions that offer customers a reward, such as price discounts and free products, for frequent purchasing or other activity are called loyalty programs. These promotions have been around for many years but grew rapidly in popularity, when introduced in the airline industry as part of frequent-flyer programs. Loyalty programs are also found in numerous other industries, including grocery, pizza purchasing and online book purchases, where they may also be known as "club card" programs, since members often must use a verification card as evidence of enrollment in the program.

Check-in, Get Freebies at Five-star Hotels Recession Offer...?

Hotels are known to make a living out of pampering their guests. In these troubled times, they seem to be practically offering customers the moon. Freebies like complimentary breakfast and airport transfers, which were scrapped last year (2008), have checked-in again. Some hotels are even throwing in complementary lunches or dinners. Free room upgrades, on-the-house laundry, discounted spa treatment and beauty salon vouchers are also on offer.

In these times of recession, many hotels have been forced to roll back their earlier adopted strategies. Companies are seeking benefits like complimentary breakfast, airport transfers to renew their contracts with the hotels.

Steps to a Successful Promotion

- Select the target market
- Establish specific objectives
- Select the promotional technique
- Brainstorm about potential offer
- Create the promotional theme
- Develop the promotional budget
- Select the right media to promote the offer
- Develop a timetable
- Conduct internal training of staff
- Implement the plan
- Monitor results

Advantages of Sales Promotions

- Sales promotions have some similar advantages like those of advertising and sales.
- Ability to get quick feedback.
- Ability to add excitement to what is being offered by the destination.
- Flexible timing.
- Efficiency.

Disadvantages of Sales Promotions

- Many sales promotions only provide short-term benefits.
- Ineffective in building long-term loyalty for the destination.
- Inability to be used in the long term without other promotional mix elements.
- Often misused by tourism and hospitality organizations (e.g. coupons).

Dine in Group, Get Up to 20% Off.............!!!

Dining out is now less expensive, with many restaurants coming out with schemes like **'Five people eat, only four pay',** and **'six women eat, get 20% off'.**

The job market gloom has led to a drop in large groups eating out together. Till a year ago, fine-dining restaurants would often see groups of 15 to 20 IT employees at one table running up bills of around Rs.40000. Now, one can hardly see tables with more than 5 people. Weekday dining out is a rarity.

Specialty restaurants which operate Mainland China and O! Calcutta, have weekday lunch buffets that come with 'Five people eat, only four pay' offer. The restaurants issue 10% discount vouchers with their *a la carte* dinner for bills exceeding Rs. 2,500. Bon South and South Indies offer a 20% discount for a group of six or more women for lunch and dinner.

"Bangalore has seen the highest fall in the number of people dining out (around 20%).

In recent past, fine-dining restaurant chains like the BJN Group have used promotional offers on liquor, like extending the happy-hours period where you get a free drink for every drink you pay for. With the IPL fever on, some restaurants have extended it by seven hours.

- BJN has started unlimited beer for Rs.399 during the IPL matches
- If the team you are backing wins, the last drink's on the house
- At Bon South, it's unlimited hard liquor, including four starters at Rs. 350 during the IPL
- Many five-star hotels like ITC Windsor and Lalit Ashok have similar IPL offers.

Factors in setting Promotion Mix—Push and Pull Strategies

Pull Strategy Strategy that calls for spending a lot on advertising and consumer promotion to build up **(pull)** consumer demand.

Push Strategy Strategy that calls for using sales force and trade promotions to **push** the product through the channels.

While adopting the strategies of promotion, a marketing organisation has to take into account factors such as:

- **Type of product-market**
- **Product Life-Cycle stage**

Figure 6.4 gives us a bird's eye-view about the push and pull strategies–
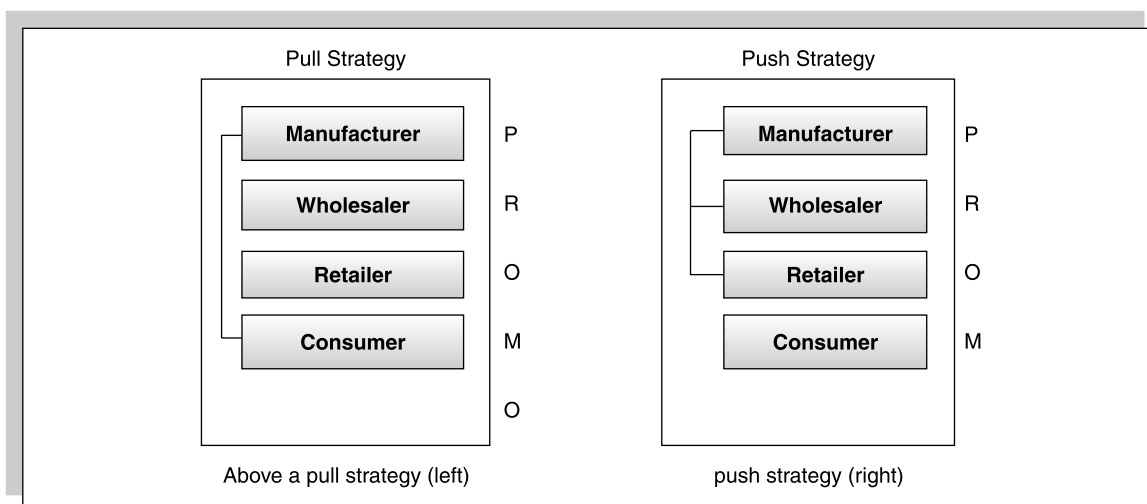
FIGURE 6.4   Factors in Setting Promotion Mix–Push and Pull Strategies

Communication by the manufacturer is not only directed towards consumers to create demand. A push strategy is where the manufacturer concentrates some of their marketing effort on promoting their product to retailers, to convince them to stock the product. A combination of promotional mix strategies are used at this stage aiming at the retailer including personal selling, and direct mail. The product is pushed onto the retailer, hence the name. A pull strategy is based around the manufacturer promoting their product amongst the target market to create demand. Consumers pull the product through the distribution channel,

forcing the wholesaler and retailer to stock it, hence the name pull strategy. Organisations tend to use both push and pull strategies to create demand from retailers and consumers.

Public Relations

Public relations involves the cultivation of favorable relations for organisations and products with its target public, through the use of a variety of communication channels and tools.

"All the activities that a hospitality and travel organisation engages in, to maintain or improve its relationship with other organisations and individuals".

Public Relations

➢ Very believable
➢ Dramatise a company or product
➢ Underutilised
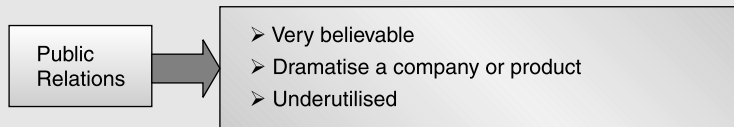
Public relations is the art and science of planning and implementing honest, two way communication and understanding between an organisation and the many different groups with which it is concerned, in the course of its operation, both internal and external, in a clear and continuous manner.

Public relation involves developing positive relationships with the organisation, media and the public. The art of good public relations is not only to obtain favorable publicity within the media, but it is also involves being able to handle successfully negative attention.

Figure 6.5 shows the relationship between an organisation and (its various public in relation to public relations)
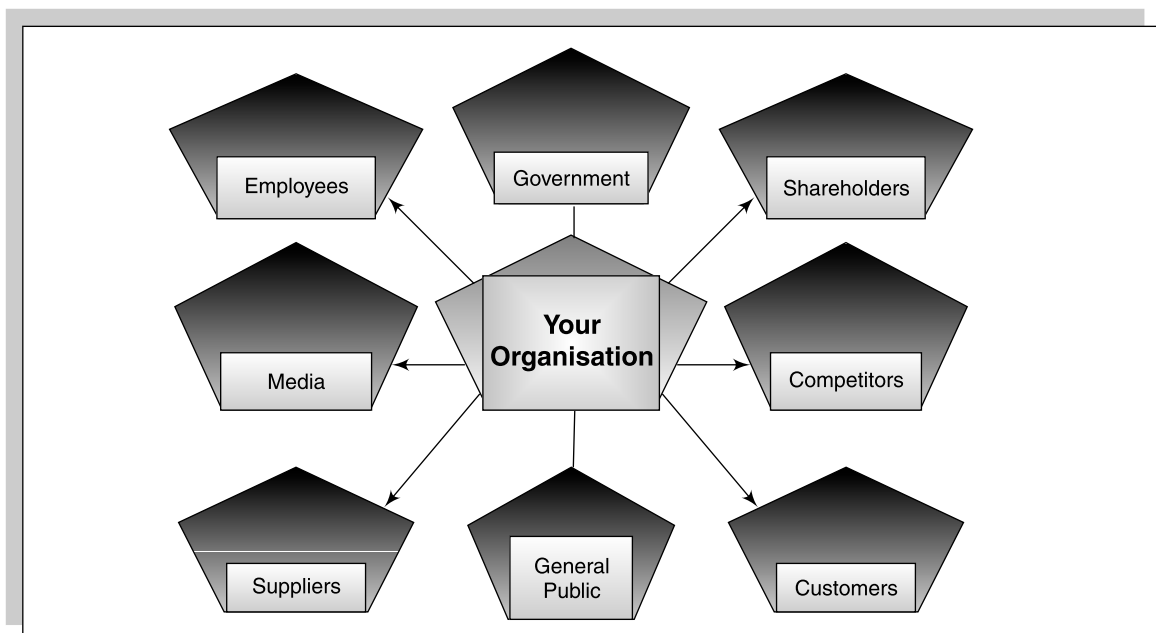
FIGURE 6.5   The Relationship between an Organisation
and its Public in Public Relations

Aim   Public Relations (PR) is a single, broad concept. Public Relations (PR) is any purposeful communication between an organisation and its publics, that aim to generate goodwill. Publics, put simply, are its stakeholders. PR is proactive and future orientated, and has the goal of building and maintaining a positive perception of an organisation in the mind of its publics. This is often referred to as goodwill.

Managing public relations is very important for the organisation. Image in marketing is everything. Having a good image helps the organisation develop a trust and a bond between themselves and their customers. This goodwill is invaluable. Public relations activities include press releases, company literature, videos, websites and annual reports.

The objective of PR is to foster mutual understanding between these groups and keep them in harmony with one another and one's own organisation. Public relations cannot be a substitute for good performance or good reputation and cannot disguise the fact that a company is not well run, well-managed or unprofitable. Public relations should be the personal responsibility of a senior executive. Everything that influences an organisation's relations with the employees or the outside world comes within the scope of the public relation's responsibility—to create opinions and change attitudes.

Public Relations in a Hotel

The establishment of good public relations in the hotel and catering industry is of immense benefit to the industry, for it is directly involved with the public. As a general principle, all the public are potential or existing customers or employees. The Institute of Public Relations states that public relation is "a deliberate, planned and sustained effort to establish and maintain mutual understanding between an organisation and its public".

Public Relation is concerned with:

- Building awareness and a favourable image for a company or client with stories and articles found in relevant media outlets.
- Closely monitoring numerous media channels for public comment about a company and its products.
- Managing crisis that threaten the company or product image
- Building goodwill among an organisation's target market through community, humanitarian, and special programs and events.

Methods of Public Relations

The methods used to attain the above points include:

- The Press
- Television
- Exhibitions and Trade Fairs
- House styles for company identification
- Facility visits to promote goodwill
- Through employees

Interviews and Photo Calls   It is important that company executives are available to generate goodwill for their organisation. Many undertake training in how to deal with the media, and how to behave in front of a camera. Interviews with the business or mass media often allow a company to put its own perspective on matters, that could be misleading if simply left to dwell untended in the public domain.

Speeches, Presentations, and Speech Writing   Top executives of an organisation write speeches to be delivered at corporate events, public awards and industry gatherings. PR company officials in liaison with company managers often write speeches and design corporate presentations. They are part

of the planned and coherent strategy to build goodwill with publics. Presentations can be designed and pre-prepared by PR companies, ultimately to be delivered by the company executives.

Corporate Literature   Corporate Lterature includes financial reports, in-house magazines, brochures, catalogues, price lists and any other piece of corporate derived literature. They communicate with a variety of publics. For example, financial reports will be of great interest to investors and the stock market, since they give all sorts of indicators of the health of a business. A company CEO will often write the foreward to an annual financial report, where he or she gets an opportunity to get the company's case to the reader.

Guidelines for Public Relations

- Identify photographs when submitted
- Do not damage or mutilate photos by folding, stapling, or writing too hard on the back
- Qualify the publications that the company send to various stakeholders
- Provide contact information
- Do not send too many releases at one time
- Be brief and provide a summary of release
- Be careful when placing logo on photos
- Synchronise with timing of the publication
- Do not threaten to pull advertising if not covered

Publicity

Publicity is unpaid for exposure, which is derived by getting coverage as a news or editorial item. The choice of the newspaper, magazine and journal should be correct and trust-worthy.

Definition: "One public relations technique that involves non-paid communication of information about an organisation's services".

Advantages of Public Relations and Publicity

- PR is often considered a highly credible form of promotion. Implied endorsements (e.g. articles by travel critics). For example, a positive story about a new product in the business section of a local newspaper may have greater impact on readers than a full-page advertisement for the product, since readers perceive the news media as presenting an impartial perspective of the product.
- A well-structured PR campaign can result in the target market being exposed to more detailed information than they receive with other forms of promotion. That is, media sources often provide more space and time for explanation of a product.
- Relatively low cost when compared to other promotional efforts
- Effective because not seen as a commercial message
- Prestige and impressiveness of mass-media coverage (e.g. feature articles)
- Added excitement and dramatisation
- Maintenance of a "public" presence

Disadvantages of Public Relations and Publicity

- First, public relations uses many of the same channels as advertising, such as newspapers, magazines, radio, TV and the Internet. It differs significantly from advertising in the sense that, marketers do not have direct control over whether a message is delivered, and where it is placed for delivery. For instance, a marketer may spend many hours talking with a magazine writer, who is preparing an industry story, only to find that their company is never mentioned in the article.

- Second, while other promotional messages are carefully crafted and distributed as written through a pre-determined placement in a media vehicle, public relations generally conveys information to a member of the news media (e.g. reporter) who then recrafts the information as part of a news story or feature. Thus, the final message may not be precisely what the marketer had planned.
- Third, while a PR campaign has the potential to yield a high return on promotional expense, it also has the potential to produce the opposite if the news media feels there is little value in running a story pitched (i.e. suggested via communication with the news outlet) by the marketer.
- Fourth, with PR there is always a chance that a well devised news event or release will get "bumped" from planned media coverage because of a more critical breaking news story, such as war, severe weather or serious crime.
- Finally, in some areas of the world, the impact of traditional news outlets is fading forcing public relations professionals to scramble to find new ways to reach their target markets.

Sponsorship   Sponsorship is about providing money to an event, in turn the product or company is acknowledged for doing so. For example, the Beijing Olympics in 2008 was partly sponsored by Panasonic. Sponsorship helps the company improve its image and public relations within the market and usually the company attempts to sponsor a person or event that mirrors the image they are trying to aim for. Nike for example, has successfully sponsored the golfer Tiger Woods for many years. Sponsorship is where an organisation pays to be associated with a particular event, cause or image. The attributes of the event are then associated with the sponsoring organisation.

Viral Marketing   Viral marketing occurs when consumers pass on or recommend your product/company/website to others. This could be via email, or bulletin boards or word of mouth. There have been many well known online viral marketing campaigns. For example, the establishment of Hotmail as a leading free email provider.

PROMOTION SUMMARY TABLE

Table 6.3 shows a summary of comparison between various promotion mixes, based on key characteristics of each promotional tool.

TABLE 6.3   Comparison of Promotion-mix Based on Characteristics

Characteristics	Advertising	Sales Promotion	Public Relations	Personal Selling
Directed Coverage	mass & targeted	mass & targeted	mass	targeted
Message Flow	one & two-way	one & two-way	one-way	two-way
Payment Model	Paid (limited) non-paid	paid	non-paid	paid
Interaction Type	non-personal	personal & non-personal	non-personal	personal
Demand Stimulation	lagging	quick	lagging	quick
Message Control	good	good	poor	very good
Message Credibility	low-medium	low-medium	high	medium-high
Cost of Promotion	CPI – Low CPTI – Varies CPA – Varies	CPI – Medium CPTI – Varies CPA – Varies	CPI – None CPTI – None CPA – None	CPI – High CPTI – High CPA – High

Promotion through the Product Lifecycle

As products move through the four stages of the product lifecycle, different promotional strategies are to be employed at each stage to ensure healthy success and life of the product.

PLC Stages and Promotion Strategies Employed

Introduction

When a product is new, the organisation's objective will be to inform the target audience of its entry. Television, radio, magazine, coupons etc may be used to push the product through the introduction stage of the lifecycle. Push and Pull Strategies will be used at this crucial stage.

Growth   As the product becomes accepted by the target market, the organisation at this stage of the lifecycle works on the strategy to further increase brand awareness in order to encourage loyalty.

Maturity   At this stage with increased competition, the organisation adopts persuasive tactics to encourage the consumers, to purchase their product over their rivals. Any differential advantage is clearly communicated to the target audience, to inform them of their product's benefit over their competitor's.

Decline   As the product reaches the decline stage, the organisation uses the strategy of reminding people about the product's sluggishness.

Life Cycle Stages

Figure 6.6 analyses the various product life cycle stages and the promotional strategies adopted during these stages by a marketing organisation:
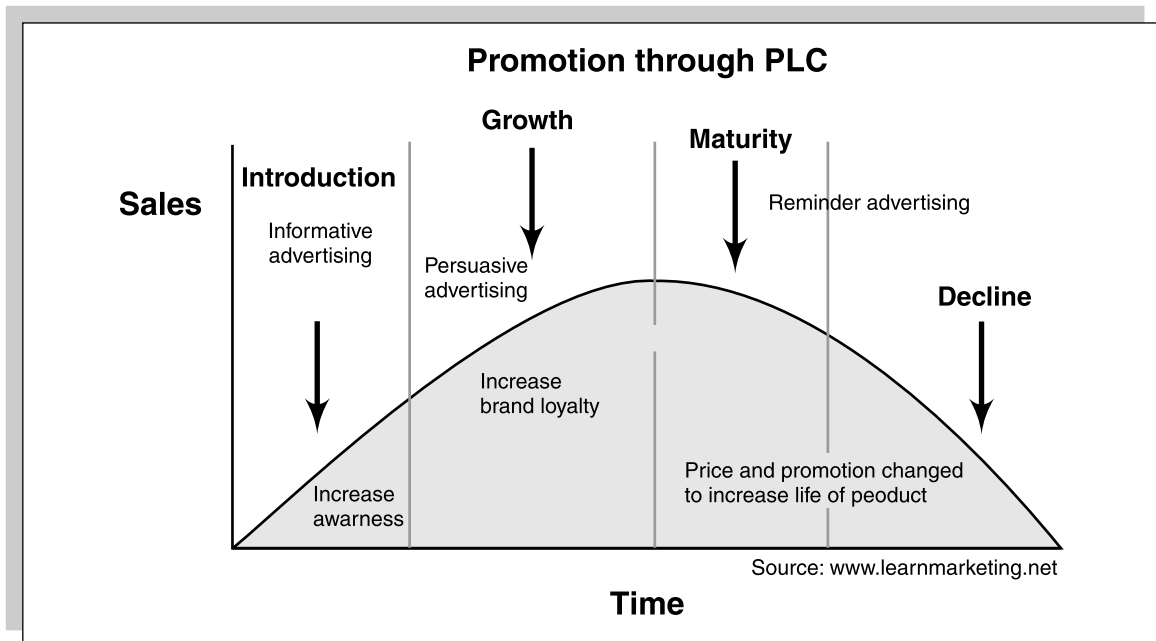
FIGURE 6.6   PLC Stages and Promotion Strategies Employed

Internet Promotion

The development of the world wide web has changed the business environment forever. Dot com fever has taken the industry and stock markets by storm. The e-commerce revolution promises to deliver a more efficient way of conducting business. Shoppers can now purchase from the comfort of their home 24 hours a day and 7 days a week. Owning a website is a now a crucial ingredient to the marketing mix strategy of an organisation. Consumers can now obtain instant information on products or services to aid them in their crucial purchase decision.

Factors that Affect the Promotional Mix

Target Markets

The promotional mix designed by a hospitality service provider basically depends on the target market it is focussing. In case of a resort promoting its business, it should frame its promotional mix targeting tourists who look for leisure and recreation.

Marketing Objectives

The promotional mix varies according to the marketing objectives. If the objective is to increase the market share of the product or service, the marketer should adopt a promotional mix which covers a wider geographical customer base.

Competition and Promotional Practices

While deciding on the promotional mix, the marketer needs to look at the practices adopted by the competitor. For example, to promote New Year Celebrations in a particular hotel if a celebrity night is kept, the competitor should adopt some similar kind of strategy to counter this move.

Promotional Budget Available

Every organisation must have a budget for promotional activities. Whatever promotional mix one follows, it should be within the limits of the budgete allocated.

Recession Lesson for Hotels

A local grocery store ad offering double coupons Sunday only appeared in a Sunday paper. It said a Rs.50 coupon, would receive Rs.100 purchases. With a paper full of inserts, Mr. XYZ decided to see just how much he could save.

Now Mr. XYZ is of a fairly affluent community. Nevertheless, with scissors in one hand, he clipped coupons for only those things he knew he would use. Armed with an envelope full of coupons he headed for the double coupon grocery store. Here's what he discovered in the process:

- When he got to the store he found the parking lot so full, finding a free spot was difficult
- Next he discovered, there were no shopping carts available and he had to wait five minutes to secure one.
- The aisles were jammed with shoppers holding coupons and searching for the products "on sale".
- Many of the products for which he had coupons were already Sold Out! Bisquick, Lipton, Onion Soup and several others.

- In the end his bill was Rs.8800, however his double coupons saved him over Rs.2000.
- He saved 25% on items he was going to buy anyway. Half the savings paid by manufacturers and half by the store.

So what does this mean to hotels today?

- Even if you cater to an affluent clientele, they will most likely be looking to save money on their next vacation.
- A good offer (not necessarily one designed to break the bank) is needed to motivate cautious consumers these days.
- Look for partners to help share the burden (the grocery store contributed 50% of his overall savings. Manufacturers paid the other half). Can water sports operators, local car rentals, etc. share the cost of value-added packages you can use to attract guests?

Now is the time for creative thinking and action. A hotel doesn't need to offer 50% off or 5 nights for the price of three to attract business these days. It not only diminish your brand name, but make it harder to increase rates amid this recession.

What do you think?

The Marketing Coup—The Kellogg Way

When Dr. John Harvey Kellogg and his brother Dr. J. H. Kellogg first came up with their idea of toasted corn flakes, it was a novel one. But at the same time, there were another 40 companies in Battle Creek, Michigan producing cold cereals. Corn flakes might have been unique, but the breakfast food industry was rapidly growing, and Kellogg knew he had to find a way to make his product stand out from the rest. He found that way through marketing.

At the time of Kellogg's rise, advertising was a relatively new phenomenon. Only the most progressive of businessmen had begun to seize its potential. Kellogg was one of those men.

In one of Kellogg's first ads, he began, "This announcement violates all the rules of good advertising." Why? Because readers were not able to by his product from any grocers at the time, for none of them carried the product. Instead, Kellogg gave out coupons for free samples and asked people to urge their grocers to carry the product so they could redeem their coupons.

Kellogg promoted corn flakes as not only nutritious, but great tasting too. He also began to market the product as the "original" corn flakes, especially in the face of increasing competition from his own brother.

In 1906, Kellogg ran his ads in 17 magazines with more than six million readers. By the end of that year, grocers were lining up to buy his product. He had shipped out over 180,000 cases of the cereal.

When skeptics told Kellogg that his product would never become national until he conquered the New York market, Kellogg decided to make this his next challenge.

He launched an ad that read, "Wednesday is 'Wink Day' in New York," promising every housewife in the city who winked at her grocer on Wednesday that she would receive a free box of corn flakes. "This advertising will arouse the curiosity of the entire city," he thought to himself.

He sent New York grocers a word of his promotion, warning them, "Don't give out samples before then. If anybody winks on Monday or Tuesday, tell them to wink on Wednesday." Kellogg's promotion worked. The Wink Day campaign pushed Kellogg's sales up from two carloads a month to over 30.

Kellogg's willingness to produce daring and risqué ads helped make him become a household name. Even when Wall Street collapsed in 1929, Kellogg continued to double his advertising budget because he knew people would still be in need of low-cost breakfast foods.

With each electric billboard that lit up across the nation, more and more people flocked to their grocery stores to claim their corn flakes. By adopting unique promotional strategies, Kellogg had not only set himself apart from his brother, but from the rest of the industry as a whole. He staked everything on advertising and in the end, it paid off.

Today, that same company has grown to include almost 26,000 employees and earns over $11.5 billion in revenue. Kellogg remains the number one breakfast cereal maker in the U.S., with some of the most popular brands under its control, including Frosted Flakes and Rice Krispies.

SELF-ASSESSMENT QUESTIONS

1. What is Promotion?
2. Define Marketing Communication Mix
3. What are the elements of Promotion/Communication mix?
4. What are the objectives of Promotion?
5. What are factors to be considered while designing a Promotional Campaign?
6. Explain the role of promotion in services marketing.
7. Discuss the various steps in the Promotion Process/Promtional Campaign
8. What is Marketing Communication? Discuss the various types of Marketing Communication and what are the guidelines to be followed in Marketing Communication.

Advertising

1. Define Advertising.
2. What are the objectives of Advertising?
3. Discuss advertising as a promotional tool.
4. Discuss briefly the five Ms of Advertising.
5. What are the advantages and disadvantages of Advertising?

Personal Selling

1. Define Personal Selling.
2. Discuss the importance of Personal Selling.
3. Discuss the nature of Personal Selling.
4. Describe the Personal Selling Process.
5. What are the advantages and disadvantages of Personal Selling?
6. Discuss AIDA as a Communication Model in services marketing.
7. Compare and contrast Advertising with Personal Selling.

Sales Promotion

1. What is Sales Promotion?
2. Define Sales Promotion.

3. Discuss the role of Sales Promotion in Marketing.
4. Discuss Push Strategy and Pull strategy
5. What are the factors to be considered while deciding the Push or Pull strategy?
6. What is Sampling in Sales Promotion? What are the advantages and disadvantages of Sampling?
7. What are Coupons in Sales Promotion? What are the advantages and disadvantages of Coupons?
8. What are Premiums in Sales Promotion? What are the advantages and disadvantages of Premiums?
9. What is Contest in Sales Promotion? What are the advantages and disadvantages of Contest?
10. What is Sweepstakes in sales Promotions? What the advantages and disadvantages of Sweepstakes?
11. Differentiate between various types of Sales Promotion.
12. Compare and contrast the major sales promotional tools.
13. Define Merchandising
14. What is Patronage Rewards or Loyalty Programs?
15. What are the steps of successful Sales Promotion?
16. What are the advantages and disadvantages of Sales Promotion?

Public Relations and Publicity

1. Define Public Relations.
2. What is Publicity?
3. Discuss the significance of PR in Hospitality business.
4. Write notes on Publicity.
5. Discuss the various promotional strategies to be adopted during the various stages of PLC.
6. Evaluate the PR and Publicity as tools of Promotion Mix.
7. Identify the characteristics and benefits of Public Relations and Publicity.
8. Identify the audiences for Public Relations.
9. Describe the steps in developing a Public Relations Plan.
10. Identify the vehicles used for Public Relations and Publicity
11. Discuss the guidelines for PR.
12. What are the advantages of PR and Publicity?
13. What are the disadvantages of PR and Publicity?
14. What is Sponsorship in Marketing Promotion?
15. What is Viral Marketing?

ANALYTICAL QUESTIONS

1. Why do large hotels spend a major part of their promotional budget on personal selling?

2. Find two current advertisements that you think are particularly effective, and two more that you feel are ineffective.
   (a) Describe specifically why you think the better ads are effective, and why the ineffective ads fall short.
   (b) How would you improve the less effective ads? If you feel that they are too poor to be improved, write a rough draft of an alternate ad for each.
3. Which is the best promotional tool in your opinion? Why?

TRY THIS OUT?

1. An international chain of restaurant is planning to set up a 100 cover resto-bar in your locality. Bring out a suitable promotional plan for the chain. Also give suitable illustrations.

PLACE MIX

MEANING AND DEFINITION OF PLACE MIX

Place refers to the point of interaction between the product and the potential customers. Effectively, it relates to how the marketer distributes the product and provides information about it.

> **DEFINITION**
>
> "A channel of distribution comprises of a set of institutions, which perform all the activities required to move a product and its title, from production to consumption (as in Figure 7.1)". —**Bucklin**

Another element of Neil H. Borden's Marketing Mix is **Place**. Place is also known as channel, distribution, or intermediary. It is the mechanism through which goods and/or services are moved from the manufacturer or service provider to the user or consumer.
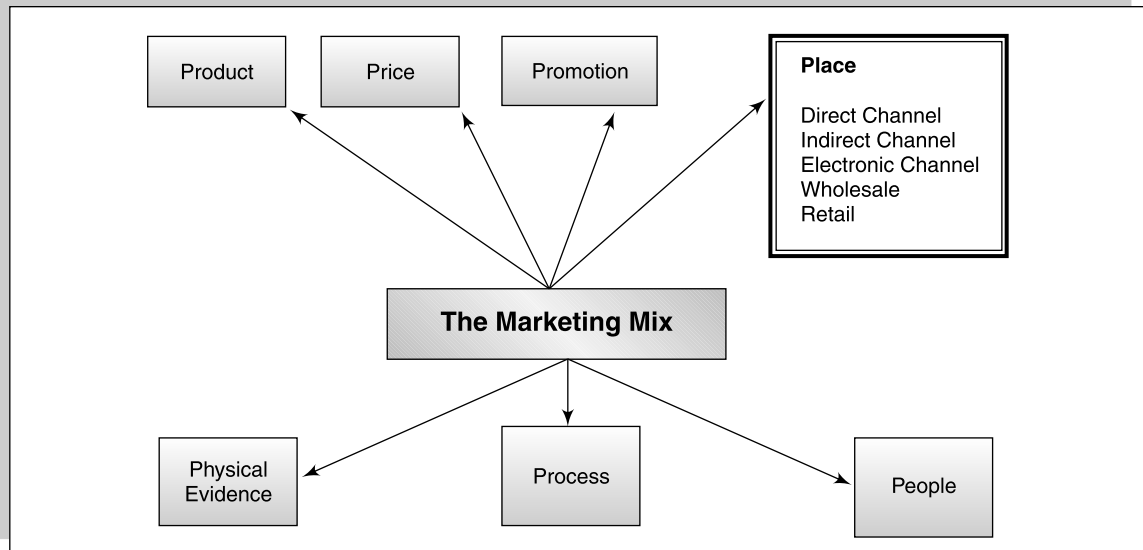
FIGURE 7.1   Place Mix—Channels of Distribution

Place refers to the contact between the service provider and the one who gets the benefits of the service, i.e. the consumer. It is referred to as all the channels available between the firm and the target market that increase the probability of getting the customer to the product. The various options are to own a property and run it, manage a property, franchise and use channel intermediaries.

The means by which products and services go from the producer to the consumer, to somewhere they can be accessed by the consumer is called "place" in marketing. The more the places to buy the product, the and the easier it is made to buy it, the better it is for both, the business and the consumer.

PLACE STRATEGIES

It refers to how an organisation will distribute the product or service they are offering, to the end user. The organisation must distribute the product to the user at the right place and at the right time. Efficient and effective distribution is important if the organisation is to meet its overall marketing objectives. If organisations underestimate demand and customers cannot purchase products, its profitability will be affected.

Decision Variables in Planning the Distribution Strategy of Services

The most important decisive element in the distribution strategy, relates to the issue of location of the services, to attract the maximum number of consumers. The inseparability characteristic of services such as doctors, teachers, consultants, mechanics, etc. poses a distribution constraint, since they are able to serve only a limited, and localised market. The other characteristic of services which affects the distribution strategy is the fixed location of services such as universities, restaurants, and hospitals which necessitates the customer to go to the service location, than the other way.

The **First Decision Variable** in planning the distribution strategy relates to the **location of the service**. In deciding where to locate your service, you should raise the following questions, as they will help you arrive at the right decision.

1. How Important is the Location of the Service to the Customers? Will an inconvenient location lead to purchase being postponed or being taken over by a computer? The answer is "Yes" in case of services such as dry cleaning, fast food outlets, where convenience is the most critical factor. The answer is "No" in case of services provided by doctors and beauty parlours, where the customer's involvement with the provider of the service is very high and the decision is made on the basis of reputation, competence and past experience.

2. Is the Service, Technology–based or People–based? How flexible is the service? Can the equipment and people be moved to another location without any loss of quality?

3. How Important are Complementary Services to the Location Decision? Can the number of clientele be increased by locating services where complementary products or services already exist? Garages and mechanic shops located next to petrol stations are examples of complementary location decision.

The **Second Decision Variable** in the distribution strategy is whether to sell **directly to the customers or through intermediaries**. In case of services, which are inseparable from the performer, direct sale is the only possible way to reach the consumer. In case of other services such as hotels, airlines, property, life insurance, they may operate through middlemen.

The **third decision variable** in the distribution strategy is how to provide the service to a maximum number of guests in the most cost-effective manner (if the service is not of the kind that is inseparable).

Cultural Trends Affecting the Hotel Distribution Industry

Understanding consumer's expectations is paramount to delivering the type of hospitality experience that will bring repeat business and earn excellent world-of-mouth recommendations. These expectations are being driven by five major cultural trends, according to Daniel Levine, founder, Avant-Guide. These trends are:

- **Exclusivity through personalisation and localisation—**Consumers expect to be catered to for their hospitality needs.
- **Upscale Design**—Design no longer is viewed as a luxury, but a trend to be honoured.
- **Control and Consumer Transparency**—Consumers want to feel they are in control of their hospitality experience, whether it be regarding price comparison sites, placing live phone pictures online for others to see at websites, or posting reviews of services on a website.
- **Empathy and Social Networking**—This is the intersection between real and virtual worlds. Various companies are offering networking opportunities for choosing your cab-sharing partner to another passenger on the same plane, by invitation-only, "meet spaces" is designed to bring like-minded travelers together. Hotels, particularly, "are a natural and organic place for social networking."
- **Abundance**—The wealth of opportunities to service micro niches allows personalisation of services and offerings—whether it be the Millennials or over 50s.

Finally, Levine points out that hotels need to be seen as being dedicated to green initiatives in order to appeal to the travellers.

CHANNELS OF DISTRIBUTION

There are two types of channel of distribution methods (Fig. 7.2) available. Indirect distribution involves distributing the product by the use of an intermediary. Direct distribution involves distributing direct from a manufacturer to the consumer. For example, Dell Computers. Direct distribution gives a manufacturer complete control over their product.
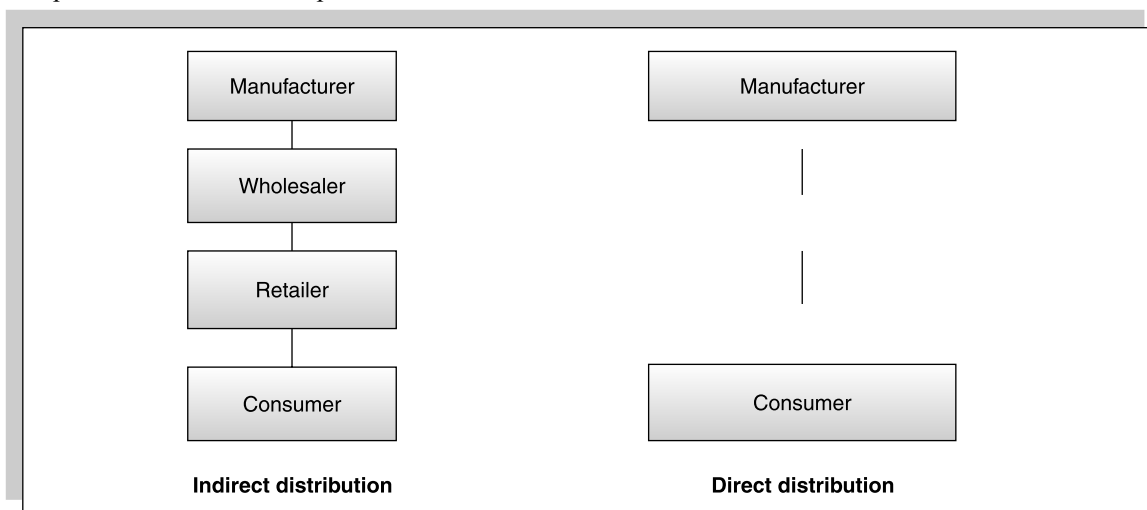
FIGURE 7.2   Two Types of Channel of Distribution Methods

Distribution Strategies

Depending on the type of the product being distributed, there are three common distribution strategies available:

1. Intensive Distribution

Used commonly to distribute low priced or impulsive purchase products e.g. chocolates, soft drinks.

2. Exclusive Distribution

Involves limiting distribution to a single outlet. The product is usually highly priced, and requires an intermediary to place many details to sell. An example is the sale of vehicles through exclusive dealers.

3. Selective Distribution

A small number of retail outlets are chosen to distribute the product. Selective distribution is common with products such as computers, television sets, household appliances etc., where consumers are willing to shop around and where manufacturers want a large geographical spread.

Intermediary

If a manufacturer decides to adopt an exclusive or selective strategy, they should select an intermediary who has the experience in handling similar products, is credible and is known by the target audience.

Place Mix/Distribution Mix

Place Mix/ Distribution Mix are all channels available between the hotel and the target market, that increase the probability of getting the customer to the product.

Distribution Mix It is the combination of direct and indirect distribution channels, that a hospitality organisation uses to make customers aware of, to reserve, and to deliver its services.

Two main components distribution mix are:

- **Direct Distribution** the organisation assumes total responsibility for promoting, reserving, and providing services to customers.
- **Indirect Distribution** It includes the responsibility for promoting, reserving, and providing services to customers that are given to one or more other hospitality organisations.

For effectiveness of the distribution mix, the following options are available:

(a) Own a property and run it
(b) Manage a property
(c) Franchise (granting rights to another person/ institution to exploit trade name, trade mark or product in return for a royalty or lump sum payment).
(d) Use channel intermediaries- such as travel agents, tour operators, incentive houses, Airlines, Consortiums, Tourist Information Centers, and Reservation Networks.

In order to give boost to the distribution mix, we may opt for push strategy and pull strategy.

Push strategy means giving incentives to channel members to sell more. It is a marketing strategy in which network members are given incentives to sell a particular hospitality product or service to prospective guests

Pull strategy means inducing the customers to use the channel by giving frees, discounts, etc. It is a marketing strategy in which guests are contacted directly and persuaded to request hospitality offerings.

Basic 'Channel' Decisions

There are Six Basic "Channel" Decisions which are as follows:

- Do we use direct or indirect channels? (e.g. 'direct' to a consumer, 'indirect' via a wholesaler).
- Single or Multiple channels.
- Cumulative length of the multiple channels.
- Types of intermediary
- Number of intermediaries at each level.
- Which companies act as intermediaries to avoid "intra-channel conflict" (i.e. infighting between local distributors).

Factors Influencing Selection of a Distribution Channel

Following factors influence Selection of a Distribution Channel.

- Market Segment—the distributor must be familiar with the target consumer and segment.
- Changes during the product lifecycle—different channels can be exploited at different points in the PLC.
- Producer-Distributor Fit—Is there a match between their policies, strategies, image, and yours? Look for 'synergy'.
- Qualification Assessment—establishes the experience and track record of your intermediary.
- How much training and support will the distributor require?

Rental or Leasing in Services

India has witnessed a boom in the leasing business since 1982. Leasing or rental offer, is an easy solution for companies that want to expand and diversify, but do not have the necessary resources to buy the required plant and machinery. Leasing offers them the use of equipment, machines and building on the basis of rental, rather than an outright purchase. Leasing is also available for buying cars and other consumer durables. This trend is now also becoming popular in services. Today we have the concept of time–sharing for holiday resorts. By making a one–time payment or by paying an annual rental, you become eligible to use accommodation facilities for a holiday in place of your choice. Some holiday resort companies offer you the facility forever, while others offer it for limited time duration. Sterling Resorts, MS Resorts, Punjab Tourism Resorts and Dalmia Resorts are some of the companies offering this service.

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FRANCHISING IN SERVICES

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Franchising is an agreement by an owner to allow the use of a name or business format by another business for the purpose of selling the product or service.

Franchising is the granting of rights to another person or institution to exploit a trade name, trademark or product in return for a lump–sum payment or royalty. Major international restaurant chains like McDonalds, Pizza Hut, Dominos, etc. have franchised their names to local restaurant operators in different countries. International Hotel Chains such as Holiday Inn, Sheraton, Intercontinental, have expanded worldwide using this franchising strategy. Franchising is also used to increase sales or enhance image by associating with a well-known international event or personality (Walt Disney characters such as Mickey Mouse). The other variation of this kind of franchising is also widely used in services where some kind of homogeneity is possible, as in the case of restaurants, beauty saloons, health clubs etc. Kwality (manufacturers of Kwality ice–creams and managers of the chain of restaurants) have established restaurants in major cities on the basis of franchise arrangements.

Characteristics of Franchising

(a) Ownership by one person of a name, an idea, a secret process or a specialised piece of equipment and the goodwill associated with it.
(b) The grant of a licence by that person to another permitting the exploitation of such name, idea process or equipment and the goodwill associated with it.
(c) The inclusion in the licence agreement of regulations relating to the operation of business, in the conduct of which the licencee exploits his rights.
(d) The payment by the licencee of a royalty or some other consideration for the rights that are obtained.

In service industries, franchises also operate in the area of car rentals, beauty parlours, pest control, travel agencies, office services, packers and movers, couriers, business centers, etc.

Benefits and Disadvantages of Franchisees of Service

Benefits
1. Obtaining an established business format to base a business.
2. Receiving national or regional brand marketing
3. Minimising the risks of starting a business

Disadvantages

1. Disappointing projects and revenues.
2. Encroachment and Franchise Saturation.
3. High failure rate and unfair termination.
4. Lack of perceived control over their jobs.
5. Unrealistic expectation about revenues and profits.

Benefits and Disadvantages of Franchisers of Service

Benefits

1. Leverages the business format to gain expansion and revenues.
2. Maintains consistency in outlets.
3. Gains knowledge of local markets.
4. Shares financial risk and frees up capital.

Disadvantages

1. Difficulty in maintaining and motivating franchisees.
2. Highly publicised disputes and conflicts.
3. Possibility of inconsistent quality that can undermine the company name.
4. Control of customer relationship by intermediary.

Table 7.1 shows the comparative advantages and disadvantages of franchising with regard to the franchisee and franchisor of a business.

	TABLE 7.1 Advantages and Disadvantages of Franchising	
Franchisee	*Advantages*	*Disadvantages*
	Established product	Additional fees
	Technical assistance	Loss of control
	Quality standards	Difficult to terminate
	Less operating capital	Pooled performance
	Opportunities for growth	
	Cooperative advertising	
Franchisor	*Advantages*	*Disadvantages*
	Rapid expansion	Loss of control
	Diversified risk	Reduced profits
	Cost economies	Legal issues
	Cooperative advertising	Recruitment
	Employee issues	

AGENTS AND BROKERS

Agents

An agent is an intermediary who acts on behalf of a service provider (principals), who is authorised to make agreements between customers and those principals, who do not undertake to deliver services but instead deliver the rights to them.

- Agents are mainly used in international markets.
- An agent will typically secure an order for a producer and will take a commission. They do not take title to the goods. This means that capital is not tied up in goods. However, a 'stockist agent' will hold consignment stock (i.e. will store the stock, but the title will remain with the producer. This approach is used where goods need to get into a market soon after the order is placed e.g. foodstuffs).
- Agents can be very expensive to train. It is difficult to keep control and motivate them due to the physical distances involved.

Brokers

Brokers are those intermediaries who bring buyers and sellers together while assisting in negotiation, and are paid by the party who hire them. They rarely become involved in financing or assuming risk and are not long term representatives of buyers and sellers.

Advantages and Disadvantages of Agents and Brokers

Benefits

1. Reduced selling and distribution costs.
2. Intermediary's possession of special skills and knowledge.
3. Knowledge of local markets.
4. Customer choice.

Disadvantages

1. Loss of control over pricing and other aspects of marketing
2. Representation of multiple service principals.

ELECTRONIC CHANNELS OF DISTRIBUTION USED IN SERVICES

News Services and Entertainment Services use Electronic Channels to achieve effectiveness in distribution. They do it through wireless or cable linkages with their clients/subscribers. News Services may be linked to clients through Teletype, Telex fax, or through Wireless linkages using TV signals, which can be seen with the help of decoding devices. In the case of Entertainment Services, distribution is done through cinematographic films, video films, video and audio disks, audio cassettes, radio, broadcast television, cable television, etc.

Internet

- The Internet has a geographically dispersed market.
- The main benefit of the Internet is that niche products reach a wider audience e.g. Scottish Salmon direct from an Inverness fishery.
- There are low barriers to entry as set up costs are low.
- Use of e-commerce technology (for payment, shopping software, etc.)

There is a paradigm shift in commerce and consumption which benefits distribution via the Internet.

Trends in Electronic Distribution of Hospitality Services

- Hotel chains will continue to invest in their own websites and offer direct links to selected customers and wholesalers.
- Rising occupancy will reduce the markups required by wholesalers, along with the need for wholesaling in general.

- While hotels will continue to be successful at building business on their websites, growth will not come at the expense of online travel agencies. Leisure travelers prefer having a wide property selection, that is available through third-party online retailers.
- Hotel's commission payments to intermediaries will give way to pay-for performance programs' aimed at shifting market share and providing other value-added services.
- Hotel chains will challenge the existing major travel agencies on their service and sales and give opportunity to the small and medium-size enterprise market.
- As the distribution picture becomes increasingly complicated, hotels will gain experience in effectively managing price, availability, content, media, and display positioning in many distribution channels.

Mobile Technology

Sending marketing messages via mobile technology is becoming more and more important in hospitality, creating mobile friendly hotel websites. One billion mobile devices were shipped in 2007. A majority of these new devices provide broadband internet access. The ability to instantly identify a user's geographic location allows marketers to provide a highly personalised marketing message and experience. Mobile mapping capabilities, mobile search engines, and mobile advertising are just some of the areas of growth. Hoteliers need to monitor this trend and provide mobile hotel reservations and customer service.

Consumer Generated Media

The latest buzzword in Electronic Marketing is clearly Consumer Generated Media (CGM). In the hospitality industry, this tool offers the distinct ability to de-commoditise the hotel product. CGM is a broad term for online content that is generated by the users themselves. Examples of these CGM opportunities are online blogs, discussion boards, review sites and social networks. Experts say that one out of every 20 Internet browsers use CGM once during every web interaction.

CGM can be used in various ways by the hospitality industry. The first and foremost, CGM can be used as consumer feedback mechanism. The second use of CGM is an emerging trend. CGM can be used as an interactive tool through corporate sponsored initiatives. A great example of this is www.thelobby. com, this is Sheraton's new interactive consumer site that offers information and solicits participation from Starwood users. Last but not the least, due to the high level of CGM user traffic, these sites can now be used as online advertisement opportunities and feature on the marketing budget.

CGM continues to grow in importance and popularity. Discussion boards and forums, blogs, social networks, customer review sites like Trip Advisor, and hotel-specific blogs dominate the Internet today, and have become an integral part of the travel planning process. In 2007, 28 per cent of travel planners researched CGM sites vs. 4 per cent in 2006. While hoteliers need to monitor and react quickly to CGM postings, and must establish a corporate policy regarding CGM, it is still important to make sure the hotel's web site is up to date, informative, optimised, and user friendly.

ONLINE MARKETING STRATEGIES—TRENDS

In broad terms, online marketing goals in the past were to convert all "hits" to sales and all sales to "profits" by using value-based priced offerings, rather than freebees and convert trials into brand loyalty. At the same time this power of marketing could truly be harnessed and propagated only at the property level, where one had the opportunity to convert customer acquisition to customer retention, by defining and implementing customer-centric strategies and processes.

The online travel market is increasing exponentially with India leading in the Asian subcontinent, with approximately US$2 billion in gross revenue by 2010. India's Internet growth, and more importantly India's growth in the online travel market has been due to a number of factors; among them, the increase in urban growth that has resulted in higher access to the Internet and the Government's support of Internet usage in education.

Customer demographics are also changing and with them so are the key motivators for buying decisions. Internationally, studies show that one in every 20 Internet browsers log onto a social networking site like Orkut, Bebo etc. More consumers use the Internet to gather information, compare products and participate in product reviews now than ever before. In India specifically, the growing percentage of 65 year olds and less age with higher disposable incomes that are Internet savvy is increasing multifold. These changes in user demographics and characteristics are now leading the way into new and emerging areas of electronic marketing.

Hotels Tap "Twitter" to lure diners

Kogi, a duo of Korean BBQ that inspired taco trucks in Los Angles, has "Tweeted" its way to international stardom and is inspiring restaurateurs seeking new ways to tempt diners during a deep recession.

Twitter, a free social networking site, is a vital ingredient in Kogi's success. As Kogi's example shows, the service that started as a way for people to follow the 140- character "tweets" of friends and celebrities is quickly becoming a powerful new way for businesses to talk directly with customers.

Kogi's trucks visit locations all around Los Angles. The brand director Mike Prasad wanted to create a single place where fans could gather. Twitter was a natural fit for this in his opinion. The plan worked. Since its launch in November, Kogi has attracted over 15,000 followers on Twitter.

INTEGRATED SERVICE SYSTEM

Integrated Service System is one of the latest trends in the hospitality business. Hotels may also offer local tours. India Tourism Development Corporation (ITDC) offered its clients conducted tours, to important tourist spots besides the hotel facility. This facility was offered under the name of Ashoka Travels and Tours. Hotels chains such as Taj, Oberoi, Welcome Group offer the facility of making reservations in any of their associate hotels in the chain. Travel agencies offer "Package Tours" in which they take care of all formalities such as visa, foreign exchange, reservations, local travel etc. Many computer companies offer free training for employees of their customers, to operate the computers.

Types of Hospitality Distribution Network

A Hospitality Distribution Network consists of a number of independent or related organisations, each with specific skills, that agree to work together, to assemble and deliver hospitality products and services to guests in selected markets.

Affiliations

Voluntary links between hospitality properties and other businesses for mutual advantage in activities such as distribution and marketing.

Consortium

A group of independently owned and operated hospitality properties that agree to form a loose coalition to distribute and market their offerings.

Management Contract

An agreement in which one company agrees to operate a hospitality property for a fee, which may be based on gross sales with performance-related bonuses.

Direct Channel

A communication medium involving direct contact between the hospitality provider and the guest. The aim of direct marketing is to create one to one relationships with the organisations target market. Direct marketing can come in the form of post, email, telephone calls and mail order. The company usually contacts a named person at the address.

Indirect Channel

A communication medium between hospitality providers and guests involving intermediaries, such as travel agencies, reservation networks, consortia, affiliates, and sales representatives.

Direct vs. Indirect Online Distribution The Direct Online Channel will continue to be the main focus for hoteliers. The industry as a whole has realised that not only has the Internet become the preferred channel for travel consumers to plan and book lodging, but it is also the cheapest form of distribution. The shift from indirect to direct online distribution will continue to be a major trend in the next several years. In 2007, the major hotel brands enjoyed an above the average direct vs. indirect online ratio of 81.4% vs. 18.6%.

Intermediaries

Independent business concerns that operate as links between suppliers and guests, and render services that add value to the guest. They may or may not take title to the hospitality products involved.

The Major Travel Trade Intermediaries

1. Retail Travel Agents.
2. Tour Wholesalers and Operators.
3. Corporate Travel Managers and Agencies.
4. Incentive Travel Planners.
5. Convention/Meeting Planners.

Roles of Retail Travel Agents

- Expanding the distribution network for suppliers, carriers, and other intermediaries
- Retailing the services of suppliers, carriers, and other intermediaries at locations convenient for travelers (primary)
- Providing specialised, knowledgeable advice to travelers on destinations, prices, facilities, schedules, and services (primary)

Tour Operators

Organisations that plan, assemble, and market travel packages at both wholesale and retail level, and

often purchase accommodation and hospitality services in bulk, in the most cost-effective manner (if the service is not of the kind that is inseparable). Some of the recent innovations in the area are rental or leasing, franchising and service integration.

Role of Tour Wholesalers and Operators
- Expanding the distribution network for suppliers, carriers, and other intermediaries
- Assembling vacation packages by bringing together an array of destinations and the services of suppliers and carriers at all-inclusive prices (primary)
- Operating and guiding group tours (primary for tour operators)

Role of Corporate Travel Managers and Agencies
- Expanding the distribution network for suppliers, carriers, and other intermediaries at locations convenient for travellers
- Coordinating corporate travel arrangements to maximise the efficiency of corporation's travel expenditures (primary)

Role of Incentive Travel Planners
- Expanding the distribution network for suppliers, carriers, and other intermediaries at locations convenient for travellers
- Tailor-making incentive travel trips for corporations and others (primary)

Role of Convention/Meeting Planners
- Expanding the distribution network for suppliers, carriers, and other intermediaries at locations convenient for travelers
- Organising and coordinating conventions, conferences, and meetings for associations, corporations, and other organisations (primary)

The Internet and Travel Consumer Perceptions

The Internet has changed forever the consumers outlook towards planning, purchasing and accessing travel related information. The credibility of information on a website is no longer automatically accepted. There is an "ideological clash" between "official" content (the hotel's own website, brochures, descriptions, traditional star rating, etc.) and the CGM-related content (blogs, customer review sites, etc.).

KEY DISTRIBUTION TRENDS IN INDIA'S HOSPITALITY MARKET

Today the use of technology has facilitated easy accessibility to customers worldwide via any mode of communication—mobiles, kiosks, web, interactive TV, hand-held devices, SMS, call centers with toll-free worldwide access, and travel shops that are one point-of-sale for all travel services.

Growth of the travel industry has been spurred by a continuing need for fast, accurate and cheaper travel options. Technological breakthroughs with a trend towards automated platforms are driving the growth of this industry. But when it comes to hospitality, which is an integral part of the tourism industry, the situation is different. The distribution dynamics are changing across all industries but the hospitality industry has been little slow to catch up since it is a very fragmented industry. The West is enough proof that technology is historically changing the way we function. The customer is becoming more and more technology-savvy even as we speak. The industry needs to overcome its general reluctance to invest in new ideas and technologies and look for applications that will drive the

bottom line. This includes using distribution channels, agents and intermediaries to develop customer information sources, and using technology to bring customers what they want in real time, anywhere in the world. However in future, the industry has to think on greater investment in technology, e-commerce and commoditisation.

The constant pressure of business targets, sales figures with rising competitiveness in the Indian market, has made it vital that focus on customer's needs is viewed as providing opportunities to the business. Ongoing expansion of the distribution system continues to facilitate bookings and also increasing consumer skills in navigating the Web are generating a huge upswing in online reservations of hotel bookings. India's major hotel chains have developed more robust online marketing and distribution strategies, and online intermediaries in the race to become one-stop shops for hotel deals.

As hotels grow into large multi-location outfits with increasing size and business volumes, to sustain in a dynamic environment, they need to keep abreast with the well-established IT infrastructure that simplifies its daily workings. The future of hotel technology lies on Inter Protcol (IP), say IT experts. Therefore, hotels need to upgrade their IT-enabled services and simultaneously integrate various operational platforms.

The increasing use of IT applications has given a new meaning to service; effective service is measured vis-à-vis guest convenience using technological know-how. In future, one would see Web-based check-ins for groups as well as identity-based check-in procedures like kiosks.

SELF-ASSESSMENT QUESTIONS

1. What do you mean by Place in marketing?
2. What do you mean by Place Mix in hospitality marketing?
3. What is Hospitality Distribution Network?
4. What do you mean by Affiliations?
5. What do you mean by Consortium?
6. What is direct channel of distribution?
7. What is Franchising?
8. What is Incentive Organization?
9. What is indirect channel of distribution?
10. Who are Intermediaries?
11. What is Management Contract?
12. What is Pull Strategy in hospitality distribution?
13. What is Push Strategy in hospitality distribution?
14. Who are Tour Operators?
15. Who are Agents?
16. Who are Brokers?
17. What are the characteristic features of Franchising?
18. What are the benefits and disadvantages of Franchisees of Service?
19. What are the benefits and disadvantages of Franchisers of Service?
20. What are the advantages and disadvantages of Agents and Brokers?
21. Write notes on rental or leasing in services.
22. Discuss the role of various intermediaries in hospitality distribution.
23. Discuss the various electronic channels of distribution used in hospitality business.

ANALYTICAL QUESTIONS

1. Discuss how you think technology will change distribution channels in the hospitality industry.
2. Is it good to have too many channel members for any hospitality business?
3. Why franchising is such a fast-growing form of retail organisation?

TRY THIS OUT?

1. Visit the three-four five star hotels in your locality and compare their distribution network.

8

PEOPLE MIX

LEARNING OBJECTIVES

This chapter would help the students to understand and analyse:
- Meaning of People Mix
- Importance of people in the hospitality industry
- Various components of hospitality people mix—employees and customers
- Meaning and significance of internal marketing
- The significance of quality circles in hotel marketing
- Meaning and significance of relationship marketing in hospitality business
- Concept of TQM in the Hospitality Industry

MEANING OF PEOPLE MIX

The marketing equation of the past was traditionally concerned with only two parties, the **marketer** and the **customer.** The new marketing mix has broadened to include a myriad of other people involved in the modern business. Marketing communication strategy now encompasses the directors, shareholders, employees and the public in general. In view of the complexity of the diverse interests, the marketer must provide the message that delivers more value to the customers in the form of an experience and not just a product.

As a service oriented industry, people are crucial to the success of hospitality businesses. Customer's purchasing habits are affected greatly by their interaction with the seller; therefore appearance, attitude and training of staff need to be first class everytime.

The experience that someone has of using your service will be affected by many things and your staff can greatly enhance that experience if they are trained properly. Every staff member should be seen as an ambassador for the business. This is crucial in the hospitality sector and everyone should be trained

to deal effectively with customer enquiries or complaints. Good customer service makes all the difference between getting repeat business or not. Customers who had a bad experience will most probably pass on this information to a large numbers of their friends and relatives.

Employee as an Element of People Mix

People employed in the organisation will determine the quality of service the customers receive. Happy, skilled and motivated staff make happy and satisfied customers. People constitute an important dimension in the management of services in their role both as performers of services and as customers (Figure 8.1). People as performers of services are important because, "a customers sees a company through its employees. The employees represent the first line contact with the customer. The firm must recognise that each employee is a salesman for the company's service".
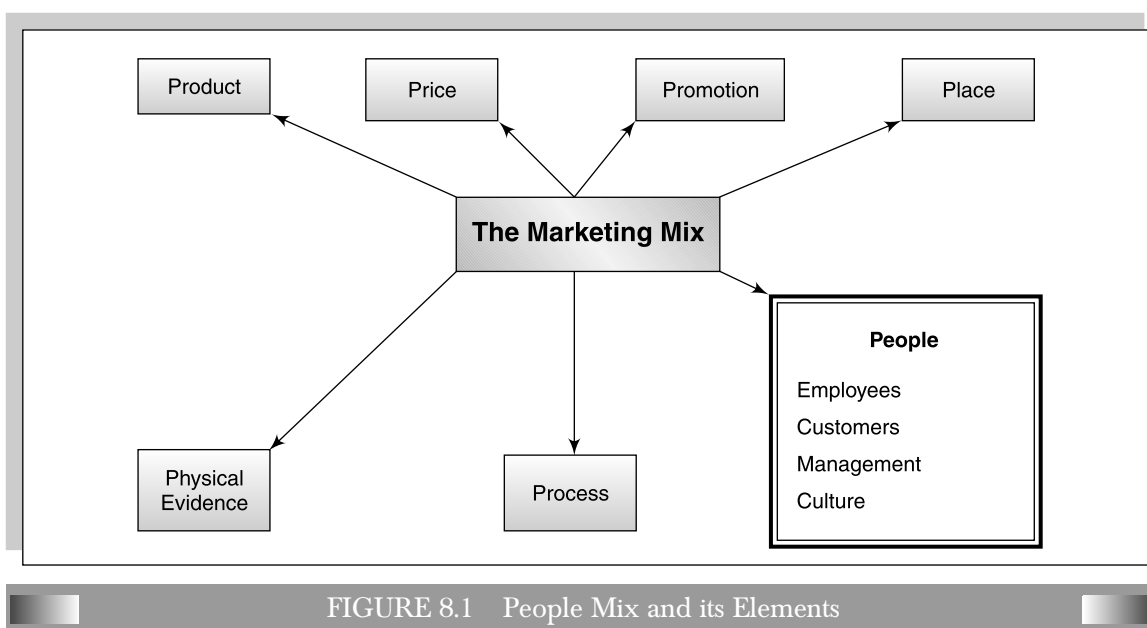
FIGURE 8.1   People Mix and its Elements

People are the most important element of any service or experience. Services tend to be produced and consumed at the same moment, and aspects that the customer experiences are altered to meet "individual needs". Most of us can think of a situation where personal service offered by individuals has made or tainted a tour, vacation or restaurant meal. Remember, people buy from people whom they like, so the attitude, skills and appearance of all staff members needs to be the best. Here are some ways in which people add value to an experience, as part of the marketing mix.

People Represent the Business

- The image they present is important
- First contact—what is the lasting image they provide to the customer?
- Extent of training and knowledge about the product/service concerned
- Mission statement—how relevant?
- Do staff represent the desired culture of the business?

An essential ingredient to any service provision is the use of appropriate staff and people. Recruiting the right staff and training them appropriately in the delivery of their service is essential if the organisation wants to gain a competitive advantage. Consumers make judgements and form perceptions of service based on the employees they interact with. Staff should have the appropriate interpersonal skills, aptitude, and service knowledge to provide the service the consumers are paying for. Many British organisations aim to apply for the Investors in People accreditation, which tells consumers that staff are looked after by the company and they are trained to deliver certain standards.

The behaviour and attitude of **the personnel** providing the service is an important influence on the customer's overall perception of the service, and he can rarely distinguish between the actual service rendered and the human elements involved in it. Based on the time spent, the service personnel can be divided into high contact service personnel or low contact service personnel. Based on the visibility, service personnel can be classified into visible service personnel (e.g. waiter) and invisible service personnel (e.g. cook).

INTERNAL MARKETING

Internal Marketing is a concept that applies in the industry where the internal product (job) is sold to the internal customer (employee). If the employees are motivated and service minded, they will be able to deliver customer-oriented services.

Importance of Internal Marketing

- **Employees must have a customer service attitude** In product marketing, a customer can verify the product and make the purchase, whereas in the case of service marketing, the attitude of the service provider and the contact personnel matters a lot. If the employee who is interacting with the customer does not have a service attitude, it is difficult to gain the confidence of the customer in the service.
- **Employees must understand your product** If the contact person has to convince the customer about the product or service which he is going to deliver, he should have proper knowledge about the product or service and its features. For example, hotel front office staff should have adequate knowledge about the hotel's facilities and services so that he can guide the customer well.
- **Employees must be enthused about your product and your company** Motivation is the pivotal factor in performance of any employee. It is the duty of the management to create enthusiasm about the product or service and must develop loyalty towards the company which he is serving.
- **There must be good communication between employees and management** Each and every aspect of the product or service must be communicated properly between the employees and management. For example, if a restaurateur is introducing a new item in the menu, details such as content or ingredients used; calorie, price etc. should be clearly intimated to the service personnel.
- **Employees must be able to identify and solve customer problems** The contact personnel should be a shrewd person, so that he can identify the problems of a customer even without him pronouncing it and find necessary solutions for the same.

Objectives of Internal Marketing

1. To Ensure that Employees are Motivated for Customer-oriented and Service-minded Performance

The basic objectives of marketing are customer satisfaction and marketing adequate profit. In case of

service marketing, internal marketing plays a significant role. The basic objective of internal marketing is to instill motivation in the employees, so that they develop themselves as customer-oriented and service-minded personnel.

2. To Retain Good Employees

Recruiting an employee is very easy but retaining the employee is a tough task. Another objective of internal marketing is to retain the talented and capable staff with the organization. If the staff keeps changing frequently it is difficult maintain service quality due to technical and functional variations in the service delivery.

3. To Increase Customer Satisfaction

Customer satisfaction is the fundamental of every business organisation. In the case of hospitality service organisation since word-of-mouth is the most significant aspect of communication, every satisfied customer is an asset to the organisation.

4. To Increase Profitability

Profitability is another objective of the organisation. Unless the staff is not giving their best in the performance of the job assigned to them, an organisation cannot achieve the targeted result.

Internal Marketing Process

1. Establish Service Culture—Shared Philosophies, Ideologies, Values, Beliefs, Expectations, and Norms

A service culture is an organised culture that supports customer service through policies, procedures, reward systems, and actions. An organisational culture is a pattern of shared values and beliefs that gives members of an organisation meaning, besides providing them with rules for behaviour in the organisation. Service organisations should create an organisation that supports those employees who serve the customers.

2. Development of a Marketing Approach to Human Resource Management

An organisation should create positions that attract good employees. A service organisation should use a hiring process that identifies and results in hiring service-oriented employees. An organisation should share the company's vision and the product/service knowledge with the employees. It should provide continuous employee training programs. Employees of a service organisation should be provided with suitable uniforms to project a positive image of the organisation. Employers of a service organisation must be able to maintain a positive attitude and manage emotional labour, which helps the employees to provide quality service.

3. Dissemination of Marketing Information to Employees

One of the most effective ways of communication with customers is through customer-contact employees. The management should give clear cut information about the product or service to its employees directly. They should not be heard from any advertisements meant for external customers. Management must understand that the employees are watching them for cues about the expected behaviour. Hospitality organisations should use printed publication as part of their internal communication such as newsletter, in-house newsletter, personal communication, and technology. Hotels can use technology and training to provide employees with product knowledge. Employees should receive information about new product/service changes, marketing campaigns and changes in the service delivery process.

4. Implementation of a Reward and Recognition Program

Employees must know how they are performing in their job. Communication must be designed to give them feedback on their performance. The results of any service measurement should be communicated to employees. An internal marketing program includes service standards and methods of measuring how well the organisation is meeting these standards. If customer-oriented employees are required, seek out ways to spot them serving the customer rightly and reward and recognise them for making the effort. Most reward systems are based on meeting cost objectives and achieving sales objectives. A few companies give rewards based on customer satisfaction.

5. Non-Routine Transactions

A good internal marketing program should result in employees who can handle non-routine transactions. One benefit of an internal marketing program is that it provides employees with the right attitude, knowledge, communication skills and authority to deal with non-routine transactions. A non-routine transaction is a guest transaction that is unique and usually experienced for the first time by the employees. Management must be willing to give employees the authority to make decisions that will solve the guest's problems.

Measures to Improve the Quality and Performance of Service Personnel

1. Careful selection and training of personnel
2. Laying down norms, rules and procedures to ensure consistent behaviour
3. Ensuring consistent appearance
4. Reducing the importance of personal contact by introducing automation and computerisation wherever possible.

RECRUITMENT AND SELECTION IN HOSPITALITY INDUSTRY

Recruitment and selection are two core activities in the field of human resource management. The process of recruitment should be a part of the hospitality industry human resource plan. People are a major organisational resource and must be managed accordingly. A main belief of the human resources management approach is that employees are a scarce resource and should be used properly.

The overall aim of recruitment and selection process in the hospitality industry is to obtain a quantity and quality of employees required to fulfill the objectives of the organisation.

This process can be broken down into three main stages:

1. Defining the requirements, including preparation of job descriptions and job specifications.
2. Attracting potential employees, including the evaluation of various methods of reaching out to the applicants.
3. Selecting the appropriate people for the job and providing the appropriate job for the people.

Recruitment is a part of the process concerned with finding applicants. It is a positive action of management, going into the labour market, communicating opportunities and information and generating interest.

Selection is part of the employee resourcing process which involves choosing the suitable candidate for the job.

Training

In order to maintain high quality of personal service, all contact personnel must be trained and developed. Training should begin as soon as the individual starts working for the organisation during an induction. The induction will introduce the person to the organisation's culture for the first time, as well as brief him about the policies and procedures. At this stage, the training needs of the individual are identified.

A training and development plan is constructed for the individual who sets out personal goals that can be linked future appraisals. In practice most training is either "on-the-job" or "off-the-job." On-the-job training involves training whilst the job is being performed e.g. training of bar staff. In off-the-job, training learning takes place at a college, training centre or conference facility. Attention needs to be paid to Continuing Professional Development (CPD) where employees see their professional learning as a lifelong process of training and development.

Each and every employee in a hospitality organisation is a salesperson. In the process of delivering a service, every employee performs different roles of a salesperson such as:

- **Product delivery salesperson** To deliver the product and where selling is of less importance, e.g. fast food, or mail.
- **Order taker–"internal" or "external"** Internal sales person would take an order by telephone, e-mail or over a counter. The external sales person would be working in the field. In both cases, little selling is done. For example, home delivery by Dominos, Pizza Hut, etc.
- **Missionary** Helps build goodwill with customers. The longer-term aim is to generate future orders. For example, a technical sales engineer. Their in-depth knowledge supports them as they advise customers on the best purchase for their needs.
- **Creative sellers** Help to persuade buyers to make them give an order. This is tough selling, and tends to offer the biggest incentives. The skill is in identifying the needs of a customer and persuading them that they need to satisfy their previously unidentified need by giving an order.

Quality Circles

A Quality Circle is a volunteer group composed of workers who meet to talk about workplace improvement, and make presentations to the management with their ideas, especially relating to quality of output, in order to improve the performance of the organisation, and motivate and enrich the work of employees.

A Quality Circle involves participation from a small group of employees doing the same type of work. They meet regularly to identify, analyse and solve the problems that arise during the course of their work and their association with the organisation.

Objectives of Quality Circles

1. Improve quality of product/service of the organisation by reducing errors.
2. Enhance productivity, safety and cost effectiveness.
3. Inspire more effective teamwork, cohesive work culture, create harmonious human relations and strengthen fraternity among different sections and levels of employees.
4. Inculcate problem-solving capability among workers.
5. Increase employee motivation.
6. Improve communication within the section, department or division.
7. Develop a more successful organisation by better utilisation of human resources.
8. Enrich the Quality of Work Life of the employees.

Uses of Quality Circles in service industry

1. Enhances team spirit among the employees.
2. Improves communication skills.
3. Development of inter-personal skills among the employees.
4. Creates an open-culture in the organisation.
5. Better work environment and helps create job satisfaction.
6. Quality Circles for employees create the opportunity for meeting people and develop better understanding of services.

7. Increase the Quality of Work Life.
8. It teaches ethical issues and makes the employees practice them.
9. It leads to financial savings by implementing Quality Circles in the organisation.

CUSTOMER AS AN ELEMENT OF PEOPLE MIX

Customers are important because they are a source of influencing other customers. As a marketing manager, the first task should be to ensure complete satisfaction of existing customers. The prospective customer may feel attracted towards the organisation because it has his "type" of customers or the customer may turn away if he perceives the existing customers.

Typical Characteristics of a Modern Hotel Customer

- Young, highly qualified and globally exposed
- General knowledge and social consciousness is high
- Expectations of quality of service and hygiene are very high
- More and more women are also potential customers
- Work life involves long working hours
- Customer comes from diversified national and cultural backgrounds
- Modes of interaction have dramatically increased
- Voice response applications are replacing human responders

Customer Service

Many products, services and experiences are supported by customer service teams. The disposition and attitude of such people is vitally important to a company. The way in which a complaint is handled makes the difference between retaining or losing a customer, improving or ruining a company's reputation. Today, customer service can be face-to-face, over the telephone or over the Internet. People tend to buy from people that they like, and so effective customer service is vital. Customer services can add value by offering customers technical support and expertise and advice.

RELATIONSHIP MARKETING

R – Reliability
E – Empathy towards stakeholders
L – Learning the Consumer behaviour
A - Assurance to the consumers
T – Technological advancement
I – Interaction with stakeholders
O – Objectives of marketing
N – Networking
S – Service
H – Higher growth
I – Innovation
P – Passion

Relationship Marketing involves using methods and tactics to develop long term relationship with customers in order to retain them. An organisation must exceed customer satisfaction in order to retain them and develop a healthy relationship with their customers.

Traditional transactional marketing involved the organisation focusing all its marketing efforts on attracting the customer for one-off sales. However, customers who are loyal end up spending more in the long-term, so it makes sense to keep existing customers happy!

"The consistent application of up-to-date knowledge of individual customers to product and service design . . . . In order to develop a continuous and long-term relationship' —**Cram**

- Not mass marketing. Aimed at individual.
- Customer retention not attraction
- Long term, ongoing relationships
- Regular customer contact
- Spirit of trust

Attracting and Retaining Customers

Relationship marketing involves the organisation undertaking a number of important activities. First of all, the company must put into place tactics to attract customers. Methods used to attract customers may include promoting the product and brand, offering good quality products/services and at competitive prices. Secondly, customers that are attracted to the organisation have to be retained. As pointed earlier, all that hard work of attracting customers will be futile if we cannot retain them. Methods used to retain, may include loyalty cards, a good customer service section, and an individual account manager if it is a large client, along with product variety and quality.

Significance of Relationship Marketing

Customers are assets. They are the most important assets a company can have. It is significant for the management to protect its assets, but assets like buildings or a warehouse of goods do not produce profits on their own. It is the customer who buys the goods, and provides results to the business.

Relationship Marketing is defined as marketing to protect customer base. It sees the customer as an asset. Its function is to attract, maintain, and enhance customer relationships.
Relationship Marketing is most applicable when—

1. There is an ongoing and periodic desire for service by the customer
2. The service customer controls the selection of the service supplier
3. There are alternative supplier choices
4. Customer loyalty is weak and switching is common and easy
5. Word-of-mouth is an especially potent form of communication about a product

Relationship Marketing vs. Traditional Marketing

Relationship Marketing

- Orientation to customer retention
- Continuous customer contact
- Focus on customer value
- Long time scale
- High customer service emphasis
- High commitment to meeting customer expectations
- Quality is the concern of all staff

Traditional Marketing

- Orientation to single sales
- Discontinuous customer contact
- Focus on product features
- Short time scale
- Little emphasis on customer service
- Limited commitment to meeting customer expectations
- Quality is the concern of the production staff

Customer Satisfaction

Customer Satisfaction with a purchase depends on the product's performance, relative to a buyer's expectations. If performance exceeds or meets expectations, the customer is highly satisfied or delighted.

Methods of Monitoring Customer Satisfaction

An organisation must continue to satisfy customers. It is very difficult to keep 100% of your customers satisfied all the time, one reason is because needs and wants of your customers change. So we have to monitor continuously what is happening in our customer environment.

Methods used to monitor customer satisfaction include:

- Focus groups
- Personal interviews
- Questionnaires
- Mystery Shoppers
- Customer complaints
- Suggestion boxes
- Online surveys
- General comments

In order to retain customers, we must keep ourselves updated with the needs of our customers. Customer needs do not remain static and always keep changing. Adapting and changing along with these needs will help the organisation to develop a healthy relationship with the customer. The benefit will increase profit, market share and brand awareness.

Customer Satisfaction vs Customer Loyalty

- **Customer satisfaction**—How well expectations are met.
- **Customer Loyalty**—It depends on the behaviour of the customer, who may come back or intend to come back. It provides an emotional attachment towards the service for the customer, who will spread positive word-of-mouth.

Building Customer Loyalty on the Internet

Retaining a customer online is highly imperative in case of hospitality services. It costs four to six times more, to attract a new customer than to retain a current customer. Existing customers are not only less costly to retain, but they also respond four to five times more readily to promotions and e-mail campaigns than new customers. It is important to extract more wealth out of the existing customer base by understanding customer needs and their lifestyles, and building a marketing strategy based on those needs. Knowing the customer, sending personalised messages, being there at every touch-point (planning, purchasing, service consumption and post-stay), and providing a unique value proposition leads to increased customer loyalty.

Five Levels of Relationships

1. **Basic**—The Company sells the product but does not follow-up.
2. **Reactive**—The Company sells the product and encourages the customer to call when they have problems or questions.
3. **Accountable**—The Company's representative checks on customer after the sales to make sure things were satisfactory and to get a feedback.
4. **Proactive**—The salesperson or others in the company make calls to customers from time to time to seek suggestions.
5. **Partnership**—The Company works continuously with the customer to discover ways to develop better value.

Relationship Marketing in the Hospitality Industry—Important Areas

- Between retailers of travel and hospitality services like hotels, airlines, and marketing intermediaries such as wholesalers, incentive houses, and travel agency conglomerates**.**
- Between retailers of travel and hospitality services and key customers such as large corporations and government agencies.
- Between retailers of food service chains and organisations like universities, bus terminals and large corporations in which this food chain is one of a handful of providers.
- Between retailers, of one type of travel and hospitality industry service, such as motel chains and restaurant chains.
- Between retailers of travel and hospitality services and key suppliers.
- Between hospitality organisations and their employees.
- Between hospitality organisations and their marketing agencies, banks, and law firms.

Establishing a Relationship Marketing Program

- Identify the key customers meriting from relationship management.
- Assign a skilled relationship manager to each customer.
- Develop a clear job description for relationship managers.
- Have each relationship manager develop annual and long-range customer relationship plans.
- Appoint an overall manager to supervise these relationship managers.
- Managers and employees should treat complaining customers as their most important customers and listen to their complaints.
- Complaints and problems create opportunities to develop loyalty.
- Knowing customer value, gives us an idea of the extent we want to go, to fix the problem.

eCRM and Building Interactive Relationships with Customers

eCRM must be a vital component of a hotel's Internet marketing strategy, as the majority of hotel customers are planning and booking their stays online. It is increasingly important to understand customer needs and their lifestyles, and build a marketing strategy based on those needs. Establishing mutually beneficial interactive relationships with your customers is the ultimate goal of any eCRM initiative. Building interactive relationships with the customer consists of three critical lifecycle stages: Nurture, Grow, and Retain. To build a robust eCRM strategy in travel and hospitality, hoteliers need to embrace new sophisticated tools and business practices in the following areas—increasing the knowledge they have about their customers, improving customer service at the online research/planning/booking phase, personalisation of marketing and service delivery, developing new and more efficient customer needs-based marketing, and building customer loyalty.

Customer Relationship Management and Its Relevance to the Hotel Industry

A few years ago CRM became one of the big marketing buzz words. It was identified as a key strategy to the future success of any business. Manage your customer relationships and you were guaranteed a prosperous future! Many people thought that this was simply stating the obvious and believed that ofcourse they already managed their customer relationships, while others viewed it as yet another fad that would come and go, but make a few 'consultants' a lot of money in the meantime! In fact many large business have evolved on the back of CRM because of the need for software for the customer database, the need for a method of communicating with this database, increasingly electronically, and the need for sales force automation. All of the large software companies and large consultancies offer a range of CRM solutions.

But what precisely is CRM? It's objective is clearly to build profitable customer relationships. But at what point in the relationship and in what way? And what is its relevance to the hotel industry?

Essentially you are trying to develop a comprehensive picture of your customer's needs, expectations and behaviours by gathering information from every point of contact that you have with them. And then you want to take initiatives that demonstrate to the customer that your understanding of their needs is better than your competitors and that you are in a far better position to meet their needs than anyone else.

Hotels are in a very strong position to build up this picture. Thanks to the software installed in most hotel operations you know precisely what every guest did during every moment of their stay with you. In fact it starts even before that time. You know how and when they made their reservation and hopefully you know the purpose of their stay with you. You know their address and thus how far they are travelling. You also know what rate they are paying and whether they are eligible for any form of corporate rate and their length of stay. And during the stay you know which room they stayed in, what in-room movies they watched, what food and drink they consumed where and when, what usage they made of the telephone and laundry and at what time did they checked out. You have the potential to use this information to both drive business and to make the guest feel very, very special each time he stays with you.. There is time or a cost involved in doing this, but if you want a profitable long-term relationship with the customer, it is a worthwhile investment.

Hotels typically make far too little use of the information available to them in their own PMS system. This may be because the PMS system is in the domain of the Operation and thus 'outside' the area of responsibility of Sales & Marketing. And far too rarely does a hotel make use of the Guest History to make the individual guest feel very special and very welcome. The only exceptions being five star or very small private hotels who seem to appreciate giving the guest the impression that you have remembered and care about the things that matter to him (even if you simply pulled it up from the PMS) will buy you guest loyalty. CRM is about providing superior service at every point of contact with the guest because you have established a picture of his behaviour.

For example, if the only thing the guest ever drinks out of his in-room mini-bar is the still mineral water, how wonderful if the next time he checks in and asked if he would like a couple of large bottles in his room each day. Of course he will be charged for them, but you have made him feel very special, he will certainly be telling a lot of people about this 'lovely touch' and you will have bought his loyalty for many years to come.

CRM has another totally different angle in hotels in which the customer and the guest are usually two completely different people. The scenarios described above relate to the guest. But what about the decision maker, influencer, booker or even the booking agent? They may never stay with you, but they are responsible for generating hundreds or thousands of room nights each year. Neither

relationship is more or less important than each other. They are different and need managing by different people in a different way.

Managing customer relationship (as opposed to the guest) is clearly the responsibility of Sales & Marketing. Systems such as Fidelio Sales & Catering have enabled hotel sales teams to manage these relationships intelligently and professionally. The system even makes them aware of bookings and enquiries received from these clients. But many hotels totally overlook the marketing opportunities that these relationships present. There may be 100,000 customer contacts set up in such a system, only a fraction of whom will be called upon by a sales person, so you need to use marketing to reach the rest of them. And this is where technology allows you do this in a very targeted, timely and cost-efficient way. E-mailings can be handled in such a way that the recipient doesn't know that anyone else has received it, that the message offers them benefits that appear uniquely tailored to their needs and that makes them feel that you genuinely care about their business. You are showing them that you wish to develop a meaningful relationship with them.

CRM is not just a fad. It is here to stay for the simple reason that positive customer experiences create loyalty and in turn create brand value. And strong brands are the ones that survive in tough times.

LINK BETWEEN SERVICE QUALITY AND MARKETING

Total Quality Management and Marketing have very strong links within the organisation. Both share a customer-directed philosophy, and both focus on teamwork and commitment from all levels of the organisation. Development of internal marketing and relationship marketing combine to provide an approach which fosters integration and commitment to quality throughout the organisation.

An organisation must carry out internal and external research to find out whether the organisation is "doing the right thing" with which proper future planning can be undertaken.

TQM in Hospitality Industry

Growing competition in the hospitality service sector, rising customer expectation and increasing recognition on the part of hospitality service firms, that mere compliance to quality specifications or programs on quality assurance may not always deliver, has provoked interest in implementation of Total Quality Management enroute to making their organisation world class.

The principal elements of TQM are:

- People
- Appropriate technology
- Quality control through problem solving tools/procedures
- A resolve for continuous improvement

TQM believes that

- Quality is the one and the only common aim for everybody in the organisation
- No problem is too big. All it needs is a big solution
- There's always a better way
- Best in the world applies to people, not things
- People are not problems, they are problem solvers
- Collective wisdom of people brings infinite results

Aiming at delighting the customer, TQM use the steps

- Waste identification and measurement

- Setting Standards
- Waste elimination (Total Quality Control)
- Co-ordination through Total Employee Involvement

The Ten Steps to TQM

1. Pursue new strategic thinking
2. Know your customers
3. Set true customer requirements
4. Concentrate on prevention, not correction
5. Reduce chronic waste
6. Pursue a continuous improvement strategy
7. Use structured methodology for process improvement
8. Reduce variation
9. Use a balanced approach
10. Apply to all functions

The Principles of TQM

1. Quality can and must be managed
2. Everyone is a customer and is a supplier
3. Processes, not people are the problem
4. Every employee is responsible for quality
5. Problems must be prevented, not just fixed
6. Quality must be measured
7. Quality improvements must be continuous
8. The quality standard is defect free
9. Goals are based on requirements, not negotiated
10. Life cycle costs, not front end costs
11. Management must be involved and lead
12. Plan and organise for quality improvement

Processes

Processes must be Managed and Improved. This involves:

- Defining the process
- Measuring process performance (metrics)
- Reviewing process performance
- Identifying process shortcomings
- Analysing process problems
- Making a process change
- Measuring the effects of the process change
- Communicating both ways between supervisor and user

TQM and Service Quality

Total Quality Management (TQM) is an approach to **management** that focuses on quality as the key to success.

TQM originated in a manufacturing environment and its terminology and techniques have largely been developed in that environment. Its application in a service environment thus requires adaptation of the ideas to a different set of circumstances.

How is service **industry** different?

Modern methods of quality control were developed and practiced in manufacturing **industries**. These involve the processing and fabrication of materials into finished durable and nondurable goods Service however is a relatively distinct non-manufacturing activity. Work is performed for someone else.

The major distinctions between service and manufacturing organisations are that the product:

- Is intangible and ephemeral
- Is perishable
- Frequently involves the customer in the delivery of the product
- Is not perceived as a product by employees

The intangible nature of the service as a product means that it is very difficult to place quantifiable terms on the features that contribute to the quality of the product. This makes measurement of the quality of the product a problem for TQM.

In the case of a service organization, time is regarded as an assessable quality or feature of the product. For example, people usually book aeroplane flights based on the departure and arrival times that are most convenient. If a traveler is expecting to arrive at a destination at a specified time, and the aeroplane is 2 hours late, the product will most likely have failed to meet the person's satisfaction. This is irrespective of how comfortable the aeroplane was, how good the in-flight service was, or the fact that the flight had been made safely.

An important difference (between manufacturing and service organisations) is that a production worker in manufacturing not only has a job; he is aware that he is doing his part to make something that somebody will see, feel and use in some way.. In contrast, in many service organisations, the people that work there only have a job. They are not aware that they have a product and that this product is service.

In manufacturing **industries,** the product is highly visible and therefore identifiable, whereas in service organisations the 'product' is frequently 'invisible' and the customer cannot easily be identified. Often a person in a service **industry** has no perception of their work being a product and that the way in which his job is performed has an impact on the success of the organisation as a whole.

How do these differences impact on the implementation of TQM in a service organisation? Looking again at the Quality Triangle, it is clear that the "Focus on the Customer" is very much a part of the provision of a service. The further development of identifying internal customers and building the concepts of "Teamwork" is less immediate. The intangible nature of the product may make it harder for each individual to see that they are contributing to a common goal. Whereas a person making a physical object can usually readily identify the next step in the process, and identify their contribution to the final product and its quality. A clerk in the accounts receivable section of a hospital, may find it difficult to identify his customers and see how the quality of their work will affect the final product. However, the difference is one of degree and simply requires, as in manufacturing, that each person be made aware of the value of their role in producing a quality product and be allowed to contribute to continuous improvement in the product.

In service provision the situation is very different. The involvement of the customer makes the definition of quality varying from moment to moment. "Service" cannot be stored, so the measurement must be immediate. Finally, the service is delivered at the moment it is produced. Any measurement taken, is thus too late to avoid a failure in contact with the customer. The critical difference in the application of TQM to service industries thus lies in the area of quality measurement.

Quality in the Hospitality Industry

Quality is considered to be of very great importance in the **hospitality industry**. The focus of quality initiatives has been primarily on selection and training of front line staff. The issues of measurement

and process improvement have been largely neglected. Only feedback from 'How do you rate us?' forms and indirect measures of employee satisfaction were used to measure their performance. Like all such measures, they are received too late to prevent a problem affecting a customer.

How can appropriate measurements be developed for a hotel that can complete the quality triangle and fully implement the TQM ideal?

Internal and External Service Quality Measures

Service Quality, which always involves the customer as part of the transaction, will therefore always be a balance. the balance between the expectations that the customer had and their perceptions of the service received. A "high quality" service is one where the customer's perceptions meet or exceed their expectations.

The *components of perceived service quality* are identified as

1. **Reliability**: the ability to provide a service as expected by the customer.
2. **Assurance**: the degree to which the customer can feel confident that the service will be correctly provided.
3. **Tangibles**: the quality of the physical environment and materials used in providing the service.
4. **Responsiveness**: the ability of the service provider to respond to the individual needs of a particular customer.
5. **Empathy**: the courtesy, understanding and friendliness shown by the service provider.

The *four service quality categories* are:

1. **Timeliness** is a reasonable feature of service to be given high priority because the service has to be produced on demand and the interval in provision is an element of the actual product.
2. **Integrity** deals with the completeness of service and must set out what elements are to be included in the service in order for the customer to regard it as a satisfactory product. This standard will set out precisely what features are essential to the service.
3. **Predictability** refers to the consistency of the service and also the persistence, or the frequency of the demand.
4. **Customer satisfaction** is designed to provide the targets of success, which may be based on relative market position for the provision of a specific service.

Once these service standards have been determined, the next step is to develop measurement techniques to monitor how well the standards are being achieved.

The measurement step is the second vital component of TQM, without which the supporting philosophies lack coherence. Once measurement methods have been developed and results derived, the process being studied can be placed in this measured context and decisions made accordingly. The remaining aspects of TQM present no greater difficulties than in a manufacturing organisation.

Perception of Service Quality by Hospitality Marketing Managers

The marketing managers of the hotel industry want to build customer retention strategies. To avoid employee complacency that may have caused the loss of the competitive edge for certain hotels, the hotel management should be aware of constant changes in customer preferences and needs. Considering the significance of employee courtesy to customer satisfaction, the hotel employees (especially front-office employees) must create a "delightful surprise" to their customers by increasing personal touches. In order to meet the growing competition in the hotel industry, the hotel management can start building a long-term relationship with high-value, repeat customers by offering exclusive financial incentives for those customers.

The full-service hotels or lodging properties are more focussed on service marketing and the addition of value to the lodging product through the offering of services. Singular, corporate-owned properties maintaining a strong focus on high levels of service, may be benefiting from simple, contemporary, progressive attitude held by their marketing managers or more organisational dedication due to the singularity of their existence. Much upgrading in levels of service, service guarantees or new services has been made in the past five years in the lodging industry by medium and smaller-sized properties were focused on addition of services not already available on the property. Major additions have been made in areas such as room service, food and beverage, technological and conference capacities. It is found that throughout the industry, medium and small-sized properties have been adding value to their products by including services that have already been provided regularly by larger properties or luxury, full-service properties for many years. In other words, the entire industry is moving towards higher standards of service. The level of service that previously allowed smaller properties to remain competitive is no longer acceptable. Yet, even as the level of services offered by small and medium-sized properties has been increasing, the marketing managers of these properties are not simultaneously increasing their utilisation of services marketing tactics.

Much opportunity exists for marketing managers to expand their commitment to customer service and service marketing and to begin to employ highly effective, communicative relationship marketing tactics such as Database Marketing. Database Marketing is highly effective, as it generates an invaluable customer database that will allow the marketing managers to create and tailor highly specialised services, that will meet the explicit needs of their unique customers, the ultimate goal of customer service. The increased use of databases in strategies of relationship marketing will cause the lodging experience to become increasingly personalised in the future. It is still relatively new, but it can definitely increase the competitiveness of a lodging product.

Other variables to be examined in relation to the target market:

- The actual service encounter
- The processes surrounding the service encounter
- The customer's perceived quality of the encounter

This analysis will facilitate the development of internal services marketing strategies, services marketing strategies for value-addition and services marketing strategies for the improvement of quality and customer satisfaction.

Quality—Ritz Carlton—A Case

Customer service is at the heart of quality. Off late, the perception as to what constitutes Quality has undergone a metamorphosis. Quality is regarding the performance of the product as per the commitment (written or unwritten) made by the producer to the consumer. It does indeed concern itself regarding the control of defectives in a manufacturing environment and or complaints in a service environment. However, the scope of quality as a concept has expanded beyond its conventional definition. Defining quality as only lack of non-conforming product /service would be taking a very limited view. The prevailing new paradigm for world class quality is Total Customer Satisfaction. The customer's expectations are therefore, paramount. Customer service is at the heart of quality for physical products as well as services.

The Atlanta Ritz Carlton Hotel Corporation operates 23 luxury hotels in the United States and two in Australia. The hotel chain which employs 11,500 people, claims distinctive facilities and an unusual environment, highly personalised services, and exceptional food and beverages. With average room

rates higher than $150 per night, Ritz Carlton realised it must do more than just please its customers in order to succeed. The hotel known simply as The Ritz did what many experts thought no hotel chain could accomplish in 1992, the Ritz became the first hotel to win the coveted Malcolm Baldrige National Quality Award.

When the name 'Ritz' has been synonymous with quality for years the luxury hotel chain did not actively begin its quest for total quality management until 1989. It was then that Horst Schulze, Ritz president and CEO told senior managers that he was not satisfied with hotel quality. He believed that the only reason the chain was considered the leading luxury hotel in the industry, was that everyone else was even more unsatisfactory. Schulze therefore introduced a total quality initiative rounded in participatory executive leadership, thorough information gathering and coordinated planning and execution.

A trained empowered and committed workforce was another essential element. All employees learn the company's Gold Standards—the Ritz's minimum set of standards for premium service. Schulze and a team of the chains' 14 top executives form the senior management quality team, which meets weekly to review performance and set standards. They spend a lot of time working on ways to improve our product, by talking to as many guests and employees as possible.

Ritz Carlton carefully selects and trains its employees to be quality engineers capable of spotting defects and immediately correcting them. Employees receive 126 hours of annual training on quality issues. Ritz management believes that high quality personnel reduce costs because they do the job right in the first time. The company reinforces its employee improvements program by recognising superior individual performance. Annual raises are tied to the individual's level of performance and work teams share in bonus pools when solutions they recommend for quality issues are successfully implemented.

Management empowers employees to "move heaven and earth" to satisfy customers. Whenever a customer complains or a service problem arises, employees are expected to take immediate corrective action. Employees have total authority to do what it takes to satisfy customer needs without waiting for management direction. The Ritz gathers quality data on all aspects of a guest stay to determine if he customer's expectations are being met. The chain surveys more than 25,000 guests each year to determine where improvements are necessary. Ritz computers maintain data on the likes and dislikes of more than 240,000 repeat customers.

Ritz Carlton won 121 quality-related awards in 1991and earned the industry best ranking by all three major hotel rating organisations Surveys indicate that 95 percent of the Ritz's customers rate their stay as a "memorable visit" exceeding their expectations. The 1992 Baldrige Award—old Ritz customers and employees already knew—the Ritz means quality.

SELF-ASSESSMENT QUESTIONS

1. What is meant by People Mix in hospitality marketing?
2. What is the role of employees in hospitality marketing?
3. What do you mean by Internal Marketing?
4. State importance of internal marketing in hospitality marketing.
5. What are the objectives of Internal Marketing?
6. Discuss the Internal Marketing Process.
7. Explain the key role played by people in the marketing mix.
8. Discuss the role of customer in hospitality marketing.

9. Describe the Total Quality Management (TQM) concept in relation to hospitality industry.
10. Explain the importance of employee selection, orientation, training and motivating programs.
11. Describe the concept of empowering employees.
12. What are Quality Circles? Discuss the objectives and use of quality circles in the service industry.
13. Discuss the Service Quality Linkage in hospitlaity marketing.
14. What is Relationship Marketing? Discuss the significance of Relationship Marketing in the hospitality industry.

ANALYTICAL QUESTIONS

1. Why employees are called Internal Customers? Is it necessary for a hospitality organisation to have an internal marketing program? Why?
2. Retaining employees is as important as retaining customers. Do you agree? Why?
3. What is implied by Total Quality Management in services? How would you manage the challenges of maintaining both quality and profitability for a service like Banquet service in a five star hotel?

TRY THIS OUT?

1. Internal marketing of a service really implies marketing the idea of the service to the provider organisation's own employees. Unless they understand the implications and the tasks to be performed, they are not likely to convey the benefit of the service in the way it is supposed to be conveyed. In your next interaction with a hotel or restaurant, discuss with the footman and the reception personnel to elicit information on:
   (a) How well do they understand the implication of their own job vis-à-vis the customer?
   (b) How do they view customer and customer interaction?
2. Total Quality Management as a movement was initially applied to manufacturing situations. Application of the concept to service processes, however, was widely acclaimed as one of the answers to the question of meeting and exceeding consumer expectation. Can you by looking at a successful service organisation, identify the ways in which TQM is being practiced in the organisation? If not, can you suggest how an integrated TQM can be applied to this organisation?

9

PROCESS MIX

LEARNING OBJECTIVES

This chapter would help the students to understand and analyse:
- Meaning of Process Mix
- Factors affecting the service process
- Various levels of service delivery
- Techniques of managing service delivery
- Meaning of Value Chain Analysis
- Meaning and steps in Service blueprinting/service mapping.

MEANING OF PROCESS MIX

In today's business world, it is not enough to say there is a **Product** and a **Place** where the consumer will purchase from without more focus on the shape and form the business. Sales and marketing today is far more complicated than the simple transactions of the past.

Some of the questions covered by **Process** within the components of the marketing mix are not only **where** and **how** customers will do business but also what **added value** will be provided, how **relationships** will be developed and **interactive experience** will be provided.

The advent of **e-commerce** has caused an explosion and exponential growth in **new ways of doing business**. The most successful organisations today are those that **interact and transact** with customer through a variety of methods.

In cultivating **long term relationships** with the customers, Process within the new marketing mix will include not only how to **promote** and **deliver** the value that is created but also how to **educate** and **support** customers on an ongoing basis.

In terms of the marketing mix, process can have many different meanings. However, in a service based industry such as hospitality, it should be viewed as the process that the customer has to go through to either purchase or use the product. This includes things such as the booking and check-in procedures.
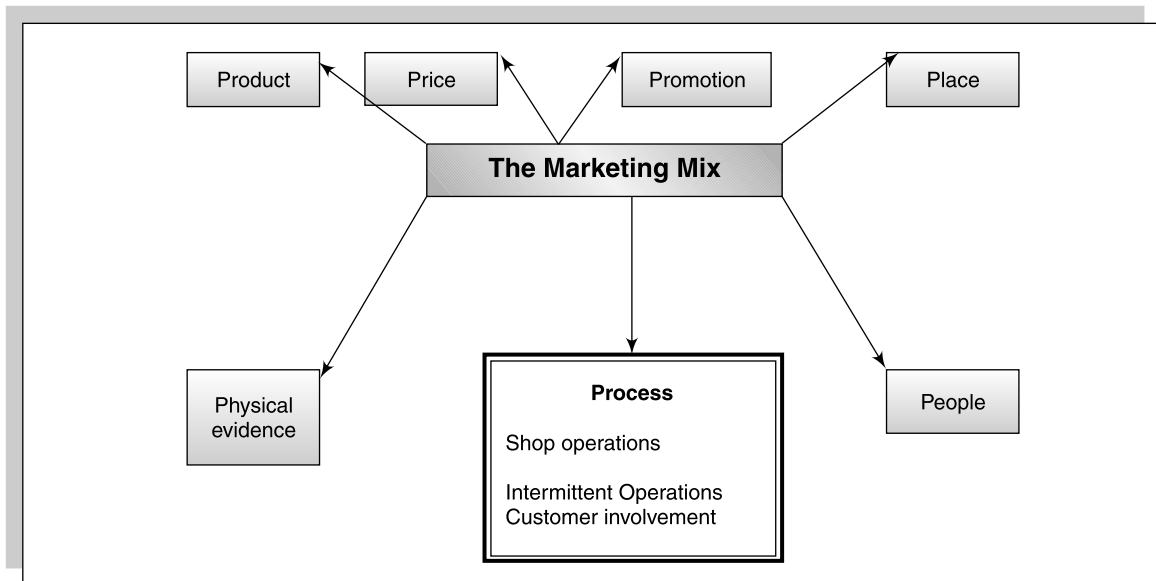
FIGURE 9.1   Process Mix

At all times, the focus should be retained on the customer and it should be ensured that the processes in place are as easy and enjoyable as possible for them.

Process is another element of the extended marketing mix, or 7Ps (Figure 9.1). There are various perceptions of the concept of process within the business and marketing literature. Some see processes as a means to achieve an outcome, for example, to achieve a 30 per cent market share a company implements a marketing planning process.

Another view is that marketing has a number of processes that integrate together to create an overall marketing process, for example, telemarketing and Internet marketing can be integrated. A further view is that marketing processes are used to control the marketing mix, i.e. processes that measure the achievement marketing objectives. All views are understandable but not particularly customer focussed.

For the purposes of the marketing mix, process is an element of service that sees the customer experiencing an organisation's offering. It is best viewed as something that the customer participates in at different points in time. Here is an example to help to build a picture of marketing process, from the customer's point of view.

Going on a cruise—from the moment that you arrive at the dockside, you are greeted; your baggage is taken to your room. You have two weeks of services from restaurants and evening entertainment to casinos and shopping. Finally, you arrive at your destination, and your baggage is delivered to you. This is a highly focussed marketing process.

Process refers to the systems used to assist the organisation in delivering the service. Imagine you walk into Dominos Pizza Centre and you order a Chicken Mexican Red Wave and you get it delivered within two minutes. What was the process that allowed you to obtain an efficient service delivery? Banks that send out Credit Cards automatically when their customers' old one has expired again require an efficient process to identify expiry dates and renewal. An efficient service that replaces old credit cards will foster consumer loyalty and confidence in the company.

Booking a room on the Internet—the process begins with you visiting a hotel's web site. You enter details of your room and book them. Your room booking reference arrives by e-mail or post. You check into your hotel on time, and occupy your room. This is all part of the marketing process.

At each stage of the process, markets:

- Deliver value through all elements of the marketing mix. Process, physical evidence, and people enhance services.
- Feedback can be taken and the mix can be altered.
- Customers are retained, and other serves or products are extended and marketed to them.
- The process itself can be tailored to the needs of different individuals, experiencing a similar service at the same time.

In a service organisation, the system by which you receive delivery of the service constitutes the process. In fast food outlets, the process comprises buying the coupons at one counter and picking up the food at another counter. Process means the way things are actually done and the steps taken to achieve the desired results.

- How do people consume services?
- What processes do they have to go through to acquire the services?
- Where do they find the availability of the service?
  - Contact
  - Reminders
  - Registration
  - Subscription
  - Form filling
  - Degree of technology

Factors to be Considered While Designing the Service Process

Process is the way things are actually done and the steps taken to achieve desired results.

1. **Customer Participation in the Process** (For example Self-service restaurant)
2. **Location of Service Delivery** The process can be carried out at the service provider's premises or at the customer's home. (For example, plumbing should be carried out at the customer's home, while dry cleaning is carried out the service provider's outlet.)
3. **The Service Itself** The service itself is dependent upon its process. Usually the case with intangible services such as legal representation is people based or equipment based such as vending machines or dry cleaning.)
4. **High Contact or Low Contact Service** The level of contact depends upon the type of service received. The level of contact will be nil between the customer and service provider in case of automatic cash dispensaries. The level of contact is very high in medical or professional services where the organisation's personnel for varying periods of time are looking after the client or patient.
5. **Degree of Standardisation** The degree to which the services are delivered in a very standard format (for example, McDonald's fast food experience) or whether some customisation is catered for (as in professional services, where each client's needs will be slightly different and will be serviced accordingly). The extent to which the service can be altered from the standard to meet the needs of different consumers or users may be termed as divergence.
6. **Complexity of the Service** This is measured by the number of steps or activities, which contribute toward the service delivery.

MANAGING THE PERCEIVED SERVICE QUALITY

Taking the characteristics of services especially with regard to its intangibility, it is highly crucial for the marketer to manage the perceived service quality from the point of view of a customer. Figure 9.2 details the different types of service quality and its perceived image in the minds of customer.

In order to have a match between the expected quality and perceived quality about the service, as Gonroos said, management must understand the corporate image of the service created in the minds of the customer through various means of communication, by focussing on what they are providing? (i.e. the technical quality) and how they are providing? (i.e. the functional quality) the service to the customer. The technical quality can be enhanced by the use of machines, computer systems, know-how, technical solutions, etc., and the functional quality can be maintained by focussing on the behaviour, appearance, accessibility, attitude, service-mindedness, customer contacts, etc., of the service personnel.
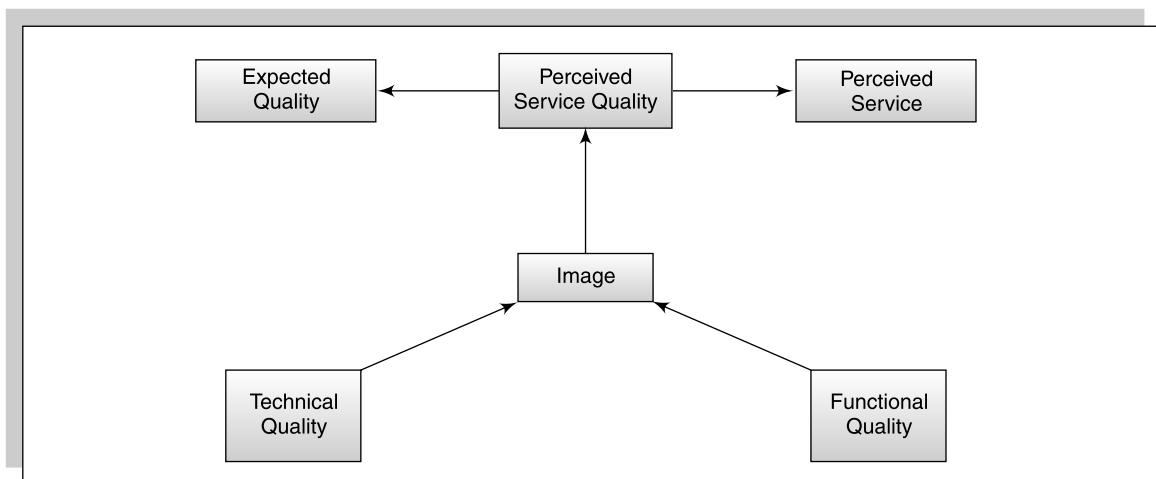
FIGURE 9.2   Management of Perceived Service Quality

Developing a Service Quality Program

The following are some of the measures that can be adapted to provide a quality service to the customers.

1. Supply strong leadership
2. Integrate marketing throughout the organisation
3. Understand the customer
4. Understand the business
5. Apply operational fundamentals
6. Leverage the freedom factor
7. Use appropriate technology
8. Practice good human resource management
9. Set standards, measure performance, and establish incentives
10. Feed back the results to the employees

The following is a checklist on measuring service quality:

- How well one can deliver what one promises
- How often one does things right the first time
- How often one does things right on time
- How quickly one responds to service requests
- How one is accessible to contact
- How one is helpful and polite
- How well one speaks one's language
- How well one listens
- How hard one thinks they work at keeping one a satisfied customer
- How much confidence one has in their products or services
- How well one understands and try to meet one's special needs and requests
- How one rate the overall appearance of one's facilities, products, communications, and people
- How one would rate the overall quality of service
- How one would rate the overall quality of competitor's service
- How willing would one recommend your service
- How willing would one be to buy from you again

VALUE CHAIN ANALYSIS

Value Chain Analysis—Manufactured Goods

The value chain is a systematic approach to examining the development of competitive advantage. It was created by M. E. Porter in his book, *Competitive Advantage* (1980). The chain consists of a series of activities that create and build value. They culminate in the total value delivered by an organisation. The 'margin' depicted in the diagram below is the same as added value. The organisation is split into 'primary activities' and 'support activities'.

The activities within the organisation add value to the service and products that the organisation produces, and all these activities should be run at optimum level if the organisation is to gain any real competitive advantage. If they are run efficiently the value obtained should exceed the costs of running them i.e. customers should return to the organisation and transact freely and willingly. Figure 9.3 outlines the value chain process in typical manufacturing organisation.

Primary Activities

Inbound Logistics   It refers to goods being obtained from the organisation's suppliers, which are ready to be used for producing the end product. Here goods are received from a company's suppliers. They are stored until they are needed on the production/assembly line. Goods are moved around the organisation.

Operations   This is process by which the raw materials and goods are converted into the final or finished product. Value is added to the product at this stage as it moves through the production line. This is where goods are manufactured or assembled. Individual operations could include room service in a hotel, packing of books/videos/games by an online retailer, or the final tune for a new car's engine.

Outbound Logistics   Manufacturing goods is an internal process. Once the products have been manufactured they have to be distributed to distribution centres, wholesalers, retailers, or customers. Outbound logistics is the process in which the finished goods are sent along the supply chain to wholesalers, retailers, or the final consumer.
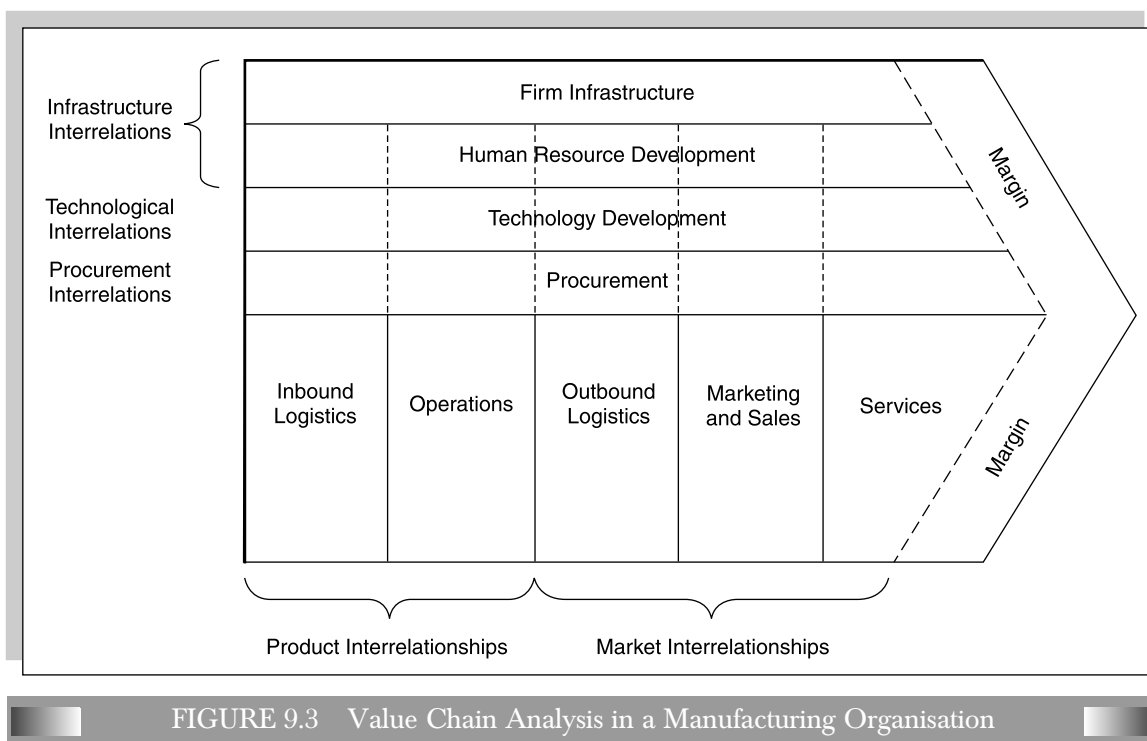
FIGURE 9.3   Value Chain Analysis in a Manufacturing Organisation

Marketing and Sales   Identifying the correct target market and selling the goods to them is the next step. Marketing must make sure that the product is targetted towards the correct customer group. The marketing mix is used to establish an effective strategy; any competitive advantage is clearly communicated to the target group by the use of the promotional mix. In true customer orientated fashion, at this stage the organisation prepares the offering to meet the needs of targetted customers. This area focusses strongly upon marketing communications and the promotions mix.

Service   Manufacturing a good product or its effective marketing alone does not make it successful business process. After the product/service has been sold, it is significant to adopt adequate support services. This may come in the form of after-sales training, guarantees, and warranties. Porter stated that with the above activities, any or a combination of them, maybe essential for the firm to develop the competitive advantage. This includes all areas of service such as installation, after-sales service, complaints handling, training, and so on.

Support Activities

The support activities assist the primary activities in helping the organisation achieve its competitive advantage. They include:

Procurement   This is the purchase department function. This department sources the raw materials for the organisation and obtains the best price for doing so. For the price they must obtain the best possible quality. This function is responsible for all purchasing of goods, services and materials. The aim is to secure the lowest possible price for purchases of the highest possible quality. They will be responsible for outsourcing components or operations that would normally be done in-house are done by other organisa-

tions, and e-Purchasing using IT and web-based technologies to achieve procurement aims. In the case of hotels most of the kitchen raw materials and operations like housekeeping are outsourced these days.

Technology Development   Technology plays a very significant role in today's organisational functioning. Organisations use technology to obtain a competitive advantage within the organisation. This is very important in today's technological driven environment. Technology can be used in production to reduce cost and thus add value, or in research and development to develop new products, or via the use of the internet so customers have access to online facilities. Companies need to innovate to reduce costs and to protect and sustain competitive advantage. This could include production technology, Internet marketing activities, lean manufacturing, Customer Relationship Management (CRM), and many other technological developments.

Human Resource Management (HRM)   Like any other resources in the organisation, the human resource is considered to be the most significant resource in an organisation. Hence, the organisation will have to recruit, train, and develop the right people for the organisation if they are to succeed in their objectives. Staff will have to be motivated and paid adequately if they are to stay with the organisation and add value to it over their duration of employment. Within the service sector e.g. airlines, hotels, etc., it is the 'staff' who may offer the competitive advantage that is needed within the field. Employees are an expensive and vital resource. An organisation would manage recruitment and selection, training and development, and rewards and remuneration. The mission and objectives of the organisation would be driving force behind the HRM strategy.

Firm's Infrastructure   A coherent organisatonal infrastructure is a essential aspect for the success of an organisation Every organisation needs to ensure that their finances, legal structure, and management structure works efficiently and helps drive the organisation forward. The value chain encompasses the whole organisation and looks at how primary and support activities can work together effectively and efficiently to help gain the organisation a superior competitive advantage. This activity includes and is driven by corporate or strategic planning. It includes the Management Information System (MIS) and other mechanisms such as the accounting department, for planning and controlling.

Value Chain Analysis—Hospitality Products and Services

Value chain analysis is concerned about considering the selection of hospitality products in terms of its competence to enhance competitive positions. Value chain analysis focusses on where value is created within the hospitality business and provides a way of thinking about competitors and the search for competitive advantage. The fundamental concern for value chain analysis is for a typical capability to create value for guests by offering either lower prices for a similar level of benefits or greater benefits for the same price.

A hotel can maintain competitive advantage by doing the following activities:

- Effective differentiation
- Strong relative cost position

Both the above activities can be achieved by utilising the skills and resources of the organisaiton in a particular manner.

A hotel can achieve differentiation by maintaining

- a preferred location,
- talented service staff,
- information systems,
- creativity and persistence in selling hotels services, and
- reliable quality of services offered.

A hotel can take the benefit of cost advantage by maintaining

- effective cost management systems,
- Standardisation in service design,
- good layout of physical facilities,
- A team-based commitment to productivity, and
- network links that provide access to services of specialists at lower cost.

Value Chain Analysis — A Hotel

As compared to the manufacturing organisation's value chain, the service organisation has its own value chain system, which is shown in the following Figure 9.4 (Lazer and Layton)

HOSPITALITY VALUE CHAIN

Support Activities

Corporate Infrastructure   **P**

Strategic Alliances   **R**

Systems/Technology Development   **O**

Human Resource Management   **F**

Logistics

Engineering   **I**

Security   **T**

Primary Activities

| Reception | Service Provision | Check Out | Sales/ Mkt |
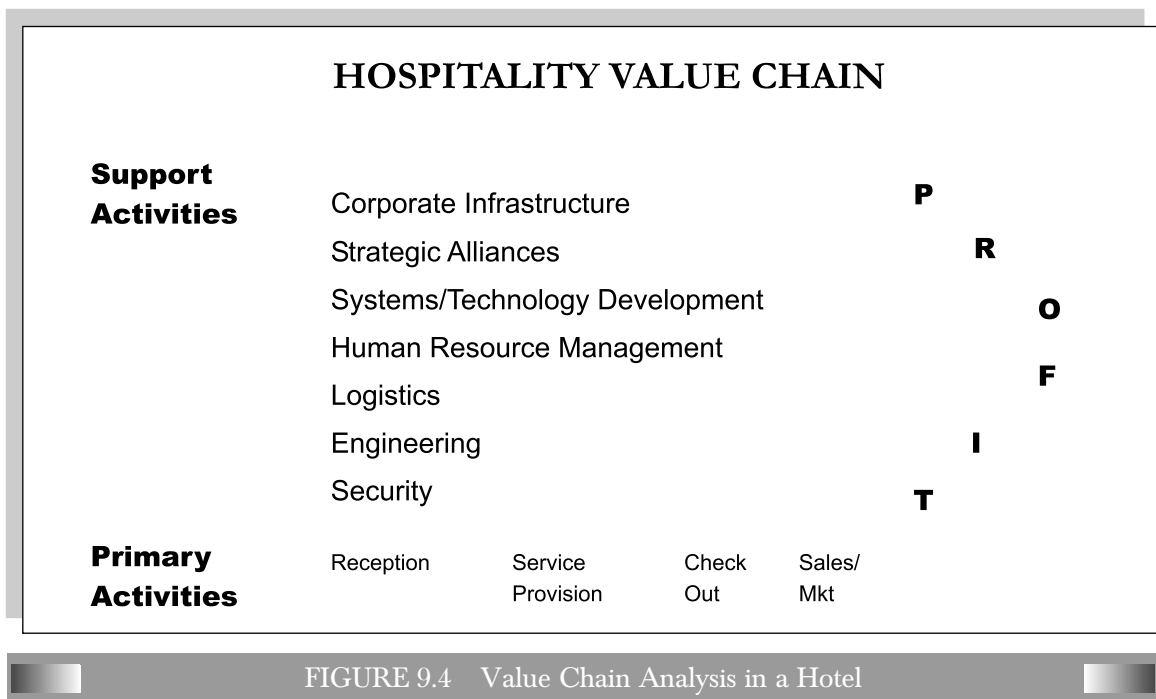
FIGURE 9.4   Value Chain Analysis in a Hotel

There are two types of activities, namely, primary activities and support Activities
In case of a hospitality service the primary activities are as follows:

- **Reception** Queue management, baggage handling, room allocation, car parking, room choice, upgradation options, guest mix management.
- **Service Provision** Executive/Club house options, room service, housekeeping flexibility, business centre, in-room facilities, retailing outlets in hotels.
- **Check-Out** Express systems, baggage handling, car return, Taxi, Coach, Airport, Train Links
- **Sales/Marketing** Personal Selling, Group Sales, Public Relations, Advertising- Media, Agency, Direct Mail, Web site.

The above activities are directly concerned with the marketing and delivery of hospitality products to guests with value addition.

The following are the support activities back up the primary activities:

- **Ensuring Security** Information display/provision to guests regarding emergency procedures, In-room security, Room access limits, Security in grounds, Car Parks.
- **Establishing and managing the flows of information, people, and resources, contributing innovative products, systems, technologies** Air-conditioning, energy management systems, elevator operations, noise levels, transport systems, purchase systems, inventory management, assortment, depth, reservation systems, customer/guest data bases, market research**.**
- **Establishing and maintaining strategic alliances with tourism and hospitality networks** Tourism operations, Rental/outlets, theaters, major client loyalties, political connections.
- **Providing overall strategic and operational management** Ability to attract, retain talented staff, training and development, incentives/reward systems, team building, location, market positioning, culture, organisational design, business planning.

Within each of these primary and support activities are the detailed activities that together build value into hospitality services provided. The profit margin then is the difference between the total cost of performing the services offered by the firm and price that guests are willing to pay for them.

BLUEPRINTING

Blueprinting is an analytical tool that is helpful in identifying the service encounters in which typical hospitality guests participate as they move through the service process. It is a tool that depicts the service process; the points of customer contact and the evidence of service from the customer's point of view (Figure 9.5)
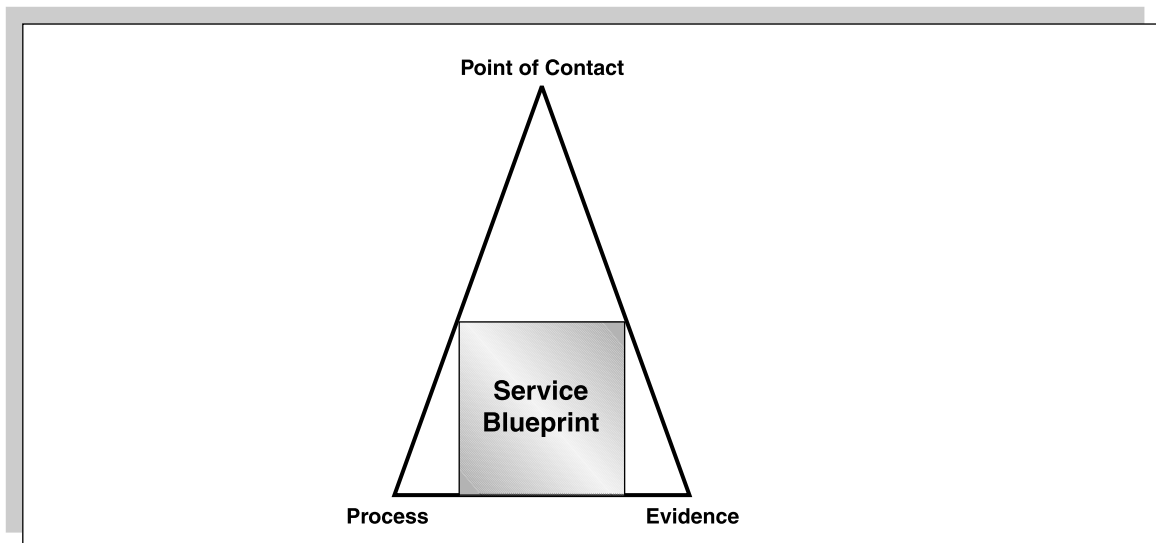

FIGURE 9.5   Components of Service Blueprint

A service blueprint is a picture or a map that precisely portrays the service system so that the different people involved in providing it can understand and deal with it objectively regardless of their roles or their individual points of view.

As services are dynamic and experiential, and frequently co-produced in real time by customers and employees, service firms use 'service blueprinting' to manage the service encounter effectively and to allow clearer visualisation of the service processes. Blueprinting is a method invented by Shostack (1984) to accurately portray the service systems.

The key actions of service blueprints are as follows (Figure 9.6):

1. **Customer actions** It comprises the steps, choices, activities, and the interactions that the customer performs in the process of purchasing, consuming, and evaluating the service.
2. **Onstage employee action** In includes the steps and activities that the contact employee performs that are visible to the consumer.
3. **Backstage contact employee actions** These are those employee actions that occur behind the scenes to support the onstage activities.
4. **Support processes** This covers the internal services, steps, and interactions that take place to support the contact employees in delivering the service.

SERVICE BLUEPRINT

Physical Evidence

Customer Actions

Line of Interaction

Onstage Contact

Employee Actions

Line of Visibility

Backstage Contact

Employee Actions
Line of Internal Interaction

Support processes
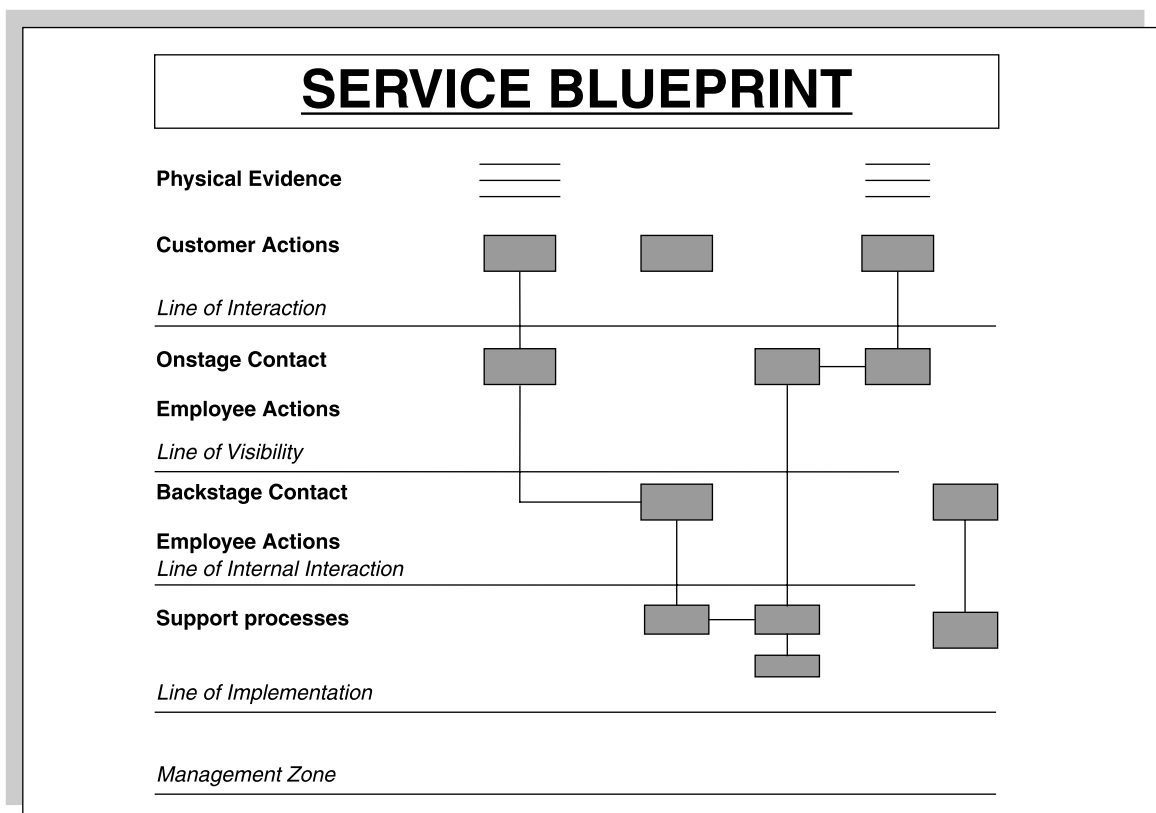
Line of Implementation

Management Zone

FIGURE 9.6   Key Actions of Service Blueprint

Line of Interaction

The line of interaction separates the customer action area from the provide action area. The line of interaction represents the direct interactions between the customer and the organisation. Any time a vertical

line crosses the horizontal line of interaction, a direct contact between the customer and the organisation, or a service encounter, occurs.

Line of Visibility

The line of visibility differentiates between actions visible and invisible to the customer. This line separates all service activities that are visible to the customer from those that are not visible. This line separates what the contact employees do onstage from that of the backstage.

Line of Internal Interaction

This line separates contact employee activities from those of other service support activities and people. This line distinguishes between the frontoffice and backoffice activities. Verticals cutting across the line of internal interaction represent internal encounters.

Line of Implementation

This line separates between planning, managing, and controlling (management zone) and support activities (support zone).

   In a typical service blueprint, the customer occupies the top zone, management occupies the bottom zone and service operations are sandwiched between them. Thus, service blueprint shows how service provider can be empowered to manage the service components to bridge the gap between management intent and customer demand. As the service providers span the boundary between the firm and the customers, they can become frustrated. The role ambiguity experienced by boundary-spanning employees greatly decrease job performance, which negatively affect customers' perception of service quality.

   Figure 9.7 gives the brief actions take place during a check in process in a hotel and its blueprint which shows the various physical evidences involved, customer actions, employee actions both onstage and backstage with necessary support process involved. This also shows the line of interaction, line of visibility, line of internal control in the service blueprint.

The "Six Ss" of Service Encounters

There can be different kinds of service encounters depending upon the nature of service. In the case of hospitality service, as Lazer and Layton stated the encounters can be simple or complex; standard or custom; low-tech or high-tech remote or friendly; low or high skill; frequent or occasional. In order to improve the service chains the hospitality marketer need to find answers pertaining to the following Six Ss:

   1. **Specification:** What is to be done?
   2. **Staff:** Who will be involved?
   3. **Space:** Where will the encounter take place?
   4. **Systems:** What systems will play a role?
   5. **Support:** What supporting activities are needed?
   6. **Style:** How will the service be provided?

Steps in Building a Service Blueprint

The development of a service blueprint needs to involve a variety of functional representatives as well as information from consumers. The following are the various steps involved in Blueprint (Zeithaml & Bitner).

Step 1. Identify the Service Process to be Blueprinted

Blueprints can be developed at a variety of levels, and there needs to be agreement on the starting point. Identifying the process to be mapped will be determined by the underlying purpose for building the blueprint in the first place.
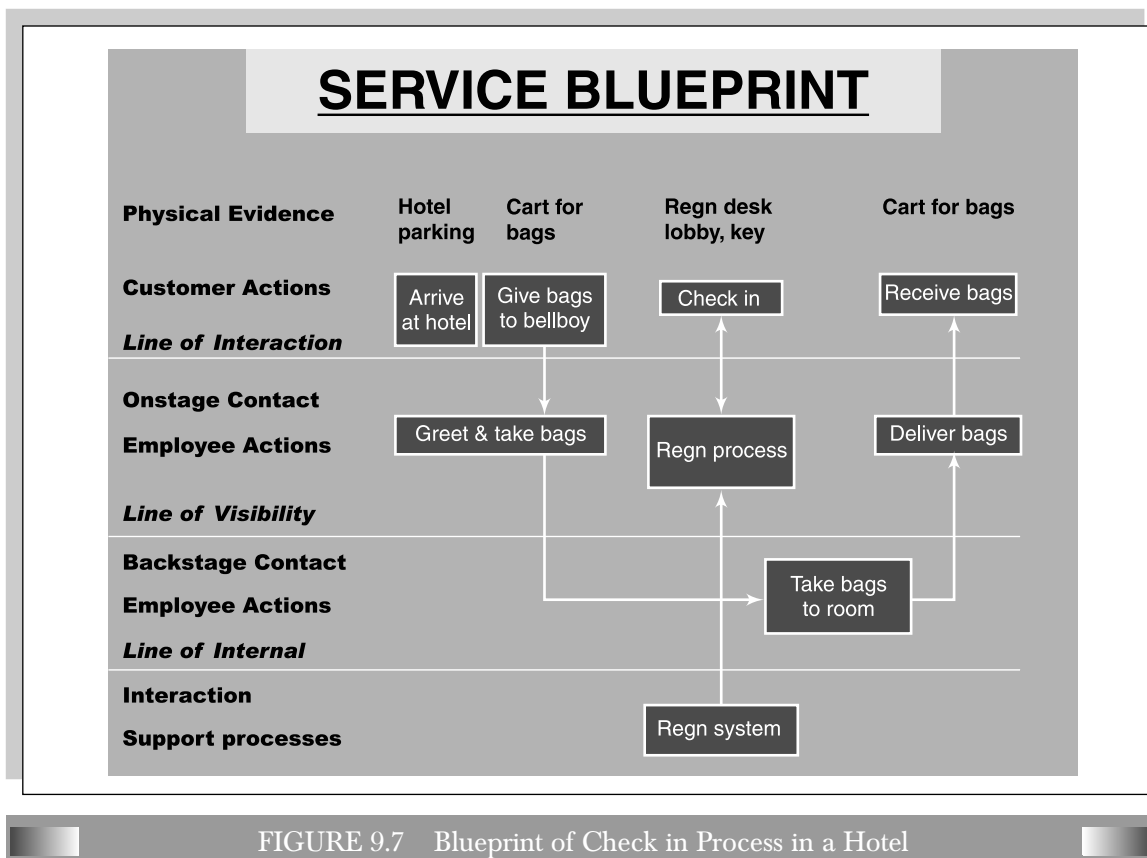
SERVICE BLUEPRINT

Physical Evidence	Hotel parking	Cart for bags		Regn desk lobby, key		Cart for bags

Customer Actions

Line of Interaction

Arrive at hotel | Give bags to bellboy | Check in | Receive bags

Onstage Contact

Employee Actions

Greet & take bags | Regn process | Deliver bags

Line of Visibility

Backstage Contact

Employee Actions

Line of Internal

Take bags to room

Interaction

Support processes

Regn system

FIGURE 9.7   Blueprint of Check in Process in a Hotel

Step 2. Identify the Customer or Customer Segment Experiencing the Service

A common rationale for market segmentation is that each segment's needs are different and therefore will require variations in the service or product features. Thus, blueprints are most useful when developed for a particular customer or customer segment, assuming that he service process varies across segments.

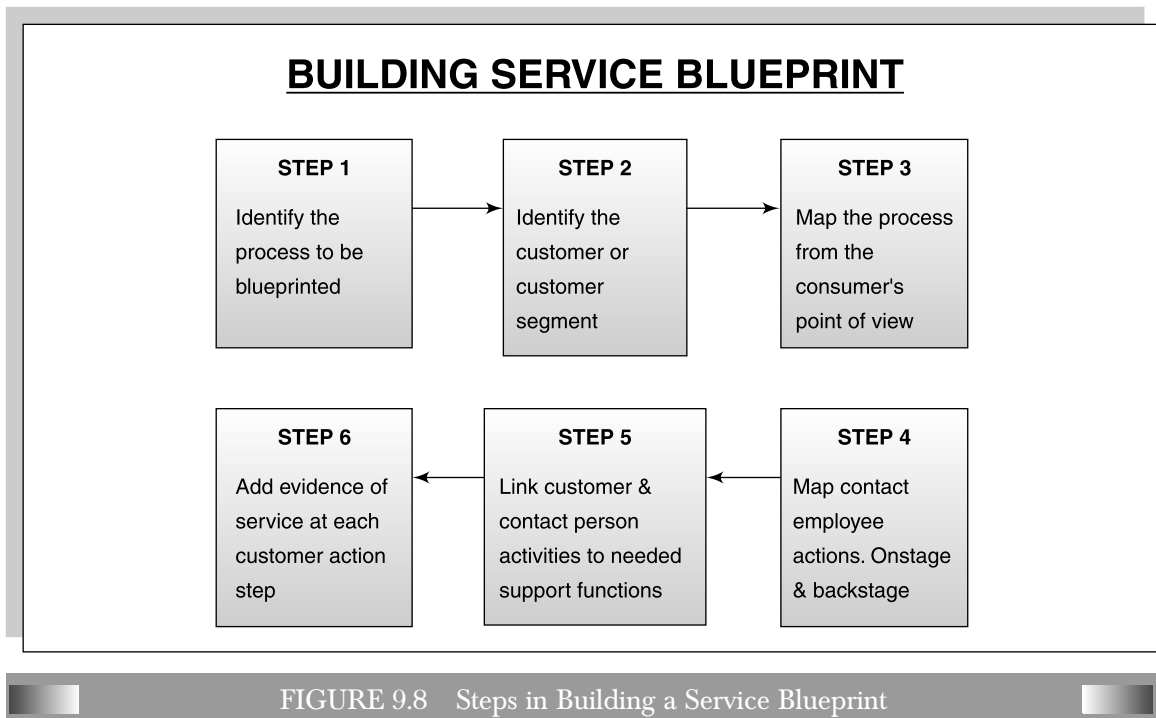### Step 3. Map the Service Process from the Customer's Point of View

This step involves charting the choices and actions that the customer performs or experiences in purchasing, consuming, and evaluating the service. Identifying the service from the customer's point of view first will help to avoid focusing on processes and steps that have no customer impact.

Step 4. Map Contact Employee Actions, Both Onstage and Backstage

First the lines of interaction and visibility are drawn, and then the process from the customer contact person's point of view is mapped, distinguishing visible or onstage activities from invisible backstage activities.

Step 5. Link Customer and Contact Person Activities to Needed Support Functions

The line of internal interaction can be drawn and linkages from contact person activities to internal support functions can be identified. It is in this process that he direct and indirect impact of internal actions on customers become apparent.

BUILDING SERVICE BLUEPRINT

STEP 1	STEP 2	STEP 3
Identify the process to be blueprinted	Identify the customer or customer segment	Map the process from the consumer's point of view

STEP 6	STEP 5	STEP 4
Add evidence of service at each customer action step	Link customer & contact person activities to needed support functions	Map contact employee actions. Onstage & backstage

FIGURE 9.8   Steps in Building a Service Blueprint

Step 6. Add Evidence of Service at Each Customer Action Step

Finally, the evidence of service can be added to the blueprint to illustrate what it is that the customer sees and receives as tangible evidence of the service at each step in the customer experience.

Benefits of Blueprinting

A blueprint has many advantages to any type of organisation whether it is manufacturing or services. The following are some of the benefits which the blueprinting offers to a service organisation:

- Provides an overview of all the service
- Identifies weak links in chain of service
- Line of Interaction keeps the customer informed of his role (Informed Service Design)
- Line of Visibility helps the customers to know whom to contact (Rational Service Design)
- Line of Internal Interaction clarifies interfaces across departmental lines
- Strategic discussions takes place
- Assessment of cost, revenue, investment in service
- Facilities Top-down, Bottom-up approach to quality improvement

Organization-Customer Interface

Typically, the manufacturer or the trader interfaces with the end user. In many service organisations, the company-customer contact is limited to a few minutes. However, in the hotel industry, the customer literally lives in the organisation. He eats, sleeps, and, as we observed, "experiences" within the organisation. The moods, needs, and expectations of the customer may change, sometimes dramatically during the day.

The hotels, therefore, have to be in close touch with the guest, on a continual basis in order that the customer remains content and satisfied.

One-time contact with the guest is another feature. Any employee, regardless of his/her position in the hierarchy, is accountable for the interface with a guest. A guests request, say for an extra towel, will be met by the person contacted by the guest. This again is suggestive of the "high-touch" approach to interfacing with guests.

MANAGING MOMENTS OF TRUTH

"Moments of truth" or "Wow!" factors can be regularly associated and keenly observed/experienced in the hospitality industry worldwide.

One can safely borrow (use it as a benchmark) their service and quality standards and then adapt it in order to implement it in ones organisation across the board and in any field.

For a professional in the hospitality industry, be it a luxury hotel, a cruise ship, or even an airline (not the low cost/fringe carriers who main aim is cost cutting), such "moments of truth" are a part and parcel of every day work life. It is expected of them on a frequent basis and they stand up and deliver results.

TABLE 9.1   Management of Moments of Truth in a Restaurant

Moment of Truth	Hotel's Response
Arrival at the Airport	A hotel's car is sent to the Airport. The chauffeur finds out in advance through Airport personnel who the guest is and calls him/her by name when greeting. No name board is held up for identification.
Arrival at the Hotel	Front of the office staff are alerted by the security personnel upon arrival of the guests. They walk up, garland and greet the guest, addressing the person by his/her name.
Checks in	Basic information is filled in by the staff. The guest fills only that which is absolutely necessary. A welcome drink is offered, while the guest attends to registration. In some instances, registration is done not at the reception but at the executive floor for the convenience of the guest.
Moves to the Room	A member of the staff accompanies the guest to the room.
Enters the Room	A bouquet of flowers and a basket of fruits are placed for the guest with his/her name written on a personalised welcome card.
Guest Telephones Front Office	The name of the guest is displayed on the telephone's display unit and the front of the office staff respond "yes Mr..............., what can I do for you?"
First day in the Hotel	A cocktail party is organised to formally welcome the guests who have checked in during the previous 48 hours. The guest Relations Officer (GRO) plays an active role in establishing contact and rapport.
Remainder of the Stay	(a) GRO and others key staff members meet with guests informally and ascertain satisfaction levels. Particular preferences are noted (e.g. choice of a Newspaper) and the guest is pleasantly surprised (delighted) when he/she receives it. (b) If a birthday or anniversary falls during the stay of a guest, a cake and a card is sent to the room.

This is the very reason, hospitality professionals are sought in all industries where there is going to be a direct customer interaction or interface, and not just that, even for the behind-the-scenes improvisation and implementation of customer relations, retention, and loyalty efforts/strategies.

This is solely because of the intensive as well as extensive training and idea engraved in their heads towards 'exceeding' customer satisfaction, and not merely just achieving the results. It becomes a way of life and an everlasting habit, so our thoughts always go in the same direction.

Table 9.1 shows some of the identified Moments of Truth and their management by a hotel in respect to a VIP guest.

It is clear that though it is essential to invest more money in the physical plant and equipment and technology in a hospitality organisation, at the same time is highly significant to have the right kind of people and process.

SELF-ASSESSMENT QUESTIONS

1. What do you mean by process in hospitlaity business?
2. What are the factors to be considered while designing the service process?
3. Discuss the various strategies to be followed to bridge the perceived and provided service quality.
4. What do you mean by Value Chain Analysis? Discuss the Value chain in relation to hospitlaity business.
5. What do you mean by Blueprinting?
6. Discuss the components of service blueprinting.
7. Discuss the steps of Service blueprinting. Give an illustration in relation hospitality industry.
8. What are the benefits of blue printing?
9. What is Line of Interaction in blueprinting?
10. What is Line of Visibility in blueprinting?
11. What is Line of Internal Interaction in blueprinting?
12. What is Line of Implementation in blueprinting?
13. What do you mean by Moment of Truth? Discuss the significance of managing moments of truth in the case of hospitlaity industry with illustrations.

ANALYTICAL QUESTION

1. Imagine a hospitality service process and draw a blueprint mapping the delivery system.

TRY THIS OUT?

1. Visit the nearest Speciality restaurant and a Fast food restaurant and record the service encounter process involved in your experience and compare it with the standard encounter process and analyse the variations if and find solutions to improve the service encounter.

10

PHYSICAL EVIDENCE MIX

LEARNING OBJECTIVES

This chapter would help the students to understand and analyse:

- Meaning of Physical Evidence
- Significance of Physical Evidence in Hospitality Business
- Various types of Physical Evidences—Peripheral Evidence and Essential Evidence
- Meaning of Corporate Image and Corporate Identity
- Elements of Hospitality Presentation Mix

MEANING OF PHYSICAL EVIDENCE

What is Physical Evidence? Within the new marketing mix structure, this refers to whatever the customers can "**see**" before purchasing. This can include the physical environment, packaging, supporting collateral and anything else that helps in "**presentation***"*.

Physical Evidence as one of the components of the marketing mix, is most useful in selling and marketing **services** and **intangible products**. Whenever the customer cannot feel or see the end product, then the supporting physical evidence they **can** see and feel becomes important.

Physical Evidence within the marketing mix structure should be framed in such way that it tries to understand **the customer's perspective**. What kind of experience is the marketer providing to the customer? Is it pleasant and rewarding doing business? How can the marketer tailor the customer's interactions? How can a marketer **add value** and create **unique differentiation** for the customer?

Physical Evidence relates to the materials that aid the service. In the hospitality sector this could be the booking confirmation that a customer receives and with the development of Internet based technologies and mobile phones, people often expect instant confirmation of their booking whether this is sent via email or a text message.
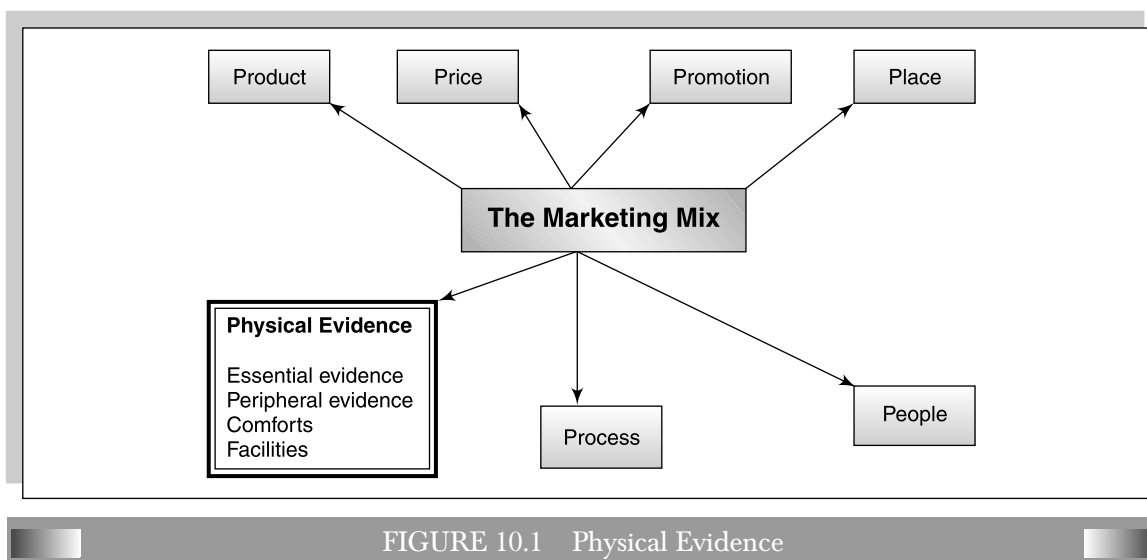
FIGURE 10.1   Physical Evidence

Physical Evidence also relates to things like brochures and web sites—again in the context of the hospitality industry, people like to see what it is they are buying. If a customer is booking a two night break in a B&B—they will want to be able to see the rooms and facilities before they book.

Physical Evidence means all physical, tangible and controllable aspects of a service organisation (e.g. exterior appearance and interior décor of a restaurant).

Physical Evidence is the environment in which the service is delivered along with the physical or tangible commodities and where the firm and the customer interact (Figure 10.1).

Physical Evidence is the material part of a service. Strictly speaking there are no physical attributes to a service, so a consumer tends to rely on material cues.

Physical Evidence is the ability and environment in which the service is delivered. Both tangible goods that help to communicate and perform the service, and the intangible experience of the existing customers, and the ability of the business that relay customer satisfaction to potential customers.

Physical Evidence plays a crucial role in the service sector, especially in hospitality services. Take an example of a restaurant where you have a date with your girlfriend/boyfriend. You are very much satisfied with the price, people, process etc... but you don't get comfortable seats to sit for long. They also have sprayed some strong room freshener which is making you fight for breath… and the utensils are not cleaned properly etc., ….. As a result your date is spoiled. Take another example, you have gone for a business meeting in summer and your company is arranging for your stay in a Five-Star hotel. You stayed there for a night and to your surprise the AC was not working, so you managed the night with the fan on. As a result, you may not want to stay in that hotel in your next visit. Therefore, it significant to make sure that all the elements of the market mix perform in a coherent manner.

There are many examples of Physical Evidence, including some of the following:

- Packaging
- Internet/Web pages
- Paperwork (such as invoices, tickets and dispatch notes)
- Brochures

- Furnishings
- Signage (such as those on aircraft and vehicles)
- Uniforms
- Business cards
- The building itself (such as prestigious offices or scenic headquarters)
- Mailboxes etc.

The ambience, mood or physical presentation of the environment

- Smart/Shabby?
- Trendy/Retro/Modern/Old fashioned?
- Light/Dark/Bright/Subdued?
- Romantic/Chic/Loud?
- Clean/Dirty/Unkempt/Neat?
- Music?
- Smell?

Where is the service being delivered? Physical Evidence is the element of the service mix which allows the consumer again, to make judgements on the organisation. If you walk into a restaurant, you expect a clean, and friendly environment. On an aircraft if you travel first class, you expect enough room to be able to lie down.

Physical Evidence is an essential ingredient of the service mix because consumers will make perceptions based on their sight of the service provision, which will have an impact on the organisation's perceptual plan of the service.

A sporting event is packed full of physical evidence. Your tickets have your team's logos printed on them, and the players are wearing uniforms. The stadium itself could be impressive and have an electrifying atmosphere. You travelled there and parked quickly nearby, and your seats are comfortable and close to the restrooms and the store. All you need now is for your team to win!

Some organisations depend heavily upon physical evidence as a means of marketing communications, for example tourism attractions and resorts (e.g. Disney World), parcel and mail services (e.g. UPS trucks), and large banks and insurance companies (e.g. Lloyds of London).

TABLE 10.1   Physical Evidences of a Fast Food Restaurant

The food itself	Taste, Smell, Presentation, Temperature
Its packaging	Style, Colour, Environmen friendly
Seating	Convenience
Overall appearance of the restaurant	Comfort, Layout, Availability, Hygiene, Cleanliness, Lighting, Décor, Attractiveness (inside and outside), Well maintained etc.
Accessibility	Car parking, Location of entrances/exits, Wheelchair access, Geographical location, Staff toilets, Children's amusements
Corporate image	Customer information, Pay phones, Personal appearance, Dress code, Manner, efficiency
Service delivery	Attitude towards the company image
Atmosphere	Logo, Advertising, Brand loyalty, the individual's knowledge of the organisation and its activities—prompt or slow, Slipshod, Efficient Welcoming, Friendly, Cold

CORPORATE IMAGE

As the word "image" implies, the Corporate Image is a picture, an impression of a corporation. It is the corporation's reflection of its behaviour, its appearance, and its corporate personality. However, it is not a reflection as a mirror would present; it is the reflection of public opinion. The corporate image is not formed by the corporation, it is formed by how the corporation is perceived by the public which may or may not be how the corporation wants to be seen.

Corporate Image is the image which the organisations present to the world at large, regarding their service quality, value for money, guarantees, luxury décor etc, to its consumer by sending messages, information and signals related to the organisation's objectives.

CORPORATE IDENTITY

Corporate Identity goes beyond the Corporate Image. It builds a distinctive and recognisable physical identity for the organisation. It gives tangible identity through corporate image, by linking the values, benefits and qualities through organisations image, which is identifiable through physical attributes such as brand names, logos, staff uniforms, house-styles and consistent standards.

Corporate Identity is not just a logo or a name of a company. Though these are the most visible signs of its components, corporate identity is what makes a company special and unique. It expresses the company's approach to business, its values and business culture. It is reflected in everything from the quality of the products and/or services, marketing strategies, communication media, and working environment. Corporate Identity should tie all the different elements of the business together in a unifying way. Corporate Identity enables the company to build recognition and loyalty among clients, to communicate its values and special approach to business in a memorable way, to establish a benchmark of set of goals against which the performance can be judged, and to give employees a sense of belongingness to a team.

The main objective of corporate identity is to achieve a favourable image among the company's prospects and customers. When a corporation is favorably regarded, it is likely to result in loyalty. If the corporate identity is like the self-portrayal of a company, then the corporate image is the perception of an organisation by the audience. The closer the corporate image is to the corporate identity; the closer the public's perception of a company is, to how the company defines itself, making for superior corporate communication.

Visual Corporate Identity Elements

- Company name
- Corporate logo (monogram, logotype, or symbol)
- Corporate colours
- All printed stationery materials, forms, and correspondence ranging from individual's business cards to cheques
- Promotional materials, gifts and hand-outs
- Signs of all applications from directional signage such as ladies and men's room to highway signs
- Company vehicles
- Uniforms and work clothes for employees
- Advertising elements including all media from print to radio and TV to the corporation's website
- Building structures and location

Marriot hotels advertise their uniform appeal and quality of their hotels with the slogan: 'Always in the right place at the right time'. **ITC Sheraton** focuses on their corporate branding in advertisements which announce that each of their hotels is different and unique but based on Sheraton's extensive experience with travellers around the world.

Types of Hospitality Physical Evidence

There are two kinds of physical evidence.

Peripheral Evidence

Peripheral evidence is that physical evidence that can be possessed and taken away by the customer such as an airline ticket, a cheque book, a receipt for a confirmed reservation in a hotel, match box, writing pad, pen, complementary flowers, drinks, toiletries, chocolate in hotel rooms, newspapers and magazines etc. in a hotel.

This type of evidence can actually change hands during service transactions, as in the purchase of an airline ticket or a hotel room key. The purchaser may become the owner of the item, but it is in itself, worthless unless the airline does offer the light required or the hotel is warm, reasonably furnished and so on. Peripheral Evidence also includes those complementary items which add to the organisation's identity and help make the customer's experience more enjoyable or positive.

Essential Evidence

Essential Evidence is that physical evidence that cannot be possessed by the customer or passed to the customer, like the building, its size, design, interior layout and décor, etc. Essential Evidence is integral to the service offering and includes, for example, the facilities offered by a leisure centre or the items on display in an exhibition or museum which makes them worthwhile.

Both the above types of evidences combine with the organisation's other marketing mix elements, especially promotion and people to create an impression on existing customers and potential customers. They help to create a more tangible feeling about the services in minds of the customers.

HOSPITALITY PRESENTATION MIX

The Hospitality Presentation Mix is the way we present the core product or what the customer is really buying. It increases the tangibility of the product/service mix in the perception of the target market, at the right place and time.

Hospitality Presentation Mix is defined as "all elements used by the firm, to increase the tangibility of the product/service mix in the perception of the target market, at the right place and time". (Lewis & Chambers)

Presentation Mix

The six elements of the Presentation Mix are as follows:

1. Physical Plant

"Physical Plant" represents everything physical and quickly noticeable to the senses in the hospitality property. The Physical Plant Element of the hospitality presentation mix is the packaging of the hospitality product. Packaging helps in attracting and creating the customer, and good packaging will help to bring the customer back. This is non–traditional marketing. Examples of physical plant packages are—atrium lobbies, elegant chandeliers, marble columns, luxurious bathrooms, etc.

2. Location

Location is significant, but a slightly overrated variable in hospitality marketing. Though salient, it has limited use. Hospitality customers today have many other choices and many other reasons for choosing a property. The strength of location in the presentation mix, the tangibilisation of the product, lies in knowing when and how to use it in marketing.

The most important use of location in marketing is obviously in its initial selection relevant to target markets and competition. To build a hotel or a restaurant where no one ever goes would not be too wise, unless of course, one could then get people to go there.

3. Atmospherics

Atmospherics is one of the elements of the bundle of benefits the hospitality customer buys. It is often the atmospherics that tangibilises all those intangible benefits that are sought—comfort, good feeling, excitement, serenity, contentment, romance etc.

Atmospherics can be used to get attention, create retention and manipulate perception. Atmospherics are a message-creating medium by which marketers say certain things about the establishment. Atmospherics can communicate to the intended target market about what they plan to offer.

4. Employees

The quality of the hospitality services can be judged from the employees of a hospitality organisation. Customers arriving at the front door of an establishment are no longer looking at the architectural design, what they see is the employees who greet them; the doorman, parking valet, bellhop, desk clerk, host or hostess, waiter or waitress.

"Smile training" plays a role in the presentation mix as well. Greeting guests, calling them by name, offering to help, and all the rest that goes with generally accepted public contact behaviour is important.

5. Customers

Unlike other businesses, the hospitality business is more concerned about the kind of customers the organisation is catering to. Since most of the hospitality customers are going to stay in the hospitality premises, sharing the same space, etc. they must be concerned about the other customers, with whom they are going share the space.

Hospitality marketers need to be concerned about who their customers are, because customers help to define the character of the organisation. Selective targeting is mandatory for the most potentially successful operation. The customer is intangible representation of the product/service.

6. Price

Most of the customer' in the hospitality market are concerned and sensitive about the price they are charged. Prices are the most visible and the most flexible part of the presentation mix. Flexibility means, prices are not regulated, the prices can be changed at anytime. Visibility means that the use of price to influence the customer is rapid. This flexibility and visibility provides management with a very versatile and useful sales tool. Prices should invariably be consumer-based according to the target markets.

While determining the prices of services the following characteristics have to be given importance:

(a) Perishability   For example hotels and airlines offering lower rates in off-season to off-set the perishable characteristics of services.

(b) Intangibility   The higher the intangibility, the more difficult it is to calculate cost and greater the tendency towards non-uniform services.

(c) Regulations by Government or by Trade Association

Tangibilising the Service

- Providing "evidence" of the service
  - Promotional Material
  - Physical Environment
  - Employee appearance
  - Why is Trade Dress Protection important?

Unlike product, the services are not tangible, therefore it is imperative for the management to make efforts to see that the services are made more tangible, which can be done by attractive and informative promotional materials like brouchers, good ambience, courteous and groomed employees (employee identification through uniforms), etc.

Managing the Physical Surroundings

Improperly Managed Physical Evidence can Hurt a Business

If a hotel claims to possess a particular attribute as an elite category, then its interior and exterior physical evidences should provide such a look.

Surroundings Should Reinforce Company Positioning in the Customer's Mind

Imagine a five star hotel located in the middle of a city and the approach road to the hotel is dirty and congested.

Organisational Image is how Customers Perceive your Organisation

Customers use the services, based mostly on the corporate brand image of the organisation. Hence, it is very important for the service provider to maintain the corporate image perceived by the customer of the organisation.

SELF-ASSESSMENT QUESTIONS

1. What is Physical Evidence?
2. What is Corporate Image?
3. What Corporate Identity?
4. What is Peripheral Evidence?
5. What is Essential Evidence?
6. Discuss the significance of Physical Evidence in case of hospitlaity business.
7. Discuss the various Visual Corporate Identity Elements.
8. Define Hospitality Presentation Mix.
9. State and explain the various Elements of Hospitality Presentaiton Mix.
10. Discuss how a service organisation manages its Physical Surroundings.

ANALYTICAL QUESTION

1. Visualise the hotel where you have done your Industrial Training and analyse the various "physical evidences" you have come across and write about the relevance of each of them from the hotel's customer's point of view.

TRY THIS OUT?

1. What are the components of Presentation Mix in case of—
    (a) Commercial Hotel
    (b) Resort Hotel
    (c) A Specialty Restaurant
Discuss the role of service personnel of these services. Also explain the ways in which other customers may influence people in the purchase of these services.

11

Market Segmentation

LEARNING OBJECTIVES

This chapter helps the students to understand and analyse the following:
- The meaning and definition of Market Segment
- The meaning of differentiation, and how it is distinct from segmentation
- The meaning and definition of Market Segmentation
- The various steps in Market Segmentation
- The Segmenting, Targetting, and Positioning (STP) Strategy
- The significance of Perceptual Mapping
- The various criteria of evaluating a Market Segment
- The various bases of Market Segmentation
- The Hospitality Market Segment

MEANING AND DEFINITION OF MARKET SEGMENT AND MARKET SEGMENTATION

An organisation cannot satisfy the needs and wants of all the consumers. If it attempts to do so, it may result in a massive drain of company resources. Segmentation is simply the process of dividing a particular market into sections, which display similar characteristics or behaviour. There are a number of segmentation variables that allow an organisation to divide their market into homogeneous groups.

"The marketer should stop thinking of his customers as part of some massively homogeneous market. He must start thinking of them as numerous small islands of distinctiveness, each of which requires its own unique strategies in product policy, in promotional strategy, in pricing, in distribution methods, and in direct selling techniques."—T. Levitt

While market diversification was a generic strategy for the 1980s, market segmentation became a predominant theme in the 1990s. Many companies previously developing products for diverse markets have found the resource implications unsustainable as consumer demand has dwindled. This has led to greater emphasis on defining the characteristics of accessible and financially viable consumer groups in order to target the unique benefits of an existing product portfolio and rationalise production and marketing costs in the process. The nature of service sector products facilitates product and market differentiation with enhanced opportunities for cost control and productivity gains.

A marketing segment is a meaningful buyer group having similar wants. Market segment is a part of the market defined on the basis of the displayed characteristics of the people it covers.

> **DEFINITION**
>
> A **market segment** is a sub-group of people or organisations sharing one or more characteristics that cause them to have similar product needs.

Market Segmentation is the process of grouping buyers common desires or needs, having into different categories. It is the process of identifying the groups of buyers on the basis of differences in their desires or requirements.

> *In the words of Mr. Dik Warren Twedt, "the strategy of marketing segmentation involves the development of two or more different marketing programmes for a given product or a service, with each marketing programme aimed at a different grouping of individuals whose expected reactions to the sellers' marketing efforts will be similar during a specified time period."*

For example, the Taj Group of Hotels in India has Business Class Hotels, Heritage Hotels, Resorts etc. to cater to the needs of different types of guests.

DIFFERENTIATION

Differentiation means *distinguishing your product or service from those of other firms* for the entire potential market so that the demand will come your way. This is based on the assumption that the customer will perceive greater quality, better price/value, and better problem solution in your product or service.

Differentiation *vs.* Segmentation

Product differentiation and *market differentiation* are not one and the same. *Product differentiation* is an attempt to bend the demand to the will of supply. The market demand is adjusted to the supply conditions. If the organisations succeed in establishing that a given product or service is "different" or "better" than the others available in the market, consumers will be more inclined to buy their product, or services, rather than their competitors. This approach became very popular in the 1920s. However, its sway is so powerful that it is practiced even today as a way to claim a share of the market.

As opposed to this approach, "*market segmentation*" is bending supply to the will of demand. Organisations tailor their offerings to fit the carefully defined needs of specific groups of customers by dividing the public at large into specific sub-markets. Once the market segment is clearly identified, it becomes easier for an organisation to make a product to appear different from those of its competitors. Market segmentation appeared in 1950s along with the new concept of marketing. It is the most widely used approach today for achieving a larger share of the market.

A *differentiation strategy* is probably the most appropriate when:
1. The total market is demographically, geographically, and psychologically similar.

2. The market is sensitive to differences between establishments.
3. The establishment is relatively new.
4. The establishment is distinctive.
5. There are few competing establishments.
6. Most competitors employ a differentiation strategy.

Managing Differentiation

- **Solution to price competition:** As many customers are price-sensitive, it is very important to create a competitive edge with regard to the product or service you are delivering (differential pricing).
- **Differentiation through people, physical environment, and processes**: To make a product or service more marketable, the marketer has to differentiate their people (customers as well as employees), physical environment (atmosphere, location), and the process of service delivery (customer involvement).
- **Differentiation through branding:** To differentiate a product, the marketer can brand each product differently based on the benefits the product offers to its customers.

SEGMENTATION STRATEGY

A **segmentation strategy** is probably most appropriate when:
- The total market is demographically, geographically, and psychologically different.
- The market is not too sensitive to differences between establishments.
- The establishment has been in operation for several years.
- The establishment is not distinctive.
- There are several competing establishments.
- Most competitors employ a segmentation strategy.

Market Segmentation, Target Marketing, and Positioning

The terms *target marketing* and *market segmentation* are often used interchangeably but there is a slight difference of emphasis. The concept of *target marketing* is a refinement of the basic philosophy of marketing. It is an attempt by companies to relate the characteristics or attributes of the goods and services they provide more closely to customer requirements. Market segmentation is a part of the overall process of target marketing. Thus, the process of target marketing has three distinct stages:

Market segmentation is the process of dividing a market into distinct groups of buyers who might require separate products and/or marketing mixes. It is pursuing a marketing strategy whereby the total potential market is divided into homogeneous subsets of customers, each of which responds differently to the marketing mix of the organization.

The two basic steps in market segmentation are as follows:
1. *Identify bases for segmenting the market*
2. *Develop segment profiles*

The overall market is divided into distinct groups of buyers who are likely to respond favourably to different product/service offerings and market mixes. For instance, short-stay business travellers, families with children, young overseas tourists, and so on.

Market segmentation is the process of dividing a market into distinct subsets (segments) that behave in the same way or have similar needs. As each segment is fairly homogeneous in their needs and attitudes, they are likely to respond similarly to a given marketing strategy. They are likely to have similar feelings and ideas about a marketing mix comprised of a given product or service, sold at a given price, distributed in a certain way, and promoted in a certain way.

Broadly, markets can be divided according to a number of general criteria, such as by industry or public versus private sector. Small segments are often termed niche markets or speciality markets. However, all segments fall into either consumer or industrial markets. Although industrial market segmentation is quite different from consumer market segmentation, both have similar objectives.

The process of segmentation is distinct from targeting (choosing which segments to address) and positioning (designing an appropriate marketing mix for each segment). The overall intent is to identify groups of similar customers and potential customers; to prioritize the groups to address; to understand their behaviour; and to respond with appropriate marketing strategies that satisfy the different preferences of each chosen segment. This process helps in improving overall revenues.

Segmentation is essentially the identification of subjects of buyers within a market who share similar needs and who demonstrate similar buying behaviour. The world is made up of billions of buyers with their own set of needs and behaviour. Segmentation aims to pair groups of buyers with the matching set of needs and buyer behaviour. Such a group is termed as a 'segment'. The following Figures 11.1(a), (b), (c), and (d) show the different kinds of market segments:
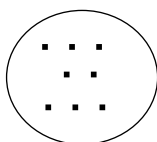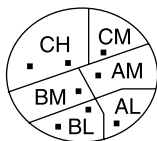
Figure 11.1(a) A Nonsegmented Market
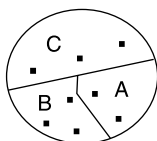
Figure 11.1(b) A Market Segmented by Age
(A = 18–34, B = 35–49, C = above 49)
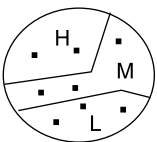
Figure 11.1(c) A Market Segmented by Income
(H = high, M = moderate, L = low)

Figure 11.1(d) A Market Segmented by Age and Income

FIGURE 11.1   Different Types of Market Segments

A company will evaluate each segment based upon potential business success. Opportunities will depend upon factors such as the potential growth of the segment, the competition within the segment, profitability of the segment, size of the segment, and how the segment fits the current direction of the organisation and its vision.

In essence, market segmentation is a method meant for maximising market response from limited marketing resources by accepting the differences in the response characteristics of the market.

Seven Steps in Market Segmentation

Market segmentation is widely defined as being a complex process consisting of two phases:
— identification of broad, large markets.
— segmentation of these markets in order to select the most appropriate target markets and develop marketing mixes accordingly.

Everyone within the marketing world knows and speaks of segmentation, yet not many truly understand its underlying mechanics. Thus, failure is immient. What causes this? It has been documented that most marketers fail the segmentation exam to start with a narrow mind and a bunch of misconceptions such as "all teenagers are rebels", "all elderly women buy the same cosmetics brands", and so on. There are many dimensions to be considered, and uncovering them is certainly an exercise of creativity.

The most widely employed model of market segmentation comprises seven steps, each of them designed to encourage the marketer to come up with a creative approach.

STEP 1: Identify and Name the Broad Market

The first step is to figure out what broad market the business aims at. If the company is already into a market, this can be a starting point; more options are available for a new business but resources would normally be limited. The biggest challenge is to find the right balance for the business: use the experience, knowledge, and common sense to estimate if the market identified earlier is not too narrow or too broad.

STEP 2: Identify and Make an Inventory of Potential Customers' Needs

This step pushes the creativity challenge even farther, since it can be compared to a brainstorming session. It is necessary to figure out what needs the consumers from the broad market identified earlier might have. The more possible needs that can be identified, the better. To proceed with segmentation it is necessary to understand: Why would they buy the product? What could possibly trigger a buying decision? Answering these questions can help list most needs of potential customers in a given product market.

STEP 3: Formulate Narrower Markets

McCarthy and Perreault suggest forming sub-markets around what you would call your "typical customer", then aggregate similar people into this segment on the condition to be able to satisfy their needs using the same marketing mix. It is necessary to start building a column with dimensions of the major needs to be covered: this will make it easier to decide if a given person should be included in the first segment or a new segment should be formed. Also, create a list of people-related features, demographics included, for each narrow market—a further step will be to name them. There is no exact formula on how to form narrow markets; the best judgement and experience have to be relied on. One should avoid asking opinions even from non-marketing professionals, as different people can have different opinions.

STEP 4: Identify the Determining Dimensions

Firstly, the list prepared from the previous step should be reviewed. A list of need parameters for each market segment will emerge; then, those needs that carry a determining power should be identified from

this list. Reviewing the needs and attitudes of those included within each market segment can help figure out the determining dimensions.

STEP 5: Name Possible Segment Markets

Once dimensions of the market segments are identified, they have to be reviewed one-by-one and then given an appropriate name. A good way of naming these markets is to rely on the most important determining dimension.

STEP 6: Evaluate the Behaviour of Market Segments

After each market segment is named, it s necessary to consider what other aspects are known about them. It is important for a marketer to understand market behaviour and what triggers them. Though most segments have *similar* needs, they're still *different* needs; understanding the difference and acting upon it is the key to achieve success using competitive offerings.

STEP 7: Estimate the Size of Each Market Segment

Each segment identified, named, and studied during the previous stages should finally be given an estimated size, even if, for lack of data, it is only a rough estimate. Estimates of market segments will come in handy later, by offering a support for sales forecasts and help plan the marketing mix. The more the data that is gathered at this moment, the easier further planning and strategy will be.

An example of Market Segmentation

The following Table 11.1 is an example of market segmentation based on age and consumption of beer.

TABLE 11.1   Segmentation Matrix-Business Battle-Map for the British Beer Market

Beer Type	Youth Market	28–49 Year Olds	Third Agers
Cask Bitter		Boddington's	Boddington's
Smooth-Flow		John Smith's Smooth	Boddington's
Bitter			Smooth
Bottled Beers	Magners Cider	Budweiser	Mackeson
Alcho-Pops	WKD	Smirnoff Ice	Holsten Pils
Strong Stout	Guinness Extra Cold	Guinness	Guinness
Traditional Lagers	Carling	Carlsberg	Skol
Designer Lagers	Carling Smooth-flow	Carling Smooth-flow	

STP-STRATEGY-STEPS

> **DEFINITION**
>
> Market targetting is the process of evaluating each segment's attractiveness and selecting one or more of the market segments.

For instance, short-stay business travellers, Monday-to-Friday, young families at weekends.

The basic two steps in market targetting are:

1. *Develop measure for segment attractiveness*
2. *Select target segments*

Product Positioning

Once the target market is identified, the question of how to position the product in the target market arises. Product positioning is the process of developing a competitive positioning for the product and an appropriate marketing mix. The way the product is defined by consumers, depends on the important attributes of the product that occupies the consumers' minds, relative to competing products.

Competition will exist for identified market segments in 'niche' positions. Product positioning is the process whereby the product or service and, all the other marketing mix elements, are designed to fit a given niche within a particular segment. The position is often defined by factors such as advertising rather than actual product differences.

The basic two steps in market positioning are:

1. *Develop positioning for target segments*
2. *Develop a marketing mix for each segment*

Segmenting, Targetting, and Positioning (STP) Strategy

From the above discussion we can understand that there are three consecutive steps in the segmentation process, which are together known as the *STP* strategy. The first step in market segmentation is to identify the bases for **S**egmenting the market and developing the various segment profiles. The second step is about **T**arget marketing, where the marketer concentrates on developing various techniques to attract the various segments of market to the products and services offered, and selects those target segments which are appropriate for the organisation. The third step is concerned about the appropriate **P**ositioning. Here, the marketer has to position his product and service with respect to the target customers and thereby develop the optimum market mix to service the customers. Though many organisations are able to segment their market comfortably, there are many organisations following mass marketing with no segmentation at all.

Examples:

1. Marriott Suites...Permanent Vacationers.
2. Fairfield Inn...Economy Lodging.
3. Residence Inn...Extended Stay.
4. Courtyard By Marriott...Business Travellers.

Successful market segmentation involves a number of steps as follows:

1. To define precisely the basis of segmentation.
2. Application of segmentation theory in collecting and analyzing the data of each market segment.
3. To apply the criteria of a good segmentation—its identification and measurement.
4. To develop action programmes to deliver the benefits to consumers.

Since there are many differences among customers, a marketer has to adopt a marketing strategy in relation to segmentation.

After the process of segmentation, the next step is for the organisation to decide how it is going to target these particular group(s). There are three targeting options an organisation can adopt:

Option 1 *Undifferentiated Marketing* This strategy puts forth only one product and tries to draw in all buyers with one marketing programme. The firm chooses not to follow the different demand curves that make up the market. Instead, it focusses on what is common in the needs of people and not what is different. It is an attempt to design a product or service and a marketing programme that appeals to the largest number of buyers. It relies heavily on product differentiation to protect itself from competitors, mass advertising media and universal themes. This is sometimes also referred to as mass marketing. The firm may decide to target its resources at the entire market with one particular product. Coca Cola's original marketing strategy was based on this format; one product aimed at the mass market in the hope that a sufficient amount of buyers would be attracted, although there are now changes in their product line to cater for growing dietary and caffeine-free needs of consumers.
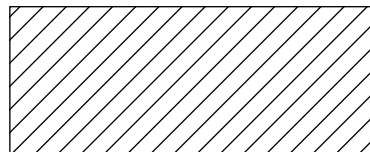
**Option 2** *Differentiated Marketing Strategy* Under differentiated marketing strategy, a firm decides to operate in several or all segments of the market by designing separate products or services with different marketing programmes for each. When the firm decides to target several segments it develops distinct products/services with separate marketing mix strategies aimed at the varying groups. An example of this would be airline companies offering First, (segment 1) Business (segment 2) and Economy Class (segment 3) tickets, with separate marketing programmes to attract the different segments.
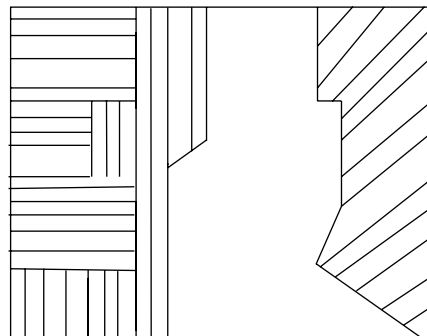
This strategy is more sales-oriented than profit-oriented. In view of increasing costs, it is difficult to opine about its suitability and success.

Option 3 *Concentrated Marketing* Both differentiated and undifferentiated marketing strategies imply that the firm targets the whole market. However, many firms see concentrated marketing as the best alternative. This is when the organisation concentrates its marketing effort on one particular segment. The firm develops a product that caters to the needs of that particular group. For example, Rolls Royce cars aim its vehicles at the premium segment, as with Harrods in the UK.

The major advantage of concentrated marketing is that the organisation can become specialised in meeting the select needs of a given market. It enjoys strong market position because of its specialised knowledge and reputation in that segment. Further, it enjoys operating economies with specialisation in production, distribution, and promotion. It is, however, dangerous as this amounts to putting all eggs in a single basket, thereby restricting growth opportunities and exposure to strong competition.
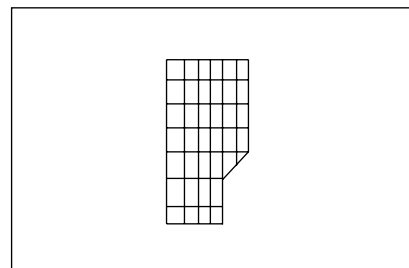
A marketing firm is unlikely to succeed unless it is able to position itself to an advantage in the market. Market positioning is the strategy of creating a unique product image by combining market segmentation and product differentiation. Like product differentiation, it seeks to establish a differential advantage over competitors and, like market segmentation, it seeks to match a market offering to the specific needs of a select group of consumers. It refers to the manner in which a product is offered to a particular customer segment, or aimed at meeting a particular customer segment and consumer need.

After the organisation has selected its target market, the next stage is to decide how it wants to position itself within that chosen segment. Positioning refers to 'how organisations want their consumers to see their product'. What message about the product or service is the company trying to put across?

Prof. James. L. Hasket has defined, *positioning* as "a process of identifying the needs of market segments, product strengths and weaknesses, and the extent to which competing products are perceived to meet customer needs".

Developing a Positioning Strategy

Developing a positioning strategy depends much on how competitors position themselves. Do organisations want to develop a "**me too**" strategy and position themselves close to their competitors so that the consumers can make a direct comparison when they purchase? Or does the organisation want to develop a strategy which positions themselves **away from their competitors?** Offering a benefit which is superior depends on the marketing mix strategy the organisation adopts. The pricing strategy must reflect the benefit offered and the promotion strategy must communicate this benefit.

Positioning Strategy is aimed at aligning a firm's products in the market and making them relatively competitive through excellent product design and effective communication through media so as to create a favourable product perception in the consumer's mind, compared to competing products.

Product/Service Positioning Options (Marketing Mix)

Matching the right product or service with the right market is the essence of successful marketing efforts. Every marketer has three options regarding marketing or product/service positioning, as outlined below:

1. **By making a unique claim**: A firm can make a unique claim through an advertisement which is different to that of the competitor. For example, Royal Orchid in Bangalore claims to be a "boutique hotel".
2. **By Highlighting the Product or Service**: A hotel may highlight the product or service features not spelled out by its competitors so far. For example: The Taj Westend Hotel in Bangalore claims its unique location close to the Bangalore Truf Club as a competitive advantage as compared to other Five Star Hotels in Bangalore
3. **By Promoting a Product in a New Market Segment**: A firm may promote a product or service in a market that is not touched so far. For example, a multi-cuisine restaurant offering speciality food for diabetic patients.

Ultimately, positioning is about how a marketer wants consumers to perceive his products and services, and what strategies he would adopt to reach this perceptual goal.

Determinants of Product Positioning Strategies

Positioning is how the target market defines the product/service in relation to the competitors' products/ services. The success of a good product positioning strategy is dependent on the following factors:

1. **Existence of Competition**: Product positioning is going to be effective and profitable if there is competition that warrants positioning. That is, there is a competitive product that can be hit by the firm's claims of superiority. This is because positioning implies the preference given by the consumers for the firm's product.

2 **Sizeable and Profitable Market Segment**: Successful product positioning presupposes the existence of a market segment that is sizeable and profitable. Size and profitability of market segment speak of economic or market viability in effect, positioning is the extension of the process of market segmentation because it is an integral part of market segmentation.

3. **Receptive Segment**: The market segment where the product positioning is to be tried out should of effective enough to receive messages transmitted by the firm. Product positioning is effective to the extent the firm is strong to pass on the message regarding the product through ads and other promotion campaigns, because the message needs to be effective.

4. **Adequate and Latest Data of Consumer Behaviour**: Product positioning is not a one-sided attempt. It is the fine and delicate act of matching the product to the consumer needs. It is the segment and the consumer profile that are important to the firm which is particular about successful positioning. That is, which market can absorb a given product? Which group of customers is patronizing the product? What are their buying habits and motives? All these affect product acceptance. The marketer understands these and acts accordingly.

5. **A Creative Product Proposition:** Creative product is the base for successful positioning. Creative productive proposition means making the consumer perceive the product in the manner the firm desires it to be perceived. Creativity speaks of novelty, clarity, and consistency.

Steps to Choose and Implement a Positioning Strategy

- **Step 1. Identify Possible Competitive Advantages** (Competitive Differentiation): The positioning must turn on an attribute that is perceived to be a real strength of the product/service. If service quality is the basis, guests must perceive this service quality.
- **Step 2. Selecting the Right Competitive Advantage** (Unique Selling Proposition) (USP): There is no point in positioning on attributes that are common to other competing product. Identify the competitor's weaknesses and your company's strength. Emphasise your strengths to differentiate your offer in relation to product range, cost position, product differentiation, quality of management, technology, distribution, reputation etc.
- **Step 3. Communicating and Delivering the Chosen Position**: It must be possible to communicate the positioning in a way that is simple, clear, and understandable to the target customers. Otherwise, it will be difficult to motivate them.

Guidelines for Developing Positioning Strategies

While developing a positioning strategy, the marketer must ask himself the following questions. Once he is able to find the right answer for these questions, he will be in a position to develop the right kind of positioning for his product or service in the market:

- What position do you own?
- What position do you want?
- Who must you outrun?
- Do you have enough money?
- Can you stick it out?
- Do you match your position?

The Positioning Process

The process of positioning comprises the following steps:

- Determine the ideal mix for consumers.
- Measure consumer perception of available services.

- Look for gaps in coverage and select a desired position.
- Develop a strategy for obtaining the desired position.

Checklist for Developing Positioning Strategies

- **Company:** What are the strengths and weaknesses, resources, management capabilities, present market position, values, objectives, and policies?
- **Product/Service:** What are the facilities, location, attributes (salient, determinant, important), physical condition, and level of service? What does the product/service do, in functional terms? Why do/should people come? For example, positioning a hotel on the basis of height of the building is unlikely to be successful.
- **Brand Position:** What are awareness, loyalty, and image? How does it compare to the competition? What are the market segments? What are the perceived attributes and how are they distributed among the segments? Where are we positioned?
- **Customers:** What are their segments, and their needs and wants? What benefits do they seek? What is the optimal position of attributes for each segment?
- **Competition:** Who is their customer and why does he or she go there? What do they do or not do better? How are we differentiated? What positions do they occupy?
- **The Marketplace:** Where is it? What are the segments? What is the generic demand? What is our market share? How are the segments reached?
- **Opportunities:** What needs are unmet? Can we meet them? Can we improve on them? What innovations are needed? Are they worth going after? Are there new uses, new users, or greater usage?
- **Decision:** What is the best overall position?

Perceptual Mapping/Positioning Map

In helping to develop a market positioning strategy for the product or service, perceptual maps or positioning maps, as they are sometimes referred to, are often used to help the organisation identify a positioning strategy.

Perceptual mapping is a technique used to construct a graphic representation of how consumers in a market perceive a competing set of products relative to one another.

Every hospitality organisation has been analysed from two dimensions of technology and structure. Technological dimensions are of two types i.e. *service diversity* (number of different services that exist) and *service complexity* (the degree and nature of the inter-relationship that exists between these services). Figure 11.2 on next page represents the dimensional matrix which explains what a full-service five-star hotel in India will carry in terms of high levels of service diversity and service complexity.

Once the hospitality product is placed based on the above dimensions, one can decide on the structure which may be interactive in nature for most hospitality organisations that is to focus on either process interaction or people interaction, and define the service concept (Table 11.2)

A hospitality marketer must consider at the service/product conceptualisation stage, and make a conscious decision as to where the product is going to be on the technology dimension and what level of process/people interactiveness it will carry. This decision will fine-tune the segment that one wants to service, the expectation one wants to create, and the satisfaction one wants to deliver.

BASIS FOR SEGMENTING CONSUMER MARKETS

There is no best way to segment the market, but there is no shortage of different ways to do it. None of the bases of segmentation are mutually exclusive. There are two kinds of approaches in segmentation of markets, like consumer characteristics and consumer response. The following are some of the bases of segmentation commonly used in hospitality marketing.
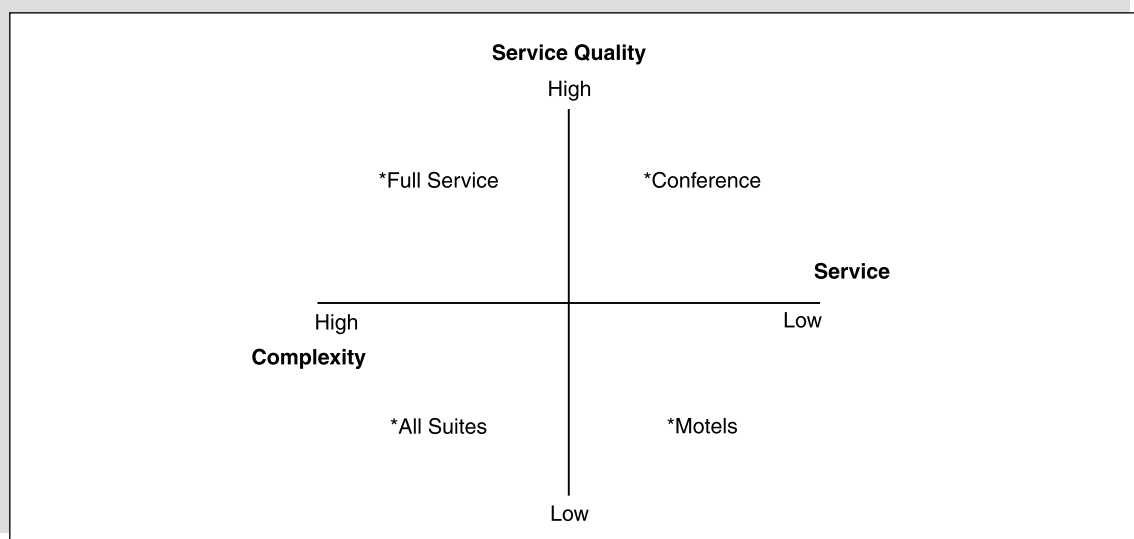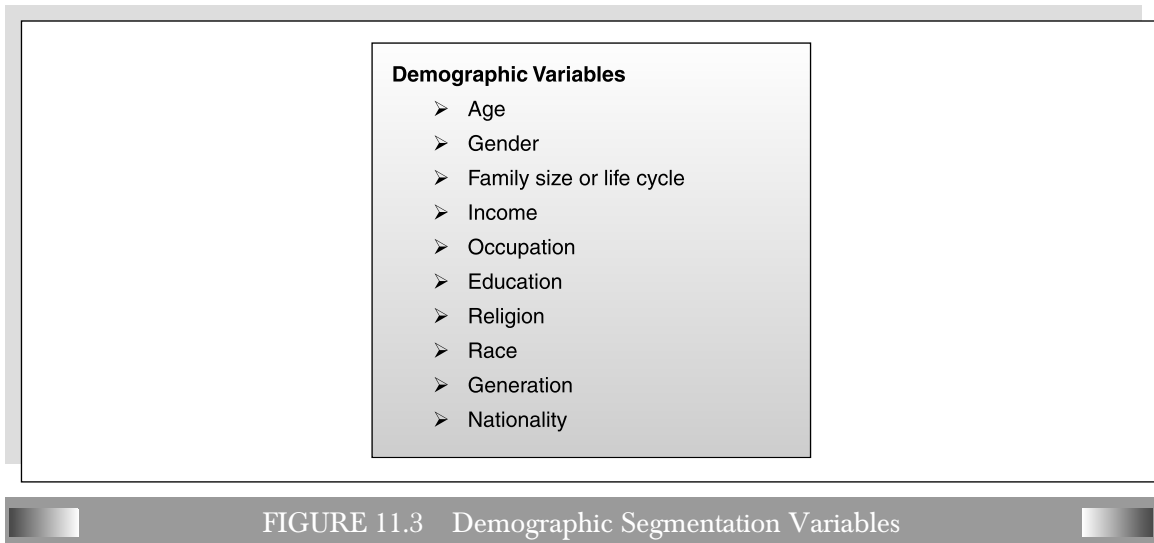
FIGURE 11.2   A Framework of Lodging Industry based on Service
Quality and Service Complexity

Demographic Segmentation

By far the most common approach to market segmentation has been the identification of buyer groups according to selected demographic features. Demographics originates from the word "demography" which means a "study of population". The population can be divided into age, gender, income, occupation, religion, level of education, and family life cycle, amongst other variables. Demographic segmentation is one of the most straightforward basis for segmenting markets; it is also one of the most meaningful. The main demographic categories, as shown in Figure 11.3, are described below.

TABLE 11.2   Dimensions of Service Structure—an Integrated Systems Perspective
(Mill & Margulies)

Dimensions	Process Interactive	People Interactive
Input		
Information	Quality	Quality and Quantity
Customization	Low	High
Process		
Transformation	Simpler	Complex
Problem Solving	Basic	Diverse
Socialization	Minimum	Maximum
Decision-Making	Linear	Inter-related
Output		
Transaction	Simple	Multiple
Attachment	Short-Term	Long-Term

Demographic Variables
- ➤ Age
- ➤ Gender
- ➤ Family size or life cycle
- ➤ Income
- ➤ Occupation
- ➤ Education
- ➤ Religion
- ➤ Race
- ➤ Generation
- ➤ Nationality

FIGURE 11.3   Demographic Segmentation Variables

Age

For many products buying behaviour is closely related to age category. The range of these categories will vary depending upon the product or service; thus a discotheque may appeal to the 18–30 age range, whereas visiting historic properties may be popular with the 25–45 age range. Age is regularly used to define the behaviour of certain markets. For instance, younger people tend to be more active in making business trips than they are in domestic holiday trips. Sex (Gender) of the consumers will also determine consumption patterns.

Family Size and Life Cycle

In developed western economies the family remains the basic social unit. Many consumption patterns are developed and taught within the family as it proceeds through a life cycle. This life cycle has been used by research services combined with income, and occupation to delineate different consumer groups. The approach is as follows. First consumers are divided into one of four possible life cycle groups:
1. Dependent Adults: Single Adults
2. Pre-Family: Adults married without children
3. Family: Adults with one or more children
4. Late: Adults whose children have left home

Social Class/Income

Classification is based on the occupation of the head of household and fall into the following categories:
- Higher managerial, administrative, or professional
- Intermediate managerial, administrative, and professional
- Supervisory, clerical, junior administrative, or professional
- Skilled manual workers
- Semi and unskilled manual workers

Social class segmentation works on the assumption that the higher your profession, the more you will earn, and thus the more affluent lifestyle you will lead. Marketers use this type of information to sell

products and services based on lifestyle behaviour, and your profession does have an impact on the way you behave. For example, State pensioners, widows, lowest grade workers etc. are types of clarification.

Geographic Segmentation

Perhaps the first and the most obvious basis for segmenting the markets is as follows. Regional differences in consumer tastes for products as a whole are well known. Geographical segmentation divides markets into different geographical areas (Figure 11.4). Marketers use geographic/ segmentation because consumers in different areas may display certain characteristics and behaviours in that particular region. For example, in India, South Indians prefer more spicy food whereas North Indians normally prefer less spicy food. Therefore, based on taste preferences of the particular regions, restaurants include more spicy or less spicy dishes in the menu. An area can be divided by the town, the region or the country. An organisation working on a global scale may divide by global regions such as Europe, North America, South America, Asia and Africa. McDonalds globally, sell burgers aimed at local markets, for example, burgers are made from lamb in India rather than beef because of religious issues. In Mexico more chilli sauce is added and so on.

Geographic Variables
  ➢   International
  ➢   National
  ➢   Regional
  ➢   City
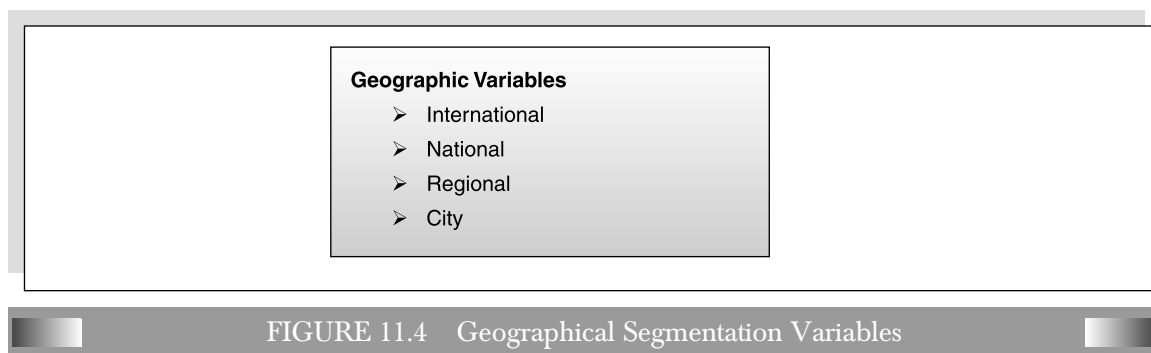
FIGURE 11.4   Geographical Segmentation Variables

Psychographic Segmentation

Psychographic segmentation is a recent approach to the study of market segmentation. Psychographics seeks to describe the human characteristics of consumers that have bearings on their response to products, packagings, advertising, and public relations efforts of a unit. Although demographic segmentation is useful, marketers can use alternative segmentation variables which aim to develop more accurate profiles of their target segments. Psychographics segmentation can be broken down into attitudes, lifestyle, social class, and personality characteristics (Figure 11.5).

Lifestyles Segmentation

The Oxford English Dictionary defines a lifestyle as "a way of life" and life style segmentation aims to examine the way people live. Our lifestyle, our every day activities, our interests, opinions, and beliefs on certain issues dictates who we are. Marketers refer to these as AIO's (Activities, Interests and Opinions), and our AIO's dictate our everyday behaviour from where we shop to what we buy. Marketers develop and aim products/services at particular **lifestyle groups** and develop **lifestyle profiles** on their target market. If we understand the lifestyle of a particular group, we can sell them a product/service on the basis that it will enhance their lifestyle. A lifestyle group is a particular segment defined by the organisation that

Psychographic Variables
- ➢ Social Class
- ➢ Life Style
- ➢ Personality

FIGURE 11.5   Psychographic Segmentation Variables

is marketing a product or service. This lifestyle segment is labeled because individuals within it display similar characteristics. For example, in the early 1980s within the UK, as the economy was booming, the city of London was increasingly employing young independent staff on very high salaries. The media termed this group as YUPPIES, meaning that they were Young Upwardly Mobile Professionals, associated with mobile phones, money, expensive cars, and prestigious city jobs.

Third agers are another group termed and identified by the marketing industry. They are people in their 50's, retired from a profession, and have a high disposable income with time on their hands. Many of these third-agers are adventurous and experimenters, as they have spent their past lives working hard, seek enjoyment for their remaining years and have the income to spend on luxury items. In the United States there are 70 million third agers who are the fastest growing users of the internet, spending more time on the internet then their younger counterparts, with a hit rate of 500,000 per month.

The following Table 11.3 shows the typical Life Style Segmentation of AIOs based on demographic variables.

TABLE 11.3   Life Style Dimensions

Activities	Interests	Opinions	Demographics
Work	Family	Themselves	Age
Hobbies	Home	Social Issues	Education
Social Events	Job	Politics	Income
Vacation	Community	Business	Occupation
Entertainment	Recreation	Economics	Family Size
Club Membership	Fashion	Education	Dwelling
Community	Food	Products	Geography
Shopping	Media	Future	City Size
Sports	Achievements	Culture	Life-Cycle Stage

Personality Characteristics

Personality characteristics of the customers are one of the psychographic variables used in segmenting the market. Recent emergence of pubs and discotheques, clubs and resorts are targetted at the people of the young 18–25 age; outgoing, independent persons. Often marketers try to develop personalities for their brands and products that mimic that of their target market.

Watche Out, There are Gruppies About!

We have all heard of Yuppies, but is the 'Gruppie' the new phenomena that is set to dominate the 'noughties', like the Yuppies did in the 80's? "The Gruppie, or Grup (GRownUP) is an adult who has refused to grow-up". They are redefining adulthood by refusing to accept the fact that they are getting older. They are closing the generation gap by wearing trend, cool clothes, listening to the latest bands on their I-pods, owning the newest gadgets, and indulging in traditionally youthful sports like skate boarding and roller blading. The big difference is that they also have the disposable income to make these lifestyle choices.

A Grup or Gruppie can be any age between 30 and 60. Take a look around you and you will almost certainly recognise someone that you know with these characteristics. But hotel marketers should take note because this group may well become increasingly influential in the future when it comes to making travel choices like picking hotels:

Gruppie Attitudes:
- When a Gruppie is choosing a leisure break, they may prefer not to stay in a chain hotel; they want an 'experience'.
- They are likely to scour weekend newspaper travel columns for ideas and may keep articles for some time before they act on them.
- They like recommendations and may research tourist board websites for ideas about destinations.
- They are likely to research prices and packages on late availability websites but will then ring the hotel direct to negotiate the best deal.
- They like loyalty schemes for the recognition and rewards that they provide.
- They seem to love luxury, glamour, and those little extras and treats that only special services can offer.
- When they stay at a hotel they like 'comfort food', preferably using local, organic produce.
- A hotel stay should be a better experience than being at home, with superior standards of service which is not overwhelming.

Behavioural Segmentation

Unlike the consumer characteristics approach, the consumer response approach believes in "why a consumer buys a product"? than asking "who is the consumer"? Consumer responses to market offerings are much more important for segmentation. These responses are benefits, usage, loyalty, occasion, etc. Figure 11.6 shows the various behavioural segmentation variables.

Benefits

Behavioural segmentation can be broken down into the benefit a consumer seeks from purchasing a product. Benefits hover around efficiency, prestige, durability, economy, resale value etc. How will the product enhance their overall lifestyle? For example, communication network access through computers, faxes, and mobile phones may be important to some corporate guests, while others may desire peace and quiet.

Occasions

Occasion is another variable. When should a product be purchased? Some shrewd marketers have been

Behavioural Variables
- Occasions
- Benefits
- User status
- Usage rate
- Loyalty status
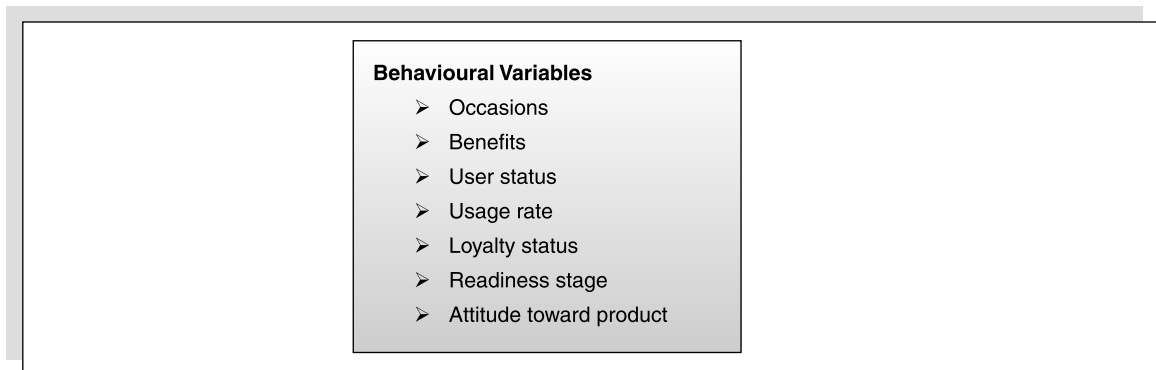- Readiness stage
- Attitude toward product

FIGURE 11.6   Behavioural Segmentation Variables

using occasion response to determine which situations produce optimal consumption patterns for a given product. This sense of 'occasion' is of high significance when it comes to the question of designing the marketing mix. This approach has wider application than any other traditional thinking. The demand for turkeys increases during Christmas, flowers and chocolates on Mother's Day, and so on. Occasion segmentation aims to increase the "reason to buy factor" and thus increase sales.

Usage Rate

Usage rate divides customers into light, medium, and heavy users. Heavy users obviously contribute more to turnover then light or medium users; the objective of an organisation should be to attract heavy users who will make a greater contribution to company sales.

Loyalty

Loyalty response or product space response is the latest base successfully used for segmentation. It works on the fact that consumers can differentiate between products. That is, buyers can compare existing brands of a product and rate them as they perceive them, based on their liking. This helps in identifying the brand loyalty, after which the buyers can be sub-divided.

   It is believed that a marketer may proceed to segment his market in many ways. His goal is to determine the most decisive mode of segmentation, that is, the differences among the buyers that may be the most significant in choosing among them or marketing them. Market segmentation is the key input in the whole exercise of marketing management.

HOSPITALITY MARKET SEGMENT

When the market is heterogeneous in nature it is significant to find out like-behaving individuals and group them to form a homogeneous segment. Service market, especially the hospitality segment, is based on customer expectation. For example, based on the socio-economic and psychographic characteristics, business travellers with the same need expect different hospitality services. Even though the needs of the customer who visits a restaurant is the same, the restaurateur may offer a self-service lunch as well as a full-service dinner to meet the expectations of a working lunch and a formal meal. Hospitality and travel firms like restaurants, hotels, airlines, car rentals, etc. have identified their own attributes to segment the markets (Table 11.4)

TABLE 11.4 Segmentation Attributes of Hospitality and Travel Firms

Type of Firm	List of Attributes
Restaurants	Price, value, quality of food, type of food, service quality, menu variety, employee friendliness, location, atmosphere, speed of service, cleanliness, parking
Hotel	Price, value, room quality, restaurant quality, location, number and types of restaurants, other facilities (e.g., pool and fitness center), cleanliness, atmosphere, employee friendliness, speed of check-in and check-out, amenities (e.g., valet parking and room service), service quality
Airline	Price, value, service quality, employee friendliness, on-time performance, baggage handling, direct routes, cities served, scheduled flights, frequent flyer programs
Rental Car Company	Price, value, service quality, convenience, location, types of cars, condition of cars, speed of service, pick-up and drop-off policies

Important Attributes for Hospitality and Travel Firms

Hospitality markets are also segmented based on competitive benefits of the organisations. The following Table 11.5 shows a typical example of Competitive Benefit Matrix in market segmentation.

TABLE 11.5 Competitive Benefit Matrix			
Potential Benefits	Our Operation	Competitor A	Competitor B
Value for Price			
Quality of Food			
Quality of Service			
Atmosphere			
Location			
Menu Variety			

In the segmentation of market we have to use different attributes while segmenting individual customer markets and organisational customer market. The following Table 11.6 shows the distinction between individual and organisational customer market segmentation. (Lazer & Layton)

MARKET SEGMENTATION—EVALUATIVE CRITERIA

The process of market segmentation should be contained within the parameters of various evaluative criteria. There is a danger that unrestrained segmentation may lead to an unsustainable range of product modifications and produce disadvantages to market diversification.

Essentials of Sound Market Segmentation

Market segmentation has its own benefits and costs. The strength lies in better understanding of consumers for making intelligent marketing decisions and their implementation. The weakness of segmentation is evident from the inability of a marketer to take care of all the segmentation bases and countless variables. Therefore, to optimise the benefits from market segmentation, every firm must adopt certain criteria for effective segmentation. The requisites of sound segmentation strategy are spelled out very clearly by Prof. Martin L Bell as under:

TABLE 11.6 Distinction between Individual and Organisational Customer Market Segmentation Options		
Segmentation Base	*Individual Customer*	*Organisational Customer*
Who?	**Geography**	**Type of Industry**
	Country	Growth
	Location	Profitability
	Language	Turbulence
	Urban/Rural	Competitiveness
	Climate	**Size**
	Demography	**Location**
	Age	**Ownership**
	Sex	Local
	Education	Multinational
	Family Life Cycle	**Sector**
	Occupation	Private
	Religion	Public
	Ethnicity	**Markets served**
	Income	**Corporate Culture**
	Social Class	Conservative Spending
	Behaviour	Market-Oriented
	Usage	Sales-Oriented
	Travel Patterns	Past-Oriented
	Media Consumption	Future-Oriented
	Interests	**Usage Patterns**
	Sports	**Network Linkages**
	Hobbies	**Corporate Life Cycles**
Why, How?	**Psychographics**	**Decision Type**
	Personality	Rebuy
	Lifestyle	Partial Rebuy
	Benefits Sought	New Buy
	Appearance	**Stages Involved**
	Reliability	**Roles Played**
	Responsiveness	**Benefits Sought**
	Assurance	Facilities
	Empathy	Location
	Decision Process	**Type of Use**
	Stages	**Price Sensitivity**
	Information Needs	**Use of Consultants**
	Influentials	**Capacity Utilization**
	Price Sensitivity	**Contractual Period**
	Image Perceptions	
What, when, where	**Type of Facility**	**Type of Facility**
	Hotel	Rooms
	Resort	Communication Links

(*Contd*)

(Contd)

Size	**Timing**
Room Type	**Urgency**
Timing	**Access**
Duration of Stay	**Location**
Reservation	**Support Facilities**
No Reservation	Transportation
Access	Entertainment
Airport	Sports
Connections	Adventure
Networks	**Flexibility**
Location	
Urban	
Rural	

Identifiable and Measurable

The segment or the group of buyers must be clearly defined. That is, who is the segment? And who is out side the segment? After answering these questions, it is essential to get demographic, social, and cultural data about segment members. Such data should permit the measurement of the size and significance of the market segment.

Adequate Market Potential

Either an actual or potential need must exist in order to create a segment, that further opens up an opportunity. Actual needs are recognised needs while potential needs can be transformed into perceived wants through education or persuasion. It is the purchasing power that represents meaningful marketing opportunity that is likely to stem from either income or savings or credit as the case may be.

Profitable Size

The relative profit potential in a segment is directly related to the competitive strength and cost-effectiveness of the company. Even a small market may be profitable if the company has competitive pre-eminence.

Economically Accessible

Segmentation involves a search for enough similarity among the buyers to permit the seller to reach these consumers economically. It is because segmentation has its own costs and benefits. Segmentation is viable in case the segmentation is cost-efficient. A segment must be accessible through advertising, other promotional media, and distributive networks such as internet.

Self Containment

Preferably a product launched at a market segment should not take any demand off from another product in the company's range.

Marketing Mix Response

The market segment should be responsive to marketing and promotion efforts. A segment should make a differential response to the marketing efforts put in by the marketer. Unless different segments respond in unique ways to particular marketing efforts, the use of separate marketing programmes is nor justified. In other words, every efficient marketer aims at equal marginal, response from the last unit of the

marketing effort applied in each market segment. That is, all segments must not result in same programmes and levels of spending.

Relatively Stable over a Period of Time

Marketing strategies are long-range plans that project three to five years into the future. Moreover, a lead time of one year is often added to analyse the market and to prepare a plan. Therefore, the segments that emerge rapidly and disappear just as quickly do not offer very good marketing opportunities for a firm that follows the generally accepted approach.

One cannot conclude that once the firm finds its segments, its problems will be solved forever. As market conditions change, the segments do change. Technology, competition, perceptions, and attitudes all are dynamic. This warrants a continuous monitoring of market and, therefore, segment changes to take necessary action to make the firm adaptive to the changing conditions.

Advantages of Market Segmentation for a Firm

Market segmentation strategy, if used properly, can benefit both the marketing organisations and the consumers. According to Prof. Mandell and Prof. Rosenberg, the following benefits accrue to the firms practicing market segmentation:

1. A More Precise Definition of Market

Market segmentation improves the organisation's understanding of why consumers do or do not buy certain products or services. That is, the firm would be in a better position to spot and compare marketing opportunities. It helps in better targeting and positioning of the product.

2. A More Effective Marketing Programme

Understanding the consumers is the first step in the planning of an appropriate programme in meeting their needs. Market segmentation helps in better understanding of the customers' needs and wants. The detailed information gained from such segmentation helps in designing and implementing market programmes.

3. Better Assessment of the Competition

Market segmentation helps in correctly assessing the strengths and weaknesses of the competitors. A study of the competitor's products, prices, and other policies should pave the way for successful exploitation of the soft-corners of the competitors.

4. Better Allocation of Resources

Once the target segment is clearly defined and identified, the limited resources at the command of the firm can be channeled for the best results.

5. Improved Communication

A good market segmentation encourages two-way communication among the potential buyer and the organisation.

6. Better Consumer Relationship

Market segmentation helps in maintaining effective relationship with the customers.

7. Customer Retention

An effective marketing segmentation programme helps in retaining the existing customers and attracting new ones**.**

8. Improved Service

A proper market segmentation helps in improving service delivery standards

9. Cost-Cutting

An effective market, segmentation strategy helps in reducing costs/expenses on various marketing activities, and increases market share, thereby resulting in higher profits.

SELF-ASSESSMENT QUESTIONS

1. What do you mean by Market Segmentation?
2. Define Market Segmentation.
3. Discuss the various steps in the segmentaion of a market.
4. What are the bases of market segmentation in the hospitality industry?
5. What are the requirements of effective Segmentation?
6. What are the criteria for evaluating market segments for market targeting?
7. What is STP strategy? Discuss the various strategies in STP.
8. Discuss the various hospitality market segments.
9. Briefly explain the "hospitality meeting" market segment.
10. What are the advantages of segmenting a market?

ANALYTICAL QUESTIONS

1. Do you think the market segment and the market mix of the hotel where you have done your Industrial Exposure Training matches? If so, why? Give suitable illustrations with examples.

TRY THIS OUT?

1. Based on your Industrial Exposure Training analyse the various types of guests who visited the hotel where you trained and classify them into various segments as discussed in the chapter.

12

MARKETING RESEARCH

LEARNING OBJECTIVES

This chapter would help the students to understand and analyse:

- Meaning and Definition of Marketing Research
- Scope and Objectives of Marketing Research
- Steps in Marketing Research
- Significance of Marketing Information System (MIS) and its components and uses
- Types and Methods of Marketing Research
- Limitations of Marketing Research
- Different areas and significance of Hospitality Marketing Research

MEANING AND DEFINITION OF MARKETING RESEARCH

"Research" is searching what has not been already searched. The concept of marketing research is the gift of the modern concept of marketing i.e. consumer-oriented approach. Nowadays, a marketing manager is charged with the responsibility of decision-making in various fields connected with the demand by supplying the right type of product, at the right price, at the right time, and at the right place. These various decisions can be made either on the basis of guess work and intuition or through some scientific process based on facts and figures. The concept of marketing research is based on this latter concept. It is the use of scientific method in the solution of marketing and distribution problems for the purpose of increasing sales, decreasing marketing and distribution costs, and maximising the profits.

Marketing Research is any systematic, objective, and organised enquiry undertaken to provide information for making sound and timely decisions. *Marketing Research* refers to the methods of finding and analysing the facts to assist managers in making rational marketing decisions.

Market Research and **Marketing Research** are often confused. *Market Research* is simply research into a specific market. It is a very narrow concept. *Marketing Research* is much broader. It not only

includes *Market Research*, but also areas such as research into new products, or modes of distribution as via the Internet.

Here are a couple of definitions:

"Marketing Research is the function that links the consumer, customer, and public to the marketer through information—information used to identify and define marketing opportunities and problems; generate, refine, and evaluate marketing actions; monitor marketing performance, and improve understanding of marketing as a process. Marketing research specifies the information required to address these issues, designs the methods for collecting information, manages and implements the data collection process, analyses, and communicates the findings and their implications".

American Marketing Association defined it as "the systematic gathering, recording and analysing of data about problems relating to marketing of goods and services".

"Marketing Research is about researching the whole of a company's marketing process".—Palmer (2000).

According to Clark and Clark, "*Marketing Research* is the careful and objective study, and product design, markets and such transfer activities as physical distribution, warehousing, advertising and sales management."

R.D.Crisp has defined Marketing Research as follow:

"*Marketing Research* is the systematic, evaluative and exhaustive search for and study of, the facts relevant to any problem in the field of marketing."

Kotler defines Marketing Research as a "Systematic problem analysis, model building and fact finding for the purpose of improved decision making and control in marketing of goods and services."

Market Research can be used to get to know your customers and potential customers, competitors and potential competitors and, also to get a good overall understanding of the market you are operating in.

OUTSTANDING FEATURES OF MARKETING RESEARCH

Marketing Research as creative activity has at least three basic features:

1. It is Systematic

Marketing research is an organised activity. There is a definite way or procedure in which marketing research is conducted. It stands for the series of steps or sequence of operations with logical arrange-

ment. It involves at least eight steps starting from defining the problem and ending with the follow up of action. Each step is important and leads to another. These steps cannot be bypassed or rearranged in any way as there should be logical flow.

2. It is Scientific

A major aim of conducting marketing research is to supply relevant information to the marketing manager to enable him to take timely and sound decisions. It is why the information made available should be timely, authentic, reliable, clear, communicable, lawful, and predictor. Further, a researcher should have an open mind that allows logical thinking to uncover the real truth.

3. It is a Managerial Tool

Marketing research is an effective tool for making decisions in the kit of a management team. Today, management is faced with countless problems which are to be solved within minimum time and cost. Each problem has alternative solutions which lie in selecting the best course of action. Unfortunately, marketing decisions are very difficult and time consuming, as they are very crucial. Marketing decisions have far reaching impact on various areas. It is marketing research that comes to the management's rescue in this regard.

OBJECTIVES OF MARKETING RESEARCH

Every human activity is done with a purpose to attain something and marketing research, being a deliberate activity, no exception. Fundamental objectives of marketing research can summarized into six points as below.

1. To Know the Buyers

Marketing is to do with people, products, and process of transfer. Every firm is eager to know about all those people who are willing to pay for the firm's products or services. This knowledge pertains to buyer variables like number of buyers, frequency of buying, regional location, social category, and so on. Marketing research helps in acquiring such knowledge and tracing market potential.

2. To Measure the Impact of Promotional Efforts

In modern days of everchanging marketing conditions, it is quite likely that a firm may follow different strategies to promote a product or service. A *promotion mix* consists of advertising, personal selling, and sales promotion, each having sub-elements. A marketer is interested in knowing the results or the impact of these alternative promotional strategies. It is marketing research that comes to his help in this regard.

3. To Know the Consumer Response

Any consumer-oriented firm cannot remain contented with reaching the target sales only. An alert firm also monitors consumer reactions to products or services released in the market. In other words, the firm is keen to know the consumer's opinion about the degree of satisfaction or dissatisfaction that the product or service has generated or caused. Consumer response is the basis for future product or service improvement, modification and diversification.

4. To Know Market Costs and Profits

There has been much hue and cry all over the world, that marketing costs have escalated to such an extent, that optimisation of profit has become a big problem. There is dire need for in-depth study of total

marketing costs with their break-up, so that efforts can be made to control and reduce these. Even a 10 per cent reduction in marketing costs, will be a big relief to the consumers, which is possible through marketing research.

5. To Get Information regarding External Forces

The firms' policies and strategies undergo changes as warranted by the internal controllable and external uncontrollable forces. Each firm needs reliable information about its competitor's moves, the firm's share in the market, developments in foreign markets, governmental policies, technological changes, ecological changes, consumer incomes and spending, new products or services, substitutes, etc. It is through research that the firm acquires such up-to-date information.

6. To Design and Implement Market Control

Marketing control is the final or terminal job in marketing management. It involves monitoring and sending feedbacks of actual marketing performance, its measurement, and evaluation against planned performance. It is market control that decides whether the actual performance is in tune with standard performance, so that any deviation anywhere, can be adjusted for future progress and prosperity. This feedback is provided marketing research.

SCOPE OF MARKETING RESEARCH

It is difficult to sum up the scope of Marketing Research activity in a sentence or two. Intrinsically, it involves identification of consumer needs to evaluate consumer satisfaction.

There is a great deal of information that a marketer can collect from **existing customers**, such as:

- Where do they come from?
- What is the purpose of their visit?
- How much do they spend?
- How long do they stay?
- Where did they find out about your property?
- Are they repeat customers?
- What is their profile? For example, are most of your customers young couples or perhaps families with young children?
- Which socioeconomic grouping do they belong to?
- At what times of year do they travel?
- When are they planning their next break?
- How far in advance do they plan or book their break?

This information can be obtained through registration forms and customer feedback forms, but it is also important to talk to the customers, and gauge their wants and needs. Other staff members are also good sources of information, as are complaints—what is it that made the customer complain and how can it be avoided in future? On a more positive note, it is also important to find out, what was it that made the customer book in the first place, as this information can present future selling opportunities.

Marketing Research helps to know about **potential customers** of your business in advance. Potential markets, where company's product can be sold are discovered through marketing research. This widens the scope of the company's operations and helps it extend its marketing activities to such new markets.

There are a host of ways, of finding information about **competitors** in the local market place and good sources of information include local accommodation and tourism guides, and the internet (via competitor websites). A company studies marketing policies, practices, and strategies of its competitiors through

marketing research, and then makes necessary changes in its policies, practices and strategies, so as to give them a suitable fight in the market. Only in such circumstances, can a company survive in competitive situations, else it will end up losing its markets.

Selection of Channel of Distribution

As marketer comes to know about the need satisfaction of the customers and the marketing of distribution for the product to meet the needs of the customer effectively. For example, in case of a hotel to choose the travel agencies, tour operators, franchisees, etc.

AREAS OF MARKETING RESEARCH

According to the American Marketing Association, marketing research is undertaken in the following areas:

1. Consumer Research

Consumer Research deals with consumers and their problems and the solutions to these problems, to better relations between them and the marketing unit. The various areas of consumer research are:
  (a) Knowing the demographic features of consumers—both actual and potential.
  (b) Identifying consumer needs and expectation levels regarding products and services.
  (c) Locating the factors governing purchase decisions.
  (d) Ascertaining various levels of consumer satisfaction.

  Consumer Research in the hospitality industry is known as *prospect research*. This provides a profile of present and future guests, from sources like reservation data, registration inputs, check-out information, origin and destination-market data. This research helps to identify, consumers consumption patterns like travel habits and hotel preferences.

2. Product or Service Research

This research covers product planning and development. It studies two aspects viz. technical and market. The different areas of product research are:
  (a) Evaluating product performance of the firm in terms of turnover, profits, market segments, and competition.
  (b) Determining product modifications with regard to their quality, design, varieties, appearance, colour etc.
  (c) Appraisal of product diversification and simplification plans.
  (d) Product innovation, which covers development of new products or services, market testing, and evaluation of new products or service line.

  In case of the hospitality industry, this is referred to as *property research*. The hotel's tangible facilities like the rooms and intangible aspects like guest's perception, quality, service ratings, etc. are assessed in this type of research.

3. Market Research

Market Research is to do with "the structure of consumers" deciding the demand force, and other forces influencing "consumer strength". The areas of market research are:
  (a) Ascertaining the size and nature of consumers—both actual and potential.
  (b) Forecasting sales and demand.
  (c) Determining the strengths and weaknesses of competitors.

(d) Assessing the impact of governmental policies on marketing efforts of the firm.

In case of the hospitality industry, this research is also called *demand analysis*. Here the research studies type of guests, days of stay by the guests, etc.

4. Sales Research

Sales Research covers the problems relating to the sale of products of a given firm. The areas of sales research are:
  (a) Measuring sales performance in terms of volume and profits.
  (b) Analysing and appraising sales methods and performance of sales personnel.
  (c) Establishing and revising sales territories and sales quotas.
  (d) Determining effective ways of compensation.

In case of the hospitality industry, this research is known as the **occupancy research**. Here, the information relating to the sale of rooms, restaurant covers etc. are collected and analysed.

5. Pricing Research

All questions relating to consumer's ability to pay for the products or services, are studied under pricing research. The areas of pricing research are:
  (a) Ascertaining the price expectations of consumers in different markets and also in the different segments of the market.
  (b) Studying price policies and strategies of the competitors.
  (c) Testing alternative price strategies.
  (d) Measuring consumer reactions and responses to the firm's product prices.

6. Distribution Research

Distribution Research involves two aspects viz. channel research and physical distribution research. The first has to do with the possible routes, through which the goods and services reach the consumers. The second involves actuarial movement of goods, through the systems of transport and warehousing. The areas of distribution research are:
  (a) Studying the existing and potential channels along with evaluation of channel performance.
  (b) Determining dealer needs, number and behavioural factors to ensure full cooperation.
  (c) Determining optimum inventory levels and storage facilities.
  (d) Considering economies of using different methods of material handling and modes of transport, and ascertaining their suitability.

7. Motivation Research

Consumer Research is quantitative research, that answers questions like what? who? how? how many? where? when? With regard to the consumers behaviour. However, motivation research is a qualitative research, which deals with why people buy or don't buy a product or service. The areas of motivation research are:
  (a) Identifying consumer motives, attitudes, emotions or certain hidden reasons influencing their buying decisions.
  (b) Find out the ways and means of motivating people to increase sales.
  (c) Predicting the consumer reactions, in terms of consumer expectations and aspirations.
  (d) Distinguishing between hidden and apparent consumer likes and dislikes.

8. Advertising Research

Advertising Research involves a communication mix which studies marketing problems and their possible solutions. The areas of advertising research are:
  (a) Determining advertising messages and appeals in the light of research findings.
  (b) Comparing likely effectiveness of alternative copies of advertisements.
  (c) Evaluating and selecting the communication mix.
  (d) Measuring advertising effectiveness.

9. Policy Research

Marketing, as a specialized activity, is going to be a grand success only if other allied activities support and contribute their mite. Policy research is the study of policies in various spheres of an organisation. The areas of the policy research are:
  (a) Studying existing policies and strategies in areas of production, finance, and personnel *vis-à-vis* marketing policies and strategies.
  (b) Evaluating effects of changes in these policies on firm's marketing efforts and results.
  (c) Determining a dynamic policy to improve results using minimal efforts and investment.
  (d) Studying competitor's policies in order to incorporate any changes in the firm's plans and pro-grammes.

10. Competitive Research

Competitive marketing research is conducted to compare your product or service with the products or services of the competitors. It tries to discover how consumers perceive and experience your product or service offering in relation to the competitors' products or services.

11. Environmental Research

This research focusses on external forces such as economic, social, political, and technological which are having, or will have an impact on the product or service in some manner.

12. Trend Research

This research is of two types—Quantitative Trend Research such as increase or decrease in customer preferences, methods of purchase, usage or frequency of purchase, and Qualitative Trend Research like changes in consumer attitudes, tastes, interests, benefits sought, etc.

THE MARKETING INFORMATION SYSTEM

Marketing Information System is a structure of people, equipment, and the procedures used to gather, analyse, and distribute information needed by an organisation. Marketing managers must analyse the Marketing Information System in conjunction with marketing environments.

Uses of Marketing Research Information

Marketing Research has been rightly described as the "radiology and pathology" of marketing operations. A market researcher, like a doctor, can detect conditions of illness and prescribe suitable remedies for its cure.

1. To the Manufacturers

Framing and Implementing Product Policies   A marketing researcher effectively solves any problem in the areas of product or service policy formulation and implementation. These product/service

policies are related to product/service development, product-line, purchase of inputs, inventories, location and layout of premises, production planning and control, and premises maintenance, control of waste quality, cost, finance, and personnel. These above area questions cannot be answered without undertaking market research.

Designing and Executing Marketing Strategies   Marketing strategies are a set of dynamic, action-packed and all-pervasive plan to achieve business goals. A successful service provider, is one who brings about optimal adjustment of controllable and uncontrollable factors. According to current market conditions, service providers have to be market oriented. Therefore, all their efforts reconcile to the needs, moods, and budgets of the consumer. Amid such a stupendous task of product market integration, he has to rely on the findings of marketing research.

2. To the Distributors

Location of Outlet   The success of a distributor depends on the strategic location of the outlet. While selecting a site, two aspects are given top consideration viz. the region and the specific site—infrastructural facilities, communication facilities, banking facilities, etc.

Shaping and Improving Physical Image of the Outlet   Market research helps the service provider to assess perceptions with regard to the physical image of the outlet in minds of the consumers.

3. To the Advertising Agency

To Prepare the Advertisement Budget Appropriation   Basic key decisions have to be made by every advertiser on budget appropriations. This includes how much he shall spend—how? where? and when?—so as to pass his message to prospects and consumers. Advertising agencies, through marketing research study, advise their clients on how they should spend? how much? when? and the like.

Preparation and Placement of Advertisement   Advertisement preparation requires planning in the light of constant and creative research, that helps in producing creative advertisements for its clients. Further, placement of advertisements on various media is not a problem for these professional units having long standing contacts with the media owners, who make this possible economical and effective.

Measuring Advertisement Effectiveness   The work of agencies is not over with only planning and placing an advertisement for its clients. A more responsible and important task is measuring advertising effectiveness. This measurement is done in terms of impact and reach of the advertising message on the target audience. It can be pre- or post-testing of advertisements. It involves collection, analysis and interpretation of data for decisions which are possible through marketing research.

To Study Images   Advertising agencies undertake useful studies on the image of the corporate, brand, and outlets. Corporate Image stands for a public impression of the firm. Brand Image refers to the brand personality a firm enjoys, in the hearts of its consumers. Outlet Image stands for consumer attitudes towards the outlet. These impressions are studied through marketing research practices.

4. To the Government

Internal Management   Management of economic systems implies planning and controlling its various segments. It basically involves resource allocation on national and social priorities to have optimum results. Control implies control on production, prices, distribution, and consumption. To discharge these responsibilities, government depends on marketing research that calls for collection, analysis and interpretation of relevant data.

External Management   There is continuous strife for market expansion, beyond one's national boundaries. Governments are constantly exploring new markets in the world, for its products and services. Marketing Research has come to the rescue of both private and government organisation in taking full advantage of the statement "export and perish".

STEPS IN MARKETING RESEARCH PROCEDURE

The research procedure or process consists of several distinct activities or a sequence of certain steps, which are closely linked and interdependent such as:

1. Defining the Research Problem

Defining research problem involves three sub-steps:
  (i) Discovering the managerial problem
 (ii) Defining and redefining it and
 (iii) Translating the managerial problem into a research problem.

Discovering the problem implies selection of the right problem in an order of priority. Defining the problem is one thing and refining and redefining another. The ambiguity of the problem was to be reduced to the minimum to crystallise it. All managerial problems are not research problems. A research problem is more cause oriented than symptom oriented. Thus, "Falling Sales" is a managerial problem while "why sales are falling and what are the ways of arresting such fall?" is a research problem.

The researcher arrives at a hypothesis or a theory or presumption, arrived at provisionally that may form the basis or guide to why certain things have happened, so that further investigation may be proceeded along with those turns. After the situation analysis, the analyst continues to formulate his hypothesis and talking informally with informed people like intelligent and efficient retailers, wholesalers, consumers and other key men in the industry to get their point of view and in this way get a feel of the problem.

2. Considering the Possible Solutions

Once the problem is defined, the next step is to feel or have a minimum association. A tentative probing in and around the problem provides possible solutions or more hypothesis—assumptions or propositions to be tested, on the basis of which the researcher can proceed further. Thus, hypothesis can be "falling sales are a result of discouraging business conditions and acute competition."

3. Developing a Research Design

A research design is a master plan or model for conducting formal investigation, it provides a framework within which the researcher has to work. The format of a research design is dependent upon the nature of the problem. It involves seven steps like:
  • Defining objectives of the investigation
  • Planning and determining scope of the investigation
  • Developing alternative methods for collection, analysis and interpretation of data
  • Estimating the time required
  • Preparing personnel and administrative setup
  • Preparing a budget
  • Formulating the research proposal and getting it approved.

4. Collection of Marketing Data

Data to be collected are of two types viz. 'primary' and 'secondary'. Primary data is one which is

collected by the researcher himself, this is first-hand information i.e. previously unpublished. Secondary data is one which is both published and unpublished and is made available by certain external parties which may be private or government agencies. It is more general and less costly.

5. Data Analysis and Interpretation

Data analysis and interpretation are possible only when the data is processed. Data processing implies data reduction, editing-tabulation and analysis, and interpretation. Data analysis establishes positive and negative correlations or cause and effect relations. Interpretations is a minute and meticulous job involving the use of mental faculties of sound judgement and clear vision to reach a cut-off point.

6. Preparing and Presenting the Research Report

Collection and tabulation of data are quite useless unless it is anlaysed and interpreted to resolve a problem. Results are extracted from the anlaysis and interpretation of data in the form of a report presented to the marketer, so that he can come to know the details of the problem and its solution. A typical research report starts with the title page, followed by the table of contents, outline of research, statement of the marketing problem, its conversion into a research problem, objectives of the study, plan of the study, data collection, analysis, assumptions, limitations, findings, and recommendations. It ends with a copy of the questionnaire, glossary of terms, tables, maps, charts, photographs, and bibliography.

7. Follow-up of Recommendations

Even an excellent research report loses its value when it is kept in the cold storage with no attempts being made regarding its implementation. Research findings are presented to the decision maker, he may chose not to implement them because:
- The user of the research report is not convinced of the research findings
- Insufficient resources for implementation
- The problem has lost its significance
- There are other more pressing problems requiring immediate solution

However, the researcher need not get disheartened and should forge ahead with an approach to convince the decision maker of his role and contribution to the firm's success.

METHODS OF MARKETING RESEARCH

Survey

Survey methods refer to methods used for obtaining the required information by asking certain questions to the respondents. It is why this method is generally known as the Questionnaire method. Surveys concern both quantitative and non-quantitative researchers. This method is also known as the Interviewing method, which can be classified further as (a) Personal Interview (b) Mail Interview and (c) Telephonic Interview.

Observational Method of Research

Observation implies viewing or noting the act or the occurrence. Observation is the method that places an observation—human or machine to watch and record what is taking place. Here the observer does not ask questions, but observes his or her actions or behaviour, without or with letting the respondent know that he or she is being observed. This method is commonly used in both quantitative and qualitative research.

Experimental Method of Research

Experimental method of research is a procedure of implementing the best possible solution, to a given problem on a small scale. The aim is to determine whether tentative conclusions reached can be proved in actual conditions. The actual conditions are ever changing and cannot be controlled by the researcher.

TYPES OF MARKETING RESEARCH

Primary—Marketing Research

Primary Marketing Research is collection of data for the first time. It is original and is collected for a specific purpose, or to solve a specific problem. It is expensive, and time consuming, but is more focused than secondary research. There are many ways to conduct a primary research:

1. Interviews
2. Mystery shopping
3. Focus groups
4. Projective techniques
5. Product tests
6. Diaries
7. Omnibus Studies

1. Interviews

This technique is mostly associated with marketing research. Interviews can be telephonic, face-to-face, or over the Internet.

Telephonic Interview   In the telephonic interview method, the researcher establishes a contact through phone calls. Since the investigator is to get maximum information within the minimum time, the questions have to be simple and direct. Telephone ownership is very common in developed countries. It is ideal for collecting data from a geographically dispersed sample. Interviews tend to be very structured and lack depth. Telephonic interviews are cheaper to conduct than face-to-face interviews (on a per person basis).

Advantages of Telephonic Interviews

- Can be geographically dispersed
- Can be set up and conducted relatively cheaply
- Random samples can be selected
- Cheaper than face-to-face interviews

Disadvantages of Telephonic Interviews

- Respondents can simply hang up
- Interviews tend to be a lot shorter
- Visual aids cannot be used
- Researchers cannot see the behaviour or body language of the respondent.

Face-to-face (Personal) Interviews   In the Face to face or Personal Interview method, the researcher approaches the respondents himself personally or through his investigators. Data is collected on survey basis. Some surveys are very rigid or 'structured' and use closed questions. Data is easily comparable. Other face-to-face interviews are more 'in-depth,' and more open ended questions are used. The research will probe and develop points of interest.

Advantages of Face-to-face Interviews
- They allow more 'depth'
- Physical prompts such as products and pictures can be used
- Body language can emphasize responses
- Respondents can be observed at the time of interview

Disadvantages of Face-to-face Interviews
- Interviews can be expensive
- It can take a long time to arrange and conduct.
- Some respondents will give biased responses when face-to-face with a researcher.

The Internet
The Internet can be used in a number of ways to collect primary data. Visitors to sites can be asked to complete electronic questionnaires. However, responses will increase if an incentive such as a free newsletter, or free membership is offered. Other important data is collected when visitors sign up for membership.

Advantages of the Internet
- Relatively inexpensive
- Uses graphics and visual aids
- Random samples can be selected
- Visitors tend to be loyal to particular sites and are willing to give up time to complete the forms

Disadvantages of the Internet
- Only surveys current and not potential customers.
- Requires knowledge of software to set up questionnaires and methods of processing data
- May deter visitors from your website.

Mail Survey
The respondents are contacted by means of post. The questionnaire is designed to get 'yes' or 'no' answers. The questions should be self-explanatory, as the investigator will not be present there. In many countries, mail survey is viewed as the most appropriate way to gather primary data. Lists are collated, or purchased, and a predesigned questionnaire is mailed to a sample of respondents. Mail surveys do not tend to generate more than a 5–10% response rate. However, a second mailing to prompt or remind respondents tends to improve response rates. Mail surveys are less popular with the advent of technologies such as the Internet and telephones, especially call centers.

Advantages of Mail Survey
- It is economical
- More objectivity is maintained

Disadvantages of Mail Survey
- Possibility of poor response
- It is time consuming
- Incomplete and inaccurate data.

The following Table 12.1 gives a detailed comparison between Mail Survey, Telephonic Interview, Personal Interview and Online Survey. (Donald S. Tull & Del I Hawkins)

Type of Survey	Mail	Telephone	Personal	Online
TABLE 12.1 Comparison of Survey Methods				
Flexibility	Poor	Good	Excellent	Good
Quantity of Data Collected	Good	Fair	Excellent	Good
Control of Interviewer	Excellent	Fair	Poor	Fair
Control of Sample	Fair	Excellent	Fair	Poor
Speed of Data Collection	Poor	Excellent	Good	Excellent
Response Rate	Fair	Good	Good	Good
Cost	Good	Fair	Poor	Excellent

2. Mystery Shopping

Companies will set up mystery shopping campaigns on its behalf. Often used in banking, retailing, travel, cafes and restaurants, and many other customer focused organisations, mystery shoppers enter, posing as real customers. They then collect data on customer service and customer experience. Findings are reported back to the commissioning organisation. There are many ethical issues regarding the use of such an approach for research.

3. Focus Groups

Focus Groups are composed of a number of selected respondents, brought together in the same room. Highly experienced researchers work with the focus groups to gather in-depth qualitative feedback. Groups tend to be composed of 10 to 18 participants. Discussions, opinions, and beliefs are encouraged, and the research probes into specific areas that are of interest to the company commissioning the research.

Advantages of Focus Groups
- Commissioned marketers often observe the group from behind a one-way screen
- Visual aids and tangible products can be circulated and opinions can be taken
- All participants and the research interact
- Areas of specific interest can be covered in greater depth

Disadvantages of Focus Groups
- Highly experienced researchers are needed. They are rare
- Complex to organise
- Can be very expensive in comparison to other methods

4. Projective Techniques

Projective Techniques are tests conducted wherein the respondents are encouraged to project their feelings, attitudes, impressions, motives, reactions and the like to a third person or an object. Projective Techniques are borrowed from the field of psychology. They generate highly subjective qualitative data. Several examples of such an approach include thematic appreciation test, paired picture test, third person test, Inkblot tests looking for images in a series of inkblots cartoons, complete the "bubbles" on a cartoon series, sentence or story completion and word association. This depends on very quick subconscious responses to words. Psychodrama—Imagine that you are a product and describe what it is like to be operated, warn, or used. This includes role-playing, graphology, etc. The strength of these tests lies in the fact they are of great assistance to the researcher in discovering latent and factual consumer behaviour.

5. Product Tests

Product Tests are often completed as a part of the "test marketing process". Products are displayed in a

mall or shopping center. Potential customers are asked to visit the store and their purchase behaviour is observed. Observers will contemplate how the product is handled, how the packing is read, how much time the consumer spends with the product, and so on.

6. Diaries

Diaries are used by a number of specially recruited consumers. They are asked to complete a diary that lists and records their purchasing behaviour over a period of time (weeks, months, or years). It demands a substantial commitment on the part of the respondent. Collecting a series of diaries, with a number of entries, gives the researcher a reasonable picture of the respondent's purchasing behaviour.

7. Omnibus Studies

An Omnibus Study is where an organisation asks a single or a few questions on a "hybrid" interview (either face-to-face or by telephone). The organisation will be one of many that simply want a straight-forward answer to a simple question. An Omnibus Survey could include questions from companies in sectors as diverse as health care and tobacco. The research is relatively much cheaper, and takes less time and effort than conducting your own research.

Secondary—Marketing Research

Secondary Marketing Research or Desk Research already exists in one form or another. It is relatively cheap, and can be conducted quite quickly. However, it tends to have been collected for reasons other than for the problem or objective at hand. Hence, it may be untargeted, and difficult to use to make comparisons (e.g. financial data gathered on Australian pensions will be different in comparison with data on Italian pensions). There are a number of such sources available to the marketer, and the following list is by no means conclusive:

- Trade Associations
- National and local press Industry magazines
- National/International Governments
- Web sites
- Informal contacts
- Trade directories
- Published company accounts
- Business libraries
- Professional institutes and organisations
- Omnibus surveys
- Previously gathered marketing research
- Census data
- Public records

Quantitative Research

Quantitative research attempts to observe the behaviour of various components statistically. It is an attempt to figure out the consumer profile in terms of **quantification**. It tries to answer questions like—what? how? how much? where? and when?—a consumer buys a product or a service. It probes the conscious mind of the consumers.

Qualitative Research

Qualitative research tries to answer the question as why a consumer buys or does not buy a product or a service. It probes the sub-conscious mind of consumers. It sometimes goes beyond that and even tries to probe the unconscious mind.

DIFFERENT AREAS OF HOSPITALITY MARKETING RESEARCH

Marketing Research enables the promoter of a hotel or any catering establishment to base his decisions on information that has been analysed for its significance under:

1. *Relevance (Pertinent):* Pertinent information is relevant to the problem or decision facing the manager. Irrelevancies are costly and time consuming.
2. *Correct (Accurate):* The acceptable level of accuracy depends on the capital at stake. If we spend more money, employ more survey workers, we can be surer that the information is correct.

In the pursuit of creating and retaining customers it becomes more and more necessary to know and understand that customer. Following are some of the areas of marketing research that need to be pursued to accomplish various marketing objectives (R.C. Lewis & R.E. Chambers):

- Customer perception
- Customer awareness
- Need for new products
- Dated products and services
- Price sensitivity
- Communication strategies—image, media, targets, frequency, content, and appeals
- Product strategies—service, quality, price, needs and wants, renovations, and amenities.
- Market segments—demographics, psychographics, users, benefits, volume, and motivation
- Consumers—opinions, beliefs, attitudes, intentions, and behaviour
- Demand analysis
- Competitor's strengths and weaknesses

SIGNIFICANCE OF MARKETING RESEARCH IN HOTEL AND CATERING INDUSTRY

The frequency of marketing decisions in the hotel and catering industry to be made, amply emphasise the significance of marketing research. Decisions requiring continuous information inputs may be seen as below:

- Regular appraisal of sales persons performance
- Analysis of actual sales of accommodation, food, and beverages against forecast.
- Tracking seasonal patterns in sales
- Setting monthly targets of regional sales offices
- Monitoring actual promotion expenditure against budget
- Considering introduction of new F&B outlets
- Whether to sponsor a sporting event, etc.

The marketing decisions should be relevant, accurate, timely, and workable. Market research helps to identify and analyse the reason for:

- Low occupancy
- Low restaurant sales
- Lowered image of the hotel
- Untapped potential of the hotel
- Inability to wither stiff competition
- Low turnover

For realistic estimation of the success of a new service outlet etc. a hotel manager may use the "Bayesian Approach".

A manager can judge the likelihood (probability of alternative courses of action, being successful as follows: (Example—whether to start an Indian restaurant, fast food outlet, or an Italian restaurant)

1. Collect past data about current operation
2. Research the market for a new type of operation
3. List a range of outcomes i.e. levels of sales for each of these. E.g.. Rs. 10000/-, Rs. 20000/-, Rs. 15000/- sales per day respectively.
4. Assign a probability to each outcome based on the certainty of its happening. This is again arrived after a lot of data gathering, information processing. E.g. Probability for Indian restaurant may be 0.5, fast food 0.8 and Italian restaurant 0.5.
5. Multiply each outcome by its associated probability to get the expected value.
6. Select the format with the highest expected values.

Thus, market research provides sequential methods of analysing and choosing a course of action with the highest success probability.

LIMITATIONS OF MARKETING RESEARCH

1. It is not a Substitute to Executive Decisions

It is skill, judgment and ability of the marketing executive that helps him make decisions. Marketing research provides him with reliable and authentic information in improving the quality of these decisions.

2. It Cannot Predict the Future Precisely

As the marketing world is dynamic and is subject to both internal and external changes, predictions or readings made available by marketing research are not always perfect.

3. All Market Problems Cannot be Researched

It is very essential to note that not all the marketing problems are capable of being researched. A research problem is one that makes observation or data collection possible and based on which a solution can be worked out.

4. Resistance by Executives

There is a strong resistance on the part of executives because marketing research is a threat to their status. It is because the research findings may tarnish the career of a brilliant executive.

SELF-ASSESSMENT QUESTIONS

1. What is Marketing Research?
2. Define Marketing Research.
3. What are the outstanding features of Marketing Research?
3. What are the Objectives of Marketing Research?
5. Discuss briefly the scope Marketing Research
6. What is Quantitative Research?
7. What is Qualitative Research?

8. What is meant by Survey?
9. What is meant by Observation method of research?
10. What is meant by Experimental method of research?
11. What is meant by Mystery Shopping?
12. State the uses of Marketing Research Information?
13. Discuss the steps in marketing research procedure.
14. Explain different areas of hospitality marketing research and significance of marketing research in hotel and catering industry.
15. Compare and contrast the various methods of market research.
16. What is "Primary Data"?
17. What is "Secondary Data"?
18. What are Projective Techniques?
19. What are Omnibus Studies?
20. What do you mean by Focus Groups?
21. What are the limitations of Marketing research?

ANALYTICAL QUESTIONS

1. You own an elegant, high-priced restaurant in Goa, and want to improve the level of service offered by your fifty person staff. How could observational research help you accomplish this goal?
2. Imagine that you are going to start a new Business Hotel in your locality. What kind of marketing research you will do and Why?

TRY THIS OUT?

1. As a Marketing Manager of a large hotel, you are asked to design a research study to determine how well the property is meeting the guests wants and needs. How do you go about it?

13

Consumer Behaviour in Hotel Industry

LEARNING OBJECTIVES

This chapter would help the students understand and analyse:
- Concept of Consumer Buying Behaviour
- Factors Influencing Consumer Behaviour
- Consumer Buying Behaviour Process
- Types of Consumer Buying Behaviour
- Consumer Buying and Decision Making Units
- Hospitality Organisational Customer
- Components of various Organisational Customers and their Buying Behaviour

In earlier times, marketers could understand consumers well through the daily experience of selling to them. But as firms and markets have grown in size, many marketing decision makers have lost direct contact with their customers. Most marketers have had to turn to consumer research. They are spending more money than ever to study consumers, trying to learn more about consumer behaviour. The company that really understands how consumers will respond to different product features, prices, and advertising appeals has a great advantage over its competitors.

MEANING AND DEFINITION OF CONSUMER BEHAVIOUR

Consumer Buying Behaviour refers to the buying behaviour of final consumers, both individuals and households, who buy goods and services for personal consumption. Buying Behaviour is the decisive process of people involved in buying and using products.

Consumer Behaviour can be defined as "The decision and physical activity engaged in, when evaluating, acquiring, using or disposing of goods and services."

The central question for marketers is "How do consumers respond to various marketing efforts the company might use?" Consumer Buying is a complex process as many internal and external factors have an impact on the buying decisions of the consumer. Consumer Buying Behaviour refers to the buying behaviour of the ultimate consumer. The marketer needs to understand:

- Why consumers make the purchases that they make?
- What factors influence consumer purchases?
- Other changing factors in the society.

A firm needs to analyse buying behaviour for:

- Buyers' reaction to a firms marketing strategy has a great impact on the firm's success.
- The concept of marketing emphasises that a firm should create a marketing mix which satisfies or gives utility to customers. Therefore, it is needful to analyze what, where, when and how consumers buy.
- Marketers can better predict how consumers will respond to marketing strategies.

CONCEPT OF CONSUMER BEHAVIOUR

Consumer behaviour is always purposeful and goal oriented. Every consumer is free to make a choice with regard to the purchase he is going to make. Consumer Behaviour is a process which begins with the stimuli a consumer receives from his environment and ends with a purchase transaction. Here it should be noted that consumer behaviour is influenced by a lot of internal and external factors like the consumer's personality, culture, social status etc. It is believed that consumer awareness and education are essential elements in influencing consumer behaviour.

FACTORS INFLUENCING CONSUMER BEHAVIOUR

Consumer Behaviour is affected by many uncontrollable factors. Just think, what influences you before you buy a product or service? Your friends, your upbringing, your culture, the media, a role model or influences from certain groups? Our cultural, personal, social and psychological background has a great bearing on our buying decisions.

Cultural Factors

Culture

Culture is a factor that influences any behaviour and is the most basic cause of a person's wants and behaviour. Culture refers to the set of values, ideas, and attitudes which are accepted by a homogenous group of people and transmitted to the next generation. Culture also determines what is acceptable with product advertising. It determines what people wear, eat, reside and travel. Cultural values in a developed country are good health, education, individualism and freedom. In other words, culture can be defined as our attitudes and beliefs. But how are these attitudes and beliefs developed? As growing individuals children are influenced by their parents, brothers, sisters and other family members who may teach them what is wrong or right. They learn about their religion and culture, which helps them internalise develop these opinions, attitudes and beliefs. These factors also influence their purchase behaviour. However, other associations like peer groups, or people they look up to, may also influence their choice of purchasing a particular product or service.
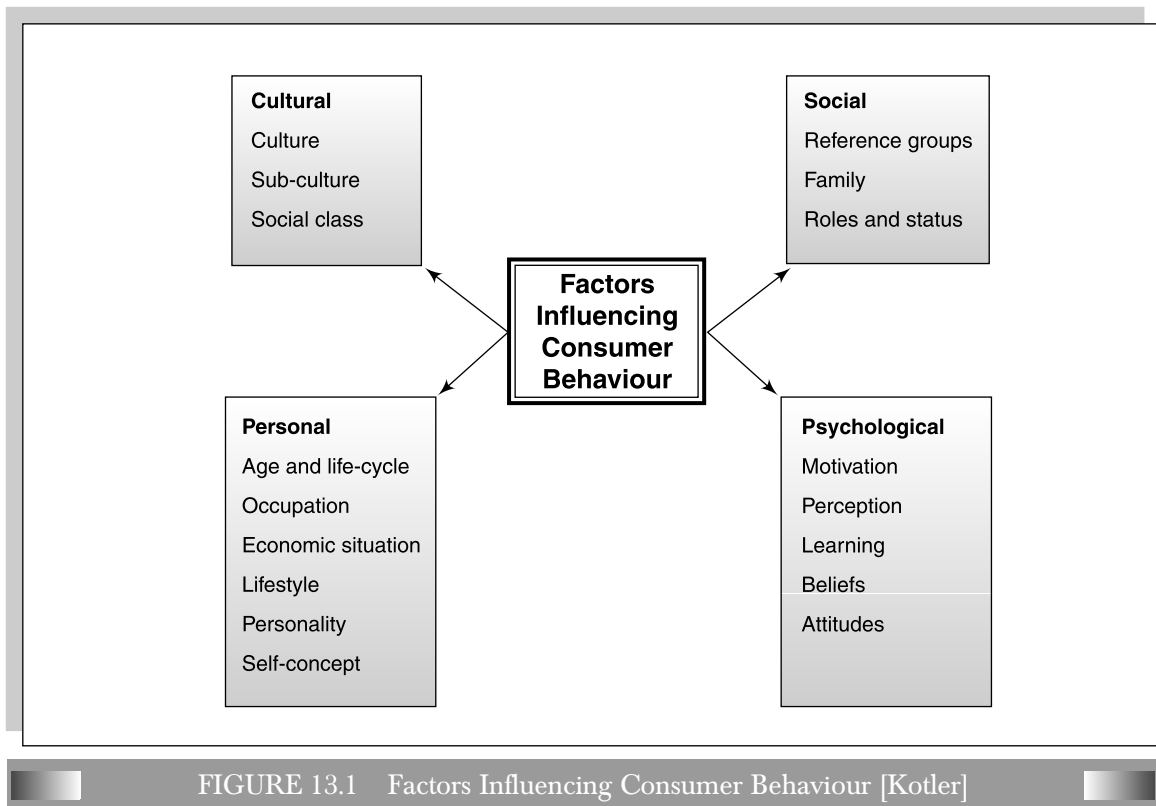
FIGURE 13.1   Factors Influencing Consumer Behaviour [Kotler]

Subculture

Subculture—Each culture contains smaller subcultures, or groups of people with shared value systems based on common life experiences and situations.

Social Class

Social Class is a group of individuals, who have similar social ranks based on occupation, education, income, wealth, race, ethnic associations, and possessions. Social Class influences several aspects of our lives, for example, upper middle class people prefer luxury cars such as Mercedes. Social Class determines to some extent, the types, quality, and quantity of products that a person buys or uses. Lower class people tend to stay close to home when shopping and do not engage in much pre-purchase information gathering. Social Class is not determined by a single factor such as income, but is measured as a combination of occupation, income, education, wealth, and other variables. Marketers are interested in social class because people within a given social class tend to exhibit similar behaviour, including buying behaviour.

"Culturally Sensitive" Food

Variations in consumption patterns across countries, or even regions within countries, usually reflect historical, climatic, economic and cultural differences. But not all these factors are equally important.

70% of differences between countries with respect to product ownership and usage can be explained by culture.

Nowhere is that more apparent than in food preferences and habits. Across most of the world, Nestlé's Maggi is known best as a soups-and-sauces brand. In India, it has become the generic word for instant noodles. The product sold in India, though, bears little resemblance to the ramen of East Asia. It was introduced in 1982 with a masala (spicy) flavouring and, over the next 25 years, Nestlé continued to launch variants that would appeal to local and regional tastes. Of course, they weren't all equally successful, and the masala variant continues to be Maggi's best seller.

At the other end of the scale, is Kellogg India. The breakfast cereal giant has clung to its determination to popularize cold, uncooked breakfasts, even offering corn flakes in ethnic flavours such as mango, honey and saffron. But given Indians' preference for hot meals, Kellogg's is finding that the road to success can be a long one. Some product categories are more conducive to local interpretation. Food is perhaps, the most culturally sensitive category.

International fast-food chains appear to understand the need for product customization particularly well. A significant number of Indians are vegetarian by choice or for religious reasons, and strict taboos remain on the mingling of vegetarian and non-vegetarian foods in the same kitchen or on the same table.

McDonald's took note of that as far back as 1990, when it began establishing local supplier partners, six years before it opened its first restaurant in India.

Working on its first no-beef, no-pork menu, the company ensured that suppliers respected the beliefs of its future customers. Vegetarian products are prepared with dedicated equipment and utensils and, in some cases, by a separate workforce. All food is cooked in vegetable oil, and the mayonnaise and other sauces do not contain egg (considered a non-vegetarian food). Physical separation of vegetarian and non-vegetarian products is maintained right from the farm to the customer.

In the last 50 years, the chain has opened more than 30,000 restaurants in 120 countries (155 in India), adapting its menu and operations to complement existing eating-out options. While the iconic all-beef Big Mac has been replaced by the mutton and chicken Maharaja Mac in India, a kosher variant in Israel is served minus the cheese. In China, McDonald's introduced red bean pies, while Norwegian restaurants offer the salmon McLaks burger. Of course, it helps to have local partners in these markets; about 70% of the chain's restaurants are owned and operated by local entrepreneurs. Local owners understand what their customers want and, perhaps more important, what is acceptable within local customs and values.

Some learn that the hard way. When Yum Restaurants India opened the first Kentucky Fried Chicken (KFC) outlet in Bangalore in the mid-1990s, locals protested about the brand's multinational origins. As the ensuing months proved, it wasn't only KFC's parentage that was too foreign; the chicken wings and wraps it offered were too alien for Indian taste buds. In just a few years, Yum closed all its KFC restaurants in India, and did not relaunch the brand until 2004.

This time, the company was more market-savvy. It introduced a vegetarian menu that included rice meals, wraps and side dishes—the most extensive meat-free menu across the chain's worldwide operations—and, like McDonald's, stuck to eggless mayonnaise and sauces. Even its trademark chicken dishes were given a local flavour with the use of Indian spices and cooking techniques.

KFC's strength is the brand-standard products. KFC work around that core and give consumers products with familiar tastes. Seventy per cent of Indians preferred traditional foods and flavours over "Western" foods. The company's new, balanced strategy appears to be working: In four years, KFC has increased itsresence in India to 34 outlets, and plans to cross the 100-outlet mark in the next two years. The vegetarian offerings have made the brand more relevant to a larger section of consumers.

In contrast to the KFC experience, Yum Foods' other Indian operation, Pizza Hut, played its cards well, right from the start. Within three years of its 1996 launch, Pizza Hut opened its first vegetarian restaurant in Ahmedabad, Gujarat, a state with a large Jain population. Not only did the outlet serve

no meat, it also offered a selection of Jain toppings (The Jain religion proscribes all meat and root vegetables, including ginger, garlic, onion and potato). There are now three all-vegetarian restaurants in India, the only such Pizza Hut outlets in the world. There are other signs of "Indianisation": Three years ago, Pizza Hut launched the "Great Indian Treat" product range, its first completely localized menu. Even now, the menu includes a mix of Indian and international ingredients and tastes. Pizza Hut customizes their international flavours to suit local preferences, and 20% of their overall menu is localised. World over, the toppings at Pizza Hut are mainly beef and pepperoni. But in India, where up to 60% of the people are estimated to be vegetarian, they have more variety in vegetarian toppings.

Social Factors

Social factors such as associations with reference groups, membership groups like family, friends, co-workers, religious and professional groups influence the behaviour of buyers to a large extent. The role and status of the buyer also influences the buying decisions. Consumer wants, learning, motives, etc. are influenced by opinions of leaders, the person's family, reference groups, social class and culture.

Reference Groups

Reference groups are particular groups of people, some people may look up towards them that have an impact on consumer behaviour. Individual identifies with the group to the extent that he internalises many of the values, attitudes or behaviours of the group members. These can be simply be a band like the Spice Girls or your immediate family members.

Opinion Leaders

Opinion leaders are those people that you look up to because you respect their views and judgements and these views may influence your consumer decisions, for example, film actor Akshay Kumar endorsing Thums Up (soft drink). It can also be a friend who works with the IT trade, who may influence your decision on what computer to buy or influence you go to a particular tourist destination, which they visited from their office on a weekend incentive programme.

Membership Groups

These groups occur under affinity marketing, which focuses on the desires of consumers that belong to various reference groups. Marketers get these groups to approve a product and communicate that approval to its members e.g. Club Memberships of Elite Groups, etc.

The degree to which a reference group will affect a purchase decision depends on an individual's susceptibility to reference group influence and the strength of his/her involvement with the group.

Roles and Status

A person belongs to many groups—family, clubs, and organisations. The person's position in each group can be defined in terms of both role and status. **Role** consists of the activities people are expected to perform according to the persons around them. Each role carries a status, reflecting the general esteem given to it by society. Roles are things you should do based on what is expected of you, from your position within a group. People have many roles—Husband, Father, Employer/ee etc. Roles of individuals are continuing to change, therefore marketers must continue to constantly update information.

Family is the most basic group a person belongs to. Marketers must understand:

- that many family decisions are made by the family unit
- consumer behaviour starts in the family unit
- family roles and preferences are the model for children's future family (can reject, alter, etc.)

- family buying decisions are a mixture of family interactions and individual decision making
- family acts an interpreter of social and cultural values for the individual

People's social status also impacts their behaviour based on their role within the society. Are they Actors? Doctors? Office worker? Mother and Father? Being parents affects their buying habits depending on the age of their children, the type of job also affects the need to purchase for e.g formal clothes, the income earned also has significant impact.

Personal Factors

Factors like age, sex, race, life-cycle, family life-cycle, occupation, and economic situation of the consumer influence their buying decisions. The Personal Factors affecting a consumer's behaviour is unique to himself. Who in the family is responsible for the decision making is also a factor which influences buying behaviour. Young people purchase things for different reasons than older people.

Two income families are becoming more common, and the decision maker within the family unit is also changing. The family now has less time for children, and therefore tends to let them influence purchase decisions in order to alleviate some of the guilt. Children have more money to spend by themselves.

Economical Environment

The **economical environment** also has an impact on consumer behaviour. Do consumers have a secure job and a regular income to spend on goods? Marketing and Advertising influence consumers in trying to evoke them to purchase a particular product or service.

Life Style

A person's pattern of living as expressed in his or her activities, interests, and opinions also influence his or her buying decisions. Recent trends in lifestyles are a shift towards personal independence and individualism and a preference for a healthy, natural lifestyle. Lifestyles are the consistent patterns people follow in their lives.

The lifestyle of someone who earns Rs. 2,50,000 would clearly be different from someone who earns Rs. 25,000. Also characters have an influence on buying decisions. Whether the person is extrovert (outgoing and spends on entertainment) or introvert (keeps to themselves and purchases via online or mail order) again has an impact on the types of purchases made.

Personality

All internal traits and behaviours that make a person unique, either inherited or based on personal experience influence buying behaviour. Examples include:

- Workaholism
- Compulsiveness
- Self confidence
- Friendliness
- Adaptability
- Ambitiousness
- Dogmatism
- Authoritarianism
- Introversion
- Extroversion
- Aggressiveness
- Competitiveness

Traits affect the way people behave. Marketers try to match the store image to the perceived image of their customers. Sometimes there is a weak association between personalities and buying behaviour, this may be due to unreliable measures. Consumers buy products that are consistent with their self concept.

Psychological Factors

Psychological factors include the following:

Motives

Motive is an internal energising force that orients a person's activities towards satisfying a need or achieving a goal. Actions are effected by a set of motives, and not just one. If marketers can identify motives then they can better develop a marketing mix.

Perception

How do you believe what you see? Perception is the process of selecting, organising and interpreting information inputs to produce meaning. Through perception, we chose what information to pay attention to, then organise it and interpret it. Information inputs are the sensations received through sight, taste, hearing, smell, and touch.

Selective Exposure   Select inputs to be exposed to our awareness, more likely if it is linked to an event, satisfies current needs, intensity of input changes (for example: a sharp price drop).

Selective Distortion   Changing or twisting current received information, which is inconsistent with one's beliefs.

Selective Retention   Remembering inputs that support beliefs, forgetting those that don't. An average supermarket shopper is exposed to 17,000 products in a shopping visit lasting 30 minutes of which 60% of purchases are unplanned. Exposed to 1,500 advertisements per day, a shopper can't be expected to be aware of all these inputs, and certainly will not retain many.

Ability-Knowledge-Learning   The marketer needs to understand individual's capacity and (ability) to learn. Learning is change in a person's behaviour caused by information and experience. Therefore, to change consumers' behaviour towards your product, you need to give them new information, free samples etc.

Knowledge   Knowledge is familiarity with and expertise on the product. Inexperienced buyers often use prices as an indicator of quality more than those who have knowledge of a product, for example, consumers may choose the most expensive six-pack of non-alcoholic beer, because they assume that greater price indicates greater quality.

Learning   Learning is a process through which a relatively permanent change in behaviour results from the consequences of past behaviour.

Attitudes

Attitude is the positive and negative feelings about an object or activity, maybe tangible or intangible, living or nonliving that drive perceptions.

Individual develops his/her attitude through experience and interactions with other people. Consumer attitudes towards a firm and its products greatly influence the success or failure of the firm's marketing strategy. Attitudes and changes in attitude are also influenced by consumer's personality and lifestyle.

Consumers screen all information that conflicts with their attitudes. They distort information to make it consistent and selectively retain a part that reinforces their attitudes. Also called brand loyalty. There is a difference between attitude and intention to buy (ability to buy).

MASLOW'S HIERARCHY OF NEEDS AND CONSUMER BEHAVIOUR

If a marketer can identify consumer buyer behaviour, he or she will be in a better position to target products and services at them. Buyer behaviour is focused upon the needs of individuals, groups and organisations.

Abraham Maslow's Hierarchy of Needs Theory seeks to explain what motivates individuals in life to achieve something. He framed his answer in a hierarchical form.

Let's look at human motivations as introduced by Abraham Maslow in his Hierarchy of Needs theory. Figure 13.2 shows a sequential hierarchy. This is because only after fulfilling the bottom needs one can climb to achieve the higher needs. We begin from the bottom.
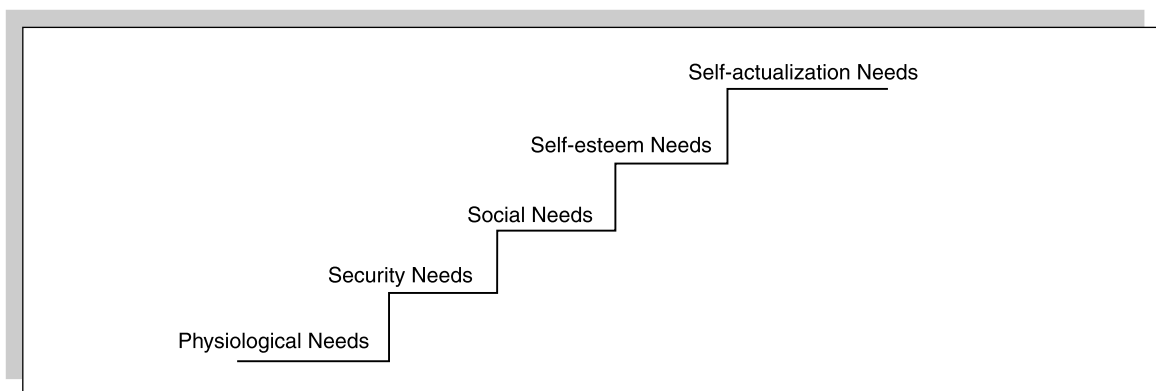
FIGURE 13.2   Maslow`s Hierarchy of Needs

Psychological Needs

Physiological needs such as food, air, water, heat, and the basic necessities of survival need to be satisfied first. He suggests individuals aim to meet basic psychological needs of hunger and thirst.

Safety Needs

Safety needs is where the priority lies with job security and the knowing that an income will be available to them regularly. At this level of safety, man has a place to live that protects him from the elements and predators.

Social Needs

Social needs are the needs to belong or be loved, which is a natural human desire and people do strive for this belonging. At the third level of this hierarchy, we meet our social and belongingness needs i.e. we marry, or join groups of friends, etc.

The final two levels are Self-Esteem and Self-Actualisation. Fewer people satisfy these higher level needs.

Self-esteem

Self-esteem is the need for status and recognition within the society. Status sometimes drives people, e.g. the need to have a good job title and be recognised, or the need to wear branded clothes as a symbol

of status etc. Esteem means that you achieve something, that makes you recognised, and also gives you personal satisfaction, for example writing a book.

Self-actualisation

Self-actualisation is the realisation that an individual has reached their potential in life. The point of self-actualisation is different for every individual. When do you know you have reached your point of self-fulfillment? Self-actualisation is achieved by few. Here a person is one of a small number to actually do something. For example; along with business/professional achievements establishing organistions for a social cause (WIPRO Foundation by Azim Premji, Infosys Foundation by Narayan Murthy).

Marketing is about meeting needs and providing benefits, and Maslow's concept suggests that needs change as we go along our path of striving for self-actualisation. Supermarket firms develop value brands to meet the consumer's psychological needs of hunger and thirst. Maslow's concept is useful for marketers as it can help them understand and develop consumer needs and wants.

CONSUMER BUYING BEHAVIOUR

Individual consumers will choose to buy different products for different reasons at different times. Influences on a consumer's buying decision can be classified into Socio-Cultural influence, Individual influences, and Contextual circumstances.

Types of Buying Behaviour

Types of Consumer Buying Behaviour are determined by:

- Level of involvement in purchase decision, which includes importance and intensity of interest in a product in a particular situation.
- Buyers' level of involvement determines why he/she is motivated to seek information about a certain product and brand virtually ignoring others.

There are four types of Buying Behaviour, based on the type of product intended to be purchased.

Complex Buying Behaviour

This is where the individual purchases a high value brand and seeks a lot of information before making the purchase. Examples include cars, homes, computers, and education. It involves extensive decision making, complex and high involvement, unfamiliar, expensive and/or infrequently bought products. There is a high degree of economic, performance, or psychological risk. It takes a lot of time as it involves seeking information and then deciding.

Habitual Buying Behaviour

This is where the individual buys a product out of habit e.g. the daily newspaper, sugar or salt, soft drinks, snack foods, milk etc. It is a routine response or programmed behaviour of buying with low involvement, frequently purchased low cost items that need very little search and decision effort and are purchased almost automatically.

Variety Seeking Buying Behaviour

This is where the individual likes to shop around and experiment with different products. An individual may shop around for different breakfast cereals because he/she wants variety in the mornings.

Dissonance Reducing Buying Behaviour

This is when the buyer is highly involved with the purchase of a product, because the purchase is expensive or infrequent. There is little difference between existing brands. For example, while buying a diamond ring, there is little perceived difference between existing diamond brands or manufacturers.

Purchase of the same product does not always elicit the same buying behaviour. Product can shift from one category to the next. For example, going out for dinner, for one person may be extensive decision making process (for someone who does not go out often), but limited decision making for someone who often does. The reason for the dinner, whether it is an anniversary celebration, or a meal with a couple of friends will also determine the extent of the decision making.

Consumer Buying Decision Making Roles

- **Users** – people that actually use the product
- **Influencers** – people with expertise who may help determine specifications
- **Buyers** – people who make the purchase
- **Deciders** – people with the authority to select or approve a supplier
- **Gatekeepers** – people who control the flow of information

Buying Decision Process

While purchasing a product, which consumers go through several processes. Following are the various processes involved in the buying decision process of a consumer of a hospitality product or services.

- Stimulation Process
- Search Process
- Decision Process
- Resultant Process

Guest behaviour may be considered as **information processing**, where there are three stages of the purchase decision: **pre-purchase, purchase,** and **post-purchase**.

During the **pre-purchase** stage, prospective guests are seekers and users of information, which helps them clarify their wants and needs, search for satisfying alternatives, and assess their choices. At this stage, information attracts and informs guests, and creates desire.

In the **purchase phase**, marketing efforts aim to influence guest purchase decisions. Advertising, personal selling, and various other merchandising and promotional efforts create desire and motivate guests to try products.

Once the purchase is made, the **post-purchase** phase begins. Guests' reactions may be total satisfaction, partial satisfaction, and dissatisfaction.

The **Guest Search Process** consists of four stages: **Need recognition, Investigation, Evaluation of alternatives, and Expectations and choice**. The search may be routine, non-routine (exceptional), or mixed.

Guests make **hospitality decisions** to further their own best interests and achieve their objectives. They freely choose from among a broad range of food, beverage and lodging alternatives. Their experiences, as well as those of family, friends, and peers, provides information that establishes the criteria, against which they evaluate alternative hospitality offerings. Through this evaluative process, guests arrive at preferences and, make their purchase decisions.

Guests evaluate hospitality offerings, after purchasing them. The purchasing process generates individual service encounters and experiences that guests label as **satisfying** or **unsatisfying**. Both expectations and desires affect guest satisfaction. Guests are not satisfied when offerings meet expectations but

not desires. As they have these hospitality experiences, guests learn and judge future alternatives, develop expectations, and make choices. Their past experiences determine future purchase actions.

Guest behaviour is influenced by various external stimuli such as advertising, merchandising, personal selling, public relations and peer recommendations. There are many internal stimuli which influence consumer behaviour like guest wants, needs, motives, perceptions, images, thoughts, feelings, preferences, experiences, and responses.

In the process of making a purchase, a consumer goes through the following distinct five stages such as need recognition, information search, evaluation of alternatives, purchase decision and post purchase decision as shown in Figure 13.3 (Lazer & Layton)

FIGURE 13.3   Five stages of a Purchase Decision
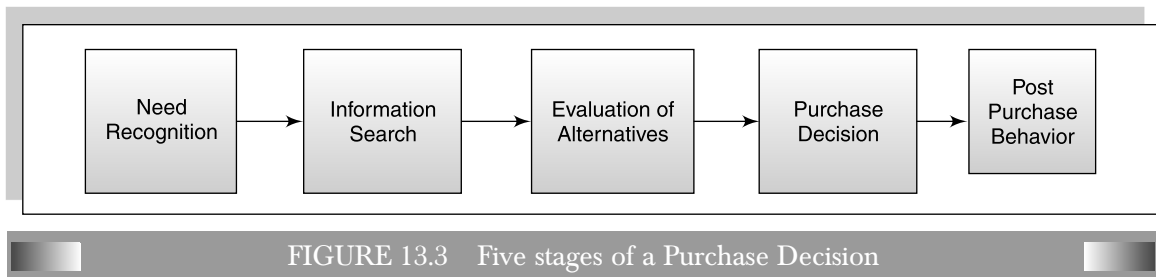
Need Recognition

A problem is a need i.e. the difference between the desired state and the actual condition. Hunger is a problem or a need which stimulates your need to eat. Here the marketer, through product information stimulates your recognition of the deficiency with regard to the particular need. Need recognition is a pre-purchase stage in which the guests seek information regarding the products or services, which helps them satisfy their needs and wants. Here the guests, find information which creates desire, like advertisements with tempting pictures and other offers (for example—special coupons, prices, etc.) In other words, there are normal needs like hunger, thirst, and sex, which are created by internal stimuli and other needs which are aroused by external stimuli. Marketers need to develop and implement adequate strategies to generate an interest in the minds of the consumer.

Information Search

Once the consumer's need is aroused, he actively starts searching for information regarding the products or services. There are different sources of consumer information—Personal sources (Friends, Family members, Other social connections), Commercial sources (Advertisements, Sales persons, Dealers), Public sources (Mass media, Consumer-rating organizations), and Experiential sources (Handling, Examining, Using the product). Personal sources are a more effective source than commercial sources (information function) as it performs the legitimising or evaluation function. A successful information search leaves a buyer with possible alternatives, called the **evoked set.** Hungry? Want to go out and eat. The *evoked set* is

- Chinese food,
- Indian food,
- Burger King,
- Klondike Kates, etc.

Evaluation of Alternatives

In the process of evaluation of various alternative brands of products or services, which are available in the market, the consumer picks up from the total set, a choice set of brands and makes a final decision. In the basic concept of consumer evaluation process:

- Consumer is trying to satisfy a need
- Consumer is looking for certain benefits from the product or service
- Consumer sees each product or service as a bundle of attributes which satisfies his/her need

A consumer needs to establish criterias for evaluation, and features the buyer wants or does not want. The consumer assigns various ranks and weights to the alternatives or resumes search. Suppose you decide that you want to eat something spicy, and Indian food gets the highest rank. If not satisfied with your choice, then return to the search phase. Can you think of another restaurant? Look in the yellow pages etc. Information from different sources may be treated differently. Marketers try to influence consumers by framing alternatives. For hotel guests, these attributes may be location, cleanliness, atmosphere, price, etc.

Purchase Decision

Having evaluated various brands, the buyer now develops an intention to go for most preferred brand. There are two factors that affect the purchase decision (Figure 13.4-Lazer & Layton)
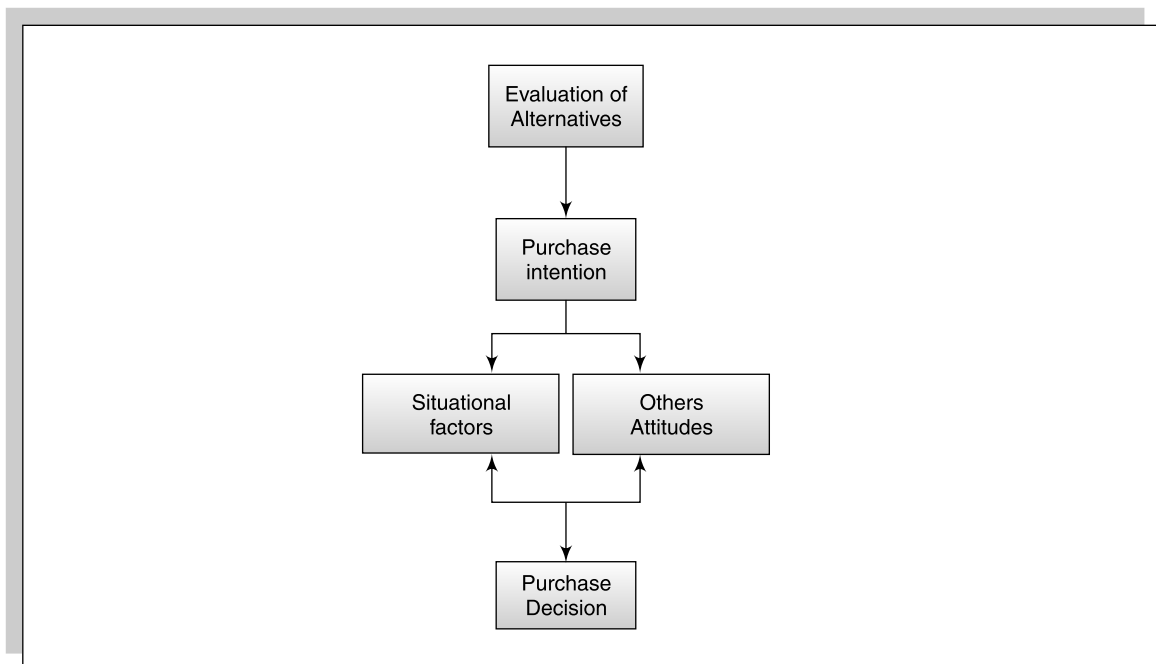
FIGURE 13.4   Evaluation of Alternatives & Purchase Decision in Buying Decision Process

Attitude of Others   The intensity of the other person's negative attitude, towards the consumer's preferred alternative and the consumer's motivation to comply with the other person's wishes, influences

the purchase decision. We tend to go for a product if our preference for the brand is respected by some-one strongly.

Unanticipated Situational Factors   We tend to buy some products based on the urgency of the situation which create a dire consequence on one's very existence.

Based on the perceived risk, a consumer may decide to modify, postpone or avoid the purchase decision. To convert a purchase intention into a purchase decision, a consumer makes five sub decisions:

- Choose a preferred brand
- Choose a reliable seller
- Choose the right quantity
- Choose the timing of purchase
- Choose the payment method

Post-purchase Behaviour

This is the phase where the marketer should keep an eye on post-purchase satisfaction, post-purchase actions and post-purchase product uses.

Post-purchase Satisfaction   A consumer will be satisfied when his expectations and the received benefits from the products or services are matching and vice versa. If the benefits exceed the expectations, then the customer is delighted. Hence it is significant for the marketer, to state the level of performance of the product or service in such a way, so that the consumers experience higher level of satisfaction than expected.

Post-purchase Actions   The likelihood of further purchase, depends on the level of satisfaction the consumer has got from the previous experience. A consumer who is dissatisfied with the previous experience may dump or return the product. Such a dissatisfied consumer may opt for public action such as complaining to the company, litigation, etc., or private actions like stop buying the product or service, warning others about the product or service.

Post-purchase Use and Disposal   It is important for the marketer to know what kind of storage or disposal the consumer will opt for. The marketer should be more concerned about the recycling of material and other ecological issues, due to the disposal of products after the purchase by a consumer.

RELAX, HONEY! DIAL IN THE FOOD----------- EAT@ HOME...........!!!!!!!!!!!

It was once a sign of sloth, couch potatoes put down the remote just long enough to call the pizza delivery line and dinner was organised. No more, for ordering-in has taken entirely new dimensions on the urbanscape.

For who thinks it prudent to sweat over a hot stove all day to cook up a 12-dish meal? Or even supervise the domestic help who will be at it? And imagine all the planning, shopping, prepping that needs to be done. Far better, if you can afford it, call your favourite chef and ask him to custom-make a meal for that special occasion at home.

And most restaurants, even the snootiest, will oblige; if you are willing to pay the price. Society hostesses now think nothing of throwing a sushi and sashimi evening, or a cocktail do with luxe canapés, a dinner of elegant Indian fare or any other cuisine you might name.

The same unwillingness to spend time on shopping and cooking, combined with a desire to eat well, drives most singles, working couples and even large families to depend on home-delivered food as well.

It is not only with pizza, even biryani is available. If you are health conscious, an all-veg *dabba* for dinner is also easily available. Steak houses will deliver meat cooked to any extent you want, with little paper flags indicating what's what. Desert makers will send you anything from mouse case to Pavlova and low-cal ice cream. With all that food just a phone call away, no wonder a *dabba* brought to the door or an elaborate feast set up by a team of hired chefs is what eating at home means to most people today

HOSPITALITY ORGANISATIONAL CUSTOMER

The Organisational Customer is defined as the purchaser of hospitality products for a group of people with a common purpose. This customer's needs are somewhat different from the needs of individual customers. When one buy something for someone else, it is essential to have a clear understanding about the perceptions, beliefs, attitudes, subjective norms, control and personal constructs. For example, when a travel agent, though not an end-user of the product or services for which he is dealing, books an airline ticket or a hotel room, he has to act in accordance with the perception, belief, attitude etc of the actual customer on behalf of whom he is doing the service.

The organisational market is categorised into four major segments—the Corporate Travel Market, the Corporate Meetings Market, the Incentive Market, and the Association, Convention and Trade Show Market.

The Corporate Travel Market

The organisational customers for the corporate travel are of two types namely corporate travel planner and corporate meeting planner. The corporate travel planner is different from the Corporate Meeting Planner, where he or she plans for a group of people with a common purpose, albeit with individual travel schedules.

The Corporate Organisational Customer plans, controls, mediates, negotiates, evaluates and/or approves the travel expenditures of the business travelers. This market is very desirable for hotels because it tends to pay good rates large in size, and travels consistently throughout most of the year.

The Corporate Planner in this case needs to find the correct products for the entire corporate entity. Once the product is identified, the rates are negotiated. The supplier needs to understand the culture of the organisation to fulfill its needs.

The emergence of Corporate Travel Buyers is a result of this cost control effort. Essentially, such people's task is to control the cost without compromising with the quality of the product. Corporate travel buyers first ascertain the level and service of the product that the organisation is willing to accept, then negotiate the prices.

For an organizational customer to negotiate better he should be aware about the volume expectation of the end-user as well as its availability at the destination.

Similarly customer today are well aware about the market rates and are widely travelled lot, hence the organizational customer must pay attention to this and recognize the range of availability of rates.

In order to negotiate for a better deal an organizational customer should have a clear understanding about the travel pattern of the end-users, whether they are peak period travelers or not.

As an initiative to control costs and to reduce the complexity of handling the end-users, these days lot of companies hire intermediary services (in-plants) which is a division of a travel agency that is located within the corporate offices of the organisational customer. These agencies use their own equipments and employees and are paid either straight fees, commissions on bookings or a combination of both for the services rendered.

The Corporate Meetings Market

The Corporate Meeting Planner includes a wide range of organisational customers like people who plan meetings of small groups as well as large groups.

Meeting Planners need to match the needs of the organisation with the meeting, and then be confident that all the arrangements that were discussed are executed. In the end, they need to evaluate their own organisation, together with the performance of the hotel, to determine whether the meeting was a success.

Meeting Planners need:
- a quiet meeting room that will suit the purpose of the event
- a professional conference coordinator to service the meeting.
- an efficient front desk that will assign rooms to the right people.
- the VIP's in the suites and attenders in the regular rooms.
- meeting rooms to be set up on time and also the billing to be right.

Every hotel management must ensure that there is adequate room facility, food arrangements etc, as most of the meeting attendance is compulsory. In order to secure adequate business there need to be proper guidance from the hotel's side.

The Incentive Market

The Incentive Organisational Customer has a unique problem (need) when compared with other customers of the hospitality product. The incentive customer has to provide not only for the accommodation of the group, but also for the group's idea of fun. This is a difficult task when you think of your own idea of good time because it is probably quite different from that of some people you know. This problem of disparity is one with which the Incentive Planner has to deal.

The Incentive Planner organises travel as a reward for superior performance with a group. Incentive travel is a modern management tool that motivates sales people, dealers, distributors, customers, and internal employees by offering them rewards in the form of travel for participation in the achievement of goals and objectives.

Travel certainly is not the only method of incentive reward, but it is the one that projects an image of excitement and relaxation away from the job. When this is done in the group format; teamwork and morale increase with the sense of accomplishment. Merchandise rewards such as T.V, stereos and cash bonuses, are the competition to such travel rewards. Many companies prefer travel rewards and managing that travel becomes an important task. This has led to the growth of "Incentive Houses" i.e. companies that provide professional incentive planning and hope to assure no-hassle successful, and satisfying trips. Being a reward, incentive travel always includes luxury and high levels of service demands.

Incentive Planners

In order to have winners to send on trips, a framework of giving incentives must be established. In order to have a successful incentive program, the reward must be different and worth wanting. It is critical for the incentive planners to have a full understanding of the composition of the group and its achievements. Incentive planners need to establish perceived levels of incentives and plan accordingly.

The Incentive Trip

The actual Incentive Trip can take three forms—Pure incentive, Incentive trips, and Incentive weekends. The Pure incentive trip is dedicated to having a good time without any business related activities. Incentive plus trips combine pleasure with some form of meetings or new product introductions. Incentive weekends are increasingly being used as rewards for good, but less than superior performance. Three-day weekend incentives are more cost effective from a time management viewpoint.

Before developing the package, incentive planners have to visit the site, hotels and restaurants at the site, to make sure that not only everything is up to par, but that every detail will be taken care of. In case of corporate or association meetings or conventions, the planners plan the functions and leave it to the individuals to get there and participate. In case of incentive trips, the planner arranges for literally everything; air and land travel, hotel, food, excursions, sightseeing, entertainment, sports, and anything else that might take place during the trip. The Corporate Customer or Meeting Planner's primary importance is the 'hotel,' where as for an Incentive Planner it is the "destination".

Incentive Houses

Incentive Houses are a popular intermediary for companies that need the attention of a professional. The incentive house is more than a travel agent. Professional incentive planners help in all phases of incentive management. Broad experience with specialised organisational needs supplement seasoned knowledge in even first-time attempts.

Steps to be followed for Incentive Planning

1. The incentive is devised and established, and winners will be declared.
2. The planner determines the budget based upon time constraints, and the number of potential winners.
3. The planner matches the needs of the group with the possible destinations. The form of incentive affects the allocation of destination.
4. The planner, along with the company officials, makes the decision on preferred destination and facility. The choice of facility rests heavily on personal experiences and references from other incentives, also on references from other incentive planners. Hotel sales personnel may have considerable influence on inexperienced planners, for experienced planners tend to rely more on their own sources and instincts. Coordinators at the site are also an important factor.
5. The planning process begins. All details begin to flow from the group planners to the hotels, airlines and ground services contacts.
6. The trip occurs, usually accompanied by the planners or a representative from the incentive house to coordinate all the details.
7. The incentive house is evaluated.

Overall, the incentive organisational customer has a unique job among hotel customers. Hotels that want a greater share of the incentive market must be extremely flexible in their approach to this market place. Standardised approaches to capturing this market are not likely to be fruitful.

Association, Convention and Trade Show Markets

Association and Convention customers have similar needs, although they are a somewhat different type of group. Both tend to have a large guest room and function-space requirement. These organisational customers are in many case full-time employees or executives of the association they represent.

An association meeting can comprise of a group of people convening on a social basis. The Lions Club are an association of people that meet to elect officers, and have social function on a regional or

a national level. This type of organisational customer also tends to meet throughout the year in smaller groups and making social contacts are a major reason for such attendance.

Conventions are more focussed on annual activities, such as annual meetings of delegates for a political party. Other examples are union gatherings to decide policies for the coming year. The participants may or may not meet throughout the year, and dissemination of information, not social contact, is the primary objective.

Finally, the main purpose of trade shows is to sell products, for this, either booths or space is sold to purveyors. A hotel's task in booking for trade show is to provide space, the access for products to be brought in, and facilities such as electric power and lighting to display the products.

The following Table 13.1 [Kotler] shows the Decision Variables and its Effect on various Organisational Customers.

ORGANISATIONAL BUYER BEHAVIOUR

According to Webster and Wind organizational buying is a complex process of decision making and communication, which takes place over time, involving several organizational members and relationship with other firms and institutions. They define organizational buying behavior as the decision making process by which formal organizations establish the need for purchased products and services and identify, evaluate and choose among alternative brands and suppliers.

TABLE 13.1   Decision Variable Matrix-Group Markets

Sales Decision Variable	Conventions	Conferences	Seminars	Meetings
Decision Makers	Many: Committees, Presidents, Top-officials	Conference, Organiser, Meeting Planner	Seminar Organiser, The Boss, The Secretary	Boss, Secretary, Regional Manager, Meeting Planner
Decision Influencers	Many	Limited	Limited	Few
Degree of Politicalizastion	Highly political	Somewhat political	Personal	Highly personal
Decision Time	Years	One year or less	Months	Short time, Sometimes tomorrow
Customer Price Sensitivity	Very	Somewhat	Somewhat	Not Highly price sensitive
Personal Service Sensitivity	Low	Moderate	High	Extreme
Opportunity for up-sell	Low	Moderate	Moderate	High
Team Selling Opportunity	Yes, definitely	Sometimes	Probably not	No
Special Advertising Promotion	Yes, definitely	Usually not	No	No

(Contd)

(*Contd*)

International Vs. Local	International, yes definitely	International possible	International, probably not	Usually not, but opportunities exist (Board of Directors)
Repeat Sales Opportunity	Long time, poor	Moderate time	Yes	Definitely
Need for Personal Sales call (travel)	Probably yes	Probably no	Probably no	Yes and no

Characteristics of Organisational Buyer Behaviour

The following are some of the typical characteristics of organizational buying behavior:

1. *Organisational buying is a multiperson buying activity:* Different types of orgnanisations have different types of functions involving different types of personnel's with different backgrounds with different hierarchical levels within the organisations. For example in the case of hotel a Hotel Management Graduate holding the position of a General Manger.
2. *It is a formal activity which follows the procedures laid down in an organisation:* Every organisational follow a typical set of policies, and it is essential for the suppliers to be responsive to these. All buying decisions are finally converted into formal contracts between buyers and suppliers.
3. *Longer time lag between efforts and results:* As an organisation is involved with militia-person and formal activity, the buying decisions have greater time lags between the application of the market effort and obtaining of the buying response.
4. *Rational–emotional activity:* Since the buying decision involves human beings the organisational buying cannot be devoid of the emotional aspects.
5. *The uniqueness of organisation:* Every organisation is different in its buying decisions as it has different buying problems, objectives, resources, capabilities and so on. Hence, it is important for each organization to consider each organization as a separate segment at the selling level.

Buying decisions of Organisational Customer

Mostly the buying decisions of the organisational customer are similar to that of the individual guests acting on their behalf. These decisions are purposeful, goal-directed processes, combining rational analysis with emotional feelings, involving search for information and carry risks of being wrong and involve learning.

However, there are few differences in the needs that organizational customers wish to satisfy.

Organisational decisions to buy hospitality services are influenced by many factors:

- The size of the organisation
- The type of the organisation
- The location of the organisation
- The growth rate of the business
- The extent to which travel is a part of that business
- Organisational criteria in supplier selection
- Loyalty to certain suppliers
- Personal networks
- Stages of organisational decisions and negotiation processes

The Table 13.2, [Lazer & Layton] shows the checklist of factors that need to be taken into consideration with regard to the hospitality organisational customer:

TABLE 13.2   A Checklist of factors for the Hospitality Organisational Customer

1. Corporate Intelligence
   (a) Industry- life cycle, Prospects
   (b) Growth of firm
   (c) Size
   (d) Profitability
   (e) Location. Spread of offices
   (f) Ownership
   (g) Competitors

2. Organisation
   (a) Strategy, choices
   (b) Culture/ orientation
   (c) Sophistication
   (d) Structure of the organisation
       (i) Centralised/decentralised buying of service
       (ii) Buying centre-sophistication
       (iii) MIS etc, support
   (e) Linkages—formal, informal
   (f) Amount spend on hospitality—spending patterns, experience with industry, and perceptions
   (g) Travel needs
   (h) Policy regarding travel, etc.
   (i) Significant influentials—agents, consultants, etc.

3. Decision-making
   (a) Types—new task, modified rebuy, and straight rebuy
   (b) Stages—benefits sought, etc.
   (c) People involved—buying centre, roles, power, risk perception, motivation, and information needs, education or training, and buying processes

4. Deal Structure
   (a) Size, performance criteria, and price sensitivity
   (b) Timing, urgency
   (c) Length
   (d) Politics—network, exclusion, and status
   (e) Attractiveness—what will it cost?, short-term and long-term profit potential, and support needed
   (f) Who are the competitors?

5. Negotiation or sales strategy
   (a) Dependency how important it is to win?
   (b) Staffing
   (c) How do we play it?
   (d) Conflict possibilities
   (e) Maneuver/tactical issues
   (f) Agreement

SELF-ASSESSMENT QUESTIONS

1. What do you mean by Consumer Behaviour?

2. Define Consumer behaviour.
3. What is concept of Consumer Behaviour?
4. Discuss the Consumer Behaviour process?
5. List and explain the steps in the Customer Buying Process.
6. Describe Personal factors that influence customer behaviour.
7. Describe interpersonal factors that influence customer behaviour.
8. Explain the factors that influence customers' perception of the industry.
9. Discuss the various types of Buying Behaviour.
10. Discuss the various Consumer Buying Behaviour Units.
11. Who are Organisational Customers? Discuss the various types of Organisational Customers and their behaviour in relation to the Hospitality business.

ANALYTICAL QUESTIONS

1. "To be a bullfighter, you must first learn to be a bull". Comment on the statement from the Consumer Behaviour point of view.
2. Analyse the significance of family as a strong influence on the buying behaviour regarding the choice of a restaurant.
3. If you are hotelier, how would you handle a wedding function and corporate meeting function in your hotel?

TRY THIS OUT?

1. Visit a five star hotel and conduct a study about the buying behaviour and nature of the various types of customers, both individual and organisational.
2. Visit a Travel Agency and conduct a study about the nature and behaviour of passengers while choosing a particular airline for their journey.

14

MARKETING ENVIRONMENT

MEANING AND DEFINITION OF MARKETING ENVIRONMENT

In simple terms, 'environment' implies everything that is external to the organisation. It is something that surrounds the enterprise. It is made up of tangible and intangible factors both controllable and uncontrollable. The **marketing environment** includes the actors and forces outside marketing, that affect marketing management's ability to build and maintain successful relationships with customers.

The economic definition of marketing environment is "the various external forces that can directly or indirectly affect the many activities of an organisation. This is an integral part of environmental scanning. These activities include acquisition of human resources, raw materials, financial resources, and development of goods and services. The marketing environment includes forces such as: political, legal, regulatory, economic, social, technological, and competitive."

A company's marketing environment consists of the actors and forces outside marketing that affect a company's ability to build and maintain successful relationships with its target customers. The marketing environment offers both opportunities and threats. Successful companies know the importance of constantly watching and adapting to the changing environment.

TYPES OF MARKETING ENVIRONMENT

Managers who practice marketing will be the trend setters and opportunity seekers. Good marketers have two special aptitudes. They have disciplined methods—marketing intelligence and marketing research, for more time in the customer and competitor environment.

The marketing environment surrounds and impacts an organisation. There are three key perspectives on the marketing environment, namely, the micro-environment, the macro-environment and the internal environment, as shown in Figure 14.1.
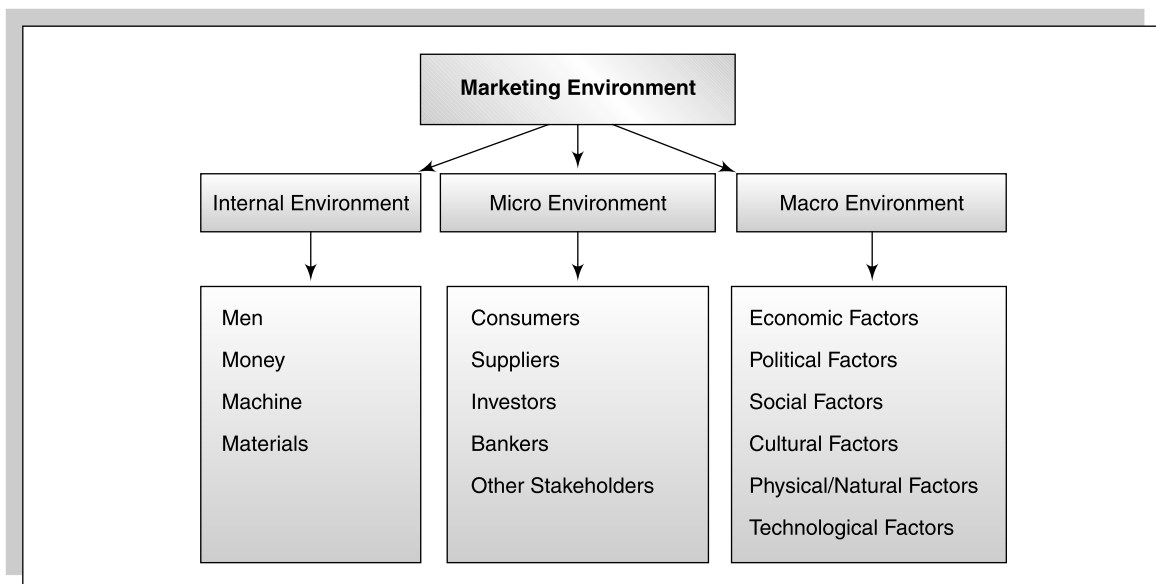
FIGURE 14.1   The Marketing Environment

The Micro-Environment

The micro-environment consists of actors close to the company, that affect its ability to serve its customer, the company itself, marketing channel firms, customer markets, competitors, and a broad range of publics.

The Company

The company aspect of micro-environment refers to the internal environment of the company. Marketing managers don't operate in a vacuum. They work closely with top management and the various company departments. The finance department is concerned with finding and using the funds required to carry out the marketing plan. The accounting department has to measure revenues and costs, to help marketing know how well it is achieving its objectives. Housekeeping is responsible for delivering clean rooms

sold by the sale department. Top management sets the company's mission, objectives, broad strategies and policies.

Suppliers

Suppliers are firms and individuals that provide the resources needed by the company to produce its goods and services. Trends and developments affecting suppliers can, in turn, seriously affect a company's marketing plan. Suppose that a restaurant manager in Bangalore decides to run a live lobster special for the weekend. The seafood supplier is called, who promises to supply 200 lobsters for the weekend promotion. Friday morning the supplier calls and reports that lobsters were short on the shipment from Mangalore, and they will not be delivered until Saturday morning. The manager must now find an alternative source or disappoint guests who have reservations for Friday night.

Marketing Intermediaries

Marketing intermediaries help the company promote, sell and distribute its goods to the final buyers. Intermediaries are business firms that help hospitality companies find customers or make sales. They include travel agents, wholesale tour operators and hotel representatives. For example, a wholesaler creates leisure packages that include air transportation, ground transportation and hotel accommodations. These packages are promoted through newspaper advertising and travel agents. Through volume purchasing, the wholesaler receives reduced prices, which enable him to pay the travel agent a commission for selling the product, also give the customer a good price and make a profit.

Marketing Service Agencies

Marketing service agencies are suppliers that help the firm formulate and implement its marketing strategy and tactics. These suppliers include public relations agencies, advertising agencies and direct mail houses. They work directly with the company's marketing program and also include marketing research firms, media firms and marketing consulting firms, which help companies target and promote their products to the right markets. These firms can vary in creativity, quality, service, and price. The company should regularly review their performance and replace those that no longer perform well.

Financial Intermediaries

Financial intermediaries include banks, credit companies, insurance companies and other firms that help hospitality companies finance their transactions or insure the risks associated with the buying and selling of goods and services.

Competitors

Every company faces a broad range of competitors. The marketing concept states, that to be successful, a company must satisfy the needs and wants of consumers better than its competitors. Marketers must do more than adapt to the needs of target customers. They must also adapt to the strategies of other companies serving the same target markets. Companies must gain strategic advantage by strongly positioning their product in the minds of the consumers.

Publics

The final aspect of the micro-environment is **publics**, which is any group that has an interest in or impact on the organisation's ability to meet its goals. Financial publics can hinder a company's ability to obtain funds affecting the level of credit a company has. Media publics include newspapers and magazines, that can publish articles of interest regarding the company and editorials that may influence customers' opinions. Government publics can affect the company by passing legislation and laws that put restrictions on the company's actions. Citizen-action publics include environmental groups and minority groups and can

question the actions of a company and put them in the public spotlight. Local publics are neighborhood and community organisations and will also question a company's impact on the local area and the level of responsibility of their actions. The general public can greatly affect the company, as any change in their attitude, whether positive or negative, can cause sales to go up or down because the general public is often the company's customer base. Finally, the internal publics include all those who are employed within the company and deal with the organisation and construction of the company's product.

This environment influences the organisation directly. The micro-environment describes the degree of relationship the organisation has locally.

The Macro-Environment

The macro-environment refers to all forces that are a part of the larger society and affect the micro-environment such as:

- Social
- Demographic
- Economic
- Ethical

- Political
- Natural/Physical
- Technological

Macro-environments are those factors which are out of the organisation's direct control. The marketer needs to be very flexible and adaptive to these environments which are subject to regular changes.

The macro-environment is made up of turbulence and tranquility, science and technology ethics, economic and political situation, attitudes and others. The marketing environment consists of social, economic, ethical, political, cultural, and technological forces. These are uncontrollable factors that act as constraints on marketing decisions.

1. Social Forces

The social forces are made up of sociological, psychological, and anthropological factors.

- **Sociological Factors**   For every marketing unit, the greatest asset is a permanent group of satisfied customers. Consumers being social and rational animals, their lifestyles are deeply influenced by the social set-up. Social constitution has its impact on consumer taste, temperament and lifestyle.

- **Psychological Factors**   Study of consumer behaviour is much more important than the number of consumers, because each consumer is unique. His behaviour, attitude, temperament, mentality, and personality have their own say on what he wants and how his wants and needs could best be satisfied.

- **Anthropological Factors**   These factors are vital in noting national and regional characters, cultures and sub-cultures, and the patterns of living. In-depth study of these help in designing and implementing advertising and sales-promotional strategies, packaging and pricing of products.

2. Demographic Forces

Demography refers to studying human populations in terms of size, density, location, age, gender, race, and occupation. This is a very important factor to study for marketers and helps to divide the population into market segments and target markets. An example of demography is classifying groups of people according to the year they were born.

For example:

- Baby boomers, born between 1946–1964
- Generation X, born between 1965–1976
- Generation Y, born between 1977–1994.

Demography covers many aspects that are important to marketers including family dynamics, geographic shifts, work force changes, and levels of diversity in any given area. These factors influence the marketing environment to a large extent.

3. Economic Forces

Consumer is a social animal but rational too. Economic forces take into account the economic influences. This refers to the purchasing power of potential customers and the ways in which people spend their money. The components of economic forces are consumers, competition and price. The economic concerns for marketers today are changing global situations, changes in the income and spending pattern of consumers

● **Consumers**   Consumer interest, progress and prosperity should be the aim of every economic activity. The marketer is to make available quality products at reasonable prices, in sufficient quantities at required time interval. Thus, consumer welfare and protection should be the final aim of any marketing system.

● **Competition**   Competition is the breath of modern economic systems. Healthy competition is the cause of quality improvement, quantity multiplication and encourages an economy at every stage of production. In all its wake an economy is influenced by the trends in competition.

● **Price**   Price determines the fate of a business house. It makes or mars the fortunes of the house. Pricing strategy is the big gun in the bag of a marketing manager. Pricing of a product is a delicate issue because high price reduces the consumers consumption and a low price leaves the producers in a lurch. Pricing should take into account the costs of production and distribution and make room for a decent return. At the same time, it cannot cross the limits set by the government.

3. Ethical Factors

A business has ethical responsibilities while delivering goods to the community. In recent times, excessive profiteering and making quick money has forced some business people to alienate ethical values from their businesses. Ethical degeneration has been bringing untold and unbearable miseries to the consumers, resulting in physical and mental health problems. Non-standardisation with regard to quality, adulteration, imitation, giving false impressions through misleading advertisements and so on have led to consumer exploitation beyond limits, resulting in socioeconomic pollution of minds and relations.

4. Political Factors

Marketing environment has the brace of political frame-work in which the government of the nation works. It is the government that regulates the business activities, as it is the custodian of the nation. Whatever a marketer is to decide, he is to decide and act in the face of a legal frame-work provided by the political party ruling the nation. In fact, what is to be produced? How much? What quality? For whom? When? At what price? are to be determined by the policies of the government. The marketer is to work within the constraints and the limits set by the political forces. The political environment of the market comprises of the laws, and government agencies imposing them, which influence the marketing organisation immensely.

5. Natural/Physical Factors

Physical factors, refer to the physical distribution of goods and services. These relate to the creation of place and time utilities. The distribution system is to be so designed that it takes into account product, consumer, time, location, and processes. It implies the in-depth study of costs and convenience involved in the process of physical distribution from the producers to consumers.

6. Technological Factors

Science and technology is always changing. This changing face of science and technology has an impact on marketing environment. Change in technology means change in products and production possibilities, also change in their manufacturing processes, costs and qualities. This warrants change in marketing efforts too. It changes price structure, competition and consumers. In turn, it affects government policies to restore equilibrium. Following are some of the technological developments which changed the environment of the hospitality industry:

- Robots and machines
- Computerised video checkout services
- Electronic guest room locking systems
- Locking fax machines that receive orders at restaurants
- The development of the Internet

Responding to Marketing Environment

When dealing with the marketing environment, it is important for a company to become proactive. By doing so, they can create the kind of environment that they will prosper in and can become more efficient by marketing in areas with the greatest customer potential. It is important to place equal emphasis on both macro- and micro-environments and react accordingly to changes within them. We can be either reactive or proactive to the marketing environment.

Reactive
- Design strategies that avoid threats and capitalise on opportunities through passive acceptance or adaptation.

Proactive
- Use of lobbyist, PR, advertorials, lawsuits, complaints, and contractual agreements to influence environmental forces.

In a nutshell, an agile marketer cannot afford to miss these minute yet far-reaching influences while designing and implementing marketing strategies for his success and prosperity. His marketing strategies hover around the four P's namely Product, Price, Place, and Promotion. All these four aspects are governed by social, economic, ethical, political, physical, and technological forces. He is to adjust to the changing situations by bringing about warranted change in the four P's, rather than trying to control the external forces over which he has no control.

MARKETING ENVIRONMENTAL SCANNING PROCESS

Marketing Environmental Scanning is systematic approach and a relatively new and essential leadership tool. According to Subhash C Jain, the following steps can be adopted to scan the marketing environment:

Step 1 Observe the Trends

The primary step in doing an environmental scanning is to observe general trends in the social set such as lifestyles, eating habits, social changes, employment levels, family systems, travel trends, etc.

Step 2 Choose Appropriate Trends

It is not necessary that all the trends are relevant to one's business. Here, the marketer has to use his resourcefulness, and vision to analyse which of the trends are more relevant for his business.

Step 3 Analyse the Impact of the Change

The marketer should give due attention to the changes happening in the business environment and analyse the possible impact of the change on the market mix which needs to be implemented.

Step 4 Prepare a Road Map

Based on the analysis of the probable impact of the change on the market mix, the management has to develop scenarios within the organization to assess the seriousness of the impact. The management can also take the assistance of the consultancy without any prejudices to the issue who have past experiences.

Step 5 Evaluate the Outcome

Sometimes, some of the regulatory measures such as recent decisions by some of the State governments limiting late night hours, the increasing drinking age, banning of smoking, etc., have negative effect. The marketer has to take these as opportunities to come out with new marketing strategies.

Step 6 Plan for the Future

Taking cue from the above five steps, the marketer has to make adequate marketing plans for the future, to assess its implications.

IMPORTANCE AND IMPACT OF ENVIRONMENTAL SCANNING

Environmental Scanning is very significant for any organisation. It is very much imperative for the marketer to have the market environment scanned, so as to know and handle the impact of economic, political, technological, regulatory, and socio-cultural changes that happens in the environment.

Economic Impact

Every economy goes through various economic cycles such as recession, depression, recovery, boom etc. These stages of the economic cycle affect the business organisations in different ways, like changes in employment levels, gross national product, money supply, personal income, savings rates, etc. For example, exchange rates of the currency of a particular country affect international travel. Price resistance is another economic factor which affects the market.

Political Impact

The stability of the government and the policies of the government in developing tourism have a major impact on the hospitality business of any country. For example, "Visit India Year-1992" by Government of India made a significant effect on promoting tourism in India. The Globalisation and Liberalisation policy of the Government of India has given lot of opportunities to many multi-national hotel chains to open their chains in India, with equity participation.

Technological Impact

The last two or three decades have seen various technological developments such as computers, internet etc. These developments when applied in hotels, have brought out remarkable changes in the hotel environment. Though computerisation has helped in speeding up the processes in hotel operations, but it has taken away the many advantages of personal touch, for the clerk is looking constantly at the computer monitor only. Many hotels have installed vending machines which serve the customer's needs and wants in a better way.

Regulatory Impacts

Regulations by the government have a great impact on hotel marketing. Today if we look at the ban in Indian hotels on smoking, on late hours of partying, closing bars at an early schedule etc. they have affected hotel businesses to a great extent.

Socio-cultural Impacts

As compared to many other industries, the hospitality industry is affected more by socio-cultural changes, because of the very personal nature of this business. Two income families, late marriages, higher divorce rates, less moral inhibition, fewer children, female careerism, physical fitness and well-being, escape from monotony and boredom, return to nature, simplification, living for today, intemperance, greater sophistication, and many other social changes are trends that are affecting the hospitality industry in recent times.

Table 14.1 [Kotler] shows the Environmental Scanning of various factors in relation to a restaurant, which analyses the sources of information, the person responsible and the frequency of scanning.

TABLE 14.1   Environmental Scanning System for a Restaurant

Environmental Factor	Source of Information	Person Responsible	Frequency of Scanning
Customers	Customers	Service staff	Daily
	Employees	Management	Daily
	Customer counts	Accountant	Daily
	Tourist/convention bureau	Management	Monthly
Social/ Cultural	Trade magazines	Management Bartender Service Staff Secretarial Accounting Staff	Weekly or Monthly
	Customer magazines	Management Host/ hostess	Weekly or monthly
	Newspaper	Secretarial Staff Management	Daily
Competition	Customers	Management Service Staff	Daily
	Newspaper	Management	Daily
	Visits	Management, Chef	Weekly
Economic	Newspaper	Management	Daily
	Average check	Accountant Sales	Daily
	Economic newsletters	Management	Weekly or Monthly
	Chamber of Commerce	Management	
Legal	Trade magazines	Management association	Monthly
	Trade magazines	Management	Weekly or Monthly
Technology	Trade magazines	Management, Chef, Accountant	Weekly or monthly
	Trade shows	Management, Chef, Accountant	Yearly

Market Mapping Trends in The Hotel Industry

In the present changing and hyper-competitive world, it is significant that a hotel spot the available opportunities. Hotels show particular flexibility to change as consumer lifestyles, purchasing power and preferences change. Most hotels prefer to customise their service products to satisfy the needs of their customers. Here a strategic control is essential for ensuring, that the hotel company's marketing objectives, strategies, and systems are optimally adapted to the current and forecasted marketing environment. A differentiated marketing strategy enhances the appeal of the hotel's product to several target groups.

Market Mapping is a marketing tool that enables systematic, independent, and periodic examination of the organisation's marketing environment, objectives, strategies and activities, with a view to determine problem areas and opportunities, and recommending a plan of action to improve the hotels bottom-line. It involves three steps viz. identification of hotel's market periphery and the potential competitive advantages, selecting the strategies optimally suited to peruse competitive advantages, and signaling to the market the hotel's positioning concept.

For example, the Tata Group's Indian Hotels Company Ltd. has launched India's first "no attitude" hotel with tariff under Rs. 1,000. The hotel is located at the heart of India's Silicon Valley-Bangalore. The company plans to open 150 such hotels across the world. This launch assumes significance since it is being set up a hundred years after the country's first luxury hotel and that the group is moving into "Economy/Budget" hotel category along with the "Premium" hotel category. So there is an imminent need to look into market mapping techniques and trends to take up global challenges to succeed in all the niches ventured into.

Some Findings

- Market mapping is essential for all growth oriented and aggressive hotels. It enables the hotels to tap the market potential in the most innovative, and gainful manner. It also prepares the organisation to phase plan its optimal deployment of resources.
- All the marketing mix elements are significant in their role for predicting the marketing strategies of the hotel industry. All hotels, belonging to all categories, test the waters to know their catchment areas and their brand significance. They see to that their occupancy rates are up, despite shifts in custom.
- Creative planning considerations spearhead effective marketing strategies, as supported by the views of 90 per cent hotels echoing a sentiment of new plans created to placate new clients. Group business contributes to repeat reservations of upto 32 per cent of the total customers.
- Advertisement focus of all the hotels is more on attracting the new and retaining the repeat customers, leading to 98 per cent of the advertisement direction and only two per cent aim at new clientele. There has been positive association between brand switching, brand attitudes, and accepted erosion of the existing customers. A fresh inclusion is welcomed, based on the five points allotted on the Likert scale for renovation measures for up-market clients, to the tune of 50 per cent hotels chosen.

- The Star hotels in the category of three star and above, promote their group properties and are globally focussed in their advertising efforts promoting their global brands. The generic and specific strategies enable leveraging on the unique individual competencies and existent brand capacities. Therefore, market mapping is a strategic process by which the hotels obtain what they want to achieve, using their core competencies and stay in tune with the volatile business environment.

ENVIRONMENTAL RESEARCH—SWOT ANALYSIS

A marketer must take into account not only what consumers and competitors are doing, but also what is occurring within and in the total industry environment. Environmental Research focuses on external forces (economic, social, political, technological, etc.) that are having or will have an impact on the product or service in some manner.

One key focus of environmental research is to look ahead at what form and shape opportunities and threats may take, and how they will affect the marketing activities. Frequently, competition research and environmental research are linked. The output of these research assessments is often referred to with the acronym SWOT- Strength, Weakness, Opportunity and Threats, which can be analysed to provide support rationale for developing marketing action plans.

In a SWOT analysis, guest needs and current market offerings, competitor's decisions and actions, and company opportunities for improving strategic approaches are considered. Strength or a weakness spring forms a clear understanding of the guest.

After SWOT analysis is completed, the management will be in a position to think of appropriate strategies. The management is challenged to convert weaknesses into strengths and to counter threats or convert them into opportunities. An efficient marketing manager should conduct a systematic situation analysis before framing marketing plans and policies for its business. There are various internal and external elements of the situation to be analysed.

The internal elements are the strengths and weaknesses of the organization, such as organisational values, resources, product/service, objectives, policies, and the organisation itself.

The external elements are the opportunities and threats an organisation faces, such as customer demand, profile of the customer, competition, etc.

Table 14.2 shows some of the typical strengths, weakness, opportunities and threats of a hotel as stated by Subhash C Jain.

INDIAN HOTEL INDUSTRY—SWOT ANALYSIS

According to recent estimates of the World Travel & Tourism Council (as of early 2005), Indian tourism demands will grow at 8.8% over the next ten years, which would place the country as the second most rapidly growing tourism market in the world. With the Indian hotel industry capturing the attention of the world, let us understand its strengths, weaknesses, opportunities, and threats.

Strengths

India's Rich Culture Heritage

With a historical backdrop of 5,000 years, India is one big package of culture and legend that never fails to captivate the imagination of the visitor. Alongwith endless natural splendors like the mighty Himalayas, the vast Indo- Gangetic Plains, lush tropical jungles and a long coastline, a visit to the country is a changing spectacle of religions, customs, festivals, sights, and sounds.

TABLE 14.2   Table Showing the Elements of SWOT of a Hotel

Strengths	*Weakness*	*Opportunities*	*Threats*
Personalised and professional service	Higher room and Food and Beverage rates	The commercial market in the city is very active and our location is strategic	Political instability in the country
Prime strategic location	More pro-foreigner	Development in this area is strong	Corporations are developing own facilities
Part of the chain, which has already made its mark.	Low percentage of national clientele	Entrepreneurial market is growing	Some corporations are moving to suburbs
High standards of food and service	Marketing is more products oriented		Renovated rooms at biggest competitor
Newly furnished outlets	Lack of exclusive executive, or club		
Renowned shopping arcade on premise	Absence of well-located properties in chain		
Wide variety of excellently appointed suites			
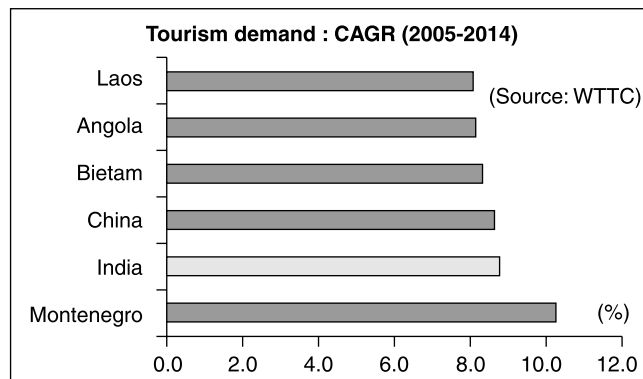
FIGURE 14.2   Tourism Demand

Demand-supply Gap

The Indian hotel industry is currently facing a mismatch between the demand and supply of rooms leading to higher room rates and occupancy levels. With 95,000 odd rooms in the country, the size of the hotel industry represents an abysmal figure for India's size and growth prospects. Though new capacities are expected to come in the next five years, demand will outpace supply in the short to medium term. Major cities in the country have witnessed impressive growth in average room rates, due to strong demand and not much addition to supply.

Government Support

Till a few years ago, the Indian government had total apathy towards promotion of tourism. In fact, the industry did not find a place in the government's fund allocation. Things have, however, witnessed a change. The government seems to have realised the importance of tourism and is willing to spend towards the development of the industry. The 'Incredible India' campaign is a product of this realisation. The focus on infrastructure, modernisation of airports, open sky policy, development of new tourist destinations and circuits, more fund allocation towards tourism are some of the initiatives taken by the government to promote tourism. The Indian hotel industry stands to gain from this proactiveness shown by the government.

Weaknesses

Poor Support Infrastructure

India is currently spending a miniscule amount compared to its needs, on infrastructure. China is spending seven times as much as India on infrastructure (excluding real estate) in absolute terms. In 2003, total capital spending on electricity, roads, airports, seaports and telecom was US$150 bn in China (10.6% of GDP) compared with US$21 bn in India (3.5% of GDP). However, over the past 2-3 years, the government has realised the importance of infrastructure and has focused on improving it.

Opportunities

Rising Income

While there has been much talk about record number of foreign tourist arrivals, very little has actually been said or done about domestic tourism, which, according to our estimates, has registered a 40 per cent annual growth in the last three years and is currently estimated at 300 million travellers. Per capita income grew by an impressive 7.1 per cent in 2005, while Gross Domestic Savings touched an all time high of 28 per cent. Significantly, the present-day consumption boom in India has been influenced more by higher disposable income rather than lower savings. This is good news, as income induced spending is likely to sustain itself for a longer period. Higher disposable incomes are also expected to enhance the concept of travelling for leisure.

Also, there has been an overall transformation in consumption pattern in the last five years. The increase in number of young people, their rising aspiration levels, and an increase in their spending power has led to a change in the consumption pattern. There is a marked shift from spending on traditional categories like food and grocery, clothing and jewelry, to lifestyle categories such as leisure, and aspirational products and services.

Open Sky Benefits

The opening up of the aviation industry in India brings exciting opportunities for the hotel industry (airlines transport around 80 per cent of international tourists). Increased airline activity has stimulated demand and has helped to improve India's troubled infrastructure. Increased competition among airline companies will further lead to the development of new and improved services. Also, the open skies policy has benefited both international and domestic travel.

New Business Opportunities

We believe that, over the next three to five years, the biggest surge in accommodation demand is expected to come from commercial zones that include retail and commercial space. These have gained momentum in the last 24 months and will continue to be an attractive option. This provides a unique opportunity for hospitality projects. Also a new concept, which is going to gain importance, is that of budget hotels

(started by Indian Hotels – Ginger, the erstwhile Indione). Due to their inherent nature of operation, associated costs and flexibility, budget hotels will be better suited to withstand the next economic downturn as and when it takes place.

Threats

Event Risk

Dependency on foreign tourism can be a double-edged sword as travel decisions are based on global patterns and events that happen elsewhere can have serious impact on the performance of the industry. Events like 9/11, SARS outbreak and Afghanistan and Iraq wars have severely impacted the tourism industry in the past and such threat still remains.

Increasing Competition

Global hospitality majors like the Four Seasons, Shangri-La and Aman Resorts are all making their entry into the Indian market. They are not the only ones who are turning their attention to India. The Hilton Group is deciding on a comeback and has tied up with the Oberoi Group. Two other groups - the Carlson Group and the Marriott chain are furiously hunting for new hotels in India's top cities. This will increase the competition for the existing Indian hotel majors.

The outlook for the hospitality market in India is optimistic and will continue to remain so, in our opinion. The economy's buoyancy, initiatives to improve infrastructure, growth in the aviation and real estate sectors and easing of restrictions on foreign investment will fuel demand for hotels across star categories in a majority of markets. India's hotel industry is increasingly being viewed as investment-worthy, both within the country and outside, and several international chains are keen to establish or enhance their presence here. We anticipate that, over the next three to five years, India will emerge as one of the world's fastest growing tourism markets and will be hard to ignore.

Hospitality 'mega-trends' to Shape the Future

The hospitality industry will need to address four transformative issues over the next three to five years, including brand, emerging markets, human assets and technology.

1. Brand is expected to surpass location as deciding factor in hotel choices

Today, virtually all travelers consider location to be "extremely influential" in hotel choices, compared with slightly more than half being influenced by the brand. Customers expect the brand promise to cover every interaction with the organisation—pre-stay, stay and post-stay. If the hotel gets it right, they can expect improved customer loyalty, and guests who are loyal to their preferred brand are likely to stay more and spend more. The estimate shows that an upscale hotel chain has up to 200 million guest touch points annually, creating challenges in consistent delivery of the brand promise, customer relationship management and talent management.

2. China, India and the Gulf States to experience substantial growth

In China, India and the Gulf States, both domestic and international travel is booming, due to lower airfares and emerging middle classes keen to travel for the first time. Between India and China, the estimate shows that a total of 35,000 additional hotel rooms will be required to reach the same penetration as in more developed countries, and the majority of these will be positioned in the economy and mid-market segments. These new markets pose unique challenges in politics and ownership, as well as in recruiting, training and retention of local staff.

3. Aging consumers will change the game

The Baby Boomers in the United States and Europe are a huge demographic group with enormous amounts of disposable income. They are expected to live longer, be more active, travel more and desire new experiences both in terms of cultural and event-based tourism.

4. Playing catch-up with technology

The industry is historically in the lowest quartile of technology, spending within the consumer businesses. However, it is expected to have an increase IT investments, particularly in reservations, distribution, loyalty programs, and customer relationship management. In the US and Western Europe, more people relied on the Internet for travel information last year than on friends and acquaintances, posing significant challenges and opportunities for the industry. In addition, more demanding customers have come to expect more personalised service, and in the future hospitality suppliers will need to consider online room selection and check-in, personalised bed (variable firmness), and personalised in-room food and beverage offering.

SELF-ASSESSMENT QUESTIONS

1. What is Marketing Environment?
2. Define Marketing Environment.
3. What is Micro Marketing Environment?
4. Discuss the various elements of Micro Marketing Environment.
5. What is Macro Marketing Environment?
6. Discuss the various elements of Macro Marketing Environment.
7. What is Environmental Scanning? Discuss the process of Environmental Scanning.
8. Discuss the importance and impact of Environmental scanning.
9. Discuss the various types of Environment and its impacts on Hospitality business.
10. What is SWOT?
11. State the Significance of SWOT analysis in hospitality industry.
12. Discuss SWOT analysis in relation to the Hospitality Industry.
13. Discuss critically the future of hospitality marketing in India.

ANALYTICAL QUESTION

1. Explain how environmental trends have affected the food and beverage offerings of a business class hotel in your locality.

TRY THIS OUT?

1. Conduct a study and analyse the socio-cultural environment in hospitality marketing in the wake of the recent incidents of moral policing by civil bodies and its impact on the hospitality business.
2. Conduct a study and analyse the effect of the impact of pub culture in India's social fabric.

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TOURISM MARKETING

LEARNING OBJECTIVES

This Chapter would help the students to understand and analyse:
- Meaning of tourism, concepts of tourism marketing—features of tourism marketing—approaches to tourism
- Benefits of Tourism to the economy
- Adverse effects of tourism to the society
- Determinants of tourism and its influences on the socio-economic-cultural threads of the country
- Elements of tourism marketing efforts
- Perceptions of tourists about India
- Inputs required for marketing tourism in India and abroad
- Challenges ahead for marketing of Indian tourism
- Indian tourism—current scenario and trends

INTRODUCTION

There are a wide range of wrong notions about marketing in the minds of people. Most common is the misunderstanding regarding selling and advertising. Selling and advertising are actually types of promotion which are only an element of marketing. Marketing comprises of product/service development, place (location and distribution), and pricing. It requires information about people; especially with regard to those interested in what the marketer has to offer to the "market", such as what they like, where they buy and how much they spend. Its role is to match the right product or service with the right market or audience. Marketing is an art and a science.

According to the American Marketing Association, 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 organisational objectives." Simply stated, it is creating and promoting a product (idea, good or service) that satisfies a customer's need or desire and is available at a desirable price and place.

Marketing functions depend on the "marketing concept" which an organisation embraces. A customer-oriented philosophy of marketing should design the products/services to meet customer needs and wants; focus on the people most likely to buy the product rather than the entire market; and develop marketing efforts that fit into their overall business objectives.

By adopting this concept, the marketer not only provides the customers with better products, but also avoids wasting valuable time and money on developing and promoting a product or service that no one wants.

ASPECTS OF MARKETING

The important aspects of marketing concept are:
- **Creation of Demand** Creating demand through various means is the core of marketing activities. The producers first find out what the customer's needs, wants, etc, are, and then produce goods according to the needs of the customers. There is a systematic effort to sell goods and services according to the needs of the customers.
- **Customer Orientation** Performing a range of business activities directed at the creation of customer-satisfying products and services is the fundamental marketing function.
- **Integrated Marketing** The responsibility of the marketing department is to ensure coordination of the various departments of the company i.e., finance, purchase, research and development.
- **Profitable Sales Volume through Customer Satisfaction** Realising long-term goals of profitability, growth, and stability through satisfying customers' wants is the most basic objective of marketing. The basic activities of a company are planned to meet the wants of customers and still make reasonable profits. Modern marketing thus begins with the customer and ends with the customer.

Benefits of Marketing Concept

The marketing concept provides a more reliable and enduring basis to the marketing operations by realising the fact that identifying the customer needs are more significant aspect of marketing than producing a particular product. It focusses on the customer's needs which help the management to spot new product opportunities more quickly. It concentrates on effective merchandising. Marketing concept tries to maintain better harmony between the management and the society.

MEANING AND DEFINITION OF TOURISM

As a service industry, tourism has many tangible and intangible elements. The most important tangible elements include transportation, accommodation, and other components of a hospitality industry. The key intangible elements relate to the purpose or motivation for becoming a tourist, such as rest, relaxation, the opportunity to meet new people and experience other cultures, or simply to do something different and experience adventure.

"Tourism" includes the activities of people traveling away from their usual environment for leisure, business, and other purposes. The activities of these "visitors" include purchasing goods and services, traveling to, from and within a destination, and affecting in various ways the natural and social environment.

According to the World Tourism Organization (WTO)**,** tourists are people who "travel to and stay in places outside their usual environment for not more than one consecutive year for leisure, business, and other purposes not related to the exercise of an activity remunerated from within the place visited".

According to the Australian economist Hermann V. Schullard, tourism, " ….is the sum total of operations, mainly of an economic nature, which directly relate to the entry, stay, and movement of foreigners inside and outside a certain country, city, or region".

In the words of Prof. Hunziken and Krapf, "Tourism is the totality of the relationship and phenomenon arising from the travel and stay of strangers, provided the stay does not imply the establishment of a permanent residence and is not connected with a remunerated activity."

According to Krippendorf, "Marketing in tourism is to be understood as the systematic and coordinated execution of business policy by tourist undertakings, whether private or state-owned, at local, regional, national, or international levels to achieve the optimal satisfaction of the needs of identifiable consumer groups, and in doing so to achieve an appropriate return."

Tourism is the act of travel for predominantly recreational or leisure purposes, and also refers to the provision of services in support of this act.

Features of Tourism

(i) Tourism is an Intangible, Non-material Product

Unlike a tangible product, no transfer of ownership of goods is involved in tourism. Instead, certain facilities are made available for a particular time and for a particular use. For example, a sale of a hotel room or an airline seat.

(ii) Production and Consumption of Tourist Services are Closely Inter-related

The travel agent who sells his product cannot store it since there is a close link between production and consumption of tourist services. Production can only take place or can only be completed if the customer is actually present.

(iii) A Tourist Product is Assembled by Many Producers

The tourist product cannot be provided by a single enterprise. In tourism, airline provide 'seat' to travel, hotels provide 'accommodation', a travel agent provides 'bookings', while a museum provides 'place of experience'. So, the tourist product is a combination of many components, which together make a complete product.

(iv) Tourism Demand is Highly Unstable

Tourism demand is influenced by seasonal, economic, political, and other such factors. For example,

political unrest affects inflow of tourists to a particular destination. Similarly, after the 26/11 terror attack, there was a marked reduction in the inflow of tourists to India.

(v) Intermediaries Play a Dominant Role

In tourism, sales intermediaries like tour operators, travel agents, reservation services, and hotel brokers play a dominant role. They determine to a large extent which services will be sold and to whom.

(vi) Travel Motivations are Diverse in Nature

A tourist chooses to travel to a particular destination due to certain reasons, expectations, and desires. These factors influence tourists' choice for certain holiday destinations, types of accommodation and vacation activities.

Characteristics/Elements of Tourism

As per WTO, following are the main characteristics of tourism:

- Tourism arises from a **movement of people** to, and their stay in, various destinations.
- There are two elements in all forms of tourism: the **journey** (the dynamic element) to the destination and the **stay** (the static element) including activities at the destination.
- The journey and the stay take place **outside the usual place of residence and work**, so that tourism gives rise to activities, which are distinct from those of the resident and the working population of the places, through which the tourist travels and in which they stay.
- The movement to destinations is of **temporary short-term** character, with the intention of returning to the usual environment within a few days, weeks or months.
- Destinations are visited for **purposes other than taking up permanent residence or employment.**

APPROACHES TO TOURISM

The Economic Approach

This approach looks at the effects of tourism on the economy of the country. Tourism can make a positive contribution to the economic development of a region, but the economic effect is variable as it depends on the stage of development and the structure of the respective national economy, as well as the growth rate and the type and form of tourism.

The Environmental Approach

This approach brings out the fact that for the development of tourism it is important to study what role the environment plays and what aspects of the environment are to be taken into consideration while developing the tourism sector of any country. One of the major reasons for a tourist to visit a place is its scenic attraction. When a tourist goes for a holiday, he/she is looking for a change of environment or to experience a "contrast".

The Socio-Cultural Approach

This approach focuses on the social effects of tourism on the population, which receives the tourists. The behaviour and attitude of tourists can create mistrust and dissatisfaction in the minds of the local population. While planning for the development of tourism, the local population's interest should be considered and they should be allowed to participate in decision-making.

The Cost-Benefit Approach

This approach is concerned about the fact that, while planning for the development of tourism, we have to take into account the Costs (disadvantages like ecological degradation) and the Benefits (advantages like employment opportunities) accruing from the various tasks undertaken for tourism development.

FORMS OF TOURISM

Tourism is of different forms such as:

- **Inbound Tourism** Visits to a country by non-residents of that country. For example, when a foreigner comes to India to see the Taj Mahal, he is an inbound tourist for India.
- **Outbound Tourism** Visits by the residents of a country to another country. For example when an Indian citizen goes to a foreign country, he is an outbound tourist for India.
- **Domestic Tourism** It involves travelling by the residents of the given country within their own country, for example, when a resident of Chennai goes to see the Taj Mahal in Agra; he is a domestic Indian Tourist.
- **Internal Tourism** It comprises of domestic tourism and inbound tourism.
- **International Tourism** It comprises of inbound tourism and outbound tourism.

TYPES OF TOURISTS

Based on the motivation of the person travelling to different destinations, the tourists are of different types like:

- **International Tourist** An international tourist has been defined as a person visiting India on a foreign passport, staying at least 24 hours in India and the purpose of whose journey can be classified under one of the following headings: leisure, recreation, holiday, health, study, religion and sport, business, family, mission, and/or meeting.

The following are not regarded as international tourists:

- Persons arriving with or without contract to take up an occupation or engage in activities remunerated from within the country.
- Persons coming to establish residences in the country.
- Nationals of Nepal entering India through land-routes along the India–Nepal border.
- All foreigners entering India from Bhutan by land, including children aged less than three years.
- **Excursionist** He is a visitor staying less than 24 hours in the country.
- **Cruise Passenger** He is a visitor who arrives in the country aboard cruise ships and who does not spend a night in an accommodation establishment in the country.
- **Domestic Tourist** A person who travels within the country to a place other than his usual place of residence and stays at hotels or other accommodation establishments run on commercial basis, or in dharamshalas, or stays with friends and relatives and uses sightseeing facilities, or goes on a pilgrimage for a duration of not less than 24 hours or one night and not more than 6 months at a time for any of the following purposes:
  - Pleasure (holiday, leisure, sports and so on)
  - Pilgrimage, Religious and Social Functions
  - Study and Health

The following are not regarded as domestic tourists:

- Persons arriving with or without a contract to take up an occupation or engage in activities remunerated from within the state.
- Persons visiting their home town or native place on leave or for a short visit for meeting relations and friends, attending social and religious functions and staying in their own houses or with relatives and friends, and not using any sightseeing facilities.
- Foreigners residing in India.

BENEFITS OF TOURISM

Economic Benefits of Tourism

1. Foreign Exchange

By selling goods and services to the foreign tourists, we get foreign currency by way of receipts. Export of services is called invisible export. Tourism is an invisible export. In India tourism is the second highest foreign exchange earner after "gems and jewellery".

2. Contribution to Government Revenue

Tourism generates revenue to the Government from within the country. This revenue is mainly in the form of taxes, both direct and indirect. Direct taxes are taxes on the income generated by tourism employment and business. Indirect taxes are taxes and duties levied on goods and services supplied to primary tourism industries like groceries, furniture, medical shops, bakers, textiles, etc. In the tourism sector, tax on room rent, meals, license fees, entry tax, etc. are some examples.

3. Employment Generation

Tourism is a labour-intensive service industry. It has the capacity to create employment for a large number of people having different levels of skills and ability. It is cheaper to create jobs in this sector. Employment in this industry can be classified as direct and indirect. Direct employment includes jobs created specifically by the need to serve the tourists. Indirect employment includes those which do not result from tourist expenditure. Examples of the latter are hotels, furniture, poultry, dairy, etc.

4. Redistribution of National Income

Tourists spend money earned in their place of residence, at the places they visit. This results in effective redistribution of money.

5. Regional Development

If the under developed regions of the country, which are isolated, where exist problems of unemployment and poverty, or where the land is not fertile, boast of tourist attractions, this tourist potential will result in economic and social development of the region. There are many schemes introduced by Government of India like subsidy and tax holiday for starting tourism-related business in backward areas of the country.

6. Multiplier Effect on Tourism

This means that the flow of money generated by a tourist's spending multiplies as it passes through various sectors of the economy. Expenditure by tourists in a destination creates new incomes and outputs in the region, which in turn produce further expenditure and income. The subsequent incomes, which generate additional income, are known as multiplier incomes.

Social Benefits

1. National Integration

Tourism can serve as an effective instrument for national integration. It is through well-planned tourism that citizens can see for themselves the different streams of civilisation inter-mingle with one another and thereby appreciate the diversity of the country.

2. International Understanding and World Peace

Through tourism, people can understand and appreciate the culture, history, social, educational, political, and economic systems of other countries. This will lead to better understanding between the people of various countries.

3. Track Two Diplomacy

In tourism, there are two tracks of policy. One is the official channel of government relations. This includes treaties signed between countries. Track two is the unofficial people-to-people relationship. Due to such relationships, conflicts between two countries can be resolved better.

4. Tourism Protects Arts and Folk Arts

Tourist interest in seeing arts and folk arts help in preserving and keeping these art forms alive. Department of tourism also conducts fairs and festivals to promote such arts. So, in a way, tourism is also responsible for the survival of the traditional art forms.

5. Tourism Preserves Historical Monuments

Historical monuments are major attractions in tourism. Monuments are a symbol of the past. Tourism helps in protecting and preserving these places. The entrance fees collected helps in their maintenance.

6. Spiritual Significance of Tourism

Pilgrimage is an important form of tourism. The major aim of all religions is spiritual welfare of the people. Tourism fosters respect for the dignity, individuality, and moral virtues of the people.

7. Improve Human Relationship

The guest and host encounters in tourism help in understanding the view point of each other, and make people realise that they have to live with differences, which is the essence of tolerance and co-existence.

8. Exchange of Ideas

When conventions and conferences are held with international participation, it facilitates the exchange of ideas and other new developments in the respective fields. This would be beneficial to the local professionals and experts.

9. Preservation of Local Culture

The major elements of local culture which attract tourists are handicrafts, traditions, art and music, architecture, etc.

10. Protection of Flora and Fauna

Natural areas are major attractions that bring in tourists there. Interest in wildlife helps in the preservation of natural flora and fauna resources. Tourism also helps to create awareness about the importance of pollution control.

11. Improvement of Infrastructure

Tourists are interested to see tourist places which have been a clean atmosphere, exotic scenery, and greenery. So, effective measures are taken to develop infrastructure like road, transport, electricity, water supply, medical facilities, etc. These facilities benefit the local residents also in the long run.

12. Tourism improves Educational Value

The interaction between the guest and the host leads to social and political changes. Travel is considered to enrich people by providing them with new and different experiences during the process. Apart from this, a tourist gains knowledge when he sees new places, new society, new culture, etc.

Adverse Effects of Tourism

1. Water Pollution

If a proper sewage disposal system has not been installed for a hotel, resort or other tourist boarding points there may be pollution of ground water from the sewerage. If a sewerage outlet has been constructed near a river, lake, tank, or coastal area, the effluents will pollute the water in the respective areas. In most tourist centers this sewage disposal system creates a nuisance for the local administrative bodies.

2. Air Pollution

Tourism is generally considered a clean industry. But air pollution occurs due to tourism development as a result of use of excessive vehicles such as cars and buses. This is a major cause of concern in many tourist spots.

3. Noise Pollution

Noise generated by the concentration of tourists, tourist vehicles, and sometimes by certain types of tourist attractions such as amusement parks may reach an uncomfortable and intolerable level for resident of the area and other tourists.

4. Visual Pollution

Visual pollution occurs from poorly designed hotels and other tourist facility buildings which are not compatible with the local architectural style or scale, use of unsuitable building materials for external surfaces, badly planned layout of tourist facilities, inadequate and inappropriate landscaping, use of large and ugly advertisement signs, overhead utility lines, and poor maintenance of buildings for both the tourists and local residents. Littering of the landscape also results in visual pollution.

5. Waste Disposal Problems

Littering of debris on the landscape is a common problem in tourism areas because of the large number of people using the area and the kinds of activities they engage and improper disposal of solid waste from resorts and hotels can generate both litter and environmental health problems.

6. Ecological Disruption

Several types of ecological problems can result from uncontrolled tourism development and tourist use, such as:

(a) Killing and stunting the growth of vegetation.
(b) Excessive collecting of shells, coral, turtle shells, or such items by tourists which deplete certain species.
(c) Breaking and killing of coral by boats, boat anchors and divers.

(d) Undue filling of mangrove swamps.

(e) Building piers and other structures into coastal waters which will alter the beach topography.

7. *Environmental Hazards*

Poor site and engineering design of tourist facilities can generate landslides, flooding, sedimentation of rivers and coastal areas resulting from removal of vegetation, disruption of natural drainage channels, etc.

8. *Damage to Historic and Archeological Sites*

Overuse or misuse of environmentally fragile archeological and historic sites can lead to damage to these features through excessive wear, vibration, vandalism, graffiti writing, etc.

9. *Land Use Problems*

Tourist projects should be housed in areas specified for the purpose in planning. Otherwise it generates traffic congestion and ugly environment.

10. *Overcrowding and Congestion*

Overcrowding by tourists, especially at popular tourist attractions, and vehicle congestion resulting from tourism is a real menace.

11. *Tourism affects Local Residents*

A place is developed as a tourist centre, keeping in view the increase of tourist arrivals year-by-year. Due to this, the prices of essential commodities, land use, transport, etc will automatically be raised by traders because of tourist demand. Therefore, the existing local population will be adversely effected by this price rise.

12. *Anti-Social Activities*

Certain unwanted anti-social elements utilise the tourism banner and undertake activities like smuggling, prostitution, etc.

ROLE OF TOURISM ORGANISATIONS IN TOURISM MARKETING

The tourism industry, unlike many other industries, is a composite of several service providers. These service providers are generally in the private sector. In addition, public sector institutions such as national or state departments of tourism are involved in the planning, development, and management of tourism. The participation of different private and public agencies make the tourism industry a complex phenomenon requiring a strong cooperation and coordination for it to be developed and expanded along lines that contribute to the overall national development objective.

The national or regional tourist organisation is engaged in a marketing campaign to persuade potential tourists to visit their country. In view of the fragmentation of supply, the complementarities of tourist services, the predominance of many small and medium-sized enterprises and importance of tourism to an economy, the official tourist organisations have important functions in tourism-marketing. Official tourist organisations will, however, not sell a tourist product directly to customers. It will have two major objectives:

- To create knowledge about one's country—generating markets and persuading tourists to visit that country.
- To create an image of one's country's tourist attractions in the best possible manner –generating markets so that potential visitors are attracted.

There are various individual firms providing tourist services that can market their own components of the total tourist product after the national tourist organisations have launched marketing campaigns to persuade potential tourists to visit their country.

Functions of Tourism Organisations

Marketing Functions

In order to achieve the above objectives, tourism organisations have to go through a series of marketing functions, such as

- Market research.
- Product formulation and development.
- Analysis and selection of target markets.
- Distribution networks.
- Product promotion.

Individual governments, not only of the developing nations but also the developed world, have established various national and international tourism bodies. Some of them are as follows:

ITDC—Indian Tourism Development Corporation

ITDC is a public sector corporation created by the Government of India to undertake major tourist activities government, due to its own limitations, could not participate in actively. It was set up in the year 1966 with the aim to undertake development, expansion, and promotion of India as a tourist destination.

Entertainment and other functions of ITDC

(a) t runs "Sound and Light" shows at Red Fort, Delhi.

(b) It runs duty-free shops at five international airports, namely Kolkata, Mumbai, Chennai, Delhi, and Tiruvananthapuram.

(c) It helps in the growth of tourist attractions, off the beaten track, such as Kovalam, Mahabalipuram, Garhwal etc.

(d) It is doing pioneering work in the production of tourist literature.

(e) It's travel agents (ATT – Ashok Travels and Tours) offers services to both foreign and domestic travelers.

(f) ATT has introduced exciting tour packages, shopping tours, honeymoon packages, religious tours, and mountain tours, etc.

(g) Its participation in "Food Festivals" all over the world has popularised Indian food.

TAAI—Travel Agents Association of India

TAAI was formed towards the end of the year 1951 by a group of twelve leading travel agents, to regulate the travel industry in India. The Association has its registered office in Mumbai, and regional offices in Kolkata, Delhi and Chennai. A monthly magazine "Travel News" is also published by the Association for its members.

Following are the primary activities of the Association

- To protect the interests of those engaged in the industry.
- To promote the orderly growth and development of the travel industry.
- To safeguard the rights of the travelling public.
- To build trust and credibility in the market place.

TAAI represents all that is professional, ethical, and dynamic in our nation's travel-related activities and has been recognised as the "Voice" of the travel and tourism industry of India.

IATA—International Air Transport Association

The International Air Transport Association is an international trade organisation of airlines with its headquarters in Montreal, Canada. IATA was formed just after World War II in April 1945, in Havana, Cuba. It is the successor to the International Air Traffic Association, founded in The Hague in 1919, the year of the world's first international scheduled air service.

The main objective of the organisation is to assist airline companies to achieve lawful competition and uniformity in prices. IATA has divided the world in to three regions for the calculation of fares:

1. South and North America.
2. Europe, Middle East and Africa. Europe includes the geographical area of Europe and the countries of Morocco, Algeria and Tunisia.
3. Asia, Australia, New Zealand and the islands of the Pacific Ocean.

IATA Undertakes the Following Activities

- Technical research and development in aviation.
- Formulation of a sound legal frame-work in aviation policies regarding loss, death, or injury and fare pattern, tariffs, revenue allocation, rules for multi-sector trips, debt settlement between airlines, and clearing houses etc.

The air transport industry has undergone various changes since IATA was established. As the technical and economic scenario changes and the demand of the consumer grows throughout the world, IATA is continuing its endeavour to ensure that the world's most challenging and exciting industry achieves its greatest possible potential.

WTO—World Tourism Organisation

WTO, a specialised agency of the United Nations, is the leading international organisation in the field of tourism. It serves as a global forum for tourism policy issues and practical source of tourism know-how. It came into existence on 2nd January, 1975 and its first general assembly was held in Madrid, Spain in May 1975. In the year 2005, its membership comprised of 145 countries, 7 territories, and more than 300 affiliate members representing the private sector, educational institutions, tourism associations and local tourism authorities.

WTO Performs the Following Functions

- Serves as a clearing house for all available information on international and domestic tourism.
- Assists in reducing frontier formalities.
- Organises international conferences and seminars.
- Prepares drafts of international agreements.
- Formulates training programmes.
- Participates in tourism projects.
- Promotes environment protection and planning.
- Provides basic information on communication and documentation.

Recreation and Tourism Marketing

A product can be an idea, goods, or service. Since tourism is primarily a service based industry, the principal products provided by recreation/tourism businesses are recreational experiences and hospitality. These are intangible products and more difficult to market than tangible products such as automobiles.

The intangible nature of these services makes quality control difficult but crucial. It is also difficult for potential customers to evaluate and compare different service offerings. In addition, instead of moving the product to the customer, the customer must travel to the product (area/community). Travel is a significant portion of the time and money spent in association with recreational and tourism experiences, and is a major factor in influencing people's decisions on whether or not to visit a particular destination.

TOURISM — AT THE SOCIAL MARKETING LEVEL

Every business organisation has a social responsibility towards society. In this context, it is significant for every organisation to carry out a cost-benefit analysis of its activities. The marketing of tourism is a business of the state, and the governments concerned need to carry out cost-benefit analyses of promoting tourism in a particular sector. The following are some of the costs and benefits attached to tourism.

Costs

● *Importing Special Amenities Like Vehicles*

When there is an increase in the inflow of tourists to a particular destination, there are going to be increased requirements of imported vehicles and other infrastructure which suits the tourist's needs. This will reduce the use of indigenous products and infrastructure.

● *Destruction of Environment by Building Hotels*

Any construction destroys the natural environment. The development of hotels to accommodate more guests will degrade the natural environment by cutting trees etc.

● *Undermining Social Standards*

Each destination has its own cultural affinity. When a destination is attracted by tourists, there is a natural tendency of deflation of social standards and values.

● *Polluting the Natural Environment*

Increase in the inflow of tourists to a particular destination demands more food and accommodation facilities. This creates more waste and pollutes the natural environment. There can be increased levels of air pollution, water pollution etc.

Benefits

● *Income and Jobs from Tourist Spending*

Creation of more employment opportunities is one of the significant benefits of tourism today. This, in turn, increases incomes at the personal and national levels.

● *Preservation of Cultural and Natural Heritage for Tourists*

In order to attract foreign tourists to a particular destination, there will be more initiative to preserve the cultural and natural heritage etc., such as the Taj Mahal, the Qutub Minar, the Silent Valley etc.

● *Increased Understanding by Allowing People to Meet*

Tourism helps people meet and share their culture and philosophies to a greater extent. This helps in a mutual understanding of different life-styles of people, and helps them to adapt themselves.

● *Building New Facilities such as Sewage Works for the Whole Community*

When there is growth of tourism in a particular locality, there is found to be development of new

infrastructure facilities, like road, rail, air transport, communication, waste management etc, which in turn benefits the whole community.

Therefore it is significant for the concerned government to exercise proper control over the tourism industry to check its adverse impacts on economic, environmental, and social segments. The tourism service cycle consists of the dynamic phase involving transport to and from the destination, a static phase involving stay and a consequential phase, covering the economic, physical, and social impacts resulting from the process of tourism, on the surrounding environment.

TOURISM AS AN INDUSTRY

Tourism industry is recognised by the products which are required to satisfy the demand for travel, accommodation, food, and beverage away from home. A tourist is a person who spends at least 24 hours away from home for the purpose of pleasure, holiday, sport, business, or relaxation. The maximum period of stay at a particular destination for a tourist is six months. If a person stays at a particular destination for more than six months, he/she should be excluded from the category of a "tourist."

As an industry, tourism has many components comprising the overall "travel experience." Along with transportation, it includes accommodation, food and beverage services, shops, entertainment, heritage tours, aesthetics and special events. It is rare for one business to provide the entire gamut of activities or facilities tourists need or desire. This adds to the difficulty of maintaining and controlling the quality of the experience. To overcome this hurdle, tourism-related businesses, agencies, and organisations need to work together to package and promote tourism opportunities in their areas and align their efforts to assure consistency in product quality.

TOURISM MOTIVATION

Motivation to travel may spring from a variety of needs such as status and self-esteem, need for recognition, need to know and understand, and the need for aesthetics.

Valerie Smith has classified tourists into seven categories based on their need pattern:

1. **Explorers** These tourists are very limited in numbers, who are looking for discovery and involvement with local people.
2. **Elite** These are tourists who favour special, individually-tailored trips to exotic places.
3. **Off-beat** These tourists are filled with a desire to get away from the usual boring life.
4. **Unusual** These are tourists who are looking forward to trips with peculiar objectives, such as physical danger or loneliness.
5. **Incipient Mass** These are tourists who travel alone or in small organised groups using shared services.
6. **Mass** These are tourists who generally go on a packaged tour, especially outbound.
7. **Charter** These are tourists who travel in groups to relaxation destinations which incorporate many standardised, well-developed, world-class leisure facilities.

Tourists can be of the following categories also:

- **Recreationists** These are tourists whose objective of travel is to relieve the tensions, and strains of work. Recreation may be either active or passive. Active recreation is where the individual takes part in some form of recreation, and passive recreation is where the person just watches or observes a program or an event.
- **Vacationers:** These are tourists who move out of their native place on holidays to rest and relax away from their daily routine of life.

- **Excursionists** These are tourists who visit other places for sightseeing and stays in a place of destination for only a shorter period of time, less than 24 hours.
- **Transit Tourists** A transit tourist is a person who breaks his journey and visits the places of interests during thie period. This category includes non-pleasure based tourists such as business people, academicians, professionals etc. whose primary motive of travel is not pleasure.

TOURIST DESTINATION MIX

A "destination" is a place where the traveler terminates his journey. In order to make a particular place an attractive tourist destination, the following factors, which are known as the destination mixes, have to be taken into consideration.

Attraction

Attraction of a particular destination is very significant for tourism as this is the motivation for a tourist to visit a particular place. These attractions can be divided into site attractions i.e., natural—land forms, flora, fauna, beaches, mountains, national parks, etc or man-made (historic or modern) or cultural or sociological destinations (music, art, folk lore) and **"event attractions"** like Olympic games, IPL cricket matches, trade fairs, exhibitions, film festivals, music festivals, international conferences etc.

INVENTORY OF TOURIST ATTRACTIONS

Cultural Sites and areas of archaeological interest, historical buildings and monuments, places of historical significance, museums, political, cultural and educational institutions, religious institutions etc.

Traditions National festivals, arts and handicrafts, music, folklore, native life and customs.

Scenic National parks, wildlife, flora and fauna, beach resorts, mountain resorts etc.

Entertainment Participation and spectator sports, amusement and recreation parks, zones and oceanariums, cinemas and theatres, night life and cuisine.

Others Climate, health resorts or spas, unique not available elsewhere.

Accommodation: Accommodation is another important mix of a particular tourism destination. Accommodation normally covers lodging facilities (hotels, guesthouses, holiday campuses) and private residences, or even camping sites.

The range and type of accommodation is quite varied and has undergone considerable change since the last five decades. There has been a decline in the use of boarding houses and small private hotels. Larger hotels are increasing their share of holiday trade, especially in big metropolitan areas and popular tourist spots. In more traditional holiday and sea-side resorts in Europe and elsewhere, big hotels maintain their share of holiday resorts. In recent years, some changes have been reflected in the type of accommodation. There has been an increasing demand for more non-traditional and informal type of accommodation. The latest trends in accommodation are holiday villages. In recent years there has been an increase in the popularity of such accommodation.

Accommodation itself is an important tourist attraction. In fact, a large number of tourists visit a particular destination or town simply because of a first-class luxury hotel or resort which provides excellent services and facilities.

Types of Accommodation

1. Traditional/Hotel Accommodation   Traditional accommodation includes hotels and motels. They can be further sub-divided into various types, as follows.

International Hotels   International hotels are the modern western-style hotels found in almost all metropolitan and other big cities, as well as principal tourist centers**.**

Commercial Hotels   Commercial hotels cater primarily to individual travellers as compared to international hotels where the focus is on groups.

Resorts   Resort hotels cater to the need of the holiday-maker, and those tourists who travel for health or change of climate. Resort hotels are located near the sea, mountains, and other areas of natural beauty.

Roatel   Roatel is an air-conditioned coach that provides sleeping accommodation, food, and transport, all rolled in to one.

Floating Hotels   This hotel facility is provided on the surface of water on sea, river, or lake. It has excellently furnished drawing room, sitting, dining, and sleeping rooms with wall-to-wall carpeting. An excellent example are the floating boat accommodation in the backwaters of Kerala.

Motels   They are like tourist hotels except that they are geared up to accommodate the road-traveling tourists.

Tourist Cabinets or Camps   It consists of framed cottages. The cottages are rented at low rates. They range in size from 5 to 12 units, and provide bed and shelter.

Tourist Courts   These offer facilities for private bath, car shelters, and sometimes cooking facilities. These are situated at the roadside, generally on the highway on the outskirts of a town or in resort areas.

Roadside Motels or Highway Motels   These are situated outside the towns in the countryside along with the main highways and preferably in an important road junction.

Resort Properties   This type of motel enables many more travelers to reach the resort area by motorcar.

City Motel and Motor Motels   These motels are built within the municipal limits of the city. The limited availability of scarce land area makes it more difficult to provide parking space.

2. Supplementary Accommodation   This includes premises which offer accommodation but not necessarily hotel services.

This type of accommodation has the following advantages:

- More reasonable prices.
- More freedom with regard to organisation of the day.
- Close vicinity to the natural environment.
- Social contact and amusement.

In the Indian context this includes bungalows, government rest houses, youth hostels, and so on.

Sarais or Inns   Kings of yester years built Sarais on both sides of the roads in India, where arrangements are made for food and shelter for the convenience of travelling pilgrims, merchants, and state officials.

Tourist Bungalows   These bungalows are situated at tourist centers for the benefit of tourists. These establishments cater to middle-class tourists and budget travellers, as also those coming from overseas.

Dak Bungalows   These are set up primarily for officials travelling on government duty. These are small resthouses, with a limited number of rooms and strategically located. They are fairly well-furnished and are offered at a very low cost.

Circuit Houses   Compared to tourist bungalows, these houses are superior with regard to the facilities offered. These are meant for visiting senior government officials.

Railway Retiring Rooms   These are owned by the Railways and are situated within the limits of the railway station. Accommodation is provided to bonafide railway passengers holding confirmed and current tickets.

Travellers' Lodges   These are hotels with basic facilities situated in remote places of tourist interest. The rooms in these lodges are moderately furnished but cosy and comfortable. These are self-sufficient establishments as it is not possible for the guests to go to far-off town or city for the purchase of the daily needs. They provide a dining hall with a fixed menu and items of daily need like oil, comb, towel, tea, and coffee etc.

Boarding Houses   These are establishments which provide accommodation usually with meals at fixed periods of time, week, or month. Their facilities are restricted for use only by resident guests.

Paying Guest Accommodation   This is a British concept. Paying guest accommodation system has now become popular in India also. Many foreign tourists prefer it because this gives them an opportunity to interact and actually line with Indian families. The benefit of this system is that it is quick to respond to seasonal demands. It is very popular in Rajasthan and Goa.

Youth Hostels   These are place, where young people of different social backgrounds and nationalities can meet and get to know each other. The comfort is modest, the stay is limited and the price is low. Youth hostels are created and controlled by non-commercial organisation whose aim is development of youth tourism.

Forest Lodges   The resthouses at sanctuaries, which fill in the shortage of accommodation at such places, are called forest lodges. Their location is finalised in consultation with the concerned ministry and state forest department. ITDC is entrusted with the responsibility of the management of all forest lodges.

Hospices   These are accommodation used by persons who travel mainly for religion. The owner of the establishment offers accommodation to pilgrims who could find a place to sleep, a fire to keep them warm and something to eat.

3. New Accommodation Concepts   These are new concepts of accommodation which have come into being. They include condominiums, time-sharing, pensions, paradors, camping grounds, villas, eurotel and apart hotels.

Condominiums   They are a recent innovation. It involves joint ownership of a complex. These are basically hotels with apartments. The condominium units are sold to single-entity owners, who give it on a contract basis to a management company to operate the hotel and rent the space to visiting tourists. The management company receives fees for these services. At the end of the year, they share the profit or loss with the owners of the condominiums. Family tourists prefer this type of accommodation as they provide enough flexibility and facility to cook and are, therefore, economical. In India this concept is gaining popularity in the name of service apartments.

Time-sharing   Time-sharing is a specialised condominium ownership. This concept started from Europe when people experienced difficulties in getting reservations at a resort of their choice, at their preferred time. Under this scheme, if a tourist wants to spend two weeks in a particular place for the next 10 years, he can get this guaranteed accommodation by paying much less than the usual charges. This time-sharing can also be exchanged by selling this facility to their friends, if in a particular year they don't to avail it. In India, Dalmia Resorts, Mahindra Resorts, Sterling Resorts, and others are offering this facility.

All-Suite Hotels   This is the newest concept in hotel-keeping. These hotels have suites, which have the same charges as any deluxe room in a hotel. This concept has brought suites within the range of junior executives. They are provided only with the basic services. Private caterers provide restaurant services, and not the management of the hotel. These services are provided in India by Sheraton, Hilton, Hyatt, Radisson, and others.

Pensions   These are found mostly in Europe and USA. These are accommodation with facilities owned and run by a family usually living in the same building. Pensions are known as residential hotels. These were developed in the USA when people discovered that permanent living in hotels has many advantages. These are mostly available in cities. They play an important role in accommodating tourists, especially those with a limited budget.

Paradors   This is a Spanish concept. These are castles, convents, and monasteries converted into hotels by the government. Paradors are similar to the palace hotels in Rajasthan. In India this type of accommodation is called heritage hotels.

Camping Grounds/Tourist Camps   These are usually located within the cities in open spaces. They provide facilities for parking, tent pitching, water, electricity, toilet, etc. These are equipped to accommodate a movable form of accommodation used by tourists who sleep in tents and enjoy the natural environment. Campers have to pay an admission fee. In the sixties, when overland traffic from Europe to India via the Asian Highway was considerable, Government of India had set up camping sites in major cities. Now domestic tourists use these sites.

Farmhouses   These are very popular in UK and India. Tourists who are interested in healthy food and outdoor life prefer these accommodation. Big farmers build farmhouses on land used for cultivation and package it to tourists for extra income. In Denmark, this has proved quite successful by packaging farm holidays through travel agents for the international market. In Bangalore a number of properties have been developed in this category during the growth of IT in the mid-1990s, for example, the Farm Weekends.

Villas/Chalets   These are single-family houses for sale or rent to tourists or holiday-makers.

Eurotel   This type of accommodation is common and comes with apartment houses. Its characteristic feature is that the co-owners can use another apartment in another places through an exchange system agreed upon in advance.

Apart Hotel   This concept was first developed in Spain. These buildings are hotels because hotel services are provided, and yet they are not hotels because the accommodation consists of an apartment, which may be sold if desired. The purchaser of the apartment gets the full services of a hotel during the periods these are not occupied, can add their apartments to the pool of hotel accommodation and thus derive additional income from the hotel.

Accessibility

The next prime factor for a tourist destination is accessibility, because only if the tourist spot is accessible, can people visit the area. Tourist growth of a particular destination is closely related to the supply and extent of development in its transport systems. Tourist destinations which are located nearest to tourist-generating markets and are linked by a good system of roadways, railways and airways, receive the maximum number of tourists.

The distance factor also plays an important role in determining a tourist's choice of a destination. Longer distances cost much more by way of expenses on travel as compared to short distances.

Amenities

Another factor which helps in the development of a tourist destination is the availability of the amenities needed by tourists. A destination will be more attractive to a tourist when the resources and facilities available locally are provided to the tourists with ease. For example, in seaside resorts, facilities like swimming, boating, surf-riding, dancing, recreation, and amusement will increase the attractiveness of the place. The amenities can be natural, such as beaches, sea-bathing, fishing facilities, rock climbing, trekking, etc, or man-made amenities like amusement parks, entertainment zones etc.

Support and Auxiliary Services

Another factor which is essential for a particular tourist destination to be attractive is the availability of auxiliary support services such as shops, restaurants, banks, post offices, and medical facilities.

Physical and Communication Infrastructure

In order to make a particular destination attractive to tourists, that place should have infrastructural facilities such as roads, airports, electricity, sewage disposal, telecommunication, etc. These are normally provided by the government agencies.

Other Factors

In addition to the above factors, pleasing climate, scenic beauty, historical and cultural factors are also significant in contributing to making a particular destination more attractive to tourists.

TOURISM LINKAGES IN TRADE

Government and development agencies should create local linkages as part of their overall tourism development strategy in the planning, construction, and operational phases. There are three sets of factors which are important in enhancing the extent of local linkages:

- The creation of employment at all skill levels, and particularly where there is existing capacity.
- The Anti-poverty tourism development strategies have suggested 'new attractions'. Visitor attractions, parks, cultural sites, and hotels should be encouraged to provide information about local products and services provided by the poor.

- There is need to understand tourist expectations thoroughly. Also, small enterprises that meet the credit and marketing needs are also required. Small enterprises sometimes face difficulties in meeting the requirements of health and safety, licensing, and other regulatory requirements.

There is a tremendous possibility of bringing about sustainable development for the local economy if hotels and tour operators work together with local communities, local government, and NGOs. This can help in reducing poverty and can provide a richer experience to domestic and international tourists.

Strategies for Developing Local Economic Linkages

1. Market Access and Enclave Tourism

Access to the market plays a major role in involving entrepreneurs in the tourism industry. There should be a design to link the informal sector with the formal sector so that poor members of the community can be helped and the tourist market becomes accessible to them. This can help them reap economic benefits. There are a number of strategies that can be used to enhance overall economic benefits to further reduce poverty.

2. Growth and Selection

The tourism sector in the poorest countries is generally highly dependent on international markets, as they do not have significant domestic markets. It therefore becomes essential that the domestic market should always be considered first by the poorest countries. But, in order to maximize foreign exchange revenues, the primary focus continues to be on international arrivals.

3. Increasing Tourists' Length of Stay

Economic returns can be increased with the same number of tourist arrivals if efforts can be made to extend their stay for a longer period. This results in an increase in the number of bed-nights and the expenditure of tourists on boarding and lodging.

4. Increasing Visitor Expenditure

By developing more activities and attractions, with increased demand for interpreters and services of guides and transport necessary for their enjoyment, both expenditure and length of stay of the tourist can be increased.

5. Developing Complementary Products

By increasing the expenditure and length of stay of the visitors more promising opportunities can be created for the development of complementary products that enable the poor to engage in the industry and to profit from it.

6. Spreading the Benefits of Tourism Geographically

There are different geographical sites like beaches, mountains, and urban attractions, and holiday-makers can be encouraged to travel further, beyond established destinations, to enhance and diversify their experience of a particular environmental, cultural, or natural heritage attractions.

7. Infrastructural Gains

The development of infrastructure and tourism development are inter-related. Tourism can contribute to overall socioeconomic development through the provision of roads, telephones, electricity, piped and treated water supplies, waste disposal, and recycling and sewage treatment plants. Infrastructure and new economic corridor development projects often create tourism development opportunities for local communities in addition to improving trade linkages.

8. Local Management of Tourism and Partnerships

Appropriate planning can facilitate effective community participation in the tourism development process and provide a mechanism for gains through infrastructure, employment and economic linkages.

9. Small and Medium Enterprises' (SMEs) Development

The increased interest in local tourism experience results in increased opportunities for the development of new locally owned enterprises. This helps in providing competitive and complementary goods and services. In well-established developing country destinations, like Goa, increasing numbers of international tourists are staying in locally owned accommodation. SMEs are very important in the provision of restaurants and bars, handicrafts, supply of furnishings and other consumables to hotels, provision of transport, local tour operating, and guiding.

10. Reducing Seasonality

Seasonality in tourist arrivals is the major cause of seasonal and casual unemployment. There are a number of strategies that can be employed to extend the tourism season. During festivals arranging "melas" generates curiosity and helps the development of special interest products.

Enhancing India's Competitiveness as a Tourist Destination

- Implementation of visa-on-arrival, fast issuance of visas and permits, and fast customs and immigration processing.
- Computerised issuance of visas.
- Opening up of the Indian skies for enhancing tourism through increased air travel capacity
- Improvement in the standards of airport facilities through better property management systems by privatisation and leasing of airports.
- Introduction of adequate security and protection for tourists.

DETERMINANTS OF TOURISM

The process of developing a tourism marketing strategy includes capitalising on the advantages a destination has to offer to the tourism sector and requires a great deal of research and analysis. Not only is it necessary to understand prevailing perceptions about the destination, but also the techniques by which these can be influenced. It is also vital that trends in the tourist consumer's travel expectations, desires, values, and behaviour are measured and monitored. The importance of both market research and motivational, attitudinal, and behavioural marketing research is high. This enables tourist consumer groups to be identified by common characteristics and targeted through packages of communications. The growing sophistication of electronic data bases greatly facilitates this process, leading to the ultimate market segment—the individual!

Tourism's scale and shape is determined by a range of factors. Some continue to exert an influence decade after decade, albeit in different manifestations; others have an effect for a limited period only.

The economic, social, and technological determinants of tourism demand include high and rising incomes, increased leisure time, good education, and new, cheaper, and faster modes of transport.

The continuing influences—the "foundations" for tourism—include economic, technological, political and demographic factors, law and government actions and competition.

Economic Factors

Overall economic conditions can have significant impacts on recreation and tourism markets. A marketing strategy that is effective during periods of high unemployment may have to be significantly adjusted

if unemployment increases. Businesses and communities should monitor and assess the likely impact of factors such as unemployment rates, real family income, rate of inflation, credit availability, and interest rates. Consideration should also be given to the prices of complementary products, such as lodging, gasoline, and recreation equipment.

Technology Factors

Technological developments are increasing rapidly. New recreational products, such as all-terrain vehicles and wind surfers, provide new ways for people to satisfy their recreational needs. New production technologies and materials provide recreation and tourism businesses ways to reduce costs and improve the quality of their products/services. Advancements in telecommunications have and will continue to create new promotional opportunities. Technological innovations, in relation to jobs and homes, have resulted in increased leisure time for many people.

Technological progress has already contributed enormously to the growth of travel and tourism through the application of the jet aircraft in commercial air transport and the development of electronic technology via computerised reservation systems. Development in information technology systems is so rapid that anything reported one month is outdated in the next. These increasingly sophisticated successive generations of systems are providing instant and interactive access to tourism product offerings. The growth of the usage of the web to research and book travel is rapid. The advancements and applications of electronic technology in travel and tourism product design and distribution will be a major influence in the coming years. Aircraft development is another key technological influence on tourism.

Political Factors

In the past these have played a key role as national controls on travel through visas were progressively eased since tourism was recognised as an economic sector to be encouraged. Passports may ultimately be replaced by technology-driven systems of personal check based on hand recognition or retina inspection.

Demographic Factors

Changing demographics and lifestyles have a major impact on recreation and tourism. An assessment of these trends is important to understand how they will affect the business or community.

Some of the important trends worth watching are as follows:

(i) population growth and movement;
(ii) rural community growth compared to metropolitan areas;
(iii) number of adult women employed outside the home;
(iv) the number of households is growing, especially non family and single parent households, but family size is decreasing;
(v) the impact of two wage earner-households on real family income;
(vi) the number of retired persons with the financial ability to travel;
(vii) better health at an older age; and
(viii) continued aging of the population.

The ageing of population and the contracting workforce of industrialised countries is already a well-established demographic trend. There will be less young people to feed into the system. In response to this there will be more migration, something which is already taking place. The implications of these two developments are that there will be increased travel by older market segments and also increased VFR (Visiting Friends and Relatives) travel by the large volumes of migrants in industrialised countries.

Another demographic factor is the further erosion of the traditional household through rising divorce rates and late marriage. The implication of this for tourism is that there are more different types of households/household segments for the travel and tourism industry to cater for. Apart from the gay segment and singles, there is the single parent (with child/children) with their own particular requirements from travel and tourism service suppliers.

Smaller families and an increase in the number of women entering the work force has contributed to more real and disposable incomes.

Legal Factors and Government Regulations

As a complex industry, tourism is significantly affected both positively and negatively by laws and actions of governmental agencies. For instance, rulings on such things as liability issues or decisions regarding building and health codes may change or possibly prevent the construction of a proposed facility. If a public facility changes the prices of its services, this could affect the service offerings of associated private businesses. These actions may have both positive and negative effects on the marketing efforts of the business and community. To avoid wasting valuable resources it is important that recreation and tourism businesses, agencies, and communities continually monitor and evaluate governmental actions.

Competition

Businesses and communities must identify and analyse existing and potential competitors. The objective of the analysis is to determine the strengths and weaknesses of the competition's marketing strategies. The analysis should include the competition's:

  (i) product/service features and quality;
 (ii) different geographic markets;
(iii) promotional themes and messages;
 (iv) prices; and
  (v) type of customers they are attracting.

Globalisation and Tourism

The growing power of international economic and market forces has led to the process of globalisation. The impact on tourism has increased the power in the hands of a small number of global travel and tourism networks.

Localisation and Tourism

In developing countries the conflict between identity and modernity is intensifying. More groups defined on ethnicity, religion, and social structure will demand to be recognised and treated as important with their own special rights. There are two consequences of this: (a) the increased questioning of the form and scale of tourism development and marketing in these societies, whether at the country, county, province, town, or village level; and (b) the local-level resistance and introverted response to globalisation provides opportunities and focus for the development of tourist experiences related to the cultural and natural resources of these sub-sets of society.

The travel and tourism sectors mirror the global/local polarisation process in their systems and structures. There are few fully global networks—though it might take many to exert a strong hold on world markets. These mega-groups cater for a large volume of tourist movements, accommodation, mainstream or mass tourism; at the other end of the scale are niche operators offering special products and services, experiences to individuals and collections of tourists with assorted tastes.

It is believed that between 10–15 per cent of discretionary travelers want the unusual—these are the alternative or new tourists, and the growth of these groups is outpacing that of the mainstream segments. These tourists, who are typically highly educated, mature, affluent, well-travelled, environmentally aware and sensitive to the social and cultural traditions, systems and mores of the destinations they visit, are responding to the demands of local groups to be heard, recognised and valued.

Multi-national and trans-national corporations cater not only to the mass beach resort market but also to the niche market operators focusing on the educated traveler. Much tourism demand is now characterised by customisation based on the use of electronic technology. The airline or tour operator is able, through available technology, to develop what appears to be, and in many instances is, a modified product or service. In other words, thinking global, but acting local.

Socio-Environmental Awareness

Consumer awareness has also been increased by NGO campaigns and media reporting on environmental issues like the smog, global warming, ozone layer depletion, rain forest destruction, dwindling water supplies, and by the displacement of populations. This build up of consumers' socio-environmental aware-ness of tourism development is leading to increased scrutiny on the part of the public in deciding upon destinations, and a growing requirement for new tourism developments to be sustainable and "fair" to the environment. Today a tourist books a holiday with a company with a written code to guarantee good working conditions, protect the environment and support local charities in the tourist destination.

Living and Working Environments

Urban lifestyles, traffic congestion, etc. in both the industrialised and developing worlds leads to the in-creased need to engage in discretionary tourism to escape and/or to indulge. The nature of employment is changing. Contract employment has become increasingly common. This has created the need for people in all occupations/professions to keep in touch with the marketplace.

Service-to-Experience Economy

The industrialised world is in transition from the service to the experience economy, with the peaking of the service economy in such countries already having been achieved. The focus is switching to deliver-ing unique experiences that personally engage the consumer. The very clear implication of this change for tourism is the need to differentiate tourism product development and marketing, both by destination and operator.

Destination Marketing

For the very reason that few prospective visitors have first-hand knowledge of destinations vying for their business, the onus is on the destination marketer to attract the consumer through informational and persuasive marketing. A major influence will be the application of highly personalised relationships, or one-to-one marketing techniques, using electronic technology to readily and accurately identify micro-market segments and niches, and to communicate with visitors effectively. Marketing—both by destina-tions and by operators—will increase and become more focused and competitive.

Safety of Travel

Tourism will not flourish in destinations embroiled in civil turmoil, at war, or where tourists' health or security is perceived to be under threat from terrorism, health scares, natural disasters etc. Tourists opt for destinations closer-to-home and/or those perceived to be "safer". These issues are short-lived and can

be reduced through publicity about measures taken to ensure tourists' safety and advertising that reassures tourists about their security.

TOURISM MARKETING RESEARCH AND INFORMATION FORECASTING

Research and analysis in tourism reflects the fact that tourism activity takes place in locations where other people live, involves interaction between different groups of people, and creates demands and impacts on all elements of the society and environment of the host community.

The concept of tourism demand varies based on the user, as follows:

- **a national tourism office marketing executive**—whose goal is to attract the largest volumes of the target segments identified as providing the maximum benefits to the destination;
- **a park manager**—who has to balance visitor flows by maintaining the integrity of the natural and cultural fabric of the park;
- **a transport operator**—whose focus is to maximise passenger yield, irrespective of how long they stay in the destination to which they are being taken;
- **a hotel operator**—whose aim is threefold i.e. volume, rate and length of stay;
- **a community through which tourists pass**—would like to encash the opportunities that are locally available without creating much nuisance.
- **a community in which tourist activity takes place**—which has to balance the economic benefits with possible negative consequences in respect of their environment and social disruption, cultural erosion etc.

The common link between all these diverse tourism stakeholders is that they cannot achieve what they are looking for from tourism, without information to enable them to understand the market—its size, profile, characteristics and trends, and how marketing activity can change the market. Thus there is a need for knowledge about what influences and determines tourists' attitudes, motivations, and behaviour.

A prerequisite to the development and encouragement of a responsible tourism sector is a well-conceived and effectively-executed marketing research and information system:

- to provide understanding of tourist demand,
- to quantify and forecast accurately,
- to identify trends and changes enabling us to anticipate, and
- to monitor performance—both of competitors and ourselves.

The primary reason for the urgency of having a good marketing information system is the long lead time for the development of infrastructure and facilities in tourism development. Many key elements of tourism supply cannot be swiftly adjusted in line with changes in demand as there is a rigidity of supply.

Different types of information systems, both internal and external, are needed to provide the requisite knowledge for marketing decision makers. One of the key links in the chain is marketing research, in both continuous form and designed to tackle specific tasks, for which the decision-maker needs a focused and detailed set of answers in a rapid time-frame.

Forecasting—for Short and Long Term Purposes

The purpose of all forecasting is to reduce the risk in making decisions. Where there is some degree of certainty of the outcome of a particular course of events, the forecasts made are almost an automatic process. But where there are many variables which are difficult to predict and which determine the outcome for a particular decision, the need for good forecasts increases. Frechtling states that tourism is a

sector with a special need of reliable forecasts on the grounds that it is shackled by the following five constraints on decision-making:

- the tourism product is perishable.
- people are inseparable from the production-consumption process.
- customer satisfaction depends on complementary services.
- leisure tourism demand is extremely sensitive to natural and man-made disasters.
- tourism supply requires long lead-time investments in plant, equipment, and infrastructure.

The uses of tourism forecasts are as follows:

- Set marketing goals, either strategic or for the annual marketing plan.
- Explore potential markets to determine the prospects and methods of successful penetration with their products/services.
- Assess the way in which future events—known or possible—might impact on demand so that alternative, contingency plans can be prepared.
- Determine operational requirements.
- Assess project feasibility.
- Predict the economic, socio-cultural, and environmental consequences of visitors.
- Assess the potential impact of regulatory policies, such as tax increases and environmental policy controls.
- Project public revenues from tourism.
- Ensure adequate capacity and infrastructure.

The following (Table 15.1) list adapted from Frechtling indicates the consequences of poor forecasting in respect of each of these areas:

TABLE 15.1 Uses and Consequences of Forecasting

Uses of Demand Forecasts	Consequences of Poor Forecasting
Set marketing goals	Over- or under-budgeting for marketing
Explore potential markets	Marketing to wrong segments, ignoring the right ones
Simulate impacts on demand	Incorrect marketing mix, poor preparedness for negative events
Determine operational requirements	Excess labour, or customer disquiet requirements with limited service
Assess feasibility of project	Wasted financial resources, difficulty investment in financing interest payments
Predict economic, socio-cultural impacts	Inflation, unemployment, environmental degradation, socio-environmental impacts, cultural disruption, and damage
Assess regulatory change	Business losses, unemployment, price inflation
Project public revenues	Budget deficits
Planning adequate capacity and Infrastructure	Traffic congestion, delays, accidents

The nature of tourism demand poses the following challenges for the forecaster:
- historical data are often lacking.
- tourism demand can be volatile.
- tourism demand is sensitive to catastrophic influences.
- tourism behaviour is complex.
- there is a wide choice of forecast variables.

Selecting and Applying the Right Forecasting Method

There are many different methods of forecasting ranging from the extension of historic time series trends into the future to complex, computer-based models. They fall into two basic categories: quantitative and qualitative.

Quantitative Methods

Quantitative methods can be divided into two sub-categories: extrapolative (or time series) which assume that the key to predicting the future of any variable lies in its past performance. They do not take into account causal relationships and causal models which mathematically simulate cause-and-effect relationships. The constant change in factors determining and influencing tourism (e.g. aviation, computer reservations, and communications) make reliance on past relationships unrealistic, while the large number of variables affecting tourism demand and the way these interplay with each other make causal models hugely complex and flawed.

Qualitative Methods

Qualitative methods (or judgemental methods) rely on the experts' manipulation of past information about the forecast variable. The various qualitative methods include jury of executive opinion, subjective probability assessment, Delphi method, and consumer intentions survey. These methods are used when there is insufficient historical data available, the time-series data available are unreliable, there is a rapidly changing macro-environment, major disturbances are expected, and the planning horizon is long-term. The benefits of qualitative methods are:

- they are inexpensive,
- there is no requirement for a high level of statistical skills, and
- in many instances the use of qualitative methods is the only way of producing forecasts.

Against this, the following limitations exist:

- The possible faulty selection of experts.
- A danger that experts can confuse "forecasts" with "desires".
- A tendency to be anchored in the present.
- No control on the statement of the experts' own views.

INFORMATION TO GUIDE CONTINUING NEEDS

A marketing information system is a system consisting of people, equipment, and procedures to gather, sort, analyse, evaluate, and distribute needed, timely, and accurate information to marketing decision makers. In essence, an information system is a collection of tourism statistics organised in such a way as to provide the user with a readily available and accessible source of information relevant to the entity and the decisions to be made. The system first interacts with managers in different functional capacities to assess their information needs. Next, it develops needed information from:

- internal records and resources,

- through intelligence-gathering activities, and
- marketing research (on target markets, competitors, marketing channels, and both macro- and micro-environmental determinants).

The data is analysed and then distributed to decision makers in the right form and at the right time to help in planning, implementation and control.

1. Internal Records

Any organisation operating in tourism generates a lot of information, much of which is not used productively. The key is to know what data are available internally, which of it can be of use in planning and then ensuring such information flows through the information system to the managers who need it. Taking the example of a hotel, its daily records can include reports on occupancy, the number of guests – by party size, the volume of groups in residence, average daily rate, no-shows etc. Reservations records can reveal valuable information on productive travel agents and guide the timing of advertising and sales calls to coincide with the main booking periods. Guest history information collected on registration cards can embrace demographics and other personal details, type of room purchased, cross-purchases, length of stay, specific dates of stay, method of payment method of arrival, membership of frequent guest programmes etc. This information can be analysed to better understand who the customers are and how to communicate most effectively to them.

2. Marketing Intelligence

Marketing intelligence are of two types, that which can be generated by the organisation's own people through conversation and observations, and that which is developed through external sources.

3. Marketing Research

Market research can be defined as the "systematic collection of information relating to supply and demand for the product in such a way that the information may be used to make decisions about its policies and objectives".

The goals of marketing research—applicable to the public sector as well as to operators—are as follows:

- **to maximise economic contribution/return**—whether in the form of jobs, business creation, foreign exchange earnings or direct contribution to the government purse or as profit and return on investment for private sector operators;
- **to ensure the longevity/extension of the destination or product range;**
- **to match or exceed the offering of competitors**—a purpose which again has application in respect of locations and for operators in the different sub-sectors that make up the tourism industry;
- **to prevent avoidable disasters in the supply, distribution, and marketing of tourism products and services**—in other words, to ensure the right products/services at the right price at the right time using the right forms of distribution and communicating the product/service offering to the market in the most effective manner.

The American Marketing Association's definition for marketing research is a process that identifies and defines marketing opportunities and problems, monitors and evaluates marketing actions and performance, and communicates the findings and implications to the management. The marketing research process consists of four steps:

- defining the problem and research objectives,
- developing the research plan,

- implementing the research plan, and
- interpreting and reporting the findings.

Definition of the research problem is best done through consultation between the manager (who best understands the problem or decision to be addressed) and the researcher (who knows how to obtain the requisite information). A marketing research project can have any one of the following objectives:

- exploratory research—information to help define the problem and suggest hypothesis.
- descriptive research—to describe the size, composition, and characteristics of the market.
- causal research—to test the hypothesis about cause-and-effect relationships.

Before launching into a major programme of primary research, it is always important for the research team to examine the secondary data available i.e. information collected for another purpose but which has relevance to the purpose at hand. Secondary data can be gleaned from several resources: internal, government publications, periodicals and books, commercial data, and electronic databases. Such data provide a good starting point for marketing research and can serve to focus on the primary research required.

Observational research methods are employed for most exploratory research exercises. This involves the gathering of primary data by observing relevant people, actions and situations, and can yield information people may otherwise be unwilling or unable to provide. However, this method has its limitations since observation cannot gauge the feelings, beliefs, and attitudes that constitute buyer behaviour. Observation research is often a preliminary step to survey research.

Survey research is the approach best suited to gather descriptive information. It can be structured or unstructured, direct or indirect. Its strength is its flexibility and capability to obtain of obtaining many different kinds of information in a wide variety of marketing situations.

Experimental research is best suited for gathering causal information. Experiments involve selecting matched groups of subjects, giving them different treatments, controlling unrelated factors, and checking the differences in the responses of the groups.

There are four basic contact methods for conducting marketing research: mail, telephone, in-person, and email.

If the research problem requires quantitative results, the optimal means of research are individual or household surveys conducted by means of street, phone, mail, or email interviews; but where qualitative information is the main need then in-depth focus group discussions and participant observation are the preferred means.

Sampling and Questionnaires

In carrying out the research plan, the two key elements are the sampling plan and the research instrument. Designing the sample plan calls for four decisions:

- Who will be surveyed? This is based on what type of information is needed and who will be most able to provide it.
- How many people should be surveyed? If well chosen, samples of less than 1% of the population can give good reliability.
- How should the sample be chosen? There are probability and non-probability samples, the former comprising random selection which can be simple (i.e. of the whole population) or stratified for mutually exclusive groups of the population. Non-probability samples can involve selection based on willingness to participate (or convenience), or can comprise a set number of interviews of people in each of a number of demographic groups (quota sample).
- When the survey is to be undertaken? This is especially important for in-person surveys when the timing should be representative of the flow of traffic relevant to the survey's purpose.

In collecting primary data, marketing researchers have to select the most appropriate research instrument:

- interview—structured using a questionnaire, or unstructured.
- mechanical devices.
- structured models, such as a test market.

The questionnaire is by far the most common survey instrument. In preparing a questionnaire, decisions have to be made on what questions to ask, what form the questions should take, how they should be worded, the layout, the sequence, and the length. A common failing is to exclude questions that should be asked and to include those that cannot, will not, and need not be answered. For this reason a questionnaire should be tested before being used on a large scale.

The objectives of a questionnaire can be summarised as follows:

- to suit the nature of the target population—in terms of its style, wording, sequence etc;
- to suit the research methods being employed—i.e. whether it is being administered through interviewer or interviewee completion;
- to suit the research objectives—through ensuring that the questions being posed are central to the purpose of the research;
- to collect the right kind of data—through focusing on the information which is essential and cutting out that which is superfluous;
- to aid data analysis—through designing the questions in a format to make it easy for the responses to be input into an analytical framework;
- to minimise error and bias—through careful wording; and
- to encourage accurate and full responses—through using a style which interests the respondent and uses wording which is clear.

As an example of how the wording of questions can harm a research exercise, consider the following question posed by a tourism office wanting to discover how to attract more visitors. In a survey of the population of a target catchment area, it started its questionnaire with:

<div align="center">"Where did you go on holiday last year?"</div>

This question might seem a perfectly reasonable starting point but it ignores the fact that a significant proportion of the population does not take holidays away from home, while others take several holiday breaks. How are the differences in these two categories of the population taken into account in this question?

The correct way to address the question of the level of holiday-taking and destinations chosen would be for a sequence of questions as follows:

<div align="center">"Did you go on holiday last year?"<br/>"YES" or "NO"
If "YES"
"How many holidays did you take last year?"</div>

Followed by;

<div align="center">"Which place(s) did you visit on holiday last year?"</div>

Collecting and Analysing Statistics

The management of any tourist destination—whether a country, a resort, or an individual attraction or facility (e.g. park, hotel)—can collect statistics about visitors to aid future planning. Visitor flows and patterns can be measured at point of entry (or registration) or through sample interviews or self-completion

questionnaires. For a hotel, registration is the most effective source of collecting useful information if the system employed is sufficiently detailed (without comprising an administrative hassle for the customer). For an individual facility like a park, the entry point where the ticket sale takes place is a less effective way because less information can be collected from the customer as routine or with justification, as compared with a hotel. Sample surveying is necessary in such cases.

Interpreting and Reporting Research

In interpreting and reporting research results the researcher should avoid over-reliance on statistics but focus on those findings that aid decision-making. Since findings can be interpreted in different ways, detailed discussion between research and management personnel should take place to check that the research was executed properly and to examine the results and findings through dialogue. The research data should also be made available to managers for their own analysis. The need is to eliminate bias in interpretation, and to avoid unquestioning acceptance of research results. The commissioning manager and the researcher share an equal responsibility for the research process and the resulting decisions.

Marketing Research—The Success and the Pitfalls

Successful marketing research depends on the following:
- The setting of clear objectives.
- The selection of an appropriate method of research.
- Limiting the scope of the survey to the collection of valid data only.
- Undertaking research over a sufficient time scale, with ongoing surveys likely to yield better results than one-off, snapshot ones.
- A thorough but clear and concise briefing to the research team.
- The provision of sufficient resources to carry out the research most efficaciously i.e. human and financial.
- A speedy analysis mechanism.
- Ability both within the research team and in the commissioning body to interpret the results with insight.
- A user-friendly presentation of the results.

Matching the research objectives to the methods is central to successful research.

The five key areas of challenge for marketing research which need to be addressed in order to gain the maximum benefits are:

- A greater amount of reliable research into why consumers do what they do and how they arrive at their purchasing decisions.
- Finding out about non-users of the product/service type in question e.g. why do non-tourists stay at home?
- Identifying real trends from the analysis of the research data.
- Obtaining greater knowledge about the behaviour of individuals.
- Increasing marketing research funding.

TOURISM MARKET SEGMENT

Market segmentation is the process of identifying groups of buyers of the total market with different desires. Most markets are too large for an organisation to provide all the products and services needed by all buyers in that market. This leads to organisations selecting target markets necessitating market segmentation.

In tourism, market segmentation is very important. The strategy of market segmentation in tourism is to divide the present and the potential market on the basis of some characteristics and then concentrate marketing efforts, like pricing, supply, and promotion efforts, to the target markets.

Recreation and tourism businesses and communities often make the mistake of attempting to provide everything to all the people. It is difficult and risky to develop marketing strategies for the mass market. Strategies designed for the "average" customer often results in unappealing products, prices, and promotional messages. For example, it would be difficult to develop a campground that would be equally attractive to recreational vehicle campers and backpackers, or promote a property to serve both snowmobilers and nature-oriented cross-country skiers.

Marketing strategy is implemented through a sequential process of segmentation—targeting and positioning – by identifying the different groups within the total market according to specific characteristics or other variables, isolate those with most compatibility with the goals of the destination of the organisation, and use marketing and promotional tools to communicate a specific position to these targeted segments. This helps to create an identity and image in the minds of these targets which will be converted into purchase.

Market segmentation is the process whereby producers organise their knowledge of customer groups and select for particular attention the group whose needs and wants they are best able to supply with their products. It is a process of dividing a total market such as all visitors, or a market sector such as holiday travel, into sub-groups or segments for marketing management purposes. Its purpose is to facilitate more cost-effective marketing through the design, promotion, and delivery of custom-designed products, aimed at satisfying the identified needs of the target groups.

The tourism market may be segmented on the basis of the following:

- Place or origin of tourists.
- Destinations.
- Purpose of tour like holidays, pilgrimage, sightseeing, shopping, etc.
- Economic status and spending tendencies.
- Preferences of staying, like camping, luxury hotels, caravans, etc.
- Preferences of travel, like air, sea, road, or rail.

After segments have been identified, the business or community must select the "target markets," those segments which offer them the greatest opportunity. When determining target markets the following factors should be considered:

  (i) existing and future sales potential of each segment;
 (ii) the amount and strength of competition in each segment;
(iii) the ability to offer a marketing mix which will be successful in attracting each segment;
 (iv) the cost of servicing each segment; and
  (v) each segment's contribution to accomplishing overall business/community objectives. Market segmentation is the first stage in the process of setting precise marketing objectives and targets, and the basis for effective planning, budgeting and control.

Industrialised countries have evolved over the past two centuries from being predominantly needs-driven to the strong growth sparked by the industrial revolution of being outer-directed. With the development of the railways starting in the middle of the nineteenth century, discretionary travel became possible for those who had spare time and money having satisfied basic and outer-directed needs. These people could address their inner-directed needs. As economies grew, more strata of society used an increasing proportion of their time and money to satisfying inner-directed needs and the provision of travel and tourist products enabled them to do so.

The translation of needs into motivations and into actionable market segments depends on detailed, accurate and up-to-date information on the market. With the development of electronic databases and other sophisticated means of generating consumer information, this has become increasingly possible during the last few decades.

The following Table 15.2 shows some major tourist segments and their main marketing characteristics.

TABLE 15.2 Major Tourist Segments and their Characteristics			
Marketing Characteristics	*Holiday Tourists*	*Business Tourists*	*Common Interest Tourists*
1. Typical Destination	Resort-oriented	Big city	Visit friends, relatives, education, pilgrimage
2. Seasonality	High, marketing-mix can assist however in spreading demand levels	No seasonality	Partial seasonality
3. Length of Stay	Could be influenced by promotion/ communication	Normally short and cannot be prolonged by advertising	Prefer long stay. This will be prolonged if the costs of additional stay are 'reasonable'
4. Mode of Transport	Varied mode(s) transport, time spent on the way to destinations is part of the holiday or package tour	Airplane invariably. Objective is to reach the destination as soon as possible	The cheapest mode of transport
5. Hotel Accommodation User	Yes, normally stops at un-expensive hotels	Yes, normally expensive hotels	Only a very limited degree
6. Requires Entertainment	Very much so. Normally the entertainment is part of tourist package	Yes, but to a limited degree	No.
7. Price Sensitivity	Very sensitive (high price elasticity of demand	Low price elasticity of demand	Sensitive
8. Role of Advertising/ Marketing Communication	Very important	Rather limited	Quite important particularly sales promotions are important
9. Tour Package (s) Importance	Of great interest and demand	Of no appeal at all	Limited appeal

Source: Meidan A "The Marketing of Tourism in Marketing in Service Industries"

Marketing Objectives for each Market Segment

Marketing objectives which contribute to the accomplishment of the overall business objectives should be established for each target market. Objectives serve a number of functions including:

  (i) guidance for developing marketing mixes for different target markets;
 (ii) information for allocating the marketing budget between target markets;
(iii) a basis for objectively evaluating the effectiveness of the marketing mixes (setting standards); and
 (iv) a framework for integrating the different marketing mixes into the overall marketing plan.

The target market objectives should:

  (i) be expressed in quantitative terms;
 (ii) be measurable;
(iii) specify the target market; and
(iv) indicate the time period in which the objective is to be accomplished.

For example, increase the number of overnight stays by people from the Mumbai market over the next two years by five percent.

   Rank the objectives by priority and carefully evaluate them to ensure that they are reasonable, given the strength of the competition and resources available for marketing.

Criteria for Actionable Market Segments

There are four main criteria to be applied to any segment if it is to be usable in marketing. Each segment has to be:

- Discrete,
- Measurable,
- Viable, and
- Appropriate
- Defendable
- Stable.

Discrete means it must be possible to separately identify the segment according to specific characteristics or variables.

Measurable means that the characteristics distinguishing the sub-groups must be measurable by means of available market/marketing research data or through such new data as can be obtained within available budgets. Segments that cannot be measured accurately, cannot be properly targeted. If targeting is not sufficiently precise, the effectiveness of marketing activities cannot be evaluated with any degree of accuracy.

Viable means that for a market segment to be viable, the revenue it generates over the long run must exceed the complete cost of the marketing mix in order to achieve margins in line with the organisation's objectives. Viability, therefore, is a function of the costs of designing products for the target customers, promoting to such groups, and ensuring that they find convenient access to the products, at attractive prices.

Appropriate means that it is essential that the segments are mutually compatible and contribute to the image or position in the market adopted by a producer. An economy car with a Rolls Royce label would be inappropriate, while destinations that have the aim of establishing an upmarket quality image worry about the impact of attracting backpackers or budget tourists.

Defendable means that unless a producer has distinct market advantages in supplying, or catering for the identified segment, it is not likely to warrant targeting.

Stable means that segments that exhibit volatile demand patterns or have short product life cycles are not attractive to the marketer.

Market Segmentation Methods

There is no unique or best way to segment markets, but ways in which customers can be grouped are:

  (i) location of residence: in-state, out-of-state, local;
 (ii) demographics: age, income, family status, education;

  (iii) equipment ownership/use: rented vehicles, sailboats, canoes, tents, snowmobiles;
  (iv) important product attributes: price, quality, quantity; and
  (v) lifestyle attributes: activities, interests, opinions.

The market segment identification process should result in segments that suggest marketing efforts that will be effective in attracting at least one segment large enough to justify specialised marketing efforts.

There are many ways of segmenting markets, the only limitation being the needs of the producer and the availability of market/marketing research information. These methods are not mutually exclusive but overlap and are complementary, enabling the marketer to build up a detailed view of the market and its needs. The following are some of the methods adopted by travel and tourism suppliers:

- Purpose of travel.
- Buyer needs, motivations, and benefits sought.
- Buyer or user characteristics.
- Demographic, economic, and geographic characteristics.
- Psychographic characteristic.
- Geo-demographic characteristics.
- Price.

Benefit Segmentation

Benefit segmentation consists of identifying the benefits that the tourists might be looking for in a given product class, identifying the kind of tourist who might be looking for each benefit, and defining the tourist destinations which come closest to delivering each benefit. Once different benefit segments have been identified, each segment can then be measured in terms of volume of consumption, frequency of consumption, and possible growth prospects.

Lifestyle Segmentation—Psychographics

There is a growing emphasis among tourism marketers on trying to understand an individual's mental attitudes and psychological make-up through lifestyle segmentation. Psychographic analysis is relevant in travel and tourism where destinations and products are perceived as mental concepts prior to purchase. If common values among groups of consumers translate into purchasing patterns, these can be targeted through marketing. Some individuals are predisposed to seek adventure, enjoy risks and active holidays, while others are risk-avoiders, choosing passive and de-stressing trips. These segments cut across the traditional objective dimensions of demographic segmentation like age, gender, income and life-cycle. Age and income do not determine whether an individual prefers to stay by the hotel pool-side or trek through the bush, though clearly these physical dimensions set the boundaries of choice.

Psychographic

Psychographic research divides the population between psycho-centric (inward-looking) and allo-centric (outward-looking) extremes. The travel and tourism characteristics of extreme psycho-centric and allo-centric individuals can be illustrated as follows:

Psychocentric

- Prefers familiar travel destinations.
- Likes common-place activities at destinations.
- Prefers sun and fun spots, with a focus on relaxation.
- Low activity level.
- Prefers destinations they can drive to.

- Prefers developed tourist areas, with a range of hotels, family restaurants, and tourist shops.
- Prefers familiar atmosphere - manifested through international fast-food, familiar entertainment – with minimal interest in exposure to the people or culture of the place visited.
- Prefers complete tour packaging, with heavy advanced scheduling of activities.

Allocentric

- Prefers non-tourist areas.
- Enjoys the sense of discovery and delight in new experiences, visiting places before others.
- Prefers novel and different destinations.
- High activity level.
- Prefers flying to destinations.
- Tour accommodations should include adequate-to-good hotels and food, but not modern or chain hotels, and few tourist-type attractions.
- Enjoys meeting the people of the destination and gaining access to their customs and culture.
- Tour arrangements should include the basics but allow for considerable freedom and flexibility.

Lifestyle Segmentation—Geotourism

The National Geographic Society broadly classifies tourism into three destination styles:

- touring,
- rest and recreation, and
- entertainment.

The touring style depends on both the human and physical character of a place. Typical activities include sightseeing, history, hiking, photography, and eating local cuisine. The tourism style is characterised by diffuse impacts and support for small business. The key characteristic of this destination style is that it requires protection of nature and heritage and needs architecture, landscapes, cuisine, etc., distinctive of the locale. It's based on the particular features of a place that differentiates it from elsewhere.

The rest and recreation style depends on the physical character of a place but does not generally depend much on the human character of a place namely human culture or heritage. Activities of coastal resorts, walking round a golf course, downhill skiing, water sports, and vacation homes. Associated with it are a risk of sprawl, environmental impacts, and opportunities for architecture, landscaping, cuisine, that suit the locale.

The third destination style is entertainment, does not depend on the character of a place at all. This style is typified by theme parks, outlet malls, amusement parks, convention centres, sports arenas, and casinos. Entertainment style tourism changes the nature of the locale and generates high employment. This is mass tourism with high traffic.

Importance of the Domestic Market

A common oversight among destination tourism planning departments, anxious to achieve expansion of their competitive standing and recognition is to concentrate on international tourist source markets rather than those closer to hand. In countries with developed economies, tourism grew based on domestic demand but there are mutual benefits from having a combined national and international market.

One–to–One Marketing

Electronic technology facilitates the growth of what is known as relationship or one-to-one marketing. The essence of this is that market segmentation becomes so refined that each person is a separate target. Instead of selling one product at a time to as many customers as possible, relationship marketing is

about selling as many products and services as possible to one customer using databases and interactive communication. It involves getting to know the customer by posing questions of existing and potential clients, then adapting to the customer's needs by making suggestions, guiding the customer and adding a personal touch. It creates markets of individual customers with diverse needs and leads to increased customer retention and business per customer when all other forces are operating against brand loyalty.

With changing industry structure and new technology, destination marketing organisations and tour operators are encouraging direct business relationships. Destination marketing systems allow centralisation of all information, including of customers, onto one central database, accessible through various channels. Tour and travel operators are increasingly establishing their own call centres.

The **principles of one-to-one marketing** are:

- Meeting customer needs individually;
- Knowing your customers and their value to you—the "Life-Time Value" (LTV) concept—that is, the stream of expected future profits, net of costs, on a customer's transactions, discounted at some appropriate rate back to its net present value. Forecasts are made based on probabilities, and some account is taken of the added benefit of referrals of other customers;
- Investing in customers with high value LTVs, encouraging medium value ones to buy other company/destination products, and dropping those with low LTVs; and
- Defining the right strategy aimed at improving the capabilities needed to turn the business into more of a one-to-one enterprise.

For a destination, a backpacker will have needs different from that of an elderly couple or honeymooners or a family group. The destination is the same but the "offering" is varied and is customised to the individual's needs. In calculating LTV, it is noteworthy that while the short term value of the honeymooning couple may be greater than of a backpacker, the latter are often the opinion formers who will travel repeatedly in future.

Implementing one-to-one marketing entails:

- Customer tracking, interactive dialogue,
- Customization of products and processes to customer needs, and
- The use of loyalty programmes.

Differentiation of customers, the exploitation of economies of scope and focusing on increasing the share of each customer's business is expensive.

TOURISM MARKET MIX AND STRATEGIES

The marketing strategy, or mix, should be viewed as a package of offerings designed to attract and serve the customer or visitor. Recreation and tourism businesses and communities should develop both external and internal marketing mixes for different target markets. The basic objective of tourism strategy should be matching to the firm's strength with market opportunities, to avoid environmental and competitive threats and to overcome weaknesses in operations and organisation.

The following are some of the important steps in the tourism marketing strategy:

1. Definition of the needs of the potential tourists and their possible destinations.
2. Segmenting the market according to the type of need the firms wants to or is able to satisfy.
3. Defining environmental constraints and competitive scene.
4. Formulating marketing objectives and allocating marketing resources in terms of designing the tourism product, pricing it, communication and organising its delivery.

The selection of strategy in tourism industry depends on the following factors (Median and Lee):

- The size of the segment.
- Tourists' sensitivity to differences between the product packages and product components.
- The distinctiveness of the tourist establishments i.e. hotels, travel agents, and tour operators.
- Competitors' marketing strategies.

Tourist marketing mix is largely a complex group of factors to achieve the 'end products', which helps the marketing manager to understand the demand in relation to supply and marketing investments. A balanced mix is necessary to reach this targeted result.

The marketing mix may be classified into external and internal mix, which are discussed below:

External Mix

The external marketing mix includes product/service, price, place, and promotion.

Product

The product for the tourist covers the complete experience from the time he/she leaves home to the time he/she returns. In case of tourism product the basic raw-materials would be the country's natural beauty, climate, history, culture, and the people. In other words the tourism product can be seen as a composite product, which is the sum total of a country's tourism attractions, transport, accommodation, and entertainment which hopefully results in consumer satisfaction.

The principal products that recreation and tourism businesses provide are recreational experiences and hospitality. The factors that create a quality recreational experience often differ among people. A quality experience for one skier might include an un-crowded, steep slope, to another it might be a good restaurant and a chance to socialise. Decisions on what facilities, programs, and services to provide should be based on the needs and desires of the target markets. They should not be based on the preferences of the owner/manager or necessarily on what the competition is providing.

A recreational/tourism experience includes five elements as follows:

- trip planning and anticipation;
- travel to the site/area;
- the experience at the site;
- travel back home; and
- recollection.

Businesses should look for ways to enhance the quality of the overall experience during all phases of the trip. This could be accomplished by providing trip planning packages which include maps, attractions en route and on site, and information regarding lodging, food and quality souvenirs and mementos.

Recreation and tourism businesses should also view their service/product in generic terms. Thinking of products/services in this manner helps to focus more attention on the experiences desired by customers and also the facilities, programs and services that will produce those experiences. For example, campgrounds are in the business of providing recreational "lodging" not just campsites to park a recreational vehicle or set up a tent. Marinas should provide recreational "boating" experiences, not just a slip.

Tourism Marketing Strategy

In order to formulate any marketing strategy, it is essential for a tourist organization and others engaged in marketing of tourist products to know the answer of following questions:

(a) Who are the persons engaged in tourism and where do they live?

(b) Who are the potential customers and where do they come from?

(c) What are their likes and dislikes?

(d) What are their travel preferences and interests?

(e) What do they buy and where do they stay?

(f) What mode of transport do they use?

(g) What are their entertainment preferences?

(h) What are the trends in competition? and

(i) What type of marketing programmes would be needed?

Market Extension Strategy

Under this strategy the business community tries to reach new types of tourists through modification of existing tourist products. This is done by planning in advance the launch of a new product, managing the lifecycle stages of a tourist product.

Market Development Strategy

This strategy entails the tourism firm add new products or salient features to its existing offers, which is more profitable or growth oriented. The objective of this strategy is to widen the appeal to cater to tourist segments which the firm has not been catering to earlier.

Product Differentiation and Product Reformulation Strategy

Product differentiation is the strategy in which the firm offers different combination or differentiated product features to different market segments. Product reformulation strategy is one which the tourism firm adopts a market creation policy, in which conversion of non-tourists into tourists or by creating new tourist products.

Place-Location and Accessibility

Many tourism businesses and communities fail to recognise their role in improving travel to and from their areas. They focus instead on servicing the customer once they arrive at the site/community. A bad experience getting to or leaving an recreation and tourist site can adversely affect a person's travel experience. Ways to help prevent this include:

(i) providing directions and maps;

(ii) providing estimates of travel time and distances from different market areas;

(iii) recommending direct and scenic travel routes;

(iv) identifying attractions and support facilities along different travel routes; and

(vi) informing potential customers of alternative travel methods to the area.

Potential businesses should also carefully assess alternative locations for:

(i) distance and accessibility to target markets;

(ii) location of competitors with respect to target markets;

(iii) modes of travel serving the area; and

(iv) other attractions and activities that might induce travel to the area.

The various options of distribution of recreation and tourism products are through:

- Channels of distribution,
- Reservation systems,
- Intermediaries (travel agents, tour operators),
- Airlines, and
- Clubs/associations.

Pricing

Price is one of the most important and visible elements of the marketing mix. When setting prices it is important to take into consideration the following:

  (i) business and target market objectives;
 (ii) the full cost of producing, delivering, and promoting the product;
(iii) the willingness of the target market to pay for the product or service you provide;
(iv) prices charged by competitors offering a similar product/service to the same target market(s);
  (v) the availability and prices of substitute products/services (for example, campgrounds, motels, and bed and breakfast are all substitutes for lodging);
 (vi) the economic climate (local and national); and
(vii) the possibility of stimulating high profit products/services (such as boats) by offering related services (such as maintenance) at or below cost.

   When establishing prices, recreation and tourism businesses should give attention to pricing strategies which may encourage off-season and non-peak period sales, longer stays, group business, and the sale of package plans.

Market Penetration Strategy

This strategy is normally adopted by the newer entrants in the tourism market. Under this strategy the new operator tries to obtain a foothold in the market through creating a differential advantage in pricing or promotion or both. Here, they try to find a specific niche by identifying a specific destination or package with specific need segment.

Promotion

Promotion provides target audiences with accurate and timely information to help them decide whether to visit your community or business. The information should be of importance and practical use to the potential or existing visitor and also accurate. Misrepresentation often leads to dissatisfied customers and poor recommendations. Don't make claims you cannot live up to. Developing a promotional campaign is not a science with hard and fast rules. Making decisions regarding which type or combination of promotion types to use is not always easy. If, however, logical process is followed and necessary research is undertaken the chances for success will be improved. It will be necessary to make decisions regarding:

  (i) Target audience: the group the marketer is aiming at;
 (ii) Image: that which the community or business wants to create or reinforce;
(iii) Objectives: those of the promotional campaign;
(iv) Budget: the amount of money available for the promotion;
  (v) Timing: when and how often should the promotions appear;
 (vi) Media: which methods (television, radio, newspaper, magazine) will most effectively and efficiently communicate the message to the target audience; and
(vii) Evaluation: how can the effectiveness of the promotional campaign be determined.

   The success of tourism marketing depends on the descriptions and representations of a particular destination in the market place. The main job of marketing tourism product is creation of awareness of the product among the consumer. The purpose of promotion is:

- To inform about the tourism product;
- To persuade the tourist to buy the product; and
- To influence the potential consumer, trade intermediaries, to act in a particular way to purchase the product.

Promotional Objectives   Effective promotion starts from an analysis and formulation of clear-cut objectives. These include:

- Identification of the target audience to be reached;
- Identification of the purpose of the communication;
- Formulation of message to achieve the goal;
- Choice of media for delivering the message to the target audience;
- Allocation of the budget to achieve the desired purpose; and
- Evaluation in terms of sales and feedback obtained from the customers.

Trade intermediaries play a significant role the promotion of tourism products. The major marketing tools are:

Advertisement

Advertising means any activity designed to spread the information with a view to promoting sales or paid public messages designed to describe or praise a product. Advertising has been defined as any non-personal presentation by an identified sponsor for the promotion of ideas, goods, or services in exchange for value.

The main purpose of advertising is: (a) to win the acceptance of consumers, (b) to stimulate sales to retailers, (c) to make a complete sale, and (d) economical means for entire sales job.
The principal forms of advertisement are:

- Consumer Advertisements-like direct mail, newspaper, radio, T.V, etc. and
- Trade Advertisements – picture postcards, travel and trade journals, other print medias.

To make an advertising message effective the following points should be kept in mind:

- Information (message) should be adequate;
- The message should be interesting;
- The message should have authenticity avoid exaggeration;
- It should persuade the potential consumer;
- The message should have memory value;
- The message should be crisp and meaningful; and
- It should not affect the sentiments of the society.

Advertising in tourism has many uses. They include:

- Creating awareness e.g., Wonder La (Bidadi near Bangalore) launch in 2006;
- Advertising a special offer (e.g., a special weekend price for all hotels of Taj Group);
- Providing information on seasonal deals (e.g., Goa hotels deals in the rainy season);
- Informing about special services (e.g., new timing of an airline during summer holiday rush);
- Direct selling (tour operator selling cruises through corporate bookings);
- Soliciting consumer information (e.g. questionnaire on a new hotel to be launched to know consumer profile);
- Overcoming negative attitudes (e.g. adverts to assure people after flu scare at a destination)
- Reaching a new target audience (e.g. advertisement promoting mountaineering among school children during summer holidays);
- Providing a new use (promoting health tourism in Kerala).

Marketing management must make four important decisions when developing an advertising program as follows:

Setting Advertising Objectives   Advertising objectives can be set with the purpose to inform, persuade, or remind.

Informative Advertising is used when:

- Introducing a new product category,
- Suggesting new uses for a product,
- Informing the market of a price change,
- Describing available services, and
- Building a company image.

Persuasive Advertising is done to influence the customer to actual purchase of the product and is done while

- Building brand preference,
- Persuading consumer to purchase now,
- Changing consumer's perception about product, and
- Encouraging consumer to switch to your brand.

Reminder Advertising results in consumer recalling the product again and again and is done while:

- Reminding consumer where to buy it,
- Reminding consumer during off-season, and
- Reminding consumer that the product may be needed in future.

Setting the Advertising Budget   The following are some of the aspects of tourism advertisement budget:

- Tourism has a large and highly fragmented advertising market, consisting of few big enterprises with huge advertising budgets and a large number of small firms with less to spend on advertising.
- Print is the dominant medium in travel and tourism advertising. The higher cost of advertising on TV has made press a more economical medium to reach the target audience.
- Much of the expenditure on travel and tourism is done on brochures, destination guides, and point-of-sales displays. Tourist boards, tour operators, and tourist information centers provide large amounts of information through printed material to prospective customers.

Selecting Advertising Media   Some of the main factors in media selection are:

- Readership or audience size;
- Geographical reach;
- Repetition and frequency of advertisement;
- Segment target market size;
- Unit cost and cost per thousand;
- Seasonal/ period discounts available;
- Availability of medium (prime poster sites have to be booked in advance); and
- Reproduction quality (glossy magazines provide better visuals than newspaper).

Evaluating Advertising Campaigns   The evaluation of advertising programmes is done to measure the effectiveness of the advertising campaigns.

The **communication effect** is measured to know whether the advertisement has resulted in consumer product awareness, knowledge and preference. It can be done by placing the ad before the consumers and asking them specific questions on how they like it and whether it has changed their attitude.

Sales effect is measured by knowing what sales are caused by an ad and comparing sales with advertising expenditure. However, the sales effect at of advertising is more difficult to measure than the communication effects.

Sales Support

Sales support means the channel between the manufacturer and seller or distributor, which helps the seller to do his job more effectively.

Aims of Sales Support

- To inform about the services available;
- To inform about the cost of various services;
- To assist in selling the product to the ultimate user; and
- To motivate the them to devote a sufficient level of sales and clarity to the service promotion.

Sales Support Techniques

- **Brochures** a pamphlet bound in the form of a book containing information about the tourist destination, printed in best quality paper in not more than ten pages.
- **Folder** a single sheet of paper which can be folded like an inland letter. It is cheaper
- **Direct Mail or Sales Letter** information about the tourism destination is mailed to the potential customer before making a sales call.
- **Display Material** posters, cardboard stands, articles of handicrafts etc, displayed in the front of the travel agents office
- **Special Offer** Free gifts, discounts on the air fare for students, off-season rates at hotel, etc.

Poster Display   Poster is an important publicity medium in tourism. Unlike folders and brochures, posters have life. It is printed in multicolor in good quality art paper carrying good tourism messages visually by Government of India, Department of Tourism, and State Government Tourism Department. Posters are used as a promotional tool for tourism by the following firms also:

- Air India and Indian Airlines;
- Leading Star Hotels;
- Popular Travel Agents;
- Tourism Development Corporation of Several States;
- Railways (Palace on Wheels and Temple Tour);
- Handicrafts Board (Arts);
- Cottage and Small Scale Industries;
- Popular Temple Boards;
- Youth Hostel Accommodations; and
- Sports Organisations.

Shopping and Window Display   Display can be done in the interior of a shop or outside the shop. A window display is a combination of a poster, newspaper advertisement, a stage act, a speech and scarf dance. Window display is also known as window dressing.

Show Room   When things are shown in show cases, show windows and show rooms, price tags may be attached to them. In the case of high-priced items, price tags may not be shown. To get maximum advantage of the show room, the following points require consideration:

- Attractive Location;

- Easy accessibility ; and
- Experienced Salesmen.

Exhibitions and Fairs   Exhibitions are organised by groups of manufacturers or associations of manufacturers or even private individuals. A large vacant space is hired and space is rented out to those who apply for exhibiting their products in the exhibition.

To popularize the products and services and expand their export, India has been taking part in all the important international exhibitions. The Pragathi Maidan in New Delhi has been also become a great centre for national and international exhibitions. Fairs like industrial, agricultural, or commercial fairs are periodically organised in a number of places in the world.

Travel industry fairs and exhibitions are the main marketing vehicles in today's highly competitive market place. Taking into account the changing scenario, innovations in products many countries are participating in the travel fairs and exhibitions to facilitate contacts, for exchange of information and ideas and to initiate sales. The first travel trade fair known as the International Tourism Borse (ITB) was held in the year 1967 in Berlin. Like ITB, World Travel Market (WTM) is held exclusively for travel and tourism professionals. WTM is an annual event held in London in the month of November, since 1980. International Brussels Travel Fair (BTF) is held annually in the month of November since 1975, which is more of a technical event. The other travel trade fairs are as follows:

- Salon Mondial Du Tourism Et Voyages (SMTV) held in Paris every year in February since 1975;
- Feria International Tourism (FITUR) held in Spain every year in January since 1980;
- Travel Trade Workshop (TTW) held in Switzerland every year in October since 1975;
- European Incentive and Business Travel and Meetings (EIBTM) held in Geneva every year in May since 1988;
- International Tourism Exchange (ITE) held in Milan every year in February since 1979;
- Swedish International Tourism and Travel Fair (TUR) held in Gottenburg every year in March since 1982;
- Dutch Travel Trade Exhibition (TOUR) held in Amsterdam every year in December since 1981;
- Pacific Asia Travel Association (PATA) Travel Mart;
- International Tourism Trade Fair (ITTF) Croatia;
- British Travel Trade Fair (BTTF) England;
- Moscow International Travel and Tourism Exhibition (MITT);
- International Travel Expo (ITE) Hong Kong;
- International Tourism Asia (ITA) Hong Kong;
- Feria International de Lisboa (BTL) Lisbon, Portugal;
- International Mediterranean Tourism, Market (IMTM) Tel Aviv, Israel;
- Arabian Travel Mart (ATM) Dubai, UAE; and
- India International Tourism Expo and Mart (IITEM) New Delhi, India.

Important Factors

Factors to be considered by those who are planning to participate in trade fairs and exhibitions:

- Visitors may be mostly senior and high-ranking executives with decision making power;
- Do not expect actual business to come through, it is only an opportunity to build contacts;
- Collection of data of visitors is important in follow-up action;
- Must use opportunity to cultivate media to receive adequate publicity;
- Prepare the necessary publicity material;
- Use adequate audio-visual media;

- Place right contact persons at the stands for meaningful discussion with visitors;
- Build new client contacts; and
- Examine competitor's products to update one's own products.

Advantages of Fairs and Exhibition to Exhibitors
- Technology and know-how transfer;
- Information and technical know-how exchange under one-roof;
- Assess progress made by others; and
- Build partnerships.

Advantages Participation in Travel Trade Fair
- Buyers and sellers of tourism products and services are provided with greater opportunities;
- Advantages of economies of scale and low cost of participation;
- Better communication with clients;
- Better quality of participation;
- A single platform to introduce products;
- Easy access to travel trade media;
- Cultivating new business contacts;
- New information about the travel products;
- Knowledge of competitor's products; and
- Effective public relations.

State government agencies organise tourism fairs and exhibitions at various levels to promote regional tourism. Each state comes out with their own respective theme for promoting their region; for example, Kerala is using the punch line, "Gods Own Country", Uttar Pradesh—"Heaven in the Hills", Kodaikanal – "A time to feel, a time to experience, a time to live ….Kodaikanal", etc.

PUBLIC RELATION IN THE FIELD OF TOURISM

Public relation has been defined as "the activities connected with interpreting and improving the relationship of an organisation or an individual, with the public".

The purpose of public relations in any organisation is two-fold:

- To inform the public regarding the nature and scope of the service available; and
- To develop in the public a mind and attitude of confidence in the agency, a general belief that the staffs are competent, fair and devoted to public interest.

Duties of a Public Relations Officer
- Organisation and familiarisation about new tourism destinations with the help of writers, editors, travel agents, etc.;
- Organising T.V. and Radio contests;
- Organising press release, press conferences;
- Organising seminars and workshops;
- Organising Cultural programmes;
- Organising fashion shows;
- Organising seasonal festivals in respective places; and
- Helping tourists to prepare their tour itinerary.

Internal Marketing

Marketing services such as recreation and tourism differ from marketing tangible products. Recreation and tourism businesses must direct as much attention at marketing to customers on site as they do to attracting them. Internal marketing is important because dissatisfied customers can effectively cancel out an otherwise effective marketing strategy. The success of internal marketing is dependent on creating an atmosphere in which employees desire to give good service and sell the business/community to visitors.

Elements of Internal Marketing

To create such an atmosphere the following four elements are required:

(1) Hospitality and Guest Relations An organisation wide emphasis on hospitality and guest relations, including a customer oriented attitude on the part of the owners and managers as well as the employees. If the owner/manager is not customer-sensitive, it is unlikely the lower employees will be.

(2) Quality Control A program which focuses on improving both the technical quality (the standards associated with what the customer receives) and the functional quality (the standards associated with how the customer receives the service). All employees who come into contact with customers should receive hospitality training.

(3) Personal Selling Training the staff in the selling aspects of the property or community. This also includes rewarding them for their efforts. By being informed about the marketing objectives, and their role in accomplishing those objectives, the staff can help increase sales.

(4) Employee Morale Programs and incentives aimed at maintaining employee morale. The incentives can be both monetary and non-monetary.

A customer-oriented atmosphere usually results in customers who are more satisfied, do less complaining, and are more pleasant to serve. This helps to build employee morale and increases their desire to provide good service.

Services

Customer satisfaction in tourism is greatly influenced by the way in which the service is delivered, the physical appearance, and personality of the business. It is critical that these elements be communicated in the best possible manner to convince people to come and experience what the business or community has to offer. Equally important is the ability to generate repeat business.

There are many other services which also help in the development of a tourism product such as, banking, insurance, entertainment, shopping, etc. According to one of the international estimates, a tourist spends 35 per cent of his total expenditure on transportation, 40 per cent on lodging and food and the balance 25 per cent on entertainment, shopping and others.

Tourism Sub-industry

The decision to travel is influenced by the following factors:

Travel demand influenced by:
- Rising incomes;
- Increased mobility;
- Improved transport;
- Escapism;
- Education; and
- New marketing.

A tourist selects a particular travel destination based on the following factors:

Travel destination influenced by:
- Historical connections;
- Accessibility ;
- Nature of tourist product; and
- Search for foreign exchange.

The Tourism sub-industry comprises of the following intermediaries:

Tourist Industry Intermediaries

- Travel Agents;
- Tour Companies;
- Hotel Companies; and
- Transport Companies.

TRAVEL AGENTS AND TOUR OPERATORS

Travel agents and tour operators have a pivotal role to in the manufacturing and distribution of the travel business. The extraordinary roles played by organizations such as Thomas Cook, Cox & Kings, etc, are highly remarkable in promoting the tourism and related industries in India. Considering the vulnerability and expensive nature of tourism market the distributors (Travel Agents and Tour Operators) have to play a very significant role. The unique role of these organizations lies in their ability to determine the countries in which the other two major players in the tourism industry, the airlines and the hotels, need to market their products and services. In most cases the products and services which exist in another country are not under the control of the distributor i.e. travel agents and operators. While distributing the service products of other participants in the tourism product delivery systems, the travel agents and operators also market their own services, create client awareness and provide care oriented service packages to their customers.

Since the travelers who are travelling abroad do not have much information or the experience to make product choice by themselves at their disposal, the travel agents and tour operators have to play very significant role in giving proper advice, though the technology can be applied to give more complete information.

Travel Agency

From the point of manufacture to the point of sale to the eventual consumers there is a chain of distribution in which the travel agency plays a significant role by which the travel product or service is distributed.

Figure 15.1 shows the chain of distribution functions of a travel agency.

Support Services (Private Sector)	← →	Producers of Tourist Products	← →	Support Services (Government)
Travel Trade Press	Carriers Airlines	Accommodation Hotel Motel	Man-made Attractions Palace Hotels	National Tourist Administrations
Financial Services	Shipping Services	Guest Houses		State and Local Tourist Organizations
Guide Services	Railways	Villas Apartments	Ancient Monuments	Visa and Passport Organizations
Tourism Training Institutes	Roads (Coach, Car Taxi Hire)	Camps Caravan Sites etc.	Theme Parks (Like Essel World, Wonder La, etc.)	
Marketing Support Services		Tour Operators and Brokers		
		Travel Agents		
		The Tourist		

FIGURE 15.1 Distribution Functions of A Travel Agency

Travel Agency and the Distribution Chain

The tourism product comprises of transport, accommodation, and other attractions—both natural and man-made.

Air, rail, road, sea carriers, hotels and other accommodations, and various man-made attractions constitute the producers of tourism products and services.

Brokers are those intermediaries who buy bulk products from the hotels and transport companies and resell it to retailers.

Tour operators buy range of tourist products in bulk – airline seats, hotel rooms etc., and package them and sell it to retailers or consumers.

Travel agents buy travel services for their clients who work on commission basis.

In order to make this tourism related products to reach the final consumer a variety of support services interact. These support services are provided by Government (National Tourist Administration- NTA) or private sector (Travel Agents Association of India—TAAI, Federation of Hotels and Restaurants Association of India- FHRAI, World Tourism Organisation—WTO, Pacific Asia Travel Association—PATA).

Four Types of Sales Distribution Systems

There are four types of sales distribution systems in travel industry:

One-Stage System   This system provides sales from primary suppliers of travel suppliers such as airlines, shipping companies, hotel, restaurants, bus companies, resorts, etc. . This system is very simple, flexible, controllable and gives greater profitability to the supplier. It suffers from high cost of maintenance

Two-Stage System   This system involves a single middleman between the travel supplier and the traveler like travel agents, tour operator, etc. The traveller gets the professional services, facilities of ticket and accommodation booking, insurance, transportation etc from the travel agents.

Three-Stage System   This system involves two middlemen, a retail travel agent and a wholesaler or a tour operator. Here the wholesaler makes bulk purchase of the travel product for which he gets discount which he passes on to the traveler by offering low-priced package.

Four-Stage System   This system is similar to the three-stage system except that there is an additional middleman called specialty channeller involved in the development of tour package.

Functions of a Travel Agent

- Providing information relating to the destination, climate, modes of travel, prices, timetable, visa, currency, health, etc to the people who wish to travel;
- Provides information to the clients on hotels and various other accommodations at the destination where a client is intending to travel;
- Arranges sightseeing tours, excursions, visits to museums, etc;
- Reserves seats for theaters, concerts and other places of entertainment;
- Arranges chauffeur-driven car and a guide if required;
- Advises on baggage handling, foreign currency exchange, documentary requirements, health requirements;
- Provides information on schedules of train connections, rates of hotels, their quality, local taxes, etc.; and
- Arranges reservations for special interest activities such as religious pilgrimages, conventions and business travel, gourmet tours, and sporting events.

Travel Agency Business in India

Travel agents approved by IATA (International Air Transport Association) sell more than 60 per cent of domestic and 75 per cent of international tickets in India. The rest of the business goes directly to the airline companies or GSA (General Sales Agents) appointed exclusively by an airline for the sale of its own tickets wherever there is no airline office or no IATA agent.

Travel Agency Marketing: How to Attract New Customers

Travel agencies don't need large marketing budgets—just determination, a creative mind, and willingness to work outside normal working hours.

Remember to give your customers a code or reference so you can track which approaches are working for you, and keep their contact details.

The principles of marketing have never changed—it's the regularity and qualities of communication that help build your brand and reward you with results.

Hold an open evening

Provide refreshments and a party atmosphere to attract customers. Get in touch with your local paper to promote the event. Both of you stand to gain, especially if you can obtain a prize from your supplier and invite the paper to participate in publicity.

Liaise with the paper to measure response, and ensure they are in attendance with photographer for follow-up publicity.

Make your agency look inviting

We're not talking total makeover - just rearranging furniture and creating an interesting shop window will make a difference.

Ask suppliers for new posters or branded displays. Remove tables or counters that act as barriers and create an open environment.

Be community-spirited

By sitting on a local committee or board, or just attending meetings, you are likely to seize opportunities that allow you to set up shop at local events.

Check out your local charities or community organizations such as the local Chamber of Commerce, Lions Club, Round Table, Women's Institute, school fetes or fairs—all will bring potential new customers.

Setting up shop does not have to be expensive—it may be just a table with brochures and latest offers.

Use the local press

Don't forget your local paper—it can provide many PR opportunities. Local press generally support businesses in the area, and it's surprising what can develop from a cup of coffee with a reporter or editor.

The trick is to not only consider the implications for your business, but also remember to find and highlight the benefits for the third party. Once the connection is established, maximise this by communicating your initiatives, offers and events on a regular basis.

Form partnerships

Keep your ears open for potential partners are also seeking to attract new customers. This may be a local retail outlet, restaurant or supermarket. All of these are excellent shop windows for joint promotion of events.

Offer to provide a placement/staff member in their environment on a trial basis to see if this attracts new customers—and demonstrate that you can attract new customers into their store in return.

Motivate your staff

Engage staff in your new approach so they are motivated to sell and understand the importance of acquiring new customers. Inform them of what you're doing and why it's important, and encourage ideas and suggestions—some of them may surprise you. Their support is paramount to your success.

Tour Operator

Tour operator is a company which specialises in the planning and operation of pre-paid, pre-planned vacations and which makes these available to the general public through a travel agent.

Some tour operators own buses, hotels or other facilities. Some tour operators get these facilities on a contract basis from the suppliers. A tour operator normally offers a variety of packages which, collectively, are known as "tour programmes", targeting individuals or groups either escorted or non-escorted. The package may include transportation to the destination or destinations, transfers, overnight stay, certain or all meals, sightseeing and/or admissions, and car rental.

Ground Operators

These are tour operators who provide services at the destination only such as overnight stay, sightseeing, guides and transfers which are known as land arrangements. These are specialist tour operators who are known as inbound tour operators.

Specialty Channelers

Specialty channellers include incentive travel firms, meeting and convention planners, hotel representatives, interline representatives, association executives, corporate travel offices, and travel consultants.

FAM Tour

FAM stands for "familiarisation" tour. It is bringing people such as travel media, tour operators; and travel agents to a particular destination to experience what the destination has to offer first-hand.

Objectives of FAM Tour

FAM trips are organised with the purpose of promoting a particular destination or building the image of a particular destination.

Whenever a new product or service is introduced tours are organised to create awareness. Familiarisation tours are also conducted when there is incident occurred and people are hesitant to go to such destinations, like after the Tsunami people were skeptical of travelling to Indonesia. The Govt. of Indonesia is taking various steps to promote tourism back through FAM tours. Similarly after 26/11 attack in Mumbai, India, Government of India has taken steps like "Visit India 2009" and conducts familiarisation trips to control the damage which happened after the incident.

In order to publish an event such as festivals, familiarisation trips are organised. When journalists, tour operators, and travel agents experience a destination first-hand, they are able to relay better information to their readers and clients. Since their jobs involve dispersing information to large numbers of people, this is a valuable tool.

Imagine if you saw a photo of Goa in a brochure. By looking at that photo or reading information about Goa online, you would probably have a good idea of what a vacation in Goa might be like. However, if you visit Goa yourself, you are able to describe to others in much greater detail what there is to see and do, in addition to how it feels to be there.

Types of FAM Tours

Travel Industry Marketing   The purpose of hosting a travel agent or tour operator FAM tour is to either increase product knowledge or the amount of product an agent or operator is selling.

Travel Agents   A travel agent will most likely participate in a FAM tour to increase their product knowledge about a destination so they can sell it better to their clients. Travel agents have become extremely niche-focused, so it is important they are experts in the area in which they specialise. Travel

agents also often work in tandem with tour operators in selling their tours. Tour operators will sometimes arrange FAM tours for their top-selling travel agents to make sure they are completely up-to-date on the product the tour operator is selling.

Tour Operators   If a tour operator features Goa product in their brochure, they will often arrange a FAM tour to the state for their reservation agents. This gives the agents the opportunity to experience the product first-hand so they can adequately sell it to their clients.

Media Relations   The purpose of hosting a media FAM tour is to garner positive editorial publicity about a destination and/or organisation. This is different than paid advertising in the sense that the publicity generated through media relations efforts is the editorial opinion of the writer, which is often considered more valuable than paid advertising.

Individual   Many journalists prefer to conduct individual FAM tours, meaning that they want to experience a destination on their own as opposed to with a group of other writers. When journalists travel by themselves, they typically have a particular story assignment or they are writing on "spec" and they have a specific story idea in mind.

TOURIST TRANSPORT MARKETING

Tourist transport marketing is marketing wherein the operators sell directly to customers like corporate houses, foreign missions, convention organisers, foreign tour operators, walk in customers, etc. or selling indirectly wherein operators supply tourist vehicles through one or more intermediaries.

Functions of Tourist Transport Operator

- **Contact** Find (locate) and communicate effectively with prospective buyer.
- **Prospecting** Identify the specific needs of customer and prepare need based packages.
- **Negotiations and Transactions** Reaching an agreement on price and other terms of offer so that services can be supplied for consumption.
- **Promotion** Promotion of operator's offerings and their satisfaction generating potential.
- **Collection** Collection of feedback and revenue in exchange of goods/services.

Apart from the above functions the tourist transport operator has to perform the following additional functions also:

(a) **In-Reach Selling**, i.e., dealing with incoming queries from customers; and
(b) **Out-Reach Selling**, i.e., targeting at existing and potential customers both.

Airlines Marketing

The airlines had a revolutionary impact on tourism from World War II onwards. The modern era can be termed as the mass air travel era. This has been the most important socio-economic phenomenon.

For international travel, air travel is the second most popular mode of transport, which is next to automobiles. Air travel is attractive because of its speed and range and also as it offers status.

In the international tourism, air travel has made a most valuable contribution. In the year 1952, the two-class travel was introduced which was made possible by the larger capacity of the new aircrafts. This made possible the lowering of airfares. This period was also remarkable for 'package holiday' around air transport, the model for most of today's global tourism.

The most significant development during this period was the development of the concept of 'inclusive tours' in which travellers were carried on charter flights at rates substantially lower than normal services.

To attract more passengers airlines are offering cheaper promotional fares such as excursion fares and group fares.

Excursion Fares

These are provided to the tourists on the basis of round trip journey and have conditions of minimum and maximum stay, restricted to one airline, cancellation fees, weekend travel purchase, and so on.

Group Fares

Group fares are applicable to groups and are discounted by 20 to 40 percent. There are three types of group fares:

(i) Group Inclusive Tour (GIT) Fare   Such fares are designed for group travel subject to certain conditions. GIT 4 fare requires at least four passengers to travel together.

(ii) Incentive Tour Fare   A special fare designed for incentive groups where one organisation pays for the entire trip.

(iii) Affinity Group Fare   This fare is used when a corporation or an organisation pays for its employees or members to travel to a meeting, a convention or a conference.

On the operational side, Indian Airlines (government-owned) and some other private airlines like Spicejet, Jet Airways, Kingfisher, Airlines and so on provide domestic air services. Air India, Jet Airways, and Kingfisher Airlines provides international air services.

Tourism Industry in India

Tourism industry in India is on a great boom at the moment. India has tremendous potential to become a major global tourist destination and Indian tourism industry is exploiting this potential to the hilt. Travel and tourism industry is the second highest foreign exchange earner for India, and the government has given travel and tourism organisations export-house status.

The buoyancy in the Indian tourism industry can be attributed to several factors. Firstly, the tremendous growth of Indian economy has resulted in more disposable income in the hands of the middle class, thereby prompting a large number of people to spend money on vacations abroad and at home. Secondly, India is a booming IT hub and more and more people are coming to India on business trips. Thirdly, aggressive advertising campaigns like "Incredible India" by Tourism Ministry has played a major role in changing the image of India from that of the land of snake charmers to a hot and happening place and has sparked renewed interest among foreign travellers.

Travel and tourism industry's contribution to Indian industry is immense. Tourism is one of the main foreign exchange earners and contributes to the economy indirectly through its linkages with other sectors like horticulture, agriculture, poultry, handicrafts, and construction. Tourism industry also provides employment to millions of people in India both directly and indirectly through its linkage with other sectors of the economy. According to an estimate total direct employment in the tourism sector is around 20 million.

Travel and tourism industry in India is marked by considerable government presence. Each state has a tourism corporation, which runs a chain of hotels/resthouses and operates package tours and the central government runs the India Tourism Development Corporation.

In the year 2002, the Government of India announced a New Tourism Policy to give boost to the tourism sector. The policy is built around the 7-S Mantra of Swaagat (welcome), Soochanaa (information), Suvidhaa (facilitation), Surakshaa (security), Sahyog (cooperation), Sanrachnaa (infrastructure), and Safaai (cleanliness).

Conditions to Check in Tourism/Hospitality Marketing

The following are list of factors that need to be checked as far as the capabilities and limitations are concerned. It is hoped that such a check will pave the way for proper positioning of Indian Tourism, help bring an appropriate tourism policy and the much-needed integration among tourism suppliers.

I. Factor Conditions

1. **Natural Resources** such as:
   - **Climate** temperature, snow, sunny days, and rains;
   - **Natural Beauty** land forms, hills, rocks, terrain and scenic and charms;
   - **Water** lakes, ponds, river falls, springs and beaches; and
   - **Flora and Fauna** hunting, fishing, natural parks – wild life, sanctuaries, safari, and sikar.
2. **Infrastructure**, such as:
   - Water supply system, sewage and disposal system, drainage system highways, roads, and parking lots;
   - Parks, night lighting, airport runways, and landing facilities; and
   - Access drives – airport, marine and dock facilities, bus and train station facilities, and railway lines.
3. **Knowledge Support**, comprising of availability of professionally-qualified and trained personnel for managing the tourism supply organisations and the tourists.
4. **Super-structure**, covering hotels and catering institutions, places of entertainment, historical monuments tourism organizations for water sports, mountain climbing and hiking, hunting etc, financial institutions—banks and insurance, telecommunication, shopping centers and the media.
5. **Cultural Resources**, such as history, architecture, fine arts, music, dancing, theatre, galleries, literature, zoological, and botanical gardens.

II. Demand Conditions

- Since India's share of tourism is less than 0.5 per cent of the global market, in order to reap higher rates of growth as well as provide sustenance to expensive tourism infrastructure, the domestic tourism should be given attention.
- The changing behaviour of the customers should be anticipated for a proactive and timely response.
- Market needs to be segmented using appropriate basis so as to reap adequate profits.
- The government should adopt an integrative and responsive approach to tourism marketing in India to attract first time tourists.

III. Related and Supporting Industries

- Guiding services and time-table publications;
- Bus, coach, car hire, and taxi services;
- Conference and convention suppliers;
- Food and beverage suppliers and their standards;
- Travel agency and tour operators availability, services-mix and image;
- Education and training institutions for hospitality services; and
- Other up-stream and down-stream support industries including gifts, souvenirs, publicity, and sales promotion item suppliers.

IV. Tourism Firm Strategy, Structure and Rivalry

- The management should change their attitudes to offer superior service quality and not the casual 'Chalta Hai' attitude and also try to boost India's image abroad;
- Corporate goals and planning should reflect in successful measurement in tourism services, perceptions regarding gestation period, pursuit of market segmentation strategy, and in attaining and sustaining competitive edges;
- Tourism firms should evaluate their competition through fair approaches to keep ahead of the others, and to survive in the field;
- The state of new business formations in the tourism sector, the kinds of spin-offs in consultancy, exports and vertical integrations are the rule rather than the exception; and
- The national tourism policy should reflect in the corporate marketing strategies of tourism supplier firms.

Need for Focussed and Intensive Tourism Promotion

Promotion of the right image of India abroad is a prerequisite of effective tourism marketing. India's image should be corrected on a permanent basis from being a nation plagued with maladies of poverty of the society based on a rigid caste system; a land of snake charmers, sadhus and gurus; and a nation swathed in tonnes of red-tape and trapped in a time-warp of its own making. The festival of India programmes may have bolstered India's conventional exotic and mystic image but has failed to project its technological achievements.

Market research studies should cover the following areas to augment toruism planning efforts:

- What motivates tourists to travel and what are their current perceptions of India?
- What per cent of tourists are aware of India?
- What other nations compete with us on tourist motivation?
- How can India be positively known to more?
- What kind of inhibitions, apprehensions and appreciation, different target segments possess about India?
- How distinct is the personality profile, recreation behavior and motivational features of first time tourist to India versus repeat tourists to India?
- How well does India's tourism infrastructure match with their expectations?

"India Awareness" Programme can be brought about with the following measures:

- Courteousness and commitment of the staff at the Indian Embassies and High Commissions;
- Printing and dissemination of cultural maps of India highlighting the unique seasons and strengths of the cultural, religious and architectural heritage;
- Promotion of exclusive themes such as dress experience, royal experience, etc.
- Innovative public relations programme comprising of regular coverage of India in the foreign press, publication of informative newsletters, press parties of travel writers and tour operators, invitation to foreign advertisement film makers, distribution of comprehensive and attractive theme brochures on India in multiple languages, and screening of video film, covering do's and don'ts to visiting tourists ad highlighting the niceties of India; and
- Marketing of special festivals, national days, and regional festivals along with specially created souvenirs.

In order to harness the available potential, the areas that need immediate and sustained attention are as follows:

- Formulation of strategic marketing plan with a focus on a select number of tourist generating sources as the thrust centers;
- Exploration and development of new tourist-generating markets with integrated and aggressive marketing in foreign countries;
- Continuous updating and modernisation of tourism product and thereby making a destination for tourist to visit again;
- Advance preparation and integrated planning before "Visit India Years" are announced;
- Systematic planning for accommodation facilities for middle-and low-income foreign tourists and domestic tourists;
- Provision of adequate availability of air-conditioned coaches and cars, and improvement in the physical conditions of taxis;
- User –friendly infrastructure;
- Streamlining of visa policy, facilitation at the airports, manning of immigrations and customs with suitably qualified personnel;
- Safety of the tourists;
- Privatisation of tourism operations;
- Systematic marketing at the firm level; and
- Internal marketing and development of human resources.

TYPES OF TOURISM IN INDIA

All types of tourism in India have registered phenomenal growth in the last decade ever since the Indian government decided to boost revenues from the tourism sector by projecting India as the ultimate tourist spot.

The reason why India has been doing well in all types of tourism is that India has always been known for its hospitality, uniqueness, and charm—attributes that have been attracting foreign travelers to India in hordes. The Indian government, in order to boost tourism of various kinds in India, has set up the Ministry of Tourism and Culture. This ministry recently launched a campaign called 'Incredible India!' in order to encourage different types of tourism in India.

Adventure Tourism in India

Adventure tourism in India has increased in recent years due to the efforts taken by the Indian Government and the Ministry of Tourism and Culture. The scope for adventure tourism in India is endless because the country has a rich diversity in terms of climate and topography. Various kinds of adventure on water, land, and air can be enjoyed in India.

The various kinds of adventure tourism in India are:

- Rock climbing—Badami, Kanheri Caves, Manori Rocks, and Kabbal;
- Skiing—Manali, Shimla, Nainital, and Mussoorie;
- Camel safari—Bikaner, Jodhpur, and Jaisalmer;
- Mountaineering—Garhwal, Himachal Pradesh, and Jammu and Kashmir;
- Rafting in white water—Ganga, Alaknanda, and Bhagirathi rivers;
- Trekking; and
- Para-gliding.

Cultural Tourism in India

Cultural tourism in India is the predominant factor behind India's meteoric rise in the tourism segment in recent years, because from time immemorial, India has been considered the land of rich history, heritage, and culture.

India has had many rulers over the centuries and all of them made an impact on India's culture. One can see the influence of various cultures in dance, music, festivities, architecture, traditional customs, food, and languages.

The most popular states in India for cultural tourism are:

- Rajasthan—Camel festival, Marwar festival, and Pushkar festival;
- Tamil Nadu—Jallikattu, Maravadi, Dance Festival at Chidambaram;
- Uttar Pradesh—Taj Mahal, Mathura;
- Kerala—kathak, mohiniattam, and kathakali dance forms; and
- Uttarakhand—temples in Kumaon and Garhwal.

Food: Indian food presents a range of tastes, spices, ingredients, and flavours. Some of these are Mughlai, Kashmiri, Goan, South Indian, Punjabi, and Rajasthani.

Eco-tourism in India

Eco-tourism in India has developed recently and it entails traveling to places that are renowned for their natural beauty and social culture, while making sure not to damage the ecological balance. India has a diverse geography which led to the development of many tourists destinations. These various destinations not only de-stress the tourists but also rejuvenate them.

Places such as Kerala, Lakshdweep Islands, the Himalayan region, north-east India, and Andaman and Nicobar Islands are some destinations in India where tourists can participate in eco-tourism-related activities. In Kerala, Thenmala is a planned ecotourism spot and is the first of its kind in India. Great care has gone into the care and preservation of Thenmala so that it caters to nature lovers and eco-tourists.

The major national parks in India for eco-tourism are:

- Corbett National Park in Uttar Pradesh;
- Bandhavgarh National Park in Madhya Pradesh;
- Kanha National Park in Madhya Pradesh;
- Gir National Park and Sanctuary in Gujarat; and
- Ranthambore National Park in Rajasthan.

Heritage Tourism in India

Heritage tourism in India has registered an immense growth in the last few years. India has always been famous for its rich heritage and ancient culture. India's glorious past and cultural diversity make a potent blend which attracts millions of tourists each year to its heritage tourist attractions. The most popular heritage tourism destinations in India are:

- Taj Mahal in Agra;
- Mandawa Castle in Rajasthan;
- Mahabalipuram Cave Temple in Tamil Nadu;
- Madurai Meenakshi Temple in Tamil Nadu;
- Lucknow in Uttar Pradesh;
- Ellora-Ajatha Caves in Maharashtra;
- Khajuraho Temples in Madhya Pradesh; and
- Red Fort, Jama Masjid, Humayun's Tomb, and Tughlaqabad Fort in Delhi.

Wildlife Tourism

India has a rich forest cover which has some beautiful and exotic species of wildlife—some of which that are endangered and very rare. This has boosted wildlife tourism in India. The places where a foreign tourist can go for wildlife tourism in India are the Sariska Wildlife Sanctuary, Keoladeo Ghana National Park, and the Jim Corbett National Park.

Pilgrimage Tourism

India is famous for its temples and that is the reason that among the different kinds of tourism in India, pilgrimage tourism is increasing most rapidly. The various places for tourists to visit in India for pilgrimage are Vaishno Devi, the Golden Temple, Char Dham, and Mathura Vrindavan. In South India, places like Tirupathi in Andhra Pradesh, Sabarimala in Kerala, Vaishno Devi in Himachal, etc are popular pilgrim destinations.

Spiritual Tourism in India

People who are living under conditions of stress turn to spirituality. The Eastern part of the world is considered to be very spiritual with many of the new age Gurus and their hermitages. This gives rise to another form of tourism product, called spiritual tourism. Tourists visit places to attend spiritual discourses and meditation workshops. For example, The Osho Foundation, Art of Living Foundation which have centres all over the world, Buddhist Monasteries, and Ashrams.

Medical Tourism

Tourists from all over the world have been thronging India to avail themselves of cost-effective but superior quality healthcare in terms of surgical procedures and general medical attention. India's reputation as a major medical tourist destination is fast becoming popular amongst foreign tourists to the country. The country has some of the best hospitals and treatment centres that are equipped with infrastructure and technology, which are at par with those in the US, UK and Europe at a fraction of the costs.

In fact, according to the World Travel and Trade Council, Indian tourism demand will continue to grow at a rapid pace. It estimates the demand to grow at an average of 8.8 per cent between 2004 and 2013, making India the world's third fastest growing tourist market. The boom in the Indian tourism industry has cascaded to the rural areas as well. India continues to attract tourists owing to its splendid historical architecture and rich culture along with beautiful beaches, rural tourism and also 'responsible tourism'.

Responsible Tourism in India

Responsible tourism is a new form of tourism. It is similar to eco-tourism. This concept was first developed by J. Krippendorf in the 1980's with the aim "to develop and promote new forms of tourism, which will bring the greatest possible benefit to all the participants—travellers, the host population, and the tourist business, without causing intolerable ecological and social damage."

Responsible tourism can be defined as "tourism which creates better places for people to live in, and better places to visit". Some of the main objectives of responsible tourism are as follows:

- To respect local cultures—traditions, religions and built heritage;
- To protect the environment—its flora, fauna and landscapes;
- To conserve natural resources—from source to destination;
- To benefit local communities—both economically and socially; and
- To minimize pollution—through noise, waste disposal and congestion.

In a nut shell, responsible tourism is that form of tourism in which initiatives and responsibilities are taken by both the tourists and the travel agencies to maximise the positive impacts and minimise the negative impacts on environment, traditions, and cultural heritage of the region.

India has an abundant scope to emerge as a responsible tourism destination. Indian tourism industry has grown immensely in the last five years and it is for sure that in the upcoming years India will become a hot tourist destination of South-East Asia. To sustain this growth process it is necessary that all the stakeholders of the Indian tourism industry i.e. tour operators, government agencies and NGO's must work in cohesion. They must protect the heritage of our country which in turn will benefit both the local communities and the tourists.

To develop India as a responsible tourism destination, ICRT India which stands for International Centre for responsible tourism works in collaboration with the private sector, government, and local communities. It is a Bangalore-based non-profit organisation, established in 2006, whose main objective is to "take responsibility for achieving sustainable tourism, and to create better places for people to live in and for people to visit." It provides policy advice, research and consultation on developing responsible tourism in India.

Among all Indian states, Kerala has pioneered in practicing innovative tourism ideas. Some of the successful Responsible tourism projects of India are:

- "Sunderban Jungle Camp" initiated by Help Tourism group to connect the heritage sites and protected areas of Sunderban with the livelihood of the local communities through community-based, environmentally and socially responsible tourism.
- "Awake and Shine" is another successful responsible tourism project. This project was started by Retired Indian Army General "Jimmy" Singh in May 2006 to develop the Samthar Plateau near Kalimpong (40km) as a tourist destination depending on the homestay holidays, local handicrafts and other products.
- Anakkara Spice Tourism Village in Idukki district of Kerala. This project was started in October 2004 by Women in Agriculture (WIA), a group of women who has joined hands to preserve nature, share benefits of tourism among the local populace and boost the local economy.

Fairs and Festivals

India is a land where festivals never end. Processions, prayers, new attires, dance, and music are important elements of festivals. The Indian calendar is marked by the plethora of big and small occasions which are termed as festivals in the country. They are mostly connected to seasonal changes and are garnished with some popular legends mostly depicting victory of good over evil.

Hindu Festivals

India's biggest religion, Hinduism is followed by large portion of country's total population. Followers of Hinduism are referred as Hindus and they believe in gods and goddesses. Hindus celebrate hundreds of festivals round the year dedicated to their deities. The following are some Hindu festivals:

Holi, Diwali, Baisakhi, Janmashtami, Ganesh Chathurthi, Dussehra, Raksha Bandhan, Bhai Duj, Karvachauth, Lohri, Makar Sankranti, and Rama Navami.

Buddhist Festivals

Buddhism has a strong connection with India. In fact, Lord Buddha—the founder of Buddhism-spent his life at various places in India where he gave his expositions. Even today, Buddhists from all over the world visit these important sites and participate in Buddhist festivals. Budhapurnima is a famous Buddhist festival.

Christian Festivals

One of the major religions of the world, Christianity is followed by a large number of people in India. Christians celebrate a number of festivals related to Jesus Christ and his life. Christmas and Easter are two important Christian festivals.

Muslim Festivals

World's second largest religion Islam has a large number of followers in India. Usually, to celebrate any festival, Muslims observe fast, offer namaz (prayers), do fateha (special prayers), and distribute sweets among themselves. Muslims have very few festivals and Eid is the most important of them. Id-ul-Fitr is another famous Muslim festival.

Regional Festivals

India is a vast country with a population of over one billion, spread over a large geographical area. The cultures and traditions of India differ from region to region. People of the country living in various regions have specific festivals related to their crop, animal, local deities, or old traditions. Thrissur Pooram, Onam, Goa Carnival, Taj Mahotsav etc are some famous regional festivals.

Taj Mahotsav   Taj Mahotsav is a 10-day long carnival held every year at Shilpagram near the Taj Mahal. This festival is a vibrant celebration of Indian art, craft, and cultural nuances. Music, dance, poetry, as well as camel and elephant rides, games and food festivals are main components of the festival. Every year this is celebrated from 18th to 27th February.

SurajKund Crafts Mela   The people of Delhi and the vicinity eagerly wait for this annual crafts mela at Surajkund in Haryana, which is held every year from the 1st of February to the 15th of February. This mela is a platform for painters, sculptors, weavers, and craftsmen from different states of India, to display their skills.

Fairs in India

Like festivals, fairs are also an important part of the life of Indian people and celebrated with great pomp and grandeur. They are related to the particular town, suburb or village, and are generally held once in a year. Locals as well as people from far-flung areas participate in fairs to enjoy various activities including trading. Some fairs, like the Kumbh at Haridwar and the Pushkar Camel Fair in Rajasthan, already draw a significant number of tourists, but much more can be done.

INDIAN TOURISM AND HOSPITALITY INDUSTRY TRENDS

Changes in the standard of living, more disposable income, better education, long leisure time, and aging population have all contribute to the growth of tourism in India. This in turn has paved the way for improvement in infrastructure, increase in competition, introduction of new products, and provision of better quality of services.

India's tourism and hospitality industry has emerged as one of the key sectors driving the country's economy. India's tourism is thriving, owing to a huge surge in both business and leisure travel by foreign and domestic tourists. According to the latest Tourism Satellite Accounting (TSA) research released by the World Travel and Tourism Council (WTTC) and its strategic partner Accenture, India's travel and tourism industry is expected to generate approximately US$ 100 billion in 2008, growing at 7.3 per cent and rising to US$ 275.5 billion by 2018 over the next ten years.

As noted by the UN World Tourism Organisation (UNWTO), the rapid growth of India's tourism industry has been instrumental in South Asia being a preferred tourist destination. Foreign tourist arrival

rose to 3.46 million to an estimated 5 million in 2007. Domestic tourists too have grown from 366.23 million in 2004 to 462 million in 2006. Consequently, foreign exchange earnings from tourism in India rose from US\$ 3 billion in 2002 to an estimated US\$ 11.96 billion in 2007. A recent research by the University of New South Wales (UNSW) and Australian School of Business (ASB) forecast India and China to be the new global players competing for a huge chunk of tourists, transforming the geopolitical landscape.

Further, tourism is an important industry in Indian economy contributing about 6.1 per cent to the national GDP and providing employment to over 41 million people.

Inbound Tourists

India's share of international tourist arrivals has steadily increased from 0.46 per cent in 2004 to 0.55 per cent in 2007. Foreign tourist arrivals increased by 11.5 per cent in a period of five months (January to May 2008). Hence India's foreign exchange earnings surged by US\$ 5.47 billion. Consequently, foreign exchange earnings grew at a much faster rate at 28.9 per cent in 2008, against 20 per cent during the corresponding period in 2007. Total earnings from foreign tourists has shown an annual growth rate of 19.2 per in 2006 and 33.8 per cent in 2007 to garner US\$ 7.49 billion in 2005, US\$ 8.93 in 2006 and US\$ 11.96 billion in 2007.

However India's share in the world of arrivals currently stands at 0.5 per cent and revenue generated from tourism is 1.11 per cent.

Despite the economic slowdown and terror attacks, the tourist arrivals and earnings have shown growth in 2008. How can the momentum be sustained?

There are several trends and demand-drivers that have contributed to the growth in India's tourist arrivals. These include the foresight and role of the government in marketing India internationally. The 'Incredible India' campaign has had a major influence. The number of tourists from the US and UK have increased significantly, making the two countries the largest source markets for inbound tourism in India. Over 31% of international tourists are from these two countries.

Recent reports also indicate that new marketing strategies by inbound tour operators, as well as an increase in religious tourism are the other important reasons for the increase in arrivals. In addition, the increasing wealthy Indian population has also spurred domestic tourism growth in the country.

The government is already working closely with the private sector to help boost tourism, particularly in attracting more international travellers. For example, the ministry of tourism is currently in discussion with the industry to offer free air travel and accommodation for tourists from abroad returning to the country for the third time. The government is also considering paying travel and accommodation expenses for tour operators who promote medical tourism and domestic travel.

Outbound Tourists

India's account for outbound tourism is only 4.5 million of global tourists, whereas outbound tourism from India is estimated at 8.5 million. The disparity in the outbound and inbound tourist estimates points to the nation's booming economy and rising income levels of its citizens. Indian outbound tourist flow is expected to increase at a Compounded Annual Growth Rate (CAGR) of 13.30 per cent over the five-year period spanning from 2008 to 2012, according to RNCOS new report titled, "Indian Tourism Industry Analysis".

Along with the rise in the number of Indians travelling abroad, both the total and per capita expenditure spent abroad has been increasing. For example, according to the European Travel Commission, average spend per trip of Indian outbound tourists has increased from US\$ 611 in 2000 to US\$ 822 in 2006. Similarly, Euromonitor International estimates the outgoing tourism expenditure from India to grow to US\$ 21 million by 2011, representing a growth of over 25.7 per cent between 2006 and 2011.

Outbound tourist market has been growing at an annual average rate of around 25 per cent. In 2007, an estimated eight million Indian tourists ventured abroad. Further, the United Nations World Tourism Organisation (UNWTO) estimates the figure to reach about 50 million by 2020.

SALIENT FEATURES OF THE TOURISM POLICY ARE

- The policy proposes the inclusion of tourism in the concurrent list of the Constitution to enable both the central and state governments to participate in the development of the sector.
- No approval required for foreign equity of up to 51 per cent in tourism projects. NRI investment up to 100 per cent allowed.
- Automatic approval for technology agreements in the hotel industry, subject to the fulfillment of certain specified parameters.
- Concession rates on customs duty of 25 per cent for goods that are required for initial setting up, or for substantial expansion of hotels.
- 50 per cent of profits derived by hotels, travel agents, and tour operators in foreign exchange are exempt from income tax. The remaining profits are also exempt if reinvested in a tourism-related project.

Apart from this, government has taken several other measures for the promotion of tourism. A multi-pronged approach has been adopted, which includes new mechanism for speedy implementation of tourism projects, development of integrated tourism circuits and rural destinations, special capacity building in the unorganised hospitality sector and new marketing strategy.

The outlook for travel industry in India looks extremely bright. India as a tourism destination is the toast of the world at the moment. Conde Nast ranked India amongst the top 10 tourist destinations. JBIC ranked her as the fifth most attractive investment destination. Besides, India is probably the only country that offers various categories of tourism. These include history tourism, adventure tourism, medical tourism (ayurveda and other forms of Indian medications), eco-tourism, cultural tourism, rural tourism, religious/pilgrimage tourism, spiritual tourism, and beach tourism, etc.

HOSPITALITY INDUSTRY IN INDIA

The Hotel Industry

A hotel is an establishment that provides paid lodging, usually on a short-term basis. Hotels often provide a number of additional guest services such as a restaurant, a swimming pool or childcare. Some hotels have conference services and meeting rooms and encourage groups to hold conventions and meetings at their location.

Classified Hotels

Hotels in India can be broadly classified into the following:

1. Star-rated hotels;
2. Heritage hotels;
3. Budget hotels; and
4. Unclassified hotels.

Star-Rated Hotels   They form 30 per cent of the industry size. Five-star hotels are mainly situated in the business areas of metro cities and cater to foreign tourists, business travelers, top government officials and political brass, offering luxury at a high price. These are considered to be very expensive. Three-and Four-star hotels are situated in medium-sized cities and tourist destinations, preferred by mid-level executives and leisure tourists. Two and one star hotels are found in smaller cities and around tourist spots, preferred by domestic tourists. Reputed Indian Hotels include ITC, Indian Hotels Company (Taj group), East India Hotels (Oberoi group), Hotel Leela Venture, and ITDC hotels. Foreign hospitality players include Marriott, Radisson, Sheraton, Meridien, Hyatt, Four Seasons, Regent, the Carlson Group, Jumeirah and Mandarin Oriental, and Dubai's Istithmar luxury hotels.

Heritage Hotels   These are characterised by lesser capital expenditure and affordability and include hotels running in palaces, castles, forts, hunting lodges etc. Heritage hotels are further classified as: Heritage Classic, Heritage Grand and Heritage. Heritage Classic hotels are built between 1920 and 1935. Heritage Grand hotels are built prior to 1920. Heritage hotels include hotels built between 1935 and 1950.

Budget Hotels   They are usually preferred by domestic travelers seeking economical accommodation. These are reasonably priced, offer limited luxury, seasonal discounts, and decent services. Some new global entrants include UK's Dawnay Day and Whitbread Premier Travel Inn, Shangri-la, Aman Resorts, Golden Tulip Budget Hotels, Fairfield Inn, Country Inns and Suites, Courtyard by Marriott, Hometel, Ibis, and Kamfotel. Budget hotels are preferred by business travelers contributing to greater ARR (Average Room Rate) than leisure travellers. Increased demand and healthy occupancy has fueled the growth of budget hotels in a short time.

Unclassified Hotels   They are motels spread across the country. They form 19 per cent of the industry size. Low price is their only USP.

Boutique Hotel   India represents about 70 per cent of Carlson Hotels in the Asia-Pacific region and will remain the core growth market along with China, Thailand, and the South Pacific. There continues to be a strong demand for rooms in India, particularly in key cities such as Delhi, Mumbai, and Bangalore.

Restaurants   These typically include fast-food chains, ethnic restaurants, fine dining, and coffee bars. The major players include Barista, Mc Donalds, Ruby Tuesday, Bercos, etc.

Contract Catering   This includes any catering business unit that is formally not a part of the hotel industry but is closely allied to it.

Hotel Industry in India

Hotel industry in India has witnessed tremendous boom in recent years. Hotel industry is inextricably linked to the tourism industry and the growth in the Indian tourism industry has fuelled the growth of Indian hotel industry. The thriving economy and increased business opportunities in India have acted as a boon for Indian hotel industry. The arrival of low cost airlines and the associated price wars have given domestic tourists a host of options. The 'Incredible India' destination campaign and the recently launched 'Atithi Devo Bhava' (ADB) campaign have also helped in the growth of domestic and international tourism and consequently the hotel industry.

In recent years government has taken several steps to boost travel and tourism which have benefited the hotel industry in India. These include the abolition of the inland air travel tax of 15 per cent; reduction in excise duty on aviation turbine fuel to 8 per cent; and removal of a number of restrictions on outbound chartered flights, including those relating to frequency and size of aircraft. The government's recent decision to treat convention centres as part of core infrastructure, allowing the government to pro-

vide critical funding for the large capital investment that may be required has also fuelled the demand for hotel rooms.

The opening up of the aviation industry in India has exciting opportunities for hotel industry as it relies on airlines to transport 80 per cent of international arrivals. The government's decision to substantially upgrade 28 regional airports in smaller towns and privatization and expansion of Delhi and Mumbai airports will improve the business prospects of the hotel industry in India. Substantial investments in tourism infrastructure are essential for the Indian hotel industry to achieve its potential. The upgrading of national highways connecting various parts of India has opened new avenues for the development of budget hotels in India. Taking advantage of this opportunity Tata group and another hotel chain called 'Homotel' have entered this business segment.

According to a report, the Hotel industry in India currently has a supply of 110,000 rooms and there is a shortage of 150,000 rooms, fueling hotel room rates across India. According to estimates, the demand is going to exceed supply by at least 100 per cent over the next two years. Five-star hotels in metro cities allot the same room, more than once a day to different guests, receiving almost 24-hour rates from both guests against 6–8 hours usage. With demand-supply disparity, hotel rates in India are likely to rise by 25 per cent annually and occupancy by 80 per cent, over the next two years. This will affect the competitiveness of India as a cost-effective tourist destination. It is estimated that over the next two years 70,000–80,000 rooms will be added across different categories throughout the country.

Hotel industry in India is also set to get a fillip with Delhi hosting the 2010 Commonwealth Games. Government has approved 300 hotel projects, nearly half of which are in the luxury range. The future scenario of Indian hotel industry looks extremely rosy. It is expected that the budget and mid-market hotel segment will witness huge growth and expansion while the luxury segment will continue to perform extremely well over the next few years.

Revenues of Hotel and Restaurant (H&R) industry in India during the financial year 2006–07 was INR 604.32 billion, a growth of 21.27 per cent over the previous year, primarily driven by foreign tourist arrivals, which increased by 14.17 per cent. The hospitality industry is poised to grow at a faster rate and reach INR 826.76 billion by 2010.

Opportunities for Growth into New Markets

Globalisation is a key driver in hotel marketing. Emerging markets – particularly Russia, India, China and the Gulf—offer significant opportunities, but cannot be treated as a homogeneous whole. For example, customers from China will search for, plan and book a hotel in a different way from Russian customers. The notion of brand integrity is crucial: hotels will need to supply consistent service in a global environment, while adapting to support customers with new cultural background and sensitivities in local markets.

Information Key to Servicing the Demanding Customer

The modern traveler wants to have experiences built around their personal needs. The hotel industry recognises that it must go further in its adoption of social networking. User reviews expose the truth of a hotel's brand since customers often use their peer group as the main source of information. Hotels are now challenged with maintaining high standards and meeting the expectations of customers who have done a significant amount of research before they travel.

The more demanding customer of the future will want to engage with a hotel across all touch points, where appropriate. Hotels will need to capture and store more data, yet access to it must be faster and more targeted in order to personalise the guest experience.

Technological Integration to Improve Operational Efficiency

As distribution channel and content management becomes more complex, ensuring tight integration

between these core-systems will become an even higher priority for hotels. Applications, databases and networks must integrate more easily with each other and third-party systems to facilitate collaborations with partners.

The growing importance of the mobile channel is clear. Although the use of smaller devices for booking is not yet commonplace, it is anticipated that the technology platforms used by hospitality companies will support and enable all user interactions to integrate in the future, from phone to fax to PC to PDA to mobile.

The hospitality industry is undergoing a period of unprecedented change and will continue to transform. Customers are changing; technology is changing; markets are changing. Yet this is also a period of unparalleled opportunity.

Trends in Hospitality Sector

Trends that will shape the future of hospitality sector are:
1. Low-Cost Carriers;
2. Budget Hotels;
3. Service Apartments;
4. Technology; and
5. Loyalty Travel.

1. Low-Cost Carriers (LCC) Travellers in general are more price-sensitive to airfare than they are to hotel room rates. Often a low airfare will stimulate demand for travel even if hotel prices are increasing. LCCs are a good option for business travelers, as they have advantages like low costs, more options and connectivity.

2. Budget Hotels More than 50 per cent of occupancy of a majority of hotels comes from the business travel segment. The average room rate (ARR) realized from business travelers is normally higher than from leisure travelers. Heightened demand and the healthy occupancy rates have resulted in an increase in the number of budget hotels. Some of the new players entering into this category of hotels include Hometel, Kamfotel, Courtyard by Marriott, Country Inns and Suites, Ibis, and Fairfield Inn.

3. Service Apartments The concept of service apartments, though a recent phenomenon in India, is an established global concept. Villas in Spain, flats in the UK and apartment complexes in the US have all created a viable market for those who want more than just a room in a hotel. Service apartments are the latest trend in accommodation, offering the comfort and convenience of a home without the hassles of having to maintain or look after it. Ideally suited for medium-to-long staying is a natural choice for corporate employees or expatriates relocating to a particular city, non-resident Indians visiting the country for long spells and foreigners visiting the city for long durations.

4. Technology Travel and technology have become inseparable. Technology is making its own advances with high-tech video conferencing facilities, web cameras and virtual reality mode of conferencing. On-line bookings, e-ticketing, Wi-Fi Internet connectivity, easy access to information, etc. are just a few areas where technology has completely changed the way we travel.

5. Loyalty Travel Today, airline-credit card company tie-ups have brought a whole range of benefits to the travelers. These include insurance cover, upgrades, free tickets, access to executive lounges, and a host of other goodies.

According to a report by Ma Foi Management Consultants, India's hospitality sector is expected to gain US$ 11.41 billion in the next two years with around 40 international hotel brands by 2011. Along with these large scale expansion plans, international hotel asset management companies are also likely to enter India. Several global hotel chains see immense investment opportunities in the sector. Global chains like Hilton, Accor, Marriott International, Berggruen Hotels, Cabana Hotels, Premier Travel Inn (PTI), InterContinental Hotels group, and Hampshire, amongst others, have announced major investment plans in India with others likely to follow suit.

Indian Tourism—International Recognition

India's booming tourism sector has not only witnessed international investments but also achieved international accolades with its increasing appeal as the leading global tourist destination. The government has been instrumental in making tourism a priority sector. Its efforts have borne fruit with a series of international recognition and awards, as follows:

- India has been ranked No. 1 in long-term travel growth by World Travel and Trade Council in its global report for 2008.
- India has been elected to head the UN World Tourism Organisation (UNWTO), the highest policy making world tourism body represented by 150 countries.
- The world's leading travel and tourism journal, "Conde Nast Traveller", ranked India as the numero uno travel destination in the world.
- India was adjudged Asia's leading destination at the regional World Travel Awards (WTA).
- India's Taj Mahal continues to figure in the Seven Wonders of the World.
- Bangalore-based Leela Palace Kempinski has been rated as the favourite business hotel in the world in a Readers' Choice Awards by Conde Nast Traveller.
- India bagged the World's leading Destination Marketing Award for the "Incredible India" campaign.

Some Facts about Indian Tourism

- India is expected to see an influx of 10 Million international tourists by 2010, up from just 5 Million in 2007.
- Andhra Pradesh, Uttar Pradesh, Tamil Nadu, Karnataka, and Rajasthan are the leading tourism destinations in India in terms of total tourist arrivals.
- India has been promoting its health-care tourism by providing visitors with private health-care facilities. It is expected that the total market for medical tourism will reach US$ 2 Billion by 2012, representing a CAGR of 60.69 per cent.
- Personal disposable income during 2002–2007 grew at a CAGR of 14.16 per cent, thereby driving domestic as well as outbound tourism.
- Indian outbound tourist flow is expected to increase at a CAGR of 13.30 per cent over the five-year period spanning from 2008 to 2012.
- India's share in the global tourism is expected to reach 1.5 per cent by 2010.
- The growth in India's tourism market is expected to serve as a boon, driving the growth of several associated industries, including hotel industry, medical tourism industry and aviation industry.

- In India, inbound tourist expenditure per head is third highest in the world and even more than global average tourist spending
- According to the Travel & Tourism Competitiveness Report 2009 brought out by World Economic Forum, India is ranked 11th in the Asia-Pacific region and 62nd overall in a list of 133 assessed countries in 2008, up three places since 2007. In terms of travel, India stands 9th in the index of relative cost of access (ticket taxes and airport charges) to international air transport services, having almost the lowest costs in the world.
- India has been rated well for its natural resources (ranked 14th) and cultural resources (24th), with many World Heritage sites, both natural and cultural, rich fauna, and strong creative industries in the country. India also has quite a good air transport network (ranked 37th), particularly given the country's stage of development, and a reasonable ground transport infrastructure (ranked 49th). India is ranked 7th in terms of number of World Heritage cultural sites, according to a UNESCO report (2008).
- India is ranked 1st with regard to tourism fair attendance. Also, according to the International Congress and Convention Association, India is rated 33rd in terms of number of international fairs and exhibitions held in the country annually (average for 2006–07).
- The contribution of travel and tourism to gross domestic product (GDP) is expected to be at 6.0 per cent (US$ 67.3 billion) in 2009 rising to US$ 187.3 billion by 2019.
- Export earnings from international visitors and tourism goods are expected to generate 6.0 per cent of total exports (almost US$ 16.9 billion) in 2009, growing (nominal terms) to US$ 51.4 billion in 2019.

Growth Trends

- According to the Ministry of Tourism, Foreign Tourist Arrivals (FTAs) during the month of March 2009 were 472,000 and the decline in FTAs may be mainly due to ongoing global financial meltdown. FTAs during January to March 2009 were at 1.461 million.
- Foreign Exchange Earning (FEE) during the month of March 2009 was US$ 867 million while FEE during January to March 2009 was US$ 2731 million. The lower growth rate in March 2009 as compared to March 2008 is mainly due to exchange rate variation and lower growth rate of FTAs.
- Despite short- and medium-term setbacks, tourism revenues are expected to rise by 42 per cent from 2007 to 2017. Every year, more than three million tourists visit the Taj Mahal in Agra. According to figures released by Kerala Tourism, a little over 7.591 million domestic tourists visited the State in 2008, which was a growth of 14.28 per cent compared to 2007. Foreign tourist arrivals also grew—by a healthy 16.11 per cent—in 2008, with just over 598,000 foreigners visiting Kerala.

Government Initiatives and Tourism

To unlock the huge potential in this sector, the Government has taken various initiatives for the development of this sector.

- Launch of the "Incredible India" campaign to promote tourism both in domestic and international markets.
- Recognition of spare rooms available with various house owners by classifying these facilities as "Incredible India Bed and Breakfast Establishments"', under 'Gold' or 'Silver' category.
- A new category of visa, "Medical Visa" ('M'-Visa), has been introduced which can be given for specific purpose to foreign tourists coming into India.

- Guidelines have been formulated by Department of AYUSH prescribing minimum requirements for Ayurveda and Panchkarma Centres.
- Ministry of tourism has tied up with United Nations Development Programme (UNDP) to promote rural tourism.
- Kerala state government has invited the private sector to start helicopter taxi services in the state to promote tourism in "God's Own Country" and cover large distances across the state.

Incredible India

Indian Tourism Industry has been on the upswing for the last few years, partially due to an excellent **"Incredible India"** campaign. This was one of best campaigns that the Ministry of Tourism and Culture was able to successfully implement. The spurt in the number of International tourists travelling to India shows that the "Incredible India" campaign was a big success. The campaign has enabled India to penetrate global market and reach the ultimate consumer through electronic, print, and internet media.

Given the unique and immense potential of India as a 'vacation destination', The World Travel and Tourism Council has identified *India as one of the foremost tourism growth centers in the world*, in the coming decade.

Considering the Global Tourism perspective, buoyancy in the Indian Economy and growth in the related industries like Infrastructure and Aviation, the Tourism Industry is expected to be on an upswing in India. Lower Airfares and growing middle class Indian consumers have given additional boost to this Industry.

Across the Globe, the Indian Taj Mahal is very well known. However, India's rich cultural and geographic diversity provides the basis of a wide range of other tourist attractions and experiences, which include among others—leisure, culture, adventure, spirituality, eco-tourism, and wellness and health.

1. The **Incredible India** campaign has been the winner of PATA Gold Award for best Print Ad Campaign and PATA Gold Award for Best Destination Marketing Campaign.
2. The Incredible India Campaign has been ranked as the 'Highest Recall Advertisement worldwide by Travel and Leisure.
3. World Travel Awards received for:
   1. Asia's Leading Destination;
   2. World's leading Travel Destination Television Commercial;
   3. Worlds' Leading Responsible Tourism Project, for Endogenous Tourism Project; and
   4. Asia's Leading Tourism and Convention Bureau.

Commonwealth Games 2010 and the Indian Tourism Industry

Commonwealth Games, which are to be hosted by Delhi in 2010, are a boon for the Indian Tourism Industry. Tours to Delhi will also boost Taj Tourism and tourism in other neighboring states of Rajasthan, Haryana, Himachal Pradesh, Uttar Pradesh, Uttrakhand and Madhya Pradesh.

Back with a new vigour is the Indian tourism industry, and this time more so because of the deadly terrorist attacks on the country in the recent past. But times have now moved on and so has our hospitality industry. The country has taken the event hosting of Commonwealth Games 2010 with great enthusiasm. Scheduled from 3rd October to 14th October 2010, this 12-day gala affair will be a matter of pride for everyone in India and from India. This gala event is also an extravagant affair of US$ 17.5 billion (approximately Rs. 87.5 thousand crores.)

Preparations for the Commonwealth Games 2010

To boost Indian tourism through the Commonwealth Games, Delhi has already started making preparations and improved the infrastructure of the city and neighboring states as well. The beautification process of the city is on its peak and transportation system has been upgrade along with renovation of old historical monuments. Government of Delhi and Indian Government are taking every possible steps to pep up tourism in and around Delhi.

The Games Village, which is being built along the Yamuna River at a cost of USD 230.7 million, is a venture of the Delhi government to provide world-class amenities to the participants, the tourists, and the audience. The security of tourists and athletes is not an issue as the Government has beefed up security measures.

Impact of the Commonwealth Games on the Indian Tourism Industry

The gala event will prove a boon for tourism in India as there will be a huge influx of tourists coming to India, which will further, stir up tour and travel, hotel, and airline industries. ASSOCHAM (Associated Chambers of Commerce and Industry of India) has estimated the influx of tourists to be higher than ten million. The event also has generated many job opportunities. The current growth of the Indian hospitality industry is 12 per cent, which will surely rise to at least 20 per cent, thereby the occupancy rate would go to 70 per cent. Many new projects have come up and numerous others are in their developmental stage. Not only the hospitality industry, but also medical tourism will receive a high boom in 2010 because of the 2010 Common Wealth Games.

Selling India as a Destination……………!!!!!!!!!!!!

Speak of tourism in India and what comes to mind is the "Incredible India" campaign, which won the PATA Gold Award for the year 2004 in the "Marketing of Destinations". This is the first intensive initiative from the Department of Tourism and Culture towards increasing tourist inflows to India.

Kicked off in December 2002, the campaign concentrated chiefly on yoga, ayurveda and other spirituality-related ideas. Before the launch of this campaign, the tourism ministry was totally dependent on sporadic marketing activities carried out by staff posted at the various overseas offices. This attempt was an effort to highlight the colours, food, flavours, people, cultures, heritage and the modern side of India. It also involved a mix of niche marketing promotions for special interest groups like adventure tourism, spiritual tourism, flora and fauna, beaches of India etc and was spread across print media, television, radio, outdoor, and the internet.

The "Incredible India" campaign promoting tourism in India and successful regional positioning of Kerala as "God's Own Country", apart from other initiatives have enhanced tourism to some extent. The aviation industry is also booming in India. The skies are opening up in terms of more domestic airlines, and Indian carriers are gaining permission to fly to other countries and more international airlines are coming to India.

In its endeavor to enhance tourist inflows into the country, the Ministry of Tourism and Culture, and the Government of India have, over the years, initiated the launch of many campaigns. The "Atithi Devo Bhava" is one such campaign. This was a nation-wide seven point program of hospitality training covering:

1. Sensitisation;
2. Training and Induction;
3. Motivation;
4. Certification;
5. Feedback;

6. General Awareness; and
7. Ownership.

Repositioning

In the early 1990s, we have seen the advertisements with the tagline, "God's Own Country" in the Indian media. The USP of the campaign was to position Kerala as a tourist destination and a "place to be". Over the last few years, KTDC's attempts to market Kerala have borne fruit. This has contributed to the GDP of Kerala, employment levels, productivity, and contributed significantly towards the development of the state.

However, a number of other states in India are also rich in terms of tourism attractions such as historical monuments, cultural heritage, palaces, deserts, beaches, and religious places. While places like Goa, Rajasthan, Khajuraho, and Kanyakumari are famous globally, they are yet to be as popular as Kerala. Kerala Tourism Development Corporation's (KTDC) efforts need to be emulated by other state governments to give boost to their travel and tourism industry.

Increasing Indian Tourism

Since tourism is primarily a service-based industry, the principal products provided by tourism businesses are recreational experiences and hospitality. All tourism related agencies should work together to boost the tourism business in India.

The hotel sector is the key segment of tourism industry in terms of earnings foreign exchange. Government should encourage the hotel sector by providing tax benefits and other incentives. Following the example of the IndiOne, budget hotel concept of the Indian Hotel Company, others need to follow the suit, as this concept stands for simplicity, convenience, informality, style, warmth, modernity, and affordability.

Today, sports tourism is a multi-billion dollar business and one of the fastest growing areas of the US$4.5 trillion global travel and tourism industry. Sport tourists tend to be zealous, high spending, enjoy new sporting experiences and frequently stimulate other forms of tourist activity. Sportings event like the IPL, the Commonwealth games, etc promote goodwill between countries, facilitate shopping, and sightseeing.

India needs to hold many sporting events to attract visitors from across the world. The three richest regions of the world, viz., the US, Western Europe, and Japan need to be looked upon as the source for high-value tourists. The target groups in these regions expected to have time and money will usually be people who have retired and can afford to discover the world. Younger backpackers or students like tourists cannot be expected to be high spenders. One common characteristic among the older retired people throughout the world is that they like to play golf and explore history, religions, and arts, for which they had little time when they were busy with their careers.

The Indian tourism industry needs to focus more on providing opportunities for leisure tourism, and playing games like golf. Golfing in India is exciting given the diversity of its courses. There are golf courses in the mountains, plains, deserts and at beach resorts. Though the ministry of tourism in India have brochure on golf tourism in India, there is still lack of well-maintained golf courses in the country and many traditional clubs may not allow tourists to play golf.

India needs to develop a normal 18-hole golf course in Goa and Kochi and perhaps a challenging golf course in Mumbai along the coast, which will offer a great scenic view. This will help to tap the many cruise tourists aspiring to play golf during their stop-overs.

The tourism ministry needs to take other initiatives like production of customised films on tourist destinations. For example, Pondicherry still has many remnants of French occupation and perhaps, if a

travel film in French was produced about the town, and shown as an advertisement on French television, it could improve French tourism in India. This may lead the French tourist who is visiting Pondicherry to visit Mysore, where Tipu Sultan, a supporter of the French, fought the British along with the French. This could lead to a visit to Goa where Vasco da Gama, the first European to reach our shores by sea, died.

The Ministry of Tourism and Culture could also partner with a popular TV channel targeting children and promote 'Children's India' via schools. Such awareness campaigns would be expected to do well both in India and abroad given the high curiosity factor in kids. The Department of Tourism in India can take up a number of other initiatives like organising 'Photograph India' contests and working with film stars as brand ambassadors, like the latest Amir Khan campaign for Indian Tourism.

India needs to market itself as a value-added tourism destination highlighting variety and cost-effectiveness. Other than infrastructural development, tourism requires an environment of peace and stability so that the tourists feel safe.

According to the WTTC, by 2014, India's travel and tourism sector is likely to generate over $90 billion in revenues and close to 28 million jobs. There is no doubt that tourism will be one of the key drivers of India's economy in the 21st century.

SOME FACTS AND FIGURES ON INDIAN TOURISM

TABLE 15.3 Number of Domestic Tourist Visits to all States/UTs in India, 1996-2007

Year	No. of Domestic Tourist Visits (in Million)	Percentage (%) change over the previous year
1996	140.12	2.5
1997	159.88	14.1
1998	168.20	5.2
1999	190.67	13.4
2000	220.11	15.4
2001	236.47	7.4
2002	269.60	14.0
2003	309.04	14.6
2004	366.27	18.5
2005	391.95	7.0
2006	461.76	17.8
2007*	526.57	14.0

*Provisional
Note: Figures for Maharashtra & Chhattigrah have been estimated
Source: State/UT Tourism Departments

No. of Domestic Tourist Visits to all States/UTs in India, 1996-2007
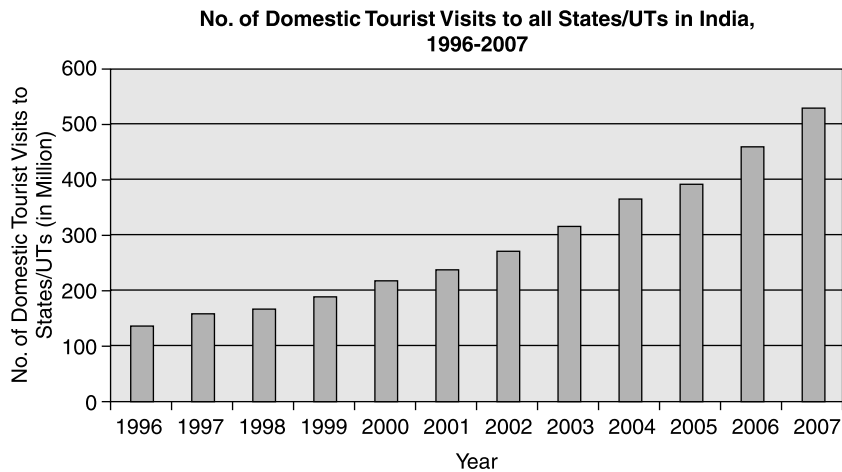
FIGURE 15.2   Number of Domestic Tourist to all States/UTs in India, 1996–2007

TABLE 15.4   Foreign Tourist Arrivals (FTAs) in India, 1996–2008

Year	FTAs (in Million)	Percentage (%) change over the previous year
1996	2.29	7.7
1997	2.37	3.8
1998	2.36	–0.7
1999	2.48	5.2
2000	2.65	6.7
2001	2.54	–4.2
2002	2.38	–6.0
2003	2.73	14.3
2004	3.46	26.8
2005	3.92	13.3
2006	4.45	13.5
2007	5.08	14.3
2008 (Jan-June) (P)	2.72	11.1@

P: Provisional, @ Growth, rate over Jan–June, 2007
Source: (i) Bureau of Immigration, Govt. of India, for 1996–2007
            (ii) Ministry of Tourism, Govt. of India, for 2008

Foreign Tourist Arrivals in India, 1996–2007

FIGURE 15.3   Foreign Tourist Arrivals in India, 1996–2007

TABLE 15.5   Number of Outbound Visits of Indian Nationals, 1996–2007

Year	No. of outbound visits (in Million)	Percentage (%) change over the previous year
1996	3.46	13.3
1997	3.73	7.6
1998	3.81	2.3
1999	4.11	8.0
2000	4.42	7.3
2001	4.56	3.4
2002	4.94	8.2
2003	4.35	8.3
2004	6.21	16.1
2005	7.18	15.6
2006	3.34	16.1
2007	9.78	17.3

Source: Bureau of Immigration, Govt. of India

No. of Outbound Visits of Indian Nationals, 1996–2007
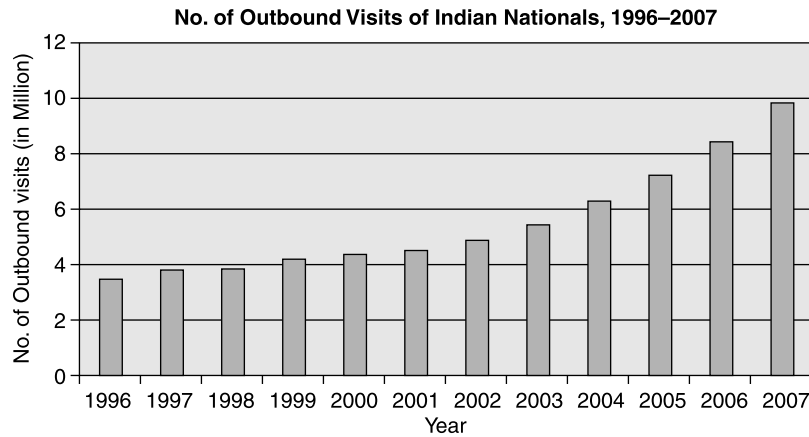
FIGURE 15.4   Number of Outbound Visits of Indian Nationals, 1996–2007

TABLE 15.6   Important Facts about Tourism, 2007

(I) India	
● No of Foreign Tourist Arrivsals in India	5.08 Million
Annual Growth Rate	14.3%
● No. of Indian Nationals Going Abroad	9.78 Million
Annual Growth Rate	17.3%
● No. of Domesti Tourist Visits to all States/UTs	526.57 Million
Annual Growth Rate	14.0%
● Foreign Exchange Earning from Tourism	
(i) In INR terms	Rs. 44360 Crore
Annual Growth Rate	13.7%
(ii) In US$ terms	US$ 10.73 Billion]
(II) World	
● No. of International Tourist Arrivals	903 Million
Annual Growth Rate	6.6%
● International Tourism Receipts	US$ 856 Billion
Annual Growth Rate	15.4%
(III) Asia & the Pacific Region	
● No. of International Tourist Arrivals	184.3 Million
Annual Growth Rate	10.4%
● International Tourism Receipts	US$ 188.9 Billion
Annual Growth Rate	20.7%
(IV) India's Position in World	
● Share of India in International Tourist Arrivals	0.56%
● India's rank in World Tourst Arrivals	42
● Share of India in International Tourism Receipts	1.25%
● India's rank in World Tourism Receipts	20

(*Contd*)

(Contd)

(V) India's Position in Asia & the Pacific Region	
• Share of India in Tourist Arrivals	2.76%
• India's rank in Tourist Arrivals	11
• Share of India in Tourism Receipts	5.68%
• India's rank in Tourism Receipts	6

INBOUND TOURISM STATISTICS

TABLE 15.7   Foreign Tourists in India (Number)

	2001	2002	2003	2004	2005	2006	2007	2008
January	283750	228150	274215	337345	385977	459489	532088	584765
February	262306	227529	262692	331697	369844	439090	498806	560658
March	248965	225558	218473	293185	352094	391009	444186	509926
April	185338	155378	160941	223884	248416	309208	333945	369677
May	151098	132998	141508	185502	225394	255008	267758	290785
June	176716	143100	176324	223122	246970	278370	310104	344526
July	224432	186432	225359	272456	307870	337332	377474	—
August	196517	161477	204940	253301	273856	304387	360089	—
September	162326	151721	191339	226773	257184	297891	325893	—
October	181605	212191	260569	307447	347757	391399	440715	—
November	209685	243566	290583	385238	423837	442413	510987	—
December	—	—	319271	417527	479411	541571	575148	—
Total	2282738	2073025	2726214	3457477	3918610	4447167	4977193	2660337

TABLE 15.8   International Tourists Arrivals to India

	2001	2002	2003	2004	2005	2006
Arrivals from Region/ Country						
USA	329147	348182	410803	526120	611165	696739
UK	405472	387846	430917	555907	651803	734240
Canada	88600	93598	107671	135884	157643	176567
Germany	80011	64891	76868	116679	120243	156808
France	102434	78194	97654	131824	152258	175345
Australia	52691	50743	58730	81608	96258	109867
Italy	41351	37136	46908	65561	67642	79978
Japan	80634	59709	77996	96851	103082	119292
Malaysia	57869	63748	70750	84390	96276	107286
Singapore	42824	44306	48368	60710	68666	82574
Nepal	41135	37136	42771	51534	77024	91552
Sri Lanka	112813	108008	109098	128711	136400	154813
Netherlands	42368	31669	40565	51211	52755	58611
China	13901	15422	21152	34100	44897	62330
South Korea	27150	29374	35584	47835	49895	705407

Source: Ministry of Tourism, Govt. of India

SELF-ASSESSMENT QUESTIONS

1. What do you mean by Tourism?
2. Define Tourism.
3. What are the features of tourism?
4. What are the characteristics of tourism?
5. Discuss the various approaches to tourism.
6. Briefly discuss the various forms of tourism.
7. Discuss the benefits of tourism.
8. Critically analyse the adverse effects of tourism.
9. Discuss the relation between recreation and tourism.
10. Discuss the various determinants of tourism and evaluate their influence.
11. Describe the significance of tourism marketing research.
12. Discuss the various tourism market segments.
13. Discuss the various elements of tourism destination mix.
14. Briefly explain the linkage between the tourism and trade.
15. Briefly explain the functioning of a travel agency.
16. Discuss the role of tour operators in tourism marketing.
17. Discuss briefly the objectives of FAM Trips.
18. Critically evaluate the current situation of Indian Tourism. What are the major factors responsible for India's inability to exploit its potential as a tourist destination?
19. Discuss briefly the trends in Indian hospitality industry.
20. Discuss critically the "Incredible India" campaign.

ANALYTICAL QUESTION

1. "Lifestyle Segmentation of Tourism"- analyse the significance of this segment in the Indian tourism marketing.

TRY THIS OUT?

1. Contact a hotel which is most preferred by tourists coming to your city. Study the kind of customer orientation that the hotel management and staff practices. Do you think there are gaps between the desired orientation and the actual? Can you suggest ways to overcome these gaps?
2. Study any tourist spot nearest to your place, or one that you may have visited. What are the beneficial or negative effects of tourism on the local economy? Is there any way in which, for this particular spot, the negative effects can be minimised or countered?
3. The "business tourist" represents an important segment of the international tourism market. Study the variations in standard hotel services that have been incorporated by any one major hotel of your choice, to tailor the service product to the needs of the business traveller.

Glossary

Advertising: Any paid impersonal method of promoting goods or services by an identified organization or individual.

Affiliations: Voluntary links between hospitality proprieties and other businesses for mutual advantage in activities such as distribution and marketing.

Affinity Group: A group bound together by a common interest or affinity.

Agent: An intermediary who acts on behalf of a service provider (principals), who is authorized to make agreements between customers and those principals, who do not undertake to deliver services but instead deliver the rights to them.

AIDA: An acronym for Attention, Interest, Desire, and Action.

Allocentrics: Outward looking persons with a need for new experiences, such as backpackers and explorers.

Amenities: Features which enable a visitor to enjoy various attractions and which draw him to a particular destination and for the use of which he normally has to pay.

Approvers: Role of a consumer who authorizes the proposed actions of buying decision.

Atmospheres: Designed environments that create or reinforce a buyer's learning toward consumption of a product.

Attitude: A person's enduring favourable or unfavourable cognitive evaluations, emotional feelings, and action tendencies towards some object or idea.

Attractions: Natural or man-made features which collectively or singly create the appeal of a particular destination.

Augmented products: The products or services provided by a marketer to enhance the quality of the service with or without additional charge.

Behaviour Primacy: A theory of human motivation that explains that behaviour results from interactions with various environments.

Behaviour segmentation: Dividing a market into groups based on consumers' knowledge, attitude, use or response to a product.

Benefit segmentation: Dividing the market into groups according to the different benefits that consumers seek from the product.

Blueprinting: An analytical tool that is helpful in identifying the service encounters in which typical hospitality guests participate as they move through the service process.

Brand equity: The value of the brand.

Brand extension: A process where a company uses the brand name to extend into new or existing areas, when current brand name is successful.

Brand image: The set of beliefs consumers hold about a particular brand.

Brand: A name, term, sign, symbol, or design or a combination of these, intended to identify the goods or services of one seller or group of sellers and to differentiate them from those of competitors.

Branding: The process of finding and fixing the names of identification.

Break-even pricing: Setting price to break-even on the costs of making and marketing a product or to make the desired profit.

Brochure: A pamphlet bound in the form of a booklet.

Brokers: Intermediaries who bring buyers and sellers together while assisting in negotiation, who are paid by the party who hire them and rarely become involved in financing or assuming risk and are not long term representatives of buyers and sellers.

Business markets: A market where business buyers buy goods in order to make or resell and product to others at a profit.

Buyer: A person who makes an actual purchase. Or one who has formal authority for selecting suppliers and arranging the terms of purchase.

Buying center: All the individual or groups that are involved in a decision to buy hospitality services.

Campaign: A connected, integrated and organized series of advertising and promotional efforts.

Charter: Tourists who travel in mass to relaxation destinations which incorporate as many standardized, developed world facilities.

Closing: Sales techniques that focus on gaining the customer's final commitment to the sale.

Commercialization: The introduction or the launch of the new product/service into the market place.

Competitive advantage: An advantage over competitors gained by offering consumers greater value either through lower prices or by providing more benefits that justify higher prices.

Competitive analysis: An analysis of the primary strengths and weaknesses, objectives, strategies, and other information relative to competitors.

Concentrated marketing: A market coverage strategy in which a firm goes after a large share of one or a few sub-markets.

Concept testing: New-product concepts are tested with a group of target consumers to find out if the concept has strong consumer appeal.

Conducted tour: A pre-paid, pre-arranged vacation in which a group of people travel together under the guidance of a tour-operator who stays with them from the start to the end of the trip.

Consortium: A group of independently owned and operated hospitality properties that agree to form a loose coalition to distribute and market their offerings.

Consumer buying behaviour: The buying behaviour of final consumers—individuals and households who buy goods and services for personal consumption.

Consumer markets: Consumer markets are the markets for products and services bought by individuals for their own use or family use.

Consumer orientation: Customer orientation refers to the organizational culture, processes and systems aimed at strategically understanding customer needs and developing products and services that provide satisfaction to consumers in ways that yields profitability to the business.

Consumer promotion: Sales promotion designed to stimulate consumer purchasing, including samples, coupons, rebates, price-off, premiums, patronage, rewards, displays, and contests and sweepstakes.

Contests: Special promotions awarding value to winners based on skills they demonstrate compared to others.

Convention market: A specialty market requiring extensive meeting facilities. It is usually the annual meeting of an association and includes general sessions, committee meetings, and special interest sessions.

Cooperative advertising: A technique to attract channel members by offering financial assistance in the form of advertising money.

Core product: The fundamental benefit that the customer receives from a hospitality service.

Corporate customers: Businesses, nonprofit making institutions and governmental agencies.

Corporate identity: Distinctive and recognizable physical identity for the organization such as brand names, logos, staff uniforms, house-styles and consistent standards.

Corporate image: Corporation's reflection of its behaviour, its appearance, and its corporate personality.

Corporate literature: Financial reports, in-house magazines, brochures, catalogues, price lists and any other piece of corporate derived literature.

Cost-plus pricing: Adding a standard markup to the cost of a product.

Coupons: A sales promotion tool that offers purchasers price savings or other incentives when the coupon is redeemed at the time of purchase.

Cultural environment: Institutions and other forces that affect society's basic values, perceptions, preferences, and behaviours.

Cultural tourism: Tourism focusing on the protection and promotion of monuments and sites which brings socio-economic-cultural benefits to people.

Culture: The set of basic values, perceptions, wants, and behaviours learned by a member of a society from family and other important institutions.

Customer satisfaction: Customer satisfaction with a purchase depends on the product's performance relative to a buyer's expectations, the customer is satisfied.

Customer value analysis: An analytical tool that can be used to improve a product offer in terms of specific as well as an overall portfolio.

Decider: The person who ultimately makes a buying decision or any part of it whether to buy, what to buy, how to buy or where to buy.

Declining stage: A phase in the product life-cycle in which the sales volume of a product declines.

Demographic segmentation: Dividing the market into groups based on demographic variables such as age, gender family size, family life-cycle, income, occupation, education, religion, race, and nationality.

Derived demand: Organizational demand that ultimately comes from (derives from) the demand for consumer goods.

Descriptive research: Marketing research to better describe marketing problems, situations, or markets, such as the market potential for a product or the demographics and attitudes of consumers.

Destination: The place at which a traveller terminates his journey.

Differentiated marketing: A market-coverage strategy in which a firm decides to target several market segments and design separate offers for each.

Differentiation: Distinguishing one's product or service from those of other firms for the entire potential market.

Direct channel: A communication medium involving direct contact between the hospitality provider and the guest.

Direct-mail marketing: Direct marketing through single mailings like letters, ads, samples, foldouts, and other "salespeople on wings" sent to prospects on mailing lists.

Direct-marketing: Marketing through various advertising media that interact directly with customers, generally calling for the consumer to make a direct response.

Distribution channel: A set of independent organisations involved in the process of making a product or service available for use or consumption by a consumer or business user.

Domestic tourism: Travelling by the residents of a particular country within their own country.

Domestic Tourist: A person who travels within the country to a place other than his usual place of residence and stays at hotels or other commercial accommodation for more than 24 hours and less than 6 months.

Drives: The objects, conditions, or activities toward which motives are directed.

Economic environment: Factors that affect consumer buying power and spending patterns.

Economic satisfactions: The value gained by the customer in relation to the sacrifice made to obtain the hospitality product or service.

Electronic shopping: Direct marketing through a two-way system that links consumers with the seller's computerized catalog by cable or telephone lines.

Empathy: The provision of caring, individualized attention to customers.

Environment: An element of product which may or may not be physical or tangible in nature and are those items where the management has some control, but not as direct or easy.

Essential evidence: The physical evidence that cannot be possessed by the customer or passed to the customer.

Excursionist: Tourists who visits other places for sightseeing and stays in a place of destination for only a shorter period of time, less than 24 hours.

Experimental research: The gathering of primary data by selecting matched groups of subjects, giving them different treatments, controlling related factors, and checking for differences in group responses.

Exploratory research: Marketing research to gather preliminary information that will help to better define problems and suggest hypothesis.

Facilitating products: The goods or services that must be present for the guest to use the core product.

Focus group interviewing: Personal interviewing that consists of inviting six to ten people to gather for a few hours with a trained interviewer to talk about a product, service, or organisation. The interviewer focuses the group discussion on important issues.

Focus group: A commonly used approach in which researchers select and convene a group of 'typical' guests in order to gather information about guests' attitudes, opinions, perceptions and preferences concerning proposed decisions or actions. A group of persons having specialised knowledge on the subject invited to respond to issues being studied.

Folder: One piece of illustrated paper which is printed and folded.

Franchise: A contractual association between a manufacturer, wholesaler, or service organisation (a franchiser) and independent business people (franchisee) who buy the right to own and operate one or more units in the franchise system.

Franchising: An agreement by an owner to allow the use of a name or business format by another business for the purpose of selling the product or service.

Gatekeepers: People who have the power to prevent sellers or information from reaching members of a buying centre.

Geographic segmentation: Dividing a market into different geographical units such as nations, states, regions, districts, cities, or neighborhoods.

Global markets: A market where the goods and services are dealt between different countries—exports and imports.

Going-rate pricing: Setting price based largely on following competitors' prices rather than on company costs or demand.

Goods: The tangible items provided by a hospitality marketer to its customers.

Green marketing: A market with a concern for environment and ecology which gives importance for recycling, reducing waste and using reusable materials.

Growth stage: The product life-cycle stage when a new product's sales start climbing quickly.

Heterogeneity: A characteristic of service that it is difficult to standardise.

Hierarchy of needs: A theory of human motivation that deals with the potency of various needs or motives.

Hospitality distribution network: A number of independent or related organisations, each with specific skills, that agree to work together to assemble and deliver hospitality products and services to guests in selected markets.

Hospitality industry: A business that does one or more of the following; provide accommodation for the traveller, prepared food and beverage service, and entertainment for the traveller.

Hospitality marketing mix: A mechanism by which a hospitality enterprise provides services to its target market through the various market offerings.

Hospitality marketing research: The systematic gathering, recording, and analysing of data about problems relating to the marketing of hospitality goods and services.

Hospitality marketing: A total system designed to plan, price, promote, and make available to selected markets hospitality products and services in the form of benefits and experiences that create satisfied guests and achieve organizational objectives.

Hospitality product offer: The hospitality product or service from the guest point of view.

Hospitality product: A package or bundle of different service, including tangible and intangible elements and explicit and implicit promises, directed toward meeting the needs of targeted markets.

Hospitality: The reception and entertainment of guests, visitors, or strangers, with liberality and goodwill.

Idea generation: The systematic search for new-product ideas.

Idea screening: New product ideas are screened to spot good ideas and drop poor ones as soon as possible.

Inbound tourism: Visits to a country by non-residents of that country.

Incentive organisations: Intermediaries that specialise in incentive reward travel.

Incentive travel: A trip offered by a company or any other organisation, to reward or encourage a member of their sales or administrative staff.

Indirect channel: A distribution medium between hospitality providers and guests involving intermediaries, such as travel agencies, reservation networks, consortia, affiliates, and sales representatives.

Influencer: A person whose views or advice carries some weight in making a final buying decision.

Information search: The stage of the buyer decision process in which a consumer is aroused to search for more information; the consumer may simply have heightened attention or may go into active information search.

Informative advertising: Advertising used to inform consumers about a new product or feature and to build primary demand.

Initiator: The person who first suggests or thinks of the idea of buying a particular product or service.

Inseparability: A characteristic of service that it cannot be separated from the person who is performing it.

Intangibility: A characteristic of service that it cannot be touched.

Integrated direct marketing: Direct marketing campaigns that use multiple vehicles and multiple stages to improve response rates and profits.

Integrated Marketing: A strategy aimed at unifying different marketing methods such as mass marketing, one-to-one marketing, and direct marketing.

Interactive marketing: Marketing by a service firm that recognises that perceived service quality depends heavily on the quality of buyer-seller interaction.

Intermediaries: Independent business concerns that operate as links between suppliers and guests, rendering services that add value to the guest, and who may or may not take title to the hospitality products involved.

Internal marketing: Marketing by a service firm to train effectively and motivate its customer-contact employees and all the supporting service people to work as a team to provide customer satisfaction.

International tourist: A person who makes a tour travelling from place to place for pleasure to areas foreign to his residence.

Introduction stage: The product-life-cycle stage when a new product is first distributed and made available for purchase.

Itinerary: It is a time schedule of various activities undertaken in the journey of a tourist to and from a particular destination.

Line extension: The process where an organisation adds to the current product line by introducing, versions with new features.

Line of implementation: The line that separates between planning, managing and controlling (management zone) and support activities (support zone).

Line of interaction: The line that separates the customer action area from the provide action area.

Line of internal interaction: The line that separates contact employee activities from those of other service support activities and people.

Line of visibility: The line that differentiates between actions visible and invisible to the customer.

Macro environment: The larger societal forces that affect the whole microenvironment: competitive, demographic, economic, natural, technological, political and cultural forces.

Micro environment: The forces close to a company that affect its ability to serve its customers; the company, market channel firms, customer markets, competitors, and publics.

Management contract: An agreement in which one company agrees to operate a hospitality property for a fee, which may be based on gross sales with performance-related bonuses.

Manufacturing concept: The concept that the company believes that they have a superior product, based on quality and features and because of this they feel their customers will like it also.

Market positioning: Formulating competitive positioning for a product and a detailed marketing mix.

Market potential: An estimate of the maximum possible sales for an entire industry during a time period. A method of determining the size of the sales force by calculating the amount that can be spent on a sales force while still covering costs and achieving desired profit.

Market segment: A subgroup of people or organisations sharing one or more characteristics that cause them to have similar product needs.

Market segmentation: The process of grouping buyers into different categories having common desires or needs.

Market targeting: Evaluating each market segment's attractiveness and selecting one or more segments to enter.

Market: A physical place where buyers and sellers gathered to buy and sell goods. The set of actual and potential buyers of a product or service.

Marketing concept: The concept that the firm understand the needs, wants, desires and values of the potential customers and produces the goods accordingly, so that the customers or the users will have the desired satisfaction.

Marketing data: The raw inputs form which marketing information may be drawn.

Marketing environment: The actors and forces outside marketing that affect a company's ability to build and maintain successful relationships with its target customers.

Marketing Information System (MIS): A structure of people, equipment, and procedures to gather, sort, analyse, evaluate, and distribute needed, timely and accurate information to marketing decision makers.

Marketing information: Data that has been organised, classified, analysed and put into an appropriate context for marketing use.

Marketing intelligence: Everyday information about developments in the marketing environment that helps managers to prepare and adjust marketing plans.

Marketing intermediaries: Firms that help the company to promote, sell and distribute its goods to final buyers; they include middlemen, physical distribution firms, marketing service agencies, and financial intermediaries.

Marketing management: The analysis, planning, implementation, and control of programs designed to create, build and maintain beneficial exchanges with target buyers for the purpose of achieving organisational objectives.

Marketing manager: A person involved in marketing analysis, planning, implementation, and control activities.

Marketing mix: The combination of tactics used by a business to achieve its objectives by marketing its products or services effectively to a particular target group. The totality of a hospitality company's offerings to the market place to satisfy guest's wants and needs such as product, price, promotion, and distribution (place) called 4Ps.

Marketing opportunities: An area of need in which a company can perform profitably.

Marketing orientation: The management perspective approach which places the emphasis on guest wants and needs.

Marketing research: The systematic gathering, recording and analysing of data about the problems relating to the marketing of goods and services.

Marketing threats: A challenge posed by unfavourable trends or developments that would lead, in the absence of defensive marketing action, to sales or profit deterioration.

Marketing: An organisational function and a set of processes for creating, communicating and delivering value to customers and for managing customer relationships in ways that benefit the organisation and its stakeholders.

Maturity stage: The stage in a product life-cycle when sales growth slows or levels off.

Measurability: The degree to which the size and purchasing power of a market segment can be measured.

Merchandising: Sales promotion techniques used to offset service perishability characteristic used in-house to stimulate sales.

Microenvironment: The actors close to the company that affects its ability to serve its customer, the company itself, marketing channel firms, customer markets, competitors and a broad range of publics.

Modified rebuy: A purchase decision that involves significant changes to an earlier decision, while leaving the essential structure of the earlier decision intact.

Moments of truth: The moments when hospitality services are actually provided to guests; the interactions between service providers and guests that influence guest perceptions and opinions of the service provider.

Motives: The stimuli for human behaviour, explanations for why people act as they do.

Multi branding: The situation where the company decides to further introduce more brands into an already existing category.

Multiplier effect: The amount of money spends by a tourist gets circulated in the economy which results in the development of various income generation opportunities for the local community.

Natural environment: Natural resources that are needed as inputs by marketers or are affected by marketing activities.

Need primacy: A theory of human motivation that holds behaviour is motivated by needs.

Non profit and Governmental Markets: Markets which are selling goods to nonprofit organisations such as churches, universities, charitable organisations or government agencies.

Observational research: The gathering of primary data by observing relevant people, actions and situations.

Omnibus research: A research where an organisation asks a single or a few questions on a 'hybrid' interview (either face-to-face or by telephone).

Organisational buying: The decision-making process by which formal organisations establish the need for purchased products and services and identify, evaluate and choose among alternative brands and suppliers.

Outbound tourism: Visits by the residents of a country to another country.

Ownership: A characteristic of service that the title to the services remains with the service provider.

Package tour: A travel plan which includes most elements of a vacation, such as transportation, accommodation and sightseeing.

Patronage rewards/Loyalty programmes: Promotions that offer customers a reward, such as price discounts and free products, for frequent purchasing or other activity.

People: All individuals directly or indirectly involved in the consumption of a service example, employees or other consumers.

Perceived service: The service the guest feels that he or she received from a service provider.

Perceived value pricing: Setting price based on buyer's perceptions of value rather than on seller's cost.

Perceptual mapping: A technique used to construct a graphic representation of how consumers in a market perceive a competing set of products relative to one another.

Peripheral evidence: The physical evidence that can be possessed and taken away by the customer.

Perishability: A characteristic of service that it cannot be stored and are perishable.

Personal selling: The direct contact of a sales person with businesses or guests to sell hospitality products and services.

Physical evidence: The environment in which the service is delivered and the tangibles that help to communicate and perform the service.

Physiological satisfactions: The basic satisfaction which a customer is trying to obtain from a hospitality product.

Place: All the channels available between the firm and the target market that increase the probability of getting the customer to the product.

Point-of-sale displays (POP): Displays that are specially designed materials intended for placement in retail stores.

Political environment: Laws, government agencies, and pressure groups that influence and limit various organisations and individuals in a given society.

Positioning: How the target market defines the product/service in relation to the competitors' products/ services.

Poster: A pictorial representation of an idea with the intention of attracting the tourist.

Post-purchase behaviour: The stage of the buyer decision process in which consumers take further action after the purchase based on their satisfaction or dissatisfaction.

Premiums: A form of sales promotion involving free merchandise or "give-away" items.

Price: The exchange value of a product or service always expressed in terms of money.

Pricing objectives: The results management wishes to achieve through pricing.

Pricing strategy: A pattern or plan that integrates pricing decisions into the overall framework of marketing goals, strategies, and actions.

Pricing tactics: A day-to-day pricing changes to meet changing circumstances.

Pricing: The art of translating the qualitative offerings into quantitative terms (rupees and paisa).

Primary information: Marketing information generated for the purpose of solving some specific problem at hand.

Problem recognition: The stage of the industrial buying process in which someone in a company recognises a problem or need that can be met by acquiring a good or a service.

Process: The systems used to assist the organisation in delivering the service.

Product concept: The concept that whenever a company or a firm has a good product, it results in automatic consumer response and that it needed little or no promotional efforts.

Product design: The process of designing a product's style and function: creating a product that is attractive, easy, safe and inexpensive to use and service and simple and economical to produce and distribute.

Product development: Developing the product concept into a physical product to assure that the product idea can be turned into a workable product.

Product Life Cycle (PLC): The course of a product's sales and profits over its life time. It involves five distinct stage: product development, introduction, growth, maturity, and decline.

Product Life Cycle Analysis: An analytical planning tool for hospitality product decision-making concerned with what happens to hospitality products over time.

Product line: A group of products that are closely related either because they function in a similar manner, are sold to the same customer groups, are marketed through the same types of outlets, or fall within given price ranges.

Product mix: The set of all product lines and items that a particular seller offers for sale to buyers.

Product position: The way a product is defined by consumers on important attributes, the place the product occupies in consumers' minds relative to competing products.

Product: Anything that, can be offered to a market for attention, acquisition, use, or consumption that might satisfy a want or need. It includes physical objects, services, persons, places, organisations and ideas.

Projective techniques: Tests conducted wherein the respondents are encouraged to project their feelings, attitudes, impressions, motives, reactions and the like to a third person or an object.

Promotion mix: The specific mix of advertising, personal selling, sales promotion, and public relations a company uses to pursue its advertising and marketing objectives.

Promotion: A tool of communication used to inform the hospitality target market customers about the goods and services to facilitate the exchange process.

Promotional orientation: Broadening the sales orientation to recognise the importance of mass marketing activities, but not giving importance to the guest wants and needs.

Prospecting: Those sales activities designed to generate new customers by focusing efforts on people who have the potential to become customers but who are not.

Provider orientation: Guests are expected to adjust their hospitality needs where the hospitality industry was focused on internal operations, activities, and procedures.

Psychographic segmentation: Dividing a market into different groups based on social class, life-style, or personality characteristics.

Psychological satisfactions: The perceived notion of fulfillment such as self-esteem, status and security.

Public relations: All the activities that a hospitality and travel organisation engages in to maintain or improve its relationship with other organisations and individuals.

Publicity: The unpaid form of exposure, which is derived by getting coverage as a news or editorial item.

Pull strategy: Communications designed to encourage the purchase of specific products and services, thereby "pulling" those hospitality product and services through market distribution channels.

Push strategy: Communications such as aggressive promotions, designed to encourage the purchase of specific hospitality products and services, thereby "pushing" those products and services into market distribution channels.

Qualitative information: Non-measurable information that is often deemed subjective and "soft".

Quality Circle: A volunteer group composed of workers who meet to talk about workplace improvement, and make presentations to management with their ideas, especially relating to quality of output in order to improve the performance of the organisation, and motivate and enrich the work of employees.

Quantitative information: Information that is measurable and has an aura of objectivity, of being scientific and precise; it is often referred to as 'hard" data.

Random sampling: A process of selecting a sample that ensures there is no bias.

Reach: The number of people or households exposed to an advertisement at least once. The percentage of people in the target market exposed to and ad campaign during a given period.

Recreationist: Tourists whose objective of travel is to relieve the tensions and strains of work.

Reference groups: Groups that influence consumers through contact and aspiration. Groups that have a direct (face-to-face) or indirect influence on a person's attitude or behaviour.

Reference groups: The particular groups of people, some people may look up towards them that have an impact on consumer behaviour.

Reference pricing: A theory which suggests that guests have two prices in mind; the asking price and a reference or benchmark price that is used to assess whether the guest is getting a good deal.

Relationship marketing: Methods and tactics to develop long term relationship with customers and other stakeholders in order to retain them.

Reliability: The ability to perform the promised service dependably and accurately capturing.

Reservation network: Common reservation facilities and procedures used by a number of individual properties.

Responsiveness: The willingness to help customers and to provide prompt service.

Retailers: A seller of hospitality goods and services who deals directly with guests.

Revenue management: Statistical analysis of past data helps in forecasting demand and establishing the appropriate price bands.

Sales orientation: Cut throat competition and concentrated in forceful sales through competitive pricing.

Sales potential: The portion of the market potential that a particular business can reasonably expect to achieve.

Sales promotion: The promotional methods using special short-term techniques to persuade members of a target market to respond or undertake certain activity.

Sampling: A tool which tempt members of a target market to try a product is often easy when the trial comes at little or no cost to the customer.

Secondary information: Marketing information gathered for some other purpose than company problems at hand, but nevertheless useful in dealing with them.

Selling concept: The concept that mere making available the best product is not enough, unless the firm resorts to aggressive sales promotion, effective salesmanship and attacking advertising.

Service chain: A series of service encounters between hospitality service providers and guests.

Service concept: The specific benefits which the service offers to the customer.

Service elements: The service concept which gets its shape with tangible and intangible aspects.

Service encounter: An interpersonal exchange between a hospitality provider and a guest.

Service forms: How and in what way the service concept is offered.

Service inseparability: A major characteristic of services, they are produced and consumed at the same time and cannot be separated from their providers, whether the providers are people or machines.

Service intangibility: A major characteristic of services, they cannot be seen, tasted, felt, heard, or smelled before they are bought.

Service levels: The quantity and quality of service concept.

Service offer: A package or bundle of different services designed to meet the needs of targeted markets that are an essential part of a hospitality product.

Service perishability: A major characteristic of services, they cannot be stored for later sale or use.

Service variability: A major characteristic of services, their quality may vary greatly, depending on who provides them and when, where, and how they are provided.

Service: Any activity or benefit that one party can offer to another that is essentially intangible and does not result in ownership of anything. Its production may or may not be tied to a physical product.

Social class: Characterisation of the outlook and way of life of groups in a society according to their social position.

Social satisfactions: The social fulfillment that the customer gets from the purchase of a product or service.

Societal marketing concept: The concept that the firm goes beyond customer satisfaction and tries to discharge its social responsibilities in the normal course of making available consumer goods and services.

Sponsorship: Providing money to an event, in turn the product or company is acknowledged for doing so.

Straight buy: A repeat of an earlier purchase decision.

Stratified sampling: A process of selecting samples that represent different segments of the population.

Subculture: A group of people with shared value systems based on common life experiences and situations. The culture of a segment of a society such as religious, ethnic, or age segments.

Supplier/provider orientation: The hospitality industry is focused on internal operations, activities, and procedures.

Supporting products: The extra products offered to add value to the core product.

Survey research: The gathering of primary data by asking people questions about their knowledge, attitudes, preferences, and buying behaviour.

Sustainability: The effect on the natural environment. Hence, sustainability implies a rate of such effects that can be tolerated by the environment.

Sweepstakes: A sales promotion tool to select winners by draw.

SWOT analysis: An approach to strategic planning that emphasises strengths, weaknesses, opportunities and threats.

Systematic sampling: A process in which some order is followed in selecting a sample.

Tangible product: The physical translation of the basic product.

Technological environment: Forces that create new technologies, in turn creating new product and market opportunities.

Test marketing: The ultimate test to experience and experiment with the actual selling and purchase of the product or service.

Tour operators: Organisations that plan, assemble, and market travel packages at both the wholesale and retail level, often purchase accommodation and hospitality services in bulk in the most cost-effective manner.

Tourism: The sum total of operations, mainly, of an economic nature, which directly relate to the entry, stay and movement of foreigners inside and outside a certain country, city or region.

Tourist: People who travel to and stay in places outside their usual environment for not more than one consecutive year for leisure, business and other purposes not related to the exercise of an activity remunerated from within the place visited.

Trade Mark: A brand or part of a brand that is given legal protection; the trademark protects the seller's exclusive rights to use a brand name or brand mark.

Transit tourist: A tourist who breaks his journey and visits the places of interests during the break of journey.

Travel agent: A person, firm, or corporation qualified to provide tours, cruises, transportation, hotel accommodation, meals, transfers, sightseeing and all other elements of travel to the public as a service.

Undifferentiated marketing: A market-coverage strategy in which a firm decides to ignore market segment differences and go after the entire market with one market offer.

Vacationers: Tourists who move out of their native place on holidays to rest and relax away from their daily routine of life.

Value based pricing: Pricing that is based on the value guests assign to the benefit packages the company offers.

Value Chain Analysis: An analytical tool for product decision-making that breaks down a hospitality business into economically significant activities and then assesses the way in which each such activity contributes to cost and value.

Viral marketing: A method of marketing where consumers pass on or recommend one's product/company/website to others.

Wholesaler: Assembles hospitality products, often from many different suppliers and makes them available to other network participants.

Word-of-mouth channels: Influencing such as family members, friends, and club members who furnish persuasive messages about businesses and their offerings.

Yield management: A pricing method using as a means of matching capacity with demand. The goal of yield management is to optimise the yield or contribution margin.

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