NATIONAL OPEN UNIVERSITY OF NIGERIA

SCHOOL OF BUSINESS AND HUMAN RESOURCE MANAGEMENT

COURSE CODE:HCM 237

COURSE TITLE:HOSPITALITY SALES AND MARKETING

**COURSE
GUIDE**

**HCM 237
HOSPITALITY SALES AND MARKETING**

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Introduction

HCM 237: Hospitality Sales and Marketing is a semester course work of two credit units. It will be available to all students, taking the B.Sc Programme in the School of Business and Human Resource Management.

This course of 15 units involves Hospitality Sales and Marketing as an aspect of Hospitality degree programme. It is necessary both at the micro/organizational and macro/national levels for obvious reasons to circumvent management problems, incompetence in the service delivery in general and reduce customer complaints.

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The Course Guide tells you what the course HCM 237 is all about, the materials you will be using and how to make the best use of the materials to ensure success. Other information contained in the course includes how to make use of your time and the information on the tutor marked assignment. There will be tutorial classes. Full details concerning the tutorial classes will be conveyed to you at the appropriate time.

What You Will Learn in this Course

The course contents consist of the objective, importance, benefit and problem of Hospitality Sales and Marketing. It analyses the difference between sales and marketing in the service industry. It also explains the unique nature of the industry. To keep you abreast of the current marketing trend, this course also covers the importance and application of electronic marketing.

Course Aims

The aim of this course is to further expose you to the intangible and perishable nature of the hospitality business and the need for Marketing.

The course will help you to appreciate Hospitality Sales and Marketing. It is important both at micro/organizational level and macro/national and international levels. As you will see in some of the units, you will learn how to achieve the followings: qualitative product and service delivery, meeting guest increasing needs, wants and desires while alleviating their problems. You will also be exposed to how to achieve improved productivity, increased profitability and reduced employee turnover.

The aim will be achieved by:

3   Explaining the concept of Hospitality Sales and Marketing
4   Identifying its objectives, benefits and challenges

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5   Identifying the target market and purpose of marketing plan
6   Analyzing the strengths, weaknesses, opportunities and the social and environmental factors constituting threats in the hospitality industry.
7   Explaining marketing research and the importance of market segmentation
8   Discussing the importance of marketing mix by analyzing: product, price, location and promotional strategies
9   Emphasizing the importance of human resource management and the need to consider modern technology in hospitality marketing

Course Objectives

By the end of this course you should be able to:

1.0 Distinguish between the theory and practice of marketing
2.0 Deduce the reasons why the primary focus of marketing is on customers and their needs
3.0 Discover marketing principles.

Course Materials

3   The Course Guide
4   Study Units
5   Textbooks
6   The Assignment File

Study Units

There are 15 units of this course which you should study carefully:

Module 1

Unit 1   Introduction to Sales and Marketing
Unit 2   Marketing in the Service Industry with Particular Reference to Hospitality Organisations

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Unit 3   Marketing Target
Unit 4   Marketing Plan
Unit 5   Marketing Activities using SWOT Analysis

Module 2

Unit 1   Marketing Research and Marketing Information System
Unit 2   Marketing Segmentation
Unit 3   Marketing Strategy
Unit 4   Product Strategy
Unit 5   Pricing Strategy

Module 3

Unit 1   Place/Location
Unit 2   Promotion Strategy
Unit 3   People and Importance of Human Resources Management
Unit 4   Building Customer Loyalty
Unit 5   Growth in the Hospitality Business through Electronic
                Marketing

The first five units are tailored to explain the concept of Hospitality Sales and Marketing; the nature of service industry and how it affects the hospitality sector. The environmental analysis will also be discussed.

The sixth to tenth units give the details of marketing research and the need to segment the market. Strategies for product presentation and pricing are discussed in details.

The eleventh to fifteenth units take a critical look at the issue of location and promotion, the essentials of shrewd Human Resources Management and the importance of electronic marketing for improved productivity and correct accountability.

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Each study will take at least two hours and it includes the introduction, objectives, main content, exercise, conclusion, summary, tutor-marked assignment and references.

You are expected to study the materials and do all exercises. Some of the exercises will necessitate your visiting some organizations such as: hotels, restaurants, fast food restaurants, pubs, coffee shops etc. You are advised to do so in order to observe and appreciate this course and find out what techniques are adopted by different organizations for successful operation.

There are also textbooks, references and further readings. They will provide you with additional information. Practise the tutor-marked questions for additional practice and greater understanding. By so doing you will achieve the stated learning objectives.

The Assignment File

There will be an assignment in each unit. The exercises are tailored to help you have a full understanding of the course. Practise these assignments carefully. It will help you assess the course critically and it will increase your knowledge consequently.

Tutor-Marked Assignment

In doing the tutor-marked assignments, you should apply what you have learnt in the content of the study units.

These assignments are expected to be turned in to your tutor for grading. They constitute 30% of the total score.

Final Examination and Grading

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At the end of the course, you will write an examination. It will attract the remaining 70%. This makes the total final score to be 100%.

Summary

HCM 237: This course, Hospitality Sales and Marketing further shows you the challenges objectives and benefits of the hospitality industry. It defines sales and marketing and explains the differences between the two of them. Above all, it shows you the importance of putting the customer first by adopting service culture and giving good reward to the employees who are dealing directly with the customers.

At the successful completion of this course, you would have learnt how to prepare a marketing plan for the hospitality organization.

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MODULE 1

UNIT 1   INTRODUCTION TO SALES AND MARKETING

CONTENTS

1.0   INTRODUCTION

You are welcome to this particular unit on Hospitality Sales and Marketing. This course consists of 15 units involving sales and marketing as they affect the hospitality organisations. The course covers service industry specially those in the profit sector of the hospitality organisations. This is to expose you to the various marketing activities for the purpose of business promotion.

The course explains the importance of good customer relationship and loyalty with the aim of boosting revenue generation. It also discusses electronic marketing. The course emphasizes profit making, survival and consequently growth.

2.0   OBJECTIVES

At the end of this unit, you should be able to:

- differentiate between sales and marketing
- describe what marketing concept is.

3.0   MAIN CONTENT

3.1   What is Marketing?

Marketing can be defined as selling and advertising on a micro level. It focuses on activities performed by individuals in an organisation. Marketing should focus on macro level definition as well as on economic welfare of the customers' needs while achieving organisational goal. A customer is seen as central to everything. Every organisation should not only strive to maximise sales but more importantly work towards customers' satisfaction to maintain loyalty. Everyone is involved in marketing directly or indirectly because we either buy or sell goods or services. There are other definitions for marketing such as:

- Marketing is a process of determining customers' wants and needs and then providing customers the goods or services that meet or exceed their expectations.

- Marketing is all about finding out what guests' needs and wants are and providing them satisfactorily at reasonable cost and profit.

Marketing and Sales are critically important to the success of service industry such as hotels. Without guests there is no need for employees. Successful marketing is not just to create customers but to keep them coming back. Creating a customer means finding a product or service that a number of people need or want e.g. McDonalds quick service met the need for food on the run so also Mr Biggs.

In summary, one can say that Marketing is designing your products or services to satisfy the needs or wants of the customers. That is:

a) Finding a group of consumers
b) Designing products or services to satisfy their wants or needs
c) Selling it at a price the customers is willing to pay
d) Making it conveniently accessible for purchase

3.2   Importance of Customers to Sales and Marketing

One very important public or individual who cuts across ethnic, geo-political, and socio-cultural divides of the world is a customer. Products are designed because of them. Sellers and manufacturers are in business because of buyers. If there was nobody to buy, there would be no production. There would be no marketing process. If buyers would buy once and never return, all factories and manufacturing plants would have grounded to a halt. The need for buyers to become customers is the greatest challenge of marketing.

Sales involve planning, implementation and control of sales force activities. In selling, the temptation is to adopt responses or selective listening mode and find out customers' needs prior to production to suit the needs. Selling is a technique or trick of getting people to exchange their cash for a product. It is concerned with the values of the product. It views the business process as consisting of an integrated effort to discover, create, arouse and satisfy customers' needs. Organisations must not just concentrate on selling to succeed but must adopt the philosophy of responding to customers' needs.

The marketing concept has had to evolve through various stages over time. Marketers have discovered that what puts them in business is not the capital they put together such as: land, labour, money and entrepreneurial skills, but the buyers that make repeat purchases. If buyers refuse to patronize manufacturers for just one year, organizations that will survive may be less than 10% and if that goes on for another year, the survivors may be less than 1%. Having acknowledged their importance, secular business adjusted to new philosophy. Everything now revolves around the consumers. Hence, they say; 'the customers are always right'. The target of business is to attract buyers and satisfy them to a point where they would become loyal customers (Loyalty is further discussed in later Units).

Focus on sales depicts the existing products and services. Management needs to find out what the customers' requirements are and to present exactly that or exceed it so as to encourage repeat performance as this will help to achieve considerable demand of customers.

Marketing is the business function that identifies current unfulfilled needs and wants. It also defines and measures their magnitude. It determines what target market the organization can best serve and decides and appropriates products, services and programmes to serve the identified markets. Thus, marketing serves as the link between a society's needs and its pattern of industrial response.

The secret of most market leaders or successful organizations is in the ability to carefully blend its external and internal marketing programmes for its customers.

SELF ASSESSMENT EXERCISE

What is marketing?

3.3   Marketing Concepts

Marketing Concept is a way of doing business or approach adopted in doing business.

Marketing goal is to provide customer satisfaction. One objective of a company's marketing efforts is to make sure that the response to customers' wants and needs are fast and courteous and that the customers are pleased by the service/experience.

Marketing Concept stresses that organisational efforts should be co-ordinated and it focuses on satisfying customers' needs while achieving organisational goals.

When a company is doing well by meeting its turnover target and recording high profit, it is said to have adopted business logic which is: Marketing Concept.

Marketing concept holds that the key tasks of an organization is to determine the needs and wants of a target market and adapt the organization to delivering the desired satisfaction of customers more effectively and efficiently than its competitors. In order words, the concept implies "find wants and fill them rather than create product and sell them". Make what you can sell, instead of trying to sell what you can make. Marketing Concept can therefore be said to be a basic way of doing business putting in skills and techniques in the process of delivering mutual satisfaction. Part of marketing concept is Total Quality Management (TQM) which focuses on customers delight that marketers must constantly gather research data to determine exactly what customers want and monitor how happy they are with the products or service being offered.

3.3.1 Marketing Concepts: Focus on Three Propositions

There are three main propositions namely: Customer Orientation, Organisational Orientation and Mutual profitable exchange

i.   Customer Orientation

Customer Orientation explains why it is important for an organisation to focus on customers for customers' satisfaction. This can be done by:

- finding what the customers' wants are
- fulfilling the perceived needs of the customers
- monitoring progress toward satisfying the customers.
- improving customers satisfaction through continuous effort and trying to adopt flexible approach

Customer Orientation should be a focal point for the company decision making. It is about finding what customers' wants and needs are and providing them. It encourages, establishes and maintains long–term relationship with customers. The organisation strives not just for sales but customer satisfaction. They work towards their customers coming back.

ii.   Organisational Orientation

This is the second component of Marketing Concept which is referred to as organisational or service orientation. Marketing Concept involves the entire organisation at all levels and in all functions from top management to shop-floor employees such as: general manager, supervisors, receptionists, cleaners, waiters, bedroom stewards etc. Marketing ensures everyone in the organisation at all levels has same objective which is customer satisfaction. The concept of marketing is not left with the marketing department alone because everybody receives or serves the customers at different levels.

iii.   Mutual Profitable Exchange

The last component of the Marketing Concept is Mutual Profitable Exchange which is also referred to as Profit Orientation. It is maintaining profit levels year after year while meeting customers' needs. Mutual profitable exchange is a 2- way process. Customer is treated as king on one hand while on the other hand the needs are met at a price acceptable to the organisation. This has to be so because the organisation needs to reward its employees, shareholders, suppliers etc. The payment received from customers must be at a profit while customers enjoy the benefit which is satisfaction derived from the products and service. The customer satisfaction and organisational goals must balance. The Marketing Concept is beneficial to both customers and management. The organisation has to price the goods and services well to reward the employees and the shareholders as well as earn profits for survival and expansion.

3.3.2 Alternative Concepts

Organisations do not only focus on customers needs but extend orientation on other concept for sales increase. These are analysed as Production Concept, Product Concept, Service Concept and Sales Concept.

Production Concept

Production Concept is when the organisation feels that the market needs increased products or service for the benefit of increasing sales. The advantage is that more products or services are generated within a short period and this promotes cost cutting measure which can help in reducing selling price so that many people can afford it. This concept can only be applicable to the manufacturing industry that produces goods but may not be completely acceptable to the hospitality sector whereby products and services are tailored to individual customers' needs.

Product Orientation

Organisations that are products oriented focus their effort on producing products of higher quality with more features. The strategy tends to continuously improve the existing products and this gives competitive advantage as customers want improved products and services and they sell more. The Product Orientation may be desirable but may not necessarily meet the customers' needs.

Service Orientation

Service involves specialised knowledge and skills because what they render is a service unlike other organisations that exchange physical goods or products for money e. g. the hospitality industry. Monopoly should be avoided where organisation could say they will define quality and type of service which are understood by the consumers and to be of best or highest quality.

Customers should be trusted to express their needs. Due to lack of consultation, organisations can miss good opportunities.

Sales Concept

Some organisations concentrate on sales and promotion using sales techniques without responding to customers' needs. Sales concept assumes that the existing products and services meet most customers' requirements and that sales and promotional techniques are all that are

needed to increase acceptance and demand whereas the product offered may not fulfil the need.

A sale orientation can only overcome short term problems, it doesn't provide long term solution to customers' needs. It is an effort towards meeting organisation objectives at the expense of the customers.

3.3.3 Problems of Marketing Concepts

Marketing Concepts have generated criticisms from some management over its effectiveness as a strategy.

Some of the issues are:

That traditional marketing places too much attention on buying and selling of products and services rather than building relationship with the existing and potential customers. The marketing of services tends to rely more on building goodwill rather than promoting the products. They are of the opinion that marketing can be seen to be creating, developing and maintaining a network for the company's long term survival and that the new approach should be on promotion of the products but geared towards building relationships. In Customer orientation, marketing function must not only be dependent on what customers want but be concerned with a range of activities from research to distribution etc.

As technology is changing rapidly with new innovations coming up, the concept does not suit all market conditions. A new product may be developed because innovators make it possible not necessarily because market research demanded a strong need for it in the society e.g. invention of computers.

It was further criticised that market-oriented approach tends to ignore organisational expertise and needs in an effort to meet customers' needs at all costs whereas the strengths and needs of an organisation have to be taken into account as well as the needs of the customers. The marketing-oriented approach looks at the long-term benefits of the customers and encourages innovations to meet the needs of the customers. However, Relationship Marketing will be discussed more in another unit.

4.0   CONCLUSION

In this unit, which is the first in the study of hospitality sales and marketing, we have defined sales and marketing. Marketing concept, production concept, service concept and sales concept were also examined. The need for marketing was explained. An important part of

the discussion was that Marketing must be a 2-way process; ensuring customer satisfaction and meeting organisational needs.

5.0   SUMMARY

This unit treated the introduction of the study of Hospitality Sales and Marketing. It not only gave the importance of marketing, it also explained the negative perception of marketing concepts by some critics. The next unit will discuss marketing in the service industry.

6.0   TUTOR-MARKED ASSIGNMENT

Mention the major components of Marketing Concepts and the Alternative Concepts.

7.0   REFERENCES/FURTHER READING

Buttle, F. (1986). *Hotel and Food Service Marketing*. Britain: Holt.

Bovee, C.; Thill, J. (1992). '*Marketing*', New York: McGraw-Hill.

Walker, J. (1999). '*Introduction to Hospitality'*. USA: Prentice Hall.

UNIT 2   MARKETING IN THE SERVICE INDUSTRY WITH PARTICULAR REFERENCE TO THE HOSPITALITY ORGANISATIONS

CONTENTS

1.0   INTRODUCTION

In Unit 1 of this course, we began by giving the definition of sales and marketing, comparing the two phenomena as well as explaining what marketing concept is. This unit looks into the peculiar nature of hospitality industry and the characteristics of the industry.

2.0   OBJECTIVES

At the end of this unit, you should be able to:

- describe what hospitality industry is
- differentiate between marketing in the service industry and marketing in other organisations.

3.0   MAIN CONTENT

3.1   Brief History of the Hospitality Industry

Hospitality industry covers service tradition of many centuries in inn-keeping. The term 'Hospitality industry' can be simply explained as the business that can identify with the core products that satisfy the demand for accommodation, food and beverage away from home.

Hospitality industry was originally known as Hotel and Catering which gave birth to two major associations viz; Hotel and Catering Institutional Management Association and British Hoteliers, Restaurateurs and Caterers Association. They changed names to Hospitality in 1987 and 1991 respectively to Hotel and Catering International Association and British Restaurant Association. The former very recently, precisely in 2007 changed its name to Institute of Hospitality. The term 'hospitality' renders two distinct services; provision of accommodation for people staying away from home and provision of sustenance for the people to eat away from home.

Atmosphere is an important factor to the three products of the industry to attract patronage and encourage repeat performance

Something significant about the hospitality industry is that it is highly capital intensive and businessmen will only want to invest when they are sure of good returns on their investments. Some people, especially non-professionals get engaged in hospitality business especially owners or directors of hotels, restaurant or guest houses without any prerequisite qualification or relevant experience of the industry. Some thought they could bring their life skills to run the business. They are not as successful as they thought for lack of expertise leading to low standards which affect the image of the company. To encourage profitability, the three core products need to be enhanced and attractively packaged for satisfactory delivery to customer and to encourage patronage through repeat performance. This is why effective marketing is essential for the success of the hospitality industry.

3.2 Nature of Service in the Hospitality Industry

Service industry covers all firms or companies whose final output is intangible or ephemeral commodity i.e. whose final commodities are not material goods. The benefits of service products cannot be stored for instance. The benefit is an experience.

Hospitality industry is identified by its output of products which satisfy the need for accommodation, food, and beverages away from home. These are the essential core products of the industry. There are other products such as: conference and recreational facilities etc.

A hospitality marketer combines these three core products to meet the demand of customers. These products are enhanced and made more attractive to satisfy the demands of specific customers. The environment and atmosphere can be equally important to the three core products in attracting customers and providing satisfaction.

Demand for action is a function of travel and tourism. It is important to note that demand for food and beverages is of two kinds namely:-

* Necessity while staying away from home (substitute)
* An activity in its own right (as a source of pleasure & entertainment)

Hospitality Marketing has two dimensions viz:-

The hospitality activities can be commercialized as we have in the hotels, guest houses, restaurants, canteens, fast food & take away shops, snack bars, bars, nightclubs, pubs or cafés. It can also be for welfare or social service such as: hall of residence, schools, colleges, homes, hospitals etc.

Commercial (Profit Sector) and Non- Commercial (Welfare Sector)

In a Profit Sector such as the hotels, marketers must strive to provide attractive rooms, food and drink for sales to customers and sell at a profit.

In a Welfare Sector, Marketing main function is to maximise customers' satisfaction within the constraint of the budget. The customers may be patients, prisoners, students, employees etc. The marketing strategy is the quality of products or services rendered to the customers and reward is the professional reputation of the team of staff and management.

SELF ASSESSMENT EXERCISE

What are the products of the Hospitality Industry?

3.3 Hospitality Marketing

Marketing in the hospitality industry is about what we experience daily-consciously or unconsciously. It can also be said to be about finding groups of consumers, identifying their needs, designing products or services to satisfy their wants or needs and selling them at a price the customers are willing to pay. The product or service must be conveniently accessible for purchase.

Hospitality marketing can involve 'exchange'; it does not have to be money. Apart from exchange of goods for money, it can be barter or swapping e. g. exchange of activity in marketing terms. For example, bartering in hotel and catering industry can be that the hotel allows a conference room to be used by the supplier of linen in exchange for free linen supply. Or a restaurant can offer hospitality to a television station for unpaid advertisement. Barter agreement is called 'trade- outs'.

The exchange must be satisfying. The company must be satisfied by achieving its objectives i.e. making a profit, achieving a targeted turnover, paying salaries of employees promptly, paying dividends to shareholders, satisfying consumers' wants and needs by consumption of the products or by experiencing the benefits brought about by the products.

3.4 Characteristic Nature of the Marketing Services

Hospitality business culture is service in nature. It focuses on serving and satisfying the customers and this culture has to be implemented from the top management to the shop floor employees. For an organisation to meet the needs of its customers, the organisational culture must be tuned towards customer satisfaction. The organisation must be concerned with the four characteristic nature of the service industry which are: intangibility, inseparability, heterogeneity and perishability.

3.4.1 Intangibility

Unlike physical product, service cannot be seen, tasted, felt, heard, or smelled before they are purchased. For instance, prior to boarding an airplane, passengers have nothing but an airline ticket and the promise of safe delivery to their destination. Hotel sales force cannot take a hotel room with them on a sales call. Hoteliers do not sell a room; instead, they sell the right to use the room for a specific period of time. When hotel guests check out, they have nothing to show for the purchase but a receipt, though the memories of the experience linger on for a long time. These memories can be shared with others.

If we are going to buy a car, we can take it for a test drive. If we are going to buy a meal at a restaurant, we do not know what we will receive until we have experienced the food and service. To reduce uncertainty caused by service intangibility, buyers look for tangible evidence that will provide information and confidence about the service. The exterior of a restaurant is the first thing that an arriving guest sees. The condition of the grounds and the overall cleanliness of the restaurant provide clues as to how well the restaurant is run. Tangibles provide signals as to the quality of the intangible service. Some leading Hotels always make sure that all of the uniformed and non-uniformed employees reinforced the hotel's image of elegance and professionalism. The appearance of the employees was part of the hotel's intangible evidence. Some other hotels purposely park luxury automobiles such as a Rolls Royce in front to deliver an instant message of quality and upscale service.

As a niche segment of the hospitality industry, conference centres face a continuous need to make their products tangible. They must differentiate themselves from resorts and hotels. Product features that conference centres use to differentiate themselves include the following:

- Dedicated meeting rooms that cannot be used for other purposes as in most hotels.
- Twenty-four-hour use, which offers security and personalization for clients (computers, briefcases can be left in the room).
- Continuous coffee, not just coffee breaks
- All-inclusive pricing, a set price per day, per meeting attendee
- An online database for travel planners to access information about conference centres e g location, availability and pricing.

Marketers make a deliberate effort to create memorable guest experiences.

3.4.2 Inseparability

In most hospitality services, both the service provider and the customer must be present for the transaction to occur. Customer-contact i. e. employees are part of the product. The food in a restaurant may be outstanding but if the service person has a poor attitude or provides inattentive service, customers will down-rate the overall restaurant experience. They will not be satisfied with their experience.

Service Inseparability: means that customers are part of the product. A couple may have chosen a restaurant because it is quiet and romantic, but if a group of loud and boisterous conventioneers is seated in the same room, the couple will be disappointed. Managers must manage their customers so that they do not create dissatisfaction for others.
Another implication of inseparability is that customers and employees must understand the service delivery system, since they are co-producing the service. Customers must understand the menu items in a restaurant so that they get the dish they expect.

The restaurant must be unpretentious. For example: Chinese which specialises in dumplings restaurant is so popular that many customers must wait on the sidewalk. In fact, Japanese movie stars have been seen waiting with everyone else. A waitress assigns a "wait number" and takes orders on the sidewalk so that the food is ready when the customers are seated. An electronic sign over the sidewalk displays the number of each table when it is ready. Most non-Chinese customers cannot read the menus, so they are given a portfolio of colour photos and need only point to the dishes they want.

Finally, customer co-production means organizations must select, hire and train customers. Fast-food restaurants train customers to get their own drinks. This gives the customer something to do while waiting and reduces the need for employees to fill drink orders themselves. Hotels, restaurants, airlines and rental car companies train customers to use the electronic check-in and internet to get information and to make reservations. The customer using these services is performing the job of customer service agent and reservationists. The benefits provided to the guest by becoming an "employee" include reduced price, increased value, customization, and reduce waiting time. The characteristic of inseparability requires hospitality managers to manage both their employees and their customers.

3.4.3 Heterogeneity/Variability

Services are highly variable due to lack of uniformity in the standard of service output. Their quality depends on who provides them and when and where they are provided. There are several causes of service variability. Services are produced and consumed simultaneously which limits quality control. Fluctuating demand makes it difficult to deliver consistent products during periods of peak demand. The high degree of contact between the service provider and the guest means that product consistency depends on the service provider's skills and performance at the time of the exchange. A guest can receive excellent service one day and mediocre service from the same person the next day. In the case of mediocre service, the service person may not have felt well or perhaps experienced an emotional problem. Lack of communication and heterogeneity of guest expectations also lead to service variability. A restaurant customer ordering a medium steak may expect it to be cooked all the way through, whereas the person working on the broiler may define medium as having a warm, pink centres. The guest will be disappointed when he or she cuts into the steak and sees pink meat. Restaurants have solved this cause of variability by developing common definitions of steak doneness and communicating them to the employees and customers. Sometimes the communication to the customer is verbal, and sometimes it is printed on the menu. Customers usually return to a restaurant because they enjoyed their last experience. When the product they receive is different and does not meet their expectations on the next visit, they often do not return. Variation or lack of consistency in the product is a major cause of customer disappointment in the hospitality industry. However, consistency is one of the major reasons for the worldwide success of McDonalds.

3.4.4 Perishability

Services are perishable since they have no shelf- life. Service cannot be stored. A 100-room hotel that sells only 60 rooms on a particular night cannot inventory the 40 unused rooms and then sell 140 rooms the next night. Revenue lost from not selling those 40 rooms is gone forever. Because of service perishability, airlines and some hotels charge guests holding guaranteed reservations even when they fail to check into the hotel. Restaurants are also starting to charge a fee to customers who do not show up for a reservation. If hospitality companies are to maximize revenue, they must manage capacity and demand. To avoid loss of sales, what Marketing does to solve the problem is to generate demand or synchronise the demand so that it is felt at the site of production.
Service marketers can do several things to increase service effectiveness in the face of intrinsic service characteristics.

Just like manufacturing business, good service firms embark on marketing to position themselves strongly in chosen target markets. Southwest Airlines positions itself as a no-frills airline charging low fares. A hotel can position itself as offering a memorable experience that enlivens the senses, instils well-being, and fulfils even the unexpressed wishes and needs of their guests. These and other service firms establish their positions through traditional marketing mix activities.

However, services differ from tangible products and often require additional marketing approaches. In a product business, products are fairly standardized and can remain on shelves waiting for customers. But in a service business, the customer and frontline service employee interact to create the service. Thus, service provided must work to interact effectively with customers to create superior value during service encounters. Effective interaction, in turn, depends on the skills of frontline service employees, and on the service production and support processes backing these employees.

Moreover, dealing with happy customers will make employees even more satisfied, resulting in better service and still greater repeat business, all of which will yield a level of profits that will satisfy the hotel's stakeholders.

This suggests that service marketing requires more than just traditional external marketing. It shows that service marketing also requires both internal marketing and interactive marketing. This will be discussed as Effective Marketing Strategy in the hospitality industry in a separate unit.

4.0   CONCLUSION

In this unit, we have been able to discuss marketing in the service industry and its characteristic nature. It is expedient to work diligently and interact effectively with customers in service marketing and the need for this was also discussed.

5.0   SUMMARY

This unit has explained that happy customers will make employees more satisfied resulting in better service and repeat business. Successful service companies focus attention on both their employees and customers which is the understanding of the service-profit chain that links service firm profits with employee and customer satisfaction. All these put together will promote profitability and consequently give satisfaction to the hotel's stakeholders.

The next unit will discuss Marketing Plan and Process.

6.0   TUTOR-MARKED ASSIGNMENT

Describe the four characteristic natures of the Marketing Services.

7.0   REFERENCES/FURTHER READING

Stokes, D. (1997). *Marketing: A Case Study Approach*. London: Letts.

Quester, P. G., McGuiggan, R. and P. William (2001). *Basic Marketing: A Managerial Perspective*. Australia: McGraw Hill.

Buttle, F. (1986). *Hotel and Food Service Marketing*. Britain: Holt.

UNIT 3   MARKETING TARGET

CONTENTS

1.0   INTRODUCTION

Everyone is motivated by needs and wants. Needs are basic forces that motivate a person to do something. Some needs could be well-being, self- perception or relationship with others. Needs are more basic than wants.

In this unit, a market is described as the common place for buyers and sellers. The essentials of Target Marketing shall be discussed in relation to the hospitality organisations so also micro marketing, mass marketing and product variety marketing.

2.0 OBJECTIVES

At the end of this course, you should be able to:

- explain what a market means
- describe target marketing
- differentiate between micro marketing, mass marketing and product variety marketing.

3.0 MAIN CONTENT

3.1   What is Market?

The term market has acquired many meanings over the years. Some people define it as a physical place where buyers and sellers gathered.

To an economist, a market is all the buyers and sellers who transact for goods or services. Market can be defined as people with unsatisfied needs and wants who have both the resources and willingness to buy.

Thus, the fast-food market consists of many sellers, such as Burger King, McDonald's, Kentucky Fried Chicken and all the consumers who buy fast-food meals. To a marketing professional, a market is all actual and potential buyers of a product or service. Organizations that sell to consumers and industrial markets recognize that they cannot appeal to all buyers in those markets or at least not to all in the same way. Buyers are too numerous, widely scattered, and varied in their needs and buying practices.

3.1.1 Mass Marketing

In mass marketing, the seller mass produces, mass distributes and mass promotes one product to all buyers. At one time, McDonald's produced only one size of hamburger for the entire market, hoping it would appeal to everyone. Holiday Inn changed the roadside lodging market from individually owned motels of varying quality to a uniform level of service in similar-appearing motels. The challenge of mass marketing is that it can lead to the lowest costs and prices and can create the largest potential market.

3.1.2 Product-Variety Marketing

Here the seller produces two or more products/services that have different features, styles, quality and size. Today, McDonald's offers regular hamburgers, Big Macs, and Quarter Pounders. The argument for product-variety marketing is that consumers have different tastes that vary over time.

3.1.3 Micro Marketing

Micromarketing serves as a tactic to reach multimarket segments. Internet and database marketing have assisted companies to reach small segments with individualized needs. Today, buyers demand the best especially in the products and services they purchase. This is certainly true in the services of hospitality industry.

Some hotels employ a form of micromarketing by offering a frequent guest the ultimate form of target marketing and customized marketing. They maintain a guest database with guest preference information e.g. requesting the type of pillow preferred by a guest.

SELF ASSESSMENT EXERCISE

Explain the following terms: Market and Mass marketing.

3.2 Defining Target Market for the Hospitality Establishment

A Target Market consists of a set of buyers who share common needs or characteristics that the company decides to serve. It helps the seller identify market segments, selects one or more, and develops products and services tailored to each selected segment.

Target Market can therefore be defined as a group of consumers chosen to be focal point of the marketing efforts because it consists of customers most likely to buy one's products.

Another definition says Target Marketing means a marketing strategy that specifies some particular target customers to distinguish it from mass marketing. Target Marketing tailors a marketing mix to fit specific target customers and it is customer- oriented unlike mass marketing which is a production- oriented approach. Mass marketing assumes that everyone is the same and everyone is a potential customer while target marketing is a 'rifle' approach. The customer who is focussed in the hospitality industry is the target.

If Target Market is considered in decision making, the possibility of achieving better decision is enhanced. Target market is known to be a vital prerequisite to successful marketing.

There are three major steps in target marketing. The first is market segmentation, dividing a market into distinct groups who might require separate produce and or marketing mixes. The company identifies different ways to segment the markets and develops profiles of the resulting market segments. The second step is market targeting, evaluating each segment's attractiveness and selecting one or more of the market segments. The third step is market positioning, developing competitive positioning for the product and an appropriate marketing mix.

Market segmentation and market positioning will be discussed in details in the later units.

3.3 General Needs of the Society (PSSP Needs Model)

Everyone is motivated by needs and wants. Needs are basic forces that motivate a person to do something. Some needs could be well-being or self- perception or relationship with others. Needs are more basic than wants. A want desires for specific item to satisfy his needs while the demand is backed up with purchasing power.

Murray and Maslow suggest that when a need is aroused the person is put in an uncontrollable state of tension which motivates him to find a way of reducing the tension thereby satisfying the needs.

Demand for food and drink away from home can be a substitute for domestic activity. Want is an expression of needs. Everyone needs water to survive thirst while some people may want coke or beer etc. When a need is not met or satisfied, it leads to a drive. Many wants are culturally or socially learnt. The need for drink or food may lead to specific ones.

Some critics argue that marketing efforts encourage people to spend money on learned wants which are totally unrelated to basic needs while some psychologists believe that a person has several reasons of buying a certain product simultaneously.

For example, Europeans don't care about body odour hence don't buy deodorant because they don't need it while the Australians spend millions of dollars on the products and the advertisements.

Maslow is well known for his 5- level of hierarchy of needs. He says people will strive to satisfy their needs in order of importance starting from basic Physiological needs, Safety needs, Social needs, Esteem needs and Actualisation needs.

4 levels hierarchy are applicable to consumer behaviour and captioned as PSSP needs Physiological → Safety → Social → Personal.

PSSP Hierarchy Needs
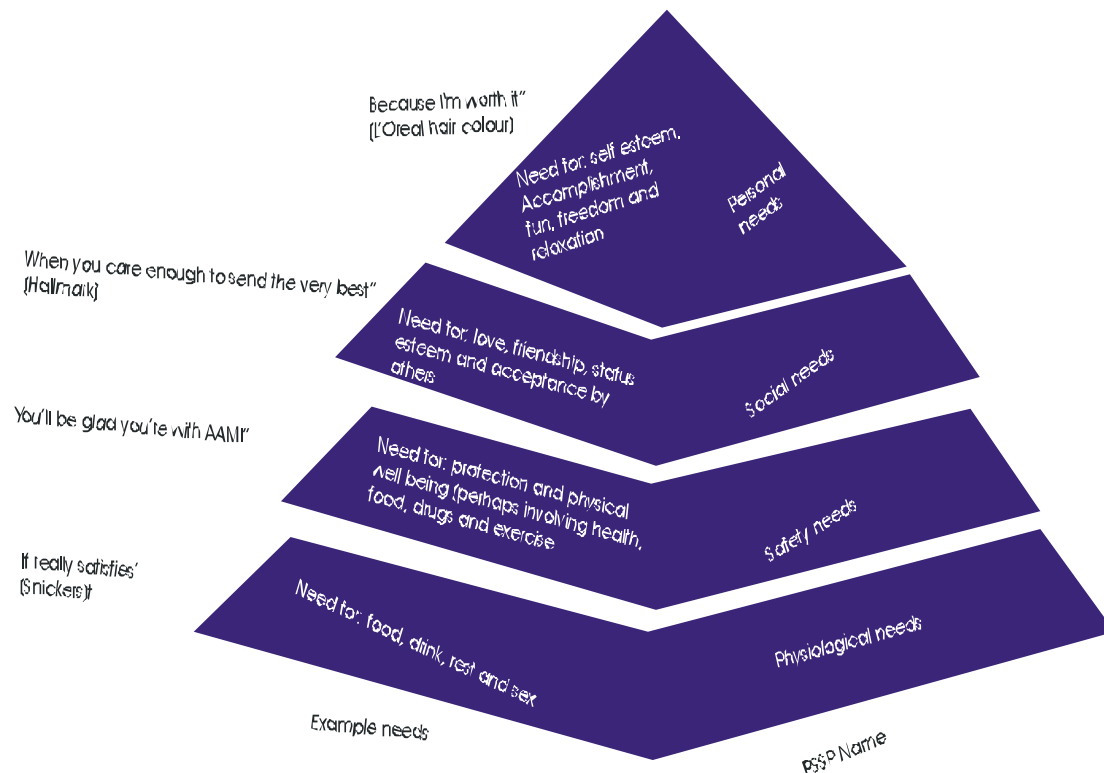
Physiological Needs -Biological needs such as need for food, drink, rest and sex.

Safety Needs — About protection and physical well- being which may involve health, food, medicine and exercise.

Social Needs — Need for love, friendship, status, esteem, personal interaction with others, need for satisfaction such as the need for fun, relaxation, respect and status.

Personal Needs — Deal with individual needs for personal satisfaction independent of what others think or do. Other needs are self-esteem, self-actualisation self-accomplishment and self-fulfilment.

In hospitality marketing, product purchase is a drive to satisfy the need for accommodation which is to satisfy a place to rest in the night and food to satisfy hunger.

It is a waste of time for a marketing manager to create an internal drive in consumers. Rather, a marketing manager studies what are consumer drives, needs and wants that exist and see how they can be satisfied.

Motivation theory in 'PSSP hierarchy needs' suggests that human beings have not reached a state of complete satisfaction. As soon as lower level needs are reasonably satisfied, those at higher level become dominant. This explains need for marketing efforts.

3.4   The Need for Marketing

Marketing is all about recognising the possibilities for new products and services to meet customers' needs in decision- making. Organisation's name may be remote to customers because of size but marketing research techniques can be developed to solve this problem and stress can be taken away from customers.

Customers' needs, wants, desires and requirements change all the time. Anticipating what will be needed in the future is an art. The preliminary task of an organisation is to identify what the customers want and not what the organisation thinks they want.

4.0 CONCLUSION

In this unit, we have discussed that the success of marketing principle of an organisation depends on the ability to identify and meet the needs of customer.

5.0   SUMMARY

This unit has treated target market as well as the need for marketing. The next unit shall be discussing Marketing Plan and how it affects the hospitality industry.

6.0   TUTOR-MARKED ASSIGNMENT

What is Target Market?

7.0   REFERENCES/FURTHER READING

Stokes, D. (1997) 2edn: *Marketing: A Case Study Approach*. London: Letts.

Buttle, F. (1986). 2nd *Edn Hotel and Food Service Marketing*. Britain: Holt.

UNIT 4   MARKETING PLAN

CONTENTS

1.0 INTRODUCTION

Understanding of marketing concepts and its strategies are not enough guarantee for successful marketing. To be successful, marketing needs to be carefully planned and executed. It must be integrated into the overall corporate planning system. Management must create time and make frantic effort for planning as this gives a proactive approach towards the business and the clientele. Lack of planning causes many setbacks such as: high turnover within the hospitality organisations.

A marketing plan is not a stand-alone tool. It must support other plans, such as the company's strategic plan. Whenever possible, the marketing manager should participate in or provide input to the development of a strategic plan. If this is not practical, it remains imperative to understand the Main Contents of the strategic plan prior to development of next year's marketing plan.

This unit will be discussing the importance of Marketing Plan in the hospitality organisations.

2.0   OBJECTIVES

At the end of this course, you should be able to:

- explain why it is important to have a marketing plan
- identify the benefits of planning and the relevance to the hospitality organisations.

3.0   MAIN CONTENT

3.1   Purpose of Marketing Plan

All hospitality organisations are founded with some purposes. The importance of planning is to improve on the negatives of the successful achievement. Operators in the service industry, particularly in large organisations, sometimes fail to identify the factors which cause under-achievement. Issues like interest rates, exchange rates or other government policies can undermine the achievement. Due to poor marketing plan or no plan at all, the hospitality industry is notorious for misinterpreting market potential estimates thus leading to overbuilding, overcapacity, price-cutting, frantic advertising and promotion in an attempt to fill rooms or fill restaurant seats.

Large organisations have responsibilities towards shareholders, employees and customers and the smaller organisations with ambition for growth.

The discussion process of marketing plan has been found useful in team building. It is an excellent training device for staff members particularly those who wish to be managers.

Marketing planning procedures have several purposes within the hospitality organisations. Some of them can be summarized as:

- Helping management to step out of day to day problems.
- Illustrating the interrelationships between key decisions in different functional departments.
- Demonstrating that short-term actions must be tied to specific long term objectives.
- Improving forecasting techniques and procedures for evaluating alternative course of action. It has assisted in sharpening the decision- making processes on a broad front.
- Providing a road map for all marketing activities for the next year.
- Ensuring that marketing activities are in agreement with corporate strategic plan.
- Assisting management to review and think objectively and match resources with marketing objectives.

The activities of marketing and many other departments within a company are closely intertwined. Operations and finance are two areas that affect and in turn are affected by marketing. If guests' experiences are diminished because of problem areas in operations, marketing will be adversely affected. Similarly, if financial projections are unrealistic

for certain months or for various product lines, marketing will be called to task.

When the organizational design of a company fails to place major marketing activities under the marketing umbrella, the task of writing and implementing a marketing plan is made more complex. Under these conditions, it behoves the marketing manager to invite the managers of other marketing-related areas to participate in the marketing plan development process.

6.2   Marketing Planning Objectives

- Customers wanting uninterrupted supply of products
- The local community wanting employment prospect and a healthy and clean environment.
- Creditors wanting assured debt settlement.

Top management balances the interest of these stakeholders against their own personal values. Typically the top management decides to what extent the plan will reflect their preference for

- employee participation or management control
- growth or stability
- risk taking or security
- short term profit taking or long term profit making
- Market innovation.

Reduction of capital employed is not usually in the domain of the marketing manager, although is able to influence profit level.

Profit is calculated thus:

$Z = TR - TC$

Where Z = Profit

   TR= Total Revenue

   TC = Total Cost

Increases in profit come about by raising total revenues, decreasing total cost or favourably adjusting the balance between the two so that productivity improves.

SELFASSESSMENT EXERCISE

Enumerate the purposes of marketing plan in the hospitality organisations.

3.3   Nature of Planning

There are different forms of planning:

- Corporate plans specify the major objectives and strategies for an entire organization or a major division.

- Functional plans such as financial, manpower or marketing plans, detailed objectives and strategies within each function or department. Functional plans are interdependent with corporate plans, deriving objectives and strategies from the corporate plan whilst also helping to create them.

- Special ad hoc plans are for activities beyond the normal scope of the organization. Venture plans, new product plans or market development plans may be created, funded and executed quite separately from other business activities.

Plans also vary by their time skill:

- Long term plan has a five to ten years horizon.

- Medium term plan deals with objective and strategies from one to five years.

- Short term plan can be considered for the coming twelve months. Medium and long term plans tend to be more detailed and concerned with more tactical issues. It has been noted that as marketing consideration increases, it influences the short term and the long range policies in a company. It is then that total company. It is then that total company planning and marketing planning tend to merge.

Certainly, the major parameters used by many companies to define their future plans are products and market. These are also the building blocks for marketing plans.

3.4   Forecasting

Sales, profit and profitability forecasts are made so that the company will know whether it will achieve its objectives giving no change in trading conditions. The starting point is the sales forecast which can be made for the product the company as a whole. Profit and profitability forecast can then be derived. Forecasting methods are both quantitative and qualitative.

The forecast should enable departmental budgets to be set; help identify marketing opportunities; enable marketing and sales strategies to be advanced; help finance and capital funding requirements to be established; and enable labour requirements to be calculated.
Before starting calculation, the forecaster needs to consider such issues as the following:

1. The degree of the aggregation of the sales forecast; should there be a separate forecast necessary for each sales territory, market segment, product and product group or will one grand, all-encompassing sales forecast suffice?
2. The ability of management to interpret and use the forecasts.
3. The period of time for which forecasts are required; long term or short term- six months, 1year, 5 years or more.
4. The accuracy of the forecast; if large-scale investment decisions are to be based upon the forecast, then a high level of accuracy is required.

3.5 Implementing Marketing Plan

3.5.1 Communicating the Plan

A sophisticated and brilliantly developed plan is of no use if it is not understood, believed or used. A marketing plan should not be just a call to action or a benchmark by which to judge the efficiency and effectiveness of decisions. The plan should also serve as a method for communicating marketing strategy to those people whose duty is to implement or authorize the company's marketing strategies. Several groups may serve as an audience for a marketing plan.

Top Management must be convinced that plan will accomplish the stated goals and objectives. Top management demonstrates acceptance or denial by their level of monetary support.

To be effective, a new marketing plan must be written each year. Marketing plans written for periods longer than a year are generally not effective.

Many managers believe that the process of writing a plan is invaluable because it forces those writing it to question, think, and strategize. A plan should be developed with the input and thought process required.

A good marketing plan begins with the fact that the only purpose of marketing is to support the enterprise. It is good to begin next year's plan by recognizing and restating the corporate elements. This helps to guide the development of next year's plan:

- Mission Statement
- Corporate Philosophy
- Corporate Goals

Hospitality companies are highly sensitive to changes in their social, political, and economic environments. A manufacturer of food or toiletries may not immediately feel the impact of these changes, but airlines, hotels, auto rental firms, and cruise lines witness an instant reaction.

After the terrorist attacks of September 11, 2001, hospitality firms felt the impact. Pleasure travel instantly evaporated as fear of terrorism gripped Americans. Unfortunately, some companies responded without clear thinking. Several hotel chains quickly offered substantial discounts to guests. This did nothing to increase demand, but instead simply gave discounts to people who had to travel for business and would have paid a higher rate. A marketing plan is not a political or economic treatise and hospitality marketers are not expected to be experts in these fields. They are expected to be aware of major environmental factors likely to affect the industry and the company, to consider their possible impact on marketing and to respond quickly and intelligently to new events and trends.

3.6   Marketing Process

The process of marketing planning is a continuum. The task is never ending. Marketing/sales managers must always be planning. For instance, the development of next year's marketing plan begins the day this year's plan is approved. The process involves many stages viz;

- Find a need or want.
- Develop a product or service to satisfy the need or want.
- Conduct research.
- Design a product to meet the need based on research.
- Do product testing (among potential users).
- Determine a brand name (design package & set a price).
- Select distribution system.

- Design a promotional system.
- Build relationship with customers.

3.7   Problem of Marketing Plan

Estimates of market potential often seem to be ignored by those who write hospitality marketing plans. Marketing managers in hotels sometimes feel that the concept has no application to them. All travelers are viewed as potential guests and some feel that concept is theoretical for the hospitality industry and applies primarily to consumer-packaged goods.

Human beings are incapable of devising a perfect marketing plan. Market conditions change, disasters occur, and many other reasons create a need to refine marketing plans. Generally, refinements should be made in the area of tactics, budgets and timing of events rather than in major objectives or strategies.

Changes in major objectives such as annual sales volume always require approval by top management. Marketing/Sales managers are advised to refrain from considering changes in major objectives and strategies unless absolutely necessary. Top management will almost certainly view the necessity for change as a reflection of poor management by marketing/sales managers unless the cause was a disaster, such as a major fire in a hotel.

A marketing plan is a rigorous process and takes time to complete. To be effective, a marketing plan should be written every year. At the same time, the annual marketing plan must be written against a longer-term strategic plan that states what the company hopes to achieve, say three to five years down the road. It is unrealistic to expect perfect harmony between marketing and other departments. It is by no means unrealistic to suggest that relations can be greatly improved and that a critical place to begin is by inter-changing data, suggestions and other assistance when department plans are being developed.

The hospitality industry is erroneously ignoring or misinterpreting market potential estimates, thus leading to overbuilding, overcapacity, price-cutting, and frantic advertising and promotion in an attempt to fill rooms or fill seats. Market potential should be viewed as the total available demand for a hospitality product within a particular geographic market at a given price. It is important not to mix different hospitality products into an estimate of market potential. (Products shall be discussed extensively in a later unit)

4.0   CONCLUSION

In this unit, we have discussed Marketing plan; what it takes to achieve successful plan and the problems of marketing plan as it affects the hospitality organisations.

5.0   SUMMARY

This unit has treated marketing plan. The next unit shall be discussing SWOT Analysis.

6.0   TUTOR-MARKED ASSIGNMENT

What factors should a Marketing manager take into consideration when developing a Marketing Plan for problem-free implementation?

7.0   REFERENCES/FURTHER READING

Stokes, D. (1997). *Marketing: A Case Study Approach.* London: Letts.

Quester, P. G., McGuiggan, R. and P. William (2001). *Basic Marketing: A Managerial Perspective*. Australia: McGraw Hill.

UNIT 5   MARKETING ACTIVITIES USING SWOT ANALYSIS

CONTENTS

1.0   Introduction
2.0   Objectives
3.0 Main Content
        3.1   Strengths
        3.2   Weaknesses
        3.3   Opportunities
        3.4   Threats
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6.0   Tutor-Marked Assignment
7.0   References/Further Reading

1.0   INTRODUCTION

Having been equipped with relevant information through the processes of marketing plan and the best indications of developing trends through prognosis, the next task is to assess what the information means for marketing strategy and tactics. Every business needs to define its specific mission within the broader company's mission. It must define its specific goals and policies. A framework for this assessment is contained in the traditional but still useful acronym SWOT. SWOT stands for strength, weaknesses, opportunities and threats. In strategic planning, the company matches its capacities with available opportunities and takes action to minimize threats. Each business must evaluate its strengths and weaknesses periodically.   It is equally important to attract opportunities in the environment and strive to develop competencies to succeed with the opportunities.

Marketing objectives must be realistic and aggressive in terms of market trends revealed by prognosis and SWOT.

2.0   OBJECTIVES

At the end of this course, you should be able to:

- describe the importance of SWOT in marketing
- deduce the need to identify the company's strengths and opportunities and minimize weaknesses and threats.

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3.0   MAIN CONTENT

3.1   Strengths

Strengths are normally expressed as inherent current advantage whether by earlier strategic decisions or historic good fortune. Strengths may exist in an organization's market /product portfolio and its operations in relation to competitors. Products with increasing shares of markets predicted to grow are strengths. Dominance of market shares among key market segments is strength while strategic alliances with other companies may have achieved competencies and value-added that customers are willing to pay for. For hotels and visitor attraction, location may be a major strength. Strength may lie in historic artifacts or architectural style and it may reflect a particularly favourable consumer image. Strength may also be the professional skills of marketing team or a distribution system or in the competencies of key staff or in customer service staff with a recognized reputation for being specially helpful and friendly.

Strengths are the basis of corporate position and can be promoted by potential customers, enhanced through product augmentation or developed within a strategic framework.

One of the strengths of a hotel may be the incredible variety of activities the city offers such as: music performance, theatre, sports, museums, special events. Conventioneers and visitors enjoy the activities the city offers and spend the night in the hotel. However, a business can perform poorly not because the required strengths are lacking but because employees don't work together as a team.

3.2   Weaknesses

Strengths and weaknesses are often matters perception rather than fact. They may be identified only through consumer research. Weaknesses can range from ageing products in declining marketing to bad customer contact. Staff must be clearly identified. Once identified, they may be subject to management action designed to minimize their impact or to remove them where possible.

A historic hotel in a market town is perceived by many of its customers as an attractive building but old-fashioned, noisy and uncomfortable for its users. It may be possible to highlight its strength by repositioning the hotel to stress old-world charm, convenience of location and atmosphere. Such a repositioning may necessitate extensive refurbishment, including double glazing and refurnishing. It could provide a strategic route to turn a weakness into strength. If a modern

competitor- hotel were to be built on the out of the market towns, the historic hotel would probably lose some of its non-leisure clients and might be forced to reposition its products and develop new leisure market segments in order to survive.

To enhance their own foresight and bring to bear an independent, fresh vision, it is common practices in large marketing-oriented businesses for managers to commission consultants to carry out regular audits of all aspects to their business, including SWOT analysis.

SELF ASSESSMENT EXERCISE

How can the weaknesses of a hotel be turned to strength?

3.3 Opportunities

Opportunities can be listed and classified according to their attractiveness and success probability. Success probability depends on whether the business strengths match the key success requirements for operating in the target market and exceeding the competitors. The best performing company will generate the greatest customer value and sustain it overtime. Membership programs offer opportunities for increased revenue.

Opportunities in a marketing context may arise from elements of the business under direct control, such as a particular product or process, or a particular set of staff competencies. They may also arise from shifts in the external environment, which a firm may exploit. Club Mediterranean, for example, strongly exploited the consumer strengths of its concepts of freedom and activities in enclosed resort destinations. It extended its operations throughout the world during the 1970s and 1980s. The external market trends were right, for it seized the opportunity to develop its particular holiday concepts with a powerful image in a way no other operation matched at that time.

The Sydney Olympics of 2000 provided a stimulus for future tourism of even greater power. Throughout Europe in the 1990s, heritage and culture have represented opportunities that have been turned into strengths in cities such as Bruges in Belgium, Prague in the Czech Republic and Bilbao in Spain.

3.4 Threats

Some threats in the external environment represent marketing threats. External threats can be a challenge posed by unfavourable trends or developments that can lead to sales or profit deterioration. Threat can be

classified according to their seriousness and probability of occurrence. Threats may be presented by internal elements within the business's control or by external events such as exchange rate changes e. g. rising oil prices or acts of international terrorism. In Britain, traditional seaside resorts offering beach-based summer holidays have been under heavy threat for three decades from seaside resorts along the Mediterranean coastline. They have also suffered from a form of management inertia implicit in the traditional public sector structures that are responsible for their futures.

Although, it is not easy to justify the point theoretically, practical experience of marketing proves that the time and effort spent in a systematic, wide-ranging and creative SWOT analysis is invariably productive. It is much more than routine analysis of market statistics. There is ample scope for creative interpretation, judgement and lateral thinking, both at the strategic and tactical levels of planning. There is also good reason and ample scope for marketing managers to bring other managers into this process and also to involve the staff of an organization in the process, to draw out their expertise and perceptions of a business and its customers.

Information is never perfect and the future is always unknown, there is never one right conclusion to be drawn from the evidence gathered in the SWOT process. Best guesses are, managers change and their memories are often faulty. So, whenever strategy and tactics are reviewed, it is essential for larger businesses to record the assumption made and conclusions drawn. Establishment of a formal record, however succinct, is equally valuable for small businesses.

4.0   CONCLUSION

Management should review the business's financial, marketing and organizational competencies. Each factor should be rated whether it is strength, weakness or a neutral factor. In reviewing the strengths and weaknesses, the company should neither correct all the weaknesses nor gloat over the strengths. The organisation must not be limited to the opportunities for which it possesses the strengths but better opportunities must be considered.

5.0   SUMMARY

From the foregoing, hospitality business can find itself in the four following situations as a result of threats and opportunities challenges viz:-

An ideal business - Major opportunities and low threats

A speculative business - High in opportunities and threats
A major business - Low in opportunities and threats
A troubled business - Low in opportunities and high in threats

A well planned organisation would require competitive advantage, connectivity with computer reservation system (CRS) and global distribution system GDS to improve the international business and reservation through travel agents. This development is viewed as strength.

6.0   TUTOR-MARKED ASSIGNMENT

What situation can a company find itself in, due to opportunity and threats and what strategy can be adopted to manage the situation?

7.0   REFERENCES/FURTHER READING

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MODULE 2

Unit 1   Marketing Research and Marketing Information System
Unit 2   Marketing Segmentation
Unit 3   Marketing Strategy
Unit 4   Product Strategy
Unit 5   Pricing Strategy

UNIT 1   MARKETING RESEARCH AND MARKETING INFORMATION SYSTEM

CONTENTS

1.0   Introduction
2.0   Objective
3.0   Main Content
         3.1   What is Marketing Research?
         3.2   Marketing Information System
         3.3   The Role of Marketing Research
         3.4   Market Research Terms
         3.5   Market Research Process
                 3.5.1   Analysis of Information
                 3.5.2   Information Sources
                 3.5.3   Collecting the Information
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                 3.5.5   Using the Information
4.0   Conclusion
5.0   Summary
6.0   Tutor-Marked Assignment
7.0   References/Further Reading

4.0 INTRODUCTION

Marketing research specifies the information required to address issues. It communicates findings and their implications. As a market researcher, all the necessary steps must be followed to come up with thorough and accurate information needed to make better decisions.

Many companies use market research to determine market potential, to evaluate market share and to learn more about the people in various markets. Some do it for long or short range sales forecasting and competitors' analysis.

Marketing Managers rely on market research processes to develop and analyse new information. It is a powerful tool available to them.

5.0 OBJECTIVE

At the end of this, you should be able to:

- describe the importance of marketing research and usefulness of marketing information system.

**3.0   MAIN CONTENT**

3.1   What is Marketing Research?

There are many definitions for Marketing Research. Some of them are:

a)   Marketing Research is an interacting, continuing future oriented structure of people, equipment and procedures designed to generate and process an information flow to aid management in decision making.

b)   The process or a set of procedures put in place for regular collection, analysis and presentation of information to assist in decision making for the company.

c)   Market research can be the logical assembly of relevant facts about the appropriate market. It is an aid to management, just as military intelligence is an aid to the armed forces.

Marketing information helps to identify marketing opportunities and problems. It generates, refines and evaluates marketing actions as well as monitors marketing performance and improves understanding of marketing as a process.

3.2   Marketing Information System

In Marketing Information System, there are four plans:
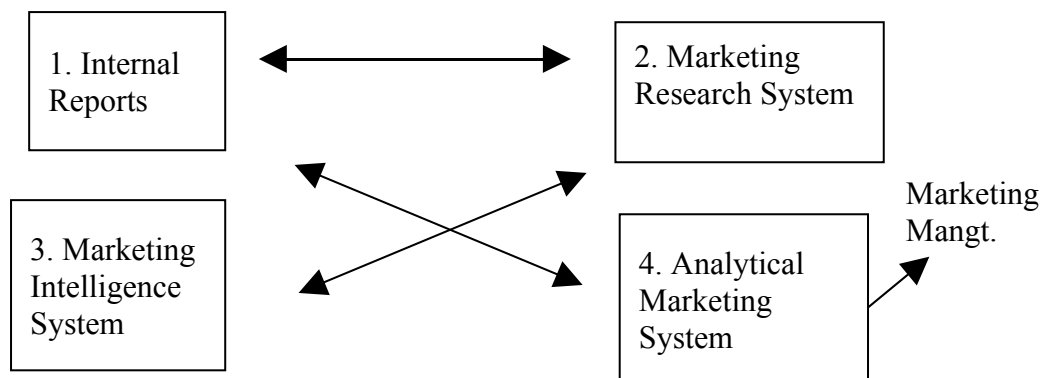
Internal Report   -   for what is happening
Marketing Research   -   what is likely to happen
Marketing Intelligence System   -   working out strategy
Analytical Marketing system   -   used for data or data system

The need for marketing intelligence is ongoing. Much of the information acquired by marketing research in a fiscal year will serve as the basis for developing next year's marketing plan. The needs vary considerably by the type and size of the hospitality company. Some international hotels such as: Sheraton or Hilton Hotels have corporate marketing research departments. However, individual hotels property or car rental location may have a need for additional marketing information. In these cases, the individual property or location is generally responsible for acquiring these data.

Marketing research needs can be of macromarket and micromarket information. Macro- market information includes:

- Industry trends
- Social-economic-political trends
- Competitive information
- Industry- wide customer data

Micromarket information includes:

- Guest information
- Product/service information
- New product analysis and testing
- Intermediary buyer data
- Pricing studies
- Key account information
- Advertising/promotion effectiveness

SELF ASSESSMENT EXERCISE

Define Marketing Research.

3.3   Role of Marketing Research

The fundamental role of marketing research is to reduce the uncertainty which can influence the outcome of marketing programme. Such uncertainties as: - cultural life style, economic trends, marketing forces, competitive activity or customer changes.

- It provides relevant data as far as possible as a basis for marketing intelligence
- It is used to investigate any area of marketing activity from the analysis of sales performance to evaluating the effectiveness of marketing.
- It gives relevant, up to date information about management. It indicates trends and takes the guesswork out of decision-making.
- It helps management to establish how business is doing in terms of market share, sales volume or other performance criteria.
- It helps to investigate any area of marketing activity from the analysis of sales performance to evaluate the effectiveness of a marketing campaign programme and advertising.
- It helps in monitoring programmes effectiveness by answering such questions as: how many people have seen the advertisement or how many consumers are using a product or how many customers patronise the product more than once.
- It helps to describe markets, their size, location and pattern of development.
- It helps management to select the best option.
- It helps marketers to assess market share, product productivity and sales results.
- It is useful in developing new products, to identify profitable target market and planning future marketing programmes.
- It helps to keep an eye on the competition.

3.4   Market Research Terms

a) **Market Research** - describes 'markets' in terms of its size, location and pattern of development.
b) **Marketing Research** - is wider in application. It is used to select the best option out of many alternatives in solving a problem.
c) **Data** – collection of facts e.g. sales record in a restaurant.
d) **Information** - data which have been selected and sorted so that it can be analysed for specific purposes. Information can be derived from past experience, marketing research or both but it can be accurate or inaccurate, reliable or unreliable, subjective or objective.
e) **Intelligence** - interpretation given to the information through analysis
f) **Marketing Intelligence** is used to tackle a wide range of organisational issues.
g) **Strategic long- term decisions** – what market should we be in? What growth can we anticipate?
h) **Tactical short- term decisions** – how to promote this product in the market and how to improve the coverage of distribution.

i)   **Ad hoc decisions** - relating to one-off problems e. g. what can be done about a new competitor and how to counter problem of price discounting.

3.5   Market Research Process

3.5.1 Analysis of Information

Analysis of information is the most important step in market research process. It is about identifying the problem i.e. to get the share of the growing market and know the reaction of people. It is important if the objectives of the market research are met. The marketing manager first task is to decide on the type and quality of information he needs in order to make a sound decision. Decisions can be classified as recurrent or occasional.

Recurrent marketing problems require continuous information input. Examples of Recurrent marketing decisions are:

- Regular appraisal of salesperson's performance
- Analysis of actual accommodation, food & beverage against forecast sales
- Setting monthly target
- Monitoring actual promotion expenditure against budget
- Considering whether to match changes in competitors' bar prices
- Tracking of seasonal pattern in sales

Occasional hospitality marketing problems require adhoc information inputs; the examples are:-

- Whether to co-operate with the other hotels in joint promotion
- Whether to sponsor a sporting event
- Whether to launch a new food and beverage format
- Whether to close a floor during the off- peak period
- To discover the reasons for poor sales performance from a particular sector
- To see if profitable opportunities exist in franchising a fast- food format

Information can come from past experiences. It can be accurate, inaccurate, subjective or objective. Good information expected from marketing researchers must be: P – Pertinent, A – Accurate, T – Timely and U – Usable.

3.5.2 Information Sources

Once what is needed has been decided, the next step is to locate sources of information. It is more expedient to use information that has already been collected (secondary data) in order to save cost than to collect new information (primary data). Secondary information is not only cheaper but also quicker and it involves less time to search. Interview or fieldwork is not required such as interview or data analysis.

Secondary data can be internal or external to the organisation. However, it is a good idea to check secondary data sources before spending time and money on additional research. Secondary Data can be located from internal and external sources.

Internal Sources can be from the research study of the past. These are excellent source of secondary data because the competitors do not have access to this.

External sources can be useful. It can be found in business publications, data bases, private computerised bases e g LEXIS: on – line data base. Hotels are fortunate to have abundant information from the records of existing customers, sales or operations. The problem is that it was produced long ago and it was probably not produced for the same problem.

Internal Records include:

a)   Customers' records
b)   The hotel
c)   Reservation requests
d)   Guest index
e)   Guest master-file
f)   Sales records are usually computerised
g)   Operation records

External secondary information is available from a large number of sources:

a)   Marketing Research Firms

Many marketing research organisations conduct syndicated research available to subscribers.

b) Government

Publications such as: Nigeria Tourist Board, Nigeria Hotel & Catering Institute, National Economic Empowerment Development Strategy, State Economic Empowerment Development Strategy, etc.

c) International Sources

World Tourism Organisation, International Monetary Fund, United Nations.

d) Educational Institutions

Hotel, Catering and Institutional Management Association UK, Nigeria Hotel Association.

e) Other Publications

Chamber of Commerce, Nigerian Institute of Marketing.

3.5.3 Collecting the Information

Having decided what information is needed and from where, the next stage is to collect it. In secondary research, the task is simple since the researcher often needs to use the reference library and interlibrary loan facilities.

The task is more complex for primary research. In this section we shall examine the collection of both types of information.

a) Source of Data

Now that the type of research to conduct has been identified, the type of Data should be determined.

- Secondary Data
- Primary Data

i. Secondary Data

Data that have been previously collected for other purposes, they are less expensive and more accessible than primary data. The disadvantages are that they may be too old to be relevant to the current research. They may not be as accurate and the methodology used may not be appropriate for current study. Competitors may have access to similar data.

ii.   Primary Data

Primary data are gathered directly from the subjects or through on- site research for a market research programme.

Advantages

They fit exactly the research project
They are most up to date
It could be the only available data
They are unique because competitors cannot have them

Disadvantages

They are expensive
They are time- consuming
They are difficult to get

Designing Primary Data

One must determine the type of people, the places and the things to be investigated in the research. For example, if one is to study the use of cooker and the hypothesis is that the majority of chefs prefer gas cookers to electric cookers. The people, the chef, the restaurants and the hotels will be administered the questionnaire so that information can be collected from the answers.

3.5.4 Analysing the Information

The purpose of analysis is to provide meaning; – unanalyzed data are meaningless. There are large numbers of techniques of analysis.

Analytical technique can be classified as univariate, bivariate and multivariate:

- Univariate technique analyses data relation to a single variable such as sales, coupon response rates, or consumer complaints.
- Bivariate technique analyses data relating to two variables and look to establish relationships such as correlation or time between them. Such studies would include price-sales relationship and saleperson' responses to financial incentives.
- Multivariate analysis, the most complicated set of techniques, seeks to establish relationships of a causal or correlative nature between at least 3 variables. Marketing simulation, in which the combined interactive effects of marketing mix affects decisions on sales

profitability are computed electronically, are a highly developed form of multivariate modelling.

3.5.5 Using the Information

In deciding what course of action to take, the manager must consider the validity and reliability of the findings. He must consider a variety of sources of validity such as:

- Respondent error
- Investigator error
- Sampling error and selection effects
- History effects
- Maturity effects
- Testing effects
- Instrument effects

Reliability is reflected by stability in the research findings.

For instance, if a manager wants to discover the attitudes of customers towards a new product, the attitude-measuring questionnaire must reflect all dimensions of the attitude. It must measure the beliefs and feelings which consumers hold about the innovation. These are dimensions of the construct 'attitude' if the instrument does not measure the entire dimension, then the result are invalid.

If the manager is assured of the reliability and validity of the findings, he can make decisions with confidence. This after all, is the primary purpose of marketing.

4.0   CONCLUSION

This unit has discussed marketing research; the definition and role. It has also analysed the meaning of some relevant terms in marketing research and marketing information. The various processes involve in marketing research have also been discussed.

5.0   SUMMARY

It can therefore be concluded that every company needs Market Research and Market Information System. If a company sales are declining while expenses remain the same, resulting in decrease in profit, the problem definition is not just decline in sales; the problem must be well defined from its roots. Marketing Research can bring about the solution.

6.0   TUTOR-MARKED ASSIGNMENT

What are the advantages and disadvantages of Primary and Secondary data?

7.0   REFERENCES/FURTHER READING

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UNIT 2   MARKET SEGMENTATION

CONTENTS

1.0 INTRODUCTION

Markets consist of buyers who differ in one or more ways. They may differ in their wants, resources, locations and buying attitudes. Because buyers have unique needs and wants, every seller has to design a separate marketing program for each buyer. A caterer can customize the menu, entertainment and the setting to meet the needs of a specific client.

Most companies are unable to offer complete segmentation due to cost. Companies, therefore, look for broad classes of buyers who differ in their product needs or buying responses. For example, married adults on vacation with small children have different needs than young and single adults.

This unit will discuss the various segments in the market and their advantages.

2.0   OBJECTIVES

At the end of this unit, you should be able to:

- explain and see the need for market segmentation
- describe the process of evaluating market segments
- state the methods of selecting market segments.

3.0   MAIN CONTENT

3.1 What is Market Segmentation?

Market segmentation can be defined as the identification of a subset of consumers so that a marketing mix can be devised specifically to satisfy its demand. Market segmentation differs from mass marketing because in the latter, the population is not divided into segments but treated as if demand were homogeneous. There are two major distinctions to this topic. The first distinction can be made between imposed, elected and acquired market segmentation.

Imposed segmentation: occurs when a higher authority determines that some groups of consumers should not be exposed to a given marketing mix. **Elected segmentation:** occurs when following analysis of segmentation alternatives, a marketing mix is subsequently designed.

Acquired segmentation: the marketing mix is first designed and its market appeal subsequently analyzed. The mix must be refined to be more cost effective.

A second distinction can be made between macro and micro-segmentation. Macro-segmentation is used to analyze large-scale consumer e. g. international travel pattern. Micro-segmentation, which is enterprise specific, is the focus of the unit.

3.2   Segmentation Variables

This section examines the variables used to segment hospitality markets.

3.2.1 Purpose of Visit

This is the most common variable used to segment accommodation markets. It can be broken down into various purposes viz:- Business, Holiday and Group travelers.

a)   **Business Travellers:** vary in status from low cadre to managing directors. They may be delivering goods, visiting exhibitions or trade fair, attending seminars or conferences. Their usage is short term, city-oriented, frequent, less price sensitive and unseasonal.
b)   **Holiday Traveller:** stays longer, is resort-oriented, infrequent, price sensitive and seasonal. Other accommodation users are extremely varied such as: family members attending a wedding, visiting a hospital patient or belonging to common interest groups.
c)   **Group Traveller:** They have business, holiday or other purposes. Hospitality marketers sell accommodation and other

products to tour operators at discounted rates and they, in turn, build them into packages for resale to holidaymakers.

Other group markets for hospitality products are congresses, associations national and international, local and regional), businesses (meetings, seminars, conferences, incentive travel, exhibitions and fairs, families, special interest groups and clubs (athletics, culture and hobbies) and trade unions.

SELF ASSESSMENT EXERCISE

What do you understand by Market segmentation?

3.3   Geographical Segmentation

Geographical segmentation calls for dividing the market into different geographic units, such as nations, states, regions, countries, cities, or neighbourhoods. Geographical area is a variable used to segment both accommodation and food service markets. A company may decide to operate in one or several geographic areas, paying attention to geographic differences in customer preferences.

Today, all hospitality companies have the ability to use database management and database mining to determine differences in consumer purchase patterns and preferences by geography.

Some hotels may choose to initiate a program to offer regional dishes or about offering local cuisine.

3.4   Age and Life-Cycle

Age is a more common variable in food service segmentation than accommodation. Some hoteliers target the over 60s, offering products augmented with social and welfare benefits such as organized singsongs and health care. Consumer preferences change with age. Some companies offer different products of marketing strategies to penetrate various age and life-cycle segments. For example, MacDonalds knows that 79% of the family decisions to eat out are influenced by children and households. They offer happy meals that include toys aimed at young children. The toys encourage the children. This chain also added salads and other products to attract the health-conscious adult market.

3.5   Gender

Consumer behaviour may be related to sex. Family Life Cycle is often a better predictor of buying behaviour than age because changes in family structure have a great influence on purchasing power.   Gender

segmentation has long been used in marketing and also in the hospitality industry. Hotel corporations now take women into consideration in designing their hotel rooms. Design changes include lobby bars, fitness facilities, hair dryers, and rooms decorated in lighter colours. Although these changes are attractive to women, many are also attractive to men. Hotel corporations are also subtly including more women executives in their advertisements.

Family size correlates well with eating out. Single-parent families eat out more often than any other family group. Larger families tend to have less disposable income, are likely to take holiday less frequently, price sensitive and consider holiday-plan with care.

Single women living are more likely than single males or married couples to increase their spending on restaurants when they receive a salary increase. Singles spend heavily on entertainment.
Heavy solid-looking foods may be perceived as 'Masculine' while pretty, dainty, decoratively garnished, rounder and smaller foods as 'feminine'. The newly-weds are targeted by caterers and honeymoon hotels.

3.6 Race

Race is a segmentation variable which has to be used with sensitivity because of provisions within the Race Relations Act 1976. Its prime applications for hospitality properties located in neigbbourhood might design a product offering and promotional plan to attract West Indian guest visiting friends and relatives. Certain restaurants such as: Pakistani would adapt its product mix to the neighbourhood. Others print their menu in the local languages and advertise.

Religion is similarly applied. Restaurants might be designed to appeal to the Islamic, Hindu or Jew.

3.7 Income

Income is closely associated with eating out behaviour. Higher-income people eat out more often and tend to spend more per meal experience. There is a distinction between net income and disposable income. Some high-earners have little disposable income because of other financial commitments. Disposable income is linked to socioeconomic class. Widespread availability of credit has reduced the significance of income as a major segmentation variable.

3.8 Occupation

Occupation is used to segment market in 2 ways viz:-

- Whether a person is employed or not;
- The type of job, if employed.
- Women in paid employment spend considerably more on eating out than do their husband counterparts. With high disposable income, they are likely to take holidays. Patterns of expenditure are likely to vary according to the type of occupation a person holds.

4.0   CONCLUSION

The hospitality industry offers many examples of segmentation by different variables.

Each customer group wants a different product; a restaurant cannot serve all customers with equal effectiveness. In the hospitality organisations therefore, market segmentation is a way of distinguishing the easily accessible consumer groups from the unresponsive ones and in order to gain an edge over its competitors, the market segments need to be examined by identifying one or more subsets of customers within the total market and concentrate the efforts on meeting their needs.

5.0   SUMMARY

Since the hospitality orgnisations consist of buyers who differ in their wants, resources, locations and buying attitudes, then every operator has to design a separate marketing program suitable to meet the needs of the different segments.

In the next unit, we will discuss marketing strategy.

6.0   TUTOR-MARKED ASSIGNMENT

Mention 5 market segments.

7.0   REFERENCES/FURTHER READING

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UNIT 3   MARKETING STRATEGY

CONTENTS

1.0   INTRODUCTION

Marketing Strategy

This Unit discusses strategic marketing planning, writing marketing objectives as well as strategic marketing mix.

Strategy in a business is the fundamental pattern of planned resource deployments and environmental interactions that indicate how the organisation will achieve its objectives. Marketing strategies are designed as the vehicle to achieve marketing objectives. Marketing are perceived tactics that support strategies but strategies and tactics have little relationship to objectives.

In the hospitality organisations, strategic planning is the managerial process of developing and maintaining an optimal fit between the deployment of an organisation's resources and the opportunities of its changing environment. The business environment is the customer. It is concerned with the selection of target market and the deployment of marketing resources so that marketing objectives can be achieved.

2.0   OBJECTIVES

At the end of this course, you should be able to:

- differentiate between strategy, policy and tactics
- write marketing objectives
- categorise strategic marketing mix .

3.0   MAIN CONTENT

3.1   Selecting Strategic Business Unit (SBU)

Strategy differs from policy. Policy refers to conditions and constraints which impinge upon decision making. Tactics are short term decisions made when implementing strategy for marketing objectives to be achieved within a given time frame. Strategic planning of a business is important because it is data based. Its focus is on marketing, production and distribution. The business condition considers the environmental factors.

Strategic centre is usually referred to as Strategic Business Unit SBU

As business grows, the products and markets are acquired and developed. The strategist has to decide which to support. Resources are invariably limited, so allocations must be carefully chosen. Products or markets likely to contribute most towards objective achievement are better supported.

What is perceived as an SBU will alter from time to time according to environmental change.

The hospitality marketers adopt a seven-step approach to strategic marketing planning viz:-

- Know your property profile
- Know your prime prospects
- Know your competitors
- Establish realistic objectives
- Formulate a marketing plan
- Implement the plan
- Evaluate the plan's effectiveness and adjust as required.

9.2 Writing Marketing Objectives

Marketing objectives for hospitality industry are phrased in a number of ways:

Market Growth- in the early stages of market development, operators are often more interested in expanding the total market than competing for share. Co-operatively operators can shares the cost of promoting the product and educating prospective customers.

Market Share- is defined as the proportion of demand obtained in a product category, market or product-market cell, is widely used by national companies.

Sale Volume- is the number of guests and sales value. Hotels report the objectives of higher occupancy levels and higher average room rate. Jointly, they would substantially improve sales volume and because the company was already in profit, would enhance the bottom line. Similarly, modest increase in turnover can have a disproportionate beneficial effect on the net profits.

Market Penetration- is defined as the percentage of prospective customers in the target market, who have tried the product at least once. It is used by companies which have particular reasons for wanting to sell to a specified group of customers.

SELF ASSESSMENT EXERCISE

How does market strategy differ from policy and tactics?

3.3   Marketing Mix

Marketing mix is four controllable elements or variables that the company put together to satisfy the target custormers.

A marketing mix offers some products at a price with some promotion to tell potential customers about the products and some means by which the products can reach the customers. Marketing mix is the instruments or tools that marketers use to influence demand. The tools are always the same whether it is a profit or a non- profit organisation.

These variables that make up marketing mix (otherwise called marketing tools) are known as 4Ps:– PRODUCTS, PLACE, PRICE & PROMOTION. The customer is the target of all marketing efforts.

a)   **Product:** A product may have different features. It is the tangible or intangible items the customer purchase or experience. There are different ways to satisfy the needs of target customers through the product. Service rendered to the customers before and after sales can be improved upon. The package, brand name and warranty can be changed; various advertising media can be used such as newspaper, magazine and cable television, price discount can be given etc.

b)   **Place:** means location or marketing channel. This involves product transportation, storage, processes, and keeping track of consumers (wholesalers and distributors) with inventory

procedures. It is not so with the intangible products. The owner of the business must provide the revenue to keep lease payment to a certain percentage of turnover (total sales). The product is useless if it is not located where the target marketing can have access to it.

c)   **Price:** The right price must be determined. Price setting must consider the kind of competition in the target market and the cost of the whole marketing mix. Management must consider customer reaction to prices. Promotional price practices such as discounts, mark- ups and other sale term must be considered. If the price is unacceptable to the customer, the effort in planning and setting the price is wasted.

d)   **Promotion:** is concerned with informing the target market and others in the channel of distribution about the product

Promotion includes: Personal selling; Advertising; Sales promotion; Publicity
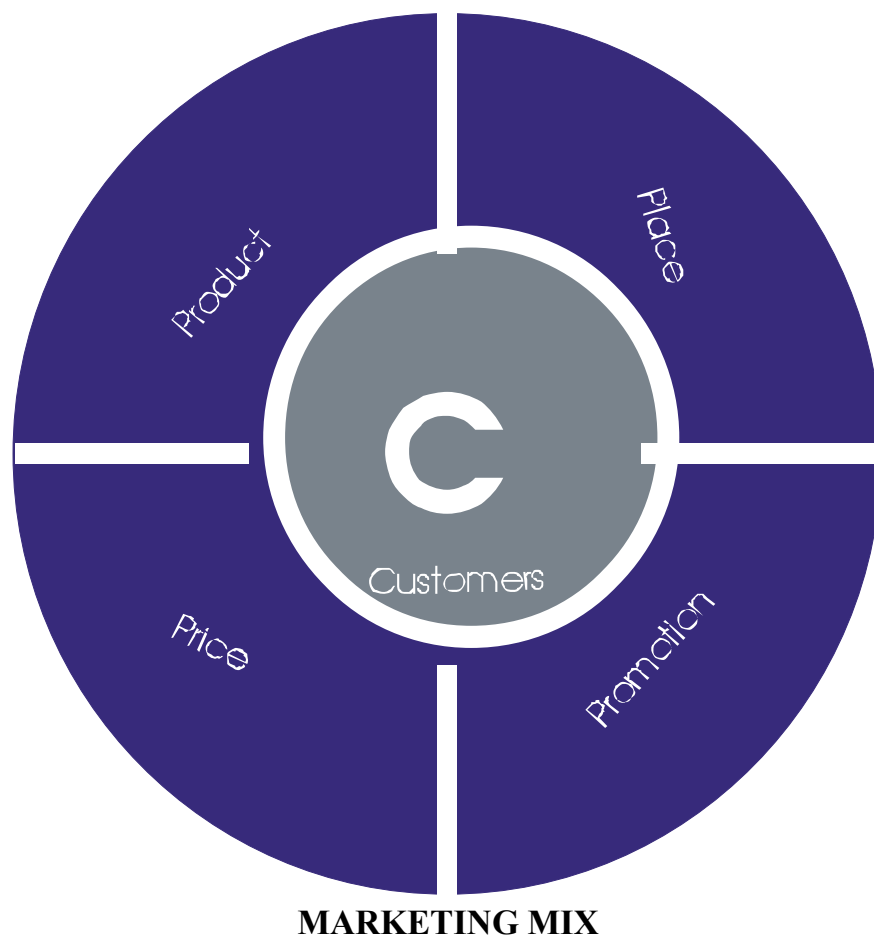
MARKETING MIX

3.4   The Strategic Marketing Mix

A strategic marketing-mix programme expresses exactly what activities will take place in support of each identified product and market subgroup on a week-by-week basis. Since brochure production, distribution, advertising and merchandising in retail travel agencies have different timescales, there is a considerable management art necessary in scheduling programme of work to make the best use of the marketing staff.

Prior to evolving the marketing mix, three preliminary decisions have to be made:

1. Selection of target market.
2. Positioning of the product.
3. Determination of the means of market entry.

A planned strategic marketing mix should have the following features:

- Enable objectives to be achieved and should therefore be budgeted and controlled. It should have a time duration over which its effect is to be measured.

- Be product-market cell specific, although it is quite satisfactory to produce product plans or market plans.

- Be integrated, each element of the marketing mix-product, price, promoting and place-should complement the others.

- Be built upon sound principles of marketing and knowledge of consumer behaviour.

3.5   Implementation and Control

The overall strategy must be developed into an action plan.

However, Market growth is synonymous with marketing strategy particularly in the early stages of market development.

The two criteria of market growth and relative market share fall into one of four categories: stars, cash cows, dogs and question-marks. The main characteristics of each are detailed below.

Stars   Need large amounts of each to maintain share
                 Generate large amounts of cash
                 Balanced cash flow

Turns into cash cow if share is maintained when growth slows, otherwise eventually becomes a dog

Cash Cows   Strong market share, low unit costs
Profits and cash generation high
Fund investments elsewhere

Dogs   Poor competitive position
Low volume, low margins, low profits
Negative cash flows

Question   Cash needs are high because of market growth
Marks   Cannot recover cash unless it becomes star and eventually a cash cow, otherwise turns into dog.

The marketing strategies must specify what the company wishes to achieve. Objectives may vary according to the prospects for the strategic business unit (SBU) as follows:

1. Maintain marketing share of each cow in order to generate strong positive cash flow (milking strategy).

2. Hold market share of stars in order to create the cash cows of the future (maintenance strategy).

3. Lose market share of dogs; liquidate assets (harvest strategy).

4. Since question-marks drain resources in the longer term unless their market share can be improved, there are two alternative strategies: build market share to become a future star (investment strategy), or lose share by selling off or discontinuing the product (divestment strategy).

It should be noted that not all dogs need be unprofitable. An independent hotelier with very little share of the total business travel market can be very successful, provided that occupancy levels are high: A small market share is not necessarily a handicap; it can be a significant advantage that enables a company to compete in ways that are unavailable to its large rivals.

4.0 CONCLUSION

This unit has discussed marketing strategy. Marketing mix was also briefly discussed. Each of the marketing tools will be further discussed in the subsequent units.

5.0   SUMMARY

The next unit will be discussing Product.

6.0   TUTOR- MARKED ASSIGNMENT

What are the 7 steps a marketer needs to adopt in strategic marketing planning?

7.0   REFERENCES/FURTHER READING

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UNIT 4   PRODUCT STRATEGY

CONTENTS

1.0   INTRODUCTION

The product, which the marketer means to create and deliver, may be different from that received by the customer.

There is distinction between the core, tangible and augmented products. The core products are problem-solvers: hotels deliver a place to sleep or meet whilst restaurants quell hunger or provide opportunities to socialize.

Tangible means where the fundamental benefits are translated physically e.g. a certain sized room equipped to a specified standard and marketed under a given brand. A hotel could define its tangible product as a 180-ft room with colour television, telephone and small (40ft) bathroom costing £14 per night.

The augmented product is the complete product offering. Every hotel offers the same core product but this is modified and enhanced in cost effective ways to make it more attractive to its target markets. Competition takes place largely at the augmented level.

This and more will be discussed on product strategy in this unit.

2.0   OBJECTIVES

At the end of this unit, you should be able to:

- describe product, product mix and product life cycle
- distinguish between the core, tangible and augmented products
- identify the major product decisions.

3.0   MAIN CONTENT

3.1   What is a Product?

Product is the good or service packaged to satisfy the needs of the customers, without which there is no marketing. Product can be called a bundle of value that meets the expectations of customers in order to suit the needs and wants of the target market, it must include consulting, training manuals, installation and other tangible and intangible components. Surveys provide feedback on the extent to which the product meets the needs and wants as well as the standards.

The hospitality product can be defined as the set of satisfaction or dissatisfaction which a customer receives from a hospitality experience. The satisfactions may be physiological, economic, social, or psychological.

Physiological Satisfactions- full stomach, quenched thirst, comfortable bed, warm and subdued environment.

Economic Satisfactions- good value for money, rapid service, convenient location and credit facility.

Social Satisfactions- enhancement of self-esteem, status and security.
The dissatisfactions may or may not be under control of management.

Controllable- Dirty uniforms, unhelpful staff, greasy spoons, or cramped conditions.
Uncontrollable- Road works, behaviour of other customers, or seasonality of some menu items.

SELF ASSESSMENT EXERCISE

Differentiate between a core, tangible and augmented product?

3.2   Product Strategies

Product development is an integral part of marketing job because it covers almost all aspects of business operation viz:- sales, service, research and development, package, finance and production/manufacturing. Developing products to meet the needs and wants of customers for the service industry is important.

In some hospitality firms, Marketing has an important role to play in the improvement of existing products and the development of new ones.

Marketing can help to enhance revenue from product changes as additions to the current product line. Whenever there is more to be sold than customers are buying, profit potential is not being realized. Revenue boosting opportunities abound for the creative operator who is willing to offer facilities, services and events that will attract customers. Training customer-contact employees to stimulate add-on sales also upgrades sales.

Good attention to give total commitment to guest satisfaction can save time, energy and efforts. It provides completely personalized and individual service and creating the experience of intellectual surprise for its consumers.

## 3.2.1 Augmented Products in the Accommodation and Food Service Areas

Accommodation	Food and Beverages
Reservation system convenience	Speed of food service
Reservation system simplicity	Ordering convenience
Acknowledgement of reservation	Telephone
Lift attendants	Advance orders
Room service	Order-taking table staff
Standard of house keeping	Complaints procedures
Courtesy	Advance reservations
Procedures for handling overbooking	Reliability of food/beverage quality
Information services	Customer advice on wines
Customer recognition	Provision of special foods
Credit provision	Cooking to order e.g. steaks
Baggage handling	Acceptance of credit cards
Pet/child care	Variations in portion
Provision for disabled	Home deliveries
Group accommodation	Extent of non-available menu items

Discounts on club referrals, etc	Fibre/calorie information
Cleaning/laundry	Provision of 'doggy—bags'
Courtesy care	Function-catering facilities

3.3   Product Life Cycle

The concept of product life cycle is to describe what happens during the market life of a product from its introduction stage to its withdrawal. It helps management formulate the appropriate marketing strategies. The S- shape graph has four stages viz: - INTRODUCTION, GROWTH, MATURITY and DECLINE. Sales and profits vary between stages. Example of products that have quick growth and rapid decline are disco, coffee shop, sport bar etc.
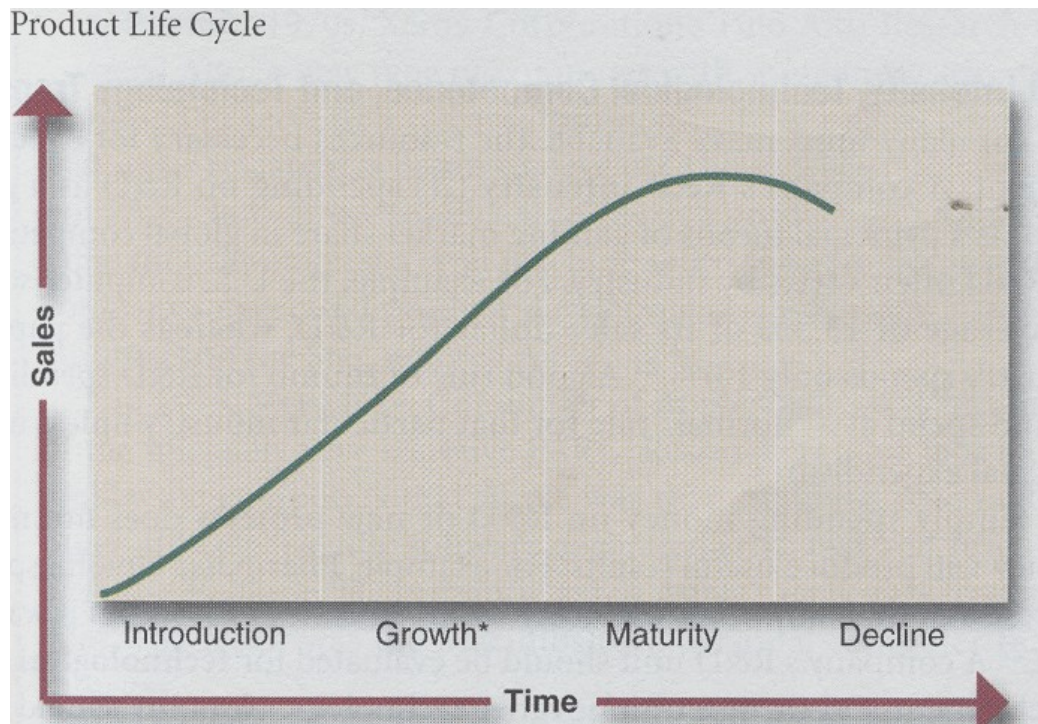
Wheelen, T. and Hunger, D. 8edn (2002) ''Strategic Management and Business Policy'', New Jersey: USA   P. 91

3.3.1 Stage 1- Introduction

For food service outlets, in particular, early sales may be at a very high level, as innovators try the product. For accommodation, the sales level generally builds up more slowly. The hotel occupancy levels are high from the first few weeks of operation.

During the introductory period, most purchases are trial, as opposed to repeat purchases. At this stage marketers stimulate word-of-mouth promotion, advertising and publicity.

3.3.2 Stage 2 - Growth

Eventually, the cumulative effects of publicity and promotion take effect and sales literally take off. A large proportion of consumers in the target market become aware of the product. More customers try the product and some early adopters make repeat purchases. Hence the product is now benefiting from both types of purchasers.

Competitors may begin entering the market at this stage. Some companies have a policy of always being a follower rather than innovator. The follower often realizes a lower reward than the innovator; he also has a much lower level of commercial risk. The innovator introduces new products i.e. marketing research, new product development, advertising, promotion and so forth.

3.3.3 Stage 3 - Maturity

Sales growth now starts to slow down considerably and at the conclusion of this phase, levels off completely. What is happening is that the last few members of the target market who have not previously tried the product finally do make their first purchase. Sales volume, therefore, has shifted to a greater proportion of repeat purchases which tend to follow a fairly stable pattern.

More competitors enter the market with improvements upon the innovators' product. Many companies look for growth opportunities, thus growth markets than the market can profitably sustain.

In the introductory stage, the innovator normally has the market as competitors wait to see what will happen. When its pioneering effort starts to reap dividends, the sales take off in the growth stage of the life cycle and competitors enter the market. Slower competitors latch onto the innovators product belatedly.

3.3.4 Stage 4 - Decline

Eventually, the consumers lose interest in the product either because the product is superseded or consumer tastes change and sales decline. Fewer people repurchase. This is usually a gradual process, thereby providing marketers with time to liquidate their assets.

3.4   Product Decisions

Hospitality marketers have to make a number of product decisions:

- What satisfactions can be derived through the product. This will be reflected in both its tangible and intangible dimension e.g. quality of beds and standard of service.
- What tangible form the product should take e.g. room size amenities, restaurant format (coffee shop, specially restaurant,) etc.
- Whether to market a single item as one main restaurant or a line of related products e g. coffee shop, gourmet restaurant etc
- How to augment the product, so that it acquires the desired product position in the customers' mind and is differentiated from competitors.
- How to define, develop and promote the image and atmosphere dictated by the product-positioning statement.
- What style, form and standard of service to build into the product.
- Whether to brand the product since most hospitality products are branded.

4.0   CONCLUSION

In this unit, we have been able to discuss product strategy extensively. The unit also covered product life cycle and product decision.

5.0   SUMMARY

The augmented product is the complete product offering. To have an edge over the competitors, hospitality organisations should deal largely at the augmented level.

6.0   TUTOR-MARKED ASSIGNMENT

What are the different stages of the product life cycle?

7.0   REFERENCES/FURTHER READING

Quester, P. G., McGuiggan, R. and P. William (2001). '*Basic Marketing: A Managerial Perspective.'* Australia: McGraw Hill.

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UNIT 5   PRICING STRATEGY

CONTENTS

1.0   INTRODUCTION

Pricing is a function of marketing. In the hospitality organizations, the marketing budget determines the amount of money that has to be spent on advance bookings, reservations and purchases in order to secure targeted sales volume and revenue.

Many hospitality plans devote little attention to pricing. This is an error and one of the primary reasons that many hospitality companies have removed pricing responsibility from marketing and assigning it to other departments, such as revenue management.

If marketing managers do not remain in control of this area, they must interface with internal pricing departments. Marketing and sales departments will continuously be in conflict with pricing if pricing strategies are not understood and considered in marketing and sales plans.
In discussing pricing strategies, this unit will consider the internal and external factors, and other general approaches to pricing in the hospitality organisations.

2.0   OBJECTIVE

At the end of this unit, you should be able to:

- list the factors affecting price decisions.

3.0   MAIN CONTENT

3.1 Influence of Price on the Consumers

Price can be defined as the amount of money charged for a good or service. Price is the sum of the values consumers exchange for the benefits of having or using the product or service.

Price is the only marketing mix element that produces revenue. All others represent costs. Some experts rate pricing and price competition as the number one problem facing management. Pricing is the least understood of the marketing variables, yet pricing is controllable in an unregulated market. Pricing changes are often a quick fix made without proper analysis. A pricing mistake can lead to a business failure even when all other elements of the businesses are sound. The total product concept is that the user must appreciate what is being offered and at what price. This is the way the value of the offer can be judged. Customer attitudes and the policies of competitors are important factors

SELF ASSESSMENT EXERCISE

Outline some functions of pricing in the hospitality industry.

3.2 The Importance of Strategic Pricing

There are links between price and the other elements in the marketing mix. The higher the price, the greater the possibility of increasing distributors' margins, quantity discounts and hence distributive support. The higher the price, the greater the possibility of increasing budgets for advertising, publicity, sales promotion and sales people's commissions.

Strategic pricing decisions are essential if an organization is to compete successfully, pricing objectives and policies should guide these pricing decisions.

Pricing objectives and strategies affect every facet of marketing and sales. The selection of appropriate target markets and the emphasis to be given to each depends on pricing.

The top Management in most hospitality companies realize that a 10 percent upward adjustment in rates can produce favourable profit result in excess of cost cutting or traditional marketing and sales strategies to increase the number of guests.

Pricing strategies are of great importance to chain restaurant and need to be reviewed constantly. As an example, food-service quality is the predominant influence on guest ratings for family and casual dinning

restaurants. Family price appeal enhances a guest's rating for a family restaurant chain.

3.3   Constraints of Pricing Policy

3.3.1 Internal Constraints

- Pricing strategy must take sufficient account of external constraints – for example, government economic measures, inflation, price regulation and monopolies legislation; the reactions of distributors, competitors, suppliers, etc which may all act as important determinants on prices.
- The life cycle concept has significant implication for the pricing of products.
- Price must be related to the requirements of the total product portfolio and hence to overall marketing objectives.
- Future trends in costs, demand and competition must be carefully considered and policies on adapting prices to changed market conditions must be devised.

3.3.2 External Constraints

The role of government, and supra-national organization such as the European union, provides a significant example under this heading. Aspects of a government's economic management, its attitudes and policies to prices and incomes, to monopolies and mergers and to any price-fixing agreements deemed contrary to the public interest, all have influences on management decision-making in this area.

3.4   Price and the Product Life-Cycle

As we have seen earlier, the price history of a product may indicate significant changes as it moves through the stages of its life cycle. An approach to pricing may be adopted in which the producer adds a percentage mark-up to the sum of his own cost so as to arrive at the final selling price of his product. This mark up needs not be rigidly fixed throughout the life-cycle.

4.0   CONCLUSION

It is important for markets and managers to have an understanding of price. Charging too much chases away potential customers.

Management should note that competition using a survival pricing strategy should be monitored carefully but not necessarily emulated.

5.0 SUMMARY

From the foregoing, you can see that competitors with a strong marketing program, will use their marketing skills to gain customers rather than cut their price. A hotel with good marketing will allow a competitor to lower prices and skim off the customers, leaving more profitable business for them particularly if the hotel using a survival strategy has a small market share.

6.0 TUTOR-MARKED ASSIGNMENT

What are the constraints of pricing policy?

7.0 REFERENCES/FURTHER READING

Kotler P, Bowen J. and J. Makens 2006 4th edn *'Marketing for Hospitality and Tourism'*. Australia: Prentice Hall.

Schiffman L and Kanuk L (2007). *'Consumer Behaviour'*. Prentice Hall:

MODULE 3

UNIT 1   PLACE/LOCATION

CONTENTS

1.0   Introduction
2.0   Objectives
3.0   Main Content
       3.1   Location Differentiation
       3.2   Choosing a Location
              3.2.1   Marketing Strategy and Target Market
              3.2.2   Regional Analysis
              3.3.3   Area within that Region
              3.2.4   Individual Sites
       3.3   Place Reaching the Target Market
              3.3.1   Accessibility
              3.3.2   Speed of Traffic
              3.3.3   Desirability of the Surrounding
              3.3.4   Recommended Profiles
4.0   Conclusion
5.0   Summary
6.0   Tutor-Marked Assignment
7.0   References/Further Reading

1.0   INTRODUCTION

Place, otherwise known as location is concerned with all the decisions involved in getting the right product to the target market. A product is useless if it is not available when and where the customer wants it. A product reaches customers through a channel of distribution.

Place can provide a strong competitive advantage. For example, hotels facing central park in a city or motels located right off a freeway exit can enjoy a competitive advantage in percentage of occupancy over hotels a block away.

Hospitality organisations should look for benefits created by their location, keeping in mind that this advantage is subject to change. Factors such as a new highway bypass or criminal activity in a

neighbourhood can quickly turn an advantage into a problem. This unit discusses the importance of location and choosing the best location for the hospitality business.

2.0   OBJECTIVES

At the end of this unit, you should be able to:

- explain the location differentiation
- deduce that the target market is an important factor in hospitality location.

3.0   MAIN CONTENT

3.1   Location Differentiation

The three secrets of successful business are 'location, location and location'. Location is one of the most important aspects of distribution for hospitality organizations. For business, which customers come to them, the business must be conveniently located. A good location for a hotel will be different from that of a motel or a fast food restaurant. Restaurant sites tend to be evaluated on the ability of the local area to provide business. Hotel sites are evaluated for the attractiveness of their location to persons coming to that destination. In both cases, location depends on the company's marketing strategy. Each organisation has its own set of location evaluation characteristics.

SELF ASSESSMENT EXERCISE

Why is location the secret of successful business?

3.2   Choosing a Location

There are four steps in choosing a location.

3.2.1 Marketing Strategy and Target Market

There must be an understanding of the marketing strategy and target market of the company. For motels that cater for the travellers and other mid-class hotel guests arriving primarily by automobile, location is typically along free-ways outside major metropolitan areas. The location decisions, like other marketing decisions, cannot be separated from the marketing strategy.

3.2.2 Regional Analysis

This involves the selection of geographic market area. There must be sufficient and stable demand to support the hotels or restaurants.

3.2.3 An Area within That Region

Once the geographic region has been chosen, the next step is to select an area within that region. The demographic and psychographic characteristics of the area will be looked into while competition and growth potential are evaluated.

3.2.4 Individual Sites

A hotel can enter a saturated market to gain presence in that city. Competition is not always a negative factor. Restaurants often tend to be clustered, creating a restaurant row. This can be beneficial. Customers going to one restaurant are exposed to a selection of others.

3.3   Place Reaching the Target Market

3.3.1 Accessibility

Accessibility is part of location. Is the site easily accessible by traffic going in different directions? Is the site visible to allow drivers to turn?

3.3.2 Speed of Traffic

The slower the traffic is, the longer the visibility. Restaurant sites at intersections with a stoplight have the benefit of exposure to waiting drivers.

3.3.3 Desirability of the Surroundings

Is the area attractive? If the site is in a shopping center, is the center well maintained? Are the size, drainage, sewage and utilities adequate?

3.3.4 Recommended Profile

The profile of preferred site of a fast food restaurant:

- Free-standing location in a shopping center
- Free-standing corner location (with a signal light at the intersection).
- Inside light with 125 foot minimum frontage
- Enclosed shopping mall
- Population of 12,000 or more in a one-mile radius
- Easy access of traffic to location

- Heavy vehicular/pedestrian traffic
- Home values and family income levels are average or above.
- Close to offices and other demand generators.
- A parcel size of 30,000 to 50,000 square feet.
- No less than two or three miles from other existing company locations.

4.0   CONCLUSION

Location is a key attribute for a hotel or restaurant. The location must not only be favourable at the present time, but also must continue to be good throughout the life of the business.

5.0   SUMMARY

Managers must consider the concept of place-making the right and good service available in the right quantities and at the right location when customers want them. The next unit will discuss promotion.

6.0   TUTOR-MARKED ASSIGNMENT

Give five recommended profile of a restaurant.

7.0   REFERENCES/FURTHER READING

Kotler P., Bowen J. and J. Makens (2006). *'Marketing for Hospitality and Tourism.'* Australia: Prentice Hall.

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UNIT 2   PROMOTION

CONTENTS

1.0   INTRODUCTION

Promotion is the last of the four Ps that we have examined in Unit 10 of this programme. This unit presents an overview of the role of promotion in marketing. It starts by defining the promotion mix as the set of tools used for demand manipulation. It also defines each of the major types of tool. Promotion is used to solve communication problems, so this unit presents a framework for their analysis which categorise them into three types: cognitive, affective and action.

2.0   OBJECTIVES

At the end of this unit, you should be able to:

- describe the importance and application of promotion mix
- explain the main functions of promotion.

3.0   MAIN CONTENT

3.1   The Importance of Promotion

- Consumers have difficulty in distinguishing between alternatives on the basis of their physical appearance; this is particularly true of service products.
- Products are not well differentiated
- A new product is being launched and the target market has not had previous purchasing experience.
- There are a large number of people having influence on the buying decision as in some corporate purchases.
- There is a strong need for consumer education; food service business faces this problem.

SELF ASSESSMENT EXERCISE

What is the importance of promotion in the hospitality business?

3.2   The Promotion Mix

The promotion mix is the set of communicating tools which a marketing manager can use in his attempt to influence demand. It includes:

- Advertising
- Selling
- Sales promotion
- Direct mail
- Sponsorship
- Merchandising
- Public relations
- Publicity

Each of these will be defined and distinguished.

3.3   Factors Affecting Promotion

Promotion varies in its role and form depending upon whether buying behaviour displays cognitive learning or dissonance reduction (high involvement) or variety seeking or inertia (low involvement).

The main role of promotion in the cognitive learning model is to convey persuasive information so that a buying intention is formed. Message

Main Content is important; it should stress differentiating benefit and take into account the audience's predispositions.
In the dissonance reduction model, promotion is largely used to provide post-purchased information which reassures the audience.

The low involvement consumer is not an active information seeker because the product is less important. Consequently, message Main Content is less significant and brand choice is more prone to the influence of temporary incentives.

The consequence of involvement for promotional strategy is that the more involved the consumer, the more he is likely to repurchase the product despite the promotional efforts of competitors. Therefore, the goal of promotion should be to shift consumers from low to high involvement.

The applications of the main promotional tools given differing involvements are discussed below:

3.3.1 Advertising

Advertising should build awareness and familiarity with low involvement products, using symbolically meaningful and easily recognized Main Content. Repetition is important. For high-involvement products carefully structured, persuasive information should be conveyed. Long copy is more effective for this type of product.

3.3.2 Selling

Selling has a major contribution to make in promoting high involvement products. Sales persons can provide feedback to difficult inquiries. Message Main Content can be modified to suit audiences.

3.3.3 Sales Promotion

Sales promotion is more productive with low-involvement products. Continuous promotions can create repeat purchase, thus reducing variety-seeking. Consumers may be more attracted to the promotion than the product. More involved audiences are more resistant to sales promotion and less likely to switch brands.

3.3.4 Direct Mail

Direct mail is both high and low involvement markets; it has an informational role in high-involvement markets. Already involved audiences are more likely to read print material, thus long copy can be

used. In low-involvement markets, direct mail can be used to deliver promotional incentives such as coupons or competition entry forms.

3.3.5 Sponsorship

Sponsorship's main role is to build awareness. Generally the only information conveyed through sponsorship is the company (or brand) name which makes it more suitable for low-involvement products.

3.3.6 Merchandising

Merchandising is more important for low-involvement products. Simple exposure to a product display or print material may stimulate purchase. As pre-purchase evaluation does not occur with low-involvement products, purchase behaviour can be motivated at the point of sale.

3.3.7 Public relations (PR)

Because of the diversity of activities classified as PR, it has applications in both high- and low-involvement sectors. An example of a high-involvement application is a familiarization visit organized by an hotelier for tour operators. A low involvement application would be a reminder by a lift attendant that the restaurant is on the top floor of the hotel.

3.3.8 Publicity

A major problem with publicity is that it is non-purposive. Unlike advertising, where messages can be devised to achieve specific promotional objectives, most publicity has to be newsworthy in its own right. PR is used for both high- and low involvement products.

National newspapers may carry the story of a hotel's success in winning the contract to house a big political conference. Conference purchase is high involvement. The story and the hotel's name will be of interest to conference organizers. A local radio station broadcasting live from a garden fete will attract visitors indirectly to the catering concessions.

3.4 Budgeting for Promotion

It is important to know how much to spend on promotion and how to divide such a budget with the various promotional tools. Most promotional activities have to be paid for, although some of them are free. The free ones are: word of mouth, publicity and some forms of merchandising. Organisations take the advantage as they are used constantly. However, it is important for companies to budget for their promotional mix.

3.5   **Tactics for Achieving Promotional Objectives**

- Link the product to some involving issue (.e.g. fast food to nutritional values).
- Link the product to some involving personal situation (e.g. promote a town centre coffee shop in the morning before shoppers leave home).
- Link the product to involving advertising. A value-expressive advertisement expresses consumers' central beliefs and values.
- Change the importance of product benefits; this is more difficult to achieve because it involves changing consumer need priorities and educational process.

4.0   CONCLUSION

The ultimate goal of promotion is to obtain a level of demand favourable for the promoter while promotional mix are the tools a marketer uses in his attempt to shift demand. The three types of communication problems; cognitive, variety seeking or inertia (low involvement) and promotional budget were also discussed.

5.0   SUMMARY

This unit has discussed promotional strategy, promotional tools and how to achieve the promotional objectives. In the next unit, we shall be discussing how to build customer loyalty.

6.0   TUTOR-MARKED ASSIGNMENT

Mention the various promotional tools.

7.0   REFERENCES/FURTHER READING

Schiffman L and Kanuk L (2007). '*Consumer Behaviour'.,* USA: Prentice Hall

Quester, P. G., McGuiggan, R. and P. William (2001). '*Basic Marketing: A Managerial Perspective.,* Australia: McGraw Hill.

UNIT 3 PEOPLE AND IMPORTANCE OF HUMAN RESOURCES MANAGEMENT

CONTENTS

1.0 INTRODUCTION

Successful service companies focus their attention on both their employees and customers. They understand the service-profit chain which links service organisation profits with employee and customer satisfaction. This chain consists of five links:

Health Service profits and growth: Superior service firm performance Satisfied and loyal customers: Satisfied customers who remain loyal, repeat purchases and refer other customers.

Greater service value: More effective and efficient customer value creation and service delivery.

Satisfied and productive service employees: More satisfied loyal and hard-working employees.

Internal service quality: Superior employee selection and training, a high-quality work environment and strong support for those dealing with customers.

These and more will be discussed in this unit for your understanding of the topic.

2.0   OBJECTIVES

At the end of this unit, you should be able to:

- describe the importance of employees to the hospitality industry
- explain the need to adopt service culture in order to achieve correct marketing strategy.

3.0   MAIN CONTENT

3.1   Organisational Chart adopting Service Culture

When a company has a service culture, the organisational chart is turned upside down. The customers are at the top and corporate management is at the bottom structure. In this type of organisation, everyone is working to serve the customer.

In a conventional organisational structure, the mistake of an employee is kept from the supervisor. They know that if the supervisor finds out about a mistake, they may be reprimanded. Hotel should cultivate a service culture. The supervisor must not be afraid to communicate the department's mistake to other departments. In this case, everyone works to serve the guests. When you have a conventional organisational structure, everyone works to please the boss.

SELF ASSESSMENT EXERCISE

Why is service culture better than conventional structure?

3.2   Developing a Marketing Approach to Human Resources Management

3.2.1 Creating Jobs that Attract Good People

Managers must use the principles of marketing to attract and retain employees. They must research and develop an understanding of the employees' needs, just as they do for the customers. Not all employees are the same, some seek to supplement their incomes; others are looking for work that will be their sole source of income. Marketers can use marketing research techniques to segment the employee market, choosing the best segments for the organisation and developing a marketing mix to attract them. The marketing mix for employees is the job, pay, benefits, location, transportation, parking, hours and intangible rewards, such as prestige and perceived advancement opportunities. Just as customers look for different attributes when they purchase a product,

employees look for benefits. The following factors in addition to salary and benefits may likely attract a potential job seeker to hospitality job:

- Chance for promotion and growth
- Work that keeps him interested
- A chance for increasing responsibilities
- Good working conditions
- Sense of belonging
- Full appreciation of work done.
- Job security
- Good training program
- Personal loyalty to worker by company.
- Good salary
- Nice people to work with
- Good fringe benefits.
- Access to superior
- Geographic location
- Reasonable hours
- Sympathetic help with personal problems

3.2.2 Teamwork

Employees must learn to be team players. Employees who are not customer oriented often pass the responsibility for serving to others. In companies that practice internal marketing, if one employee makes an error, other employees try to cover it before the guest notices. In these organizations, guests do not have to understand the hotel's organisation and business to ensure that their needs are met. The front desk handles most requests, relaying the guest's desire to the appropriate department. In restaurants that have used internal marketing to create a service culture, staff cover for each other. Employees who see that a guest needs something will serve the guest, even though it may not be their table.

Organisations that lack teamwork create an uncomfortable environment for the guest. The first employee to receive a guest's request or complaint owns it. The employee is responsible for making sure that guests receive what they need by following up with the other departments involved and then contacting the guest to make sure that everything was satisfactory. Customers should not have to redirect their request for service to another employee.

Hiring procedures need to identify those employees who are team players. Older employees should show willingness to support other employees. Some managers believed that the elderly might not be willing to cooperate or accept direction from the much younger supervisor. The company's history, current businesses, its mission

statement and vision are important for employees to know. They must be encouraged to feel proud of their employer. Desire to contribute to the company's success must be instilled in them.

3.2.3 Orientation and Continuous Training

Orientation is to assure the new employee that he or she has made the right decision and to build a strong sense of belonging for the team and the industry. It assures the employers that the company provides the support that they require to be successful. It is also a time to share the values of the hotel and to introduce the facilities of the hotel.

The hotel must be committed to providing consistent basic training in all the departments as well as continuous training. Training is for everyone and must be planned, systematic and comprehensive. The success of training must be measurable.

3.3   Employee involvement in Uniform Selection

The selection of uniform is often left to designers and managers with no input from the worker. Uniforms are important because employee dress contributes greatly to the guest's encounter with customer contact employees. Uniforms also become part of the atmospherics of a hospitality operation. They have the atmospheres of a hospitality operation; they have the ability to create stylish and colourful impressions of the property. They distinguish employees from the general public, making employees accessible and easily identified. In cases where uniforms are lacking, guests may become frustrated because they have difficulty identifying employees when they need help. Uniforms have the ability to create attitudes about an employee's job. Employees feel and behave differently once they put on uniform.

Uniforms should be functional and accepted by the employees. Management often looks for uniforms that represent the property, acting as a marketing tool and enhancing the image of the organisation.

4.0   CONCLUSION

In order to achieve profits and organisational goals, the employees who take care of the customers must be given a sense of belonging.

5.0   SUMMARY

The concept of the service-profit chain is that the hospitality organisations must satisfy three groups; customers, employees and stakeholders. All of the groups are important but first employees must

be satisfied. If employees love their jobs and feel a sense of pride in the company, they will serve customers well. Satisfied customers will return frequently to the hotel.

6.0   TUTOR-MARKED ASSIGNMENT

List at least 10 factors that can attract a potential job seeker to a hotel.

7.0   REFERENCES/FURTHER READING

Kotler P., Bowen J. and J. Makens 2006 4th edn *'Marketing for Hospitality and Tourism'.* Australia: Prentice Hall.

Quester, P. G., McGuiggan, R. and P. William (2001). '*Basic Marketing: A Managerial Perspective'.* Australia: McGraw Hill.

UNIT 4   BUILDING CUSTOMERS LOYALTY

CONTENTS

1.0   Introduction
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         3.2   Customer Satisfaction
         3.3   Customer Loyalty
         3.4   Cost of lost Customers
         3.5   Customer Retention
4.0   Conclusion
5.0   Summary
6.0   Tutor-Marked Assignment
7.0   References/Further Reading

1.0   INTRODUCTION

Today, many companies face the toughest competition in decades and things will only get worse in years to come. In earlier units we have discussed this and how to succeed in today's competitive marketplace. Hospitality organisations will have to adopt a marketing philosophy. In this unit, we will spell out in more detail how companies can go about winning customers and outperforming competitors.

2.0   OBJECTIVES

At the end of this unit, you should be able to:

- define customer value and customer satisfaction
- distinguish the difference between customer satisfaction and customer loyalty
- deduce the importance and benefits of quality.

3.0   MAIN CONTENT

3.1   Customer Value

In order to succeed and survive, hospitality organisations need a new philosophy. To win in today's marketplace, the service industry must be customer centred. They must deliver superior value to their target customers.. They must not just build the product but must become adept in building customers. They must be skillful in market engineering, not just product engineering.

Too many companies think that obtaining customers is the job of the marketing or sales department. It must be realized that marketing cannot do this job alone. Although it plays a leading role, marketing can be only a partner in attracting and keeping customers. The best marketing department cannot successfully sell poorly made products that fail to meet consumers' needs. The marketing department can be effective only in companies in which all departments and employees have teamed up to form a competitively superior customer value delivery system.

Customers are not just focusing on price but also want a higher quality product and service. It is expedient to study and act on customers' needs and one important aspect of service is speed.

3.2   Customer's Satisfaction

Consumers form judgements about the value of marketing offers and make their buying decisions based on these judgements. Customer's satisfaction with a purchase depends on the product's performance relative to a buyer's expectations. If the product's performance falls short of expectations, the customer is not satisfied. If performance exceeds expectations, the customer is highly satisfied or delighted.

Although a customer-centered organisation seeks to deliver high customer satisfaction relative to competitors, it does not attempt to maximize customer's satisfaction. An organisation can always increase customer's satisfaction by lowering profits. In addition to customers, the organisation has many stakeholders, including employees, suppliers, and stackholders. Spending more to increase customer's satisfaction is to generate customer's value profitably. Ultimately, the company must deliver a high level of customer's satisfaction while delivering at least acceptable level of satisfaction to other stakeholders. This requires a very delicate balance.

Today's winning companies track their customers' expectations, perceived company's performance and customer satisfaction. Customer satisfaction measures are meaningful only in a competitive context.

For organisations that are customer-centered such as hospitality industry, customer satisfaction is both a goal and a major factor in the company success, as highly satisfied customers produce several benefits for the company. They are less price sensitive and they remain customers for a longer period. They buy additional products over time as the company introduces related products or improvements and they talk favourably to others about the company and its products.

SELF ASSESSMENT EXERCISE

Who is a Satisfied Customer?

3.3   Customer Loyalty

Customer's satisfaction is a requisite for loyalty. The customer expectations must be met or exceeded in order to build loyalty. However, there are several reasons why satisfied customers may not become loyal customers. First, some customers do not return to an area on a regular basis. Some customers may be satisfied with each hotel or restaurant, but they keep changing to gain a new experience. Some guests are price sensitive and will shop for the best deal. Even though they were satisfied with the last hotel, they will try out another hotel because of the deal they were offered. Customers expect to be satisfied with their purchase, if not, they would not have made the purchase. To develop loyal customers, managers must have extremely satisfied customers.

The clear difference between satisfaction and loyalty is that a loyal customer is more valuable than satisfied customers. A satisfied customer who does not return and does not spread positive word-of-mouth adds no value to the company. On the other hand, a loyal customer who returns and spreads positive word-of-mouth has added good value to the hotel. Management must identify loyal customers and create more customer-delivered value than competing for customers.

3.4 Cost of Lost Customers

The company needs to figure out how much it would cost to reduce the defection rate. If the cost is less than the lost profits, the company should spend that amount to reduce customer defections. Outstanding organisations go all out to retain their customers. Competition is increasing and the costs of attracting new customers are rising. In the hospitality industry, it might cost-five times as much to attract new customer as to keep a current customer happy. Offensive marketing costs more than defensive marketing, because it takes a great deal of effort and spending to coax satisfied customers away from competitors.

3.5   Customer Retention

High quality builds loyalty and creates positive word of mouth. It is an important factor in the purchase decision. It determines customer's satisfaction, which affects repeat business and word of mouth. Studies

have shown that it costs four to six times as much to create a customer as it does to maintain an existing one.

A satisfied customer will also spread a recommendation by word of mouth. On average, one satisfied guest will tell five others, while a dissatisfied guest will tell ten or more people. In order to balance positive word of mouth with negative word of mouth, two or more customers must leave feeling good about the service for every person who feels the quality of service is poor. The hotel that is striving to build an excellent reputation must do much better.

4.0   CONCLUSION

Hospitality organisations today face stiff competition while customer demands are increasing. Things will continue to get worse in years to come. Therefore the need to satisfy customer cannot be over-emphasised.   A satisfied customer will come back and spread recommendation by word of mouth.

5.0   SUMMARY

The answer to customer loyalty and repeat performance lies in doing a better job of meeting and satisfying customer's needs. The benefit of service quality is customer retention.

This unit has been discussing the importance of satisfying the customer particularly in the face of competition. The15[th] unit which is the last unit will talk about electronic marketing. The use of electronic in communication in the hospitality industry is important for recognition and efficiency.

6.0   TUTOR-MARKED ASSIGNMENT

Why is customer retention important?

7.0   REFERENCES/FURTHER READING

Schiffman L. and Kanuk L. (2007). '*Consumer Behaviour'*. USA: Prentice Hall.

Quester, P. G., McGuiggan, R. and P. William (2001). '*Basic Marketing: A Managerial Perspective'.* Australia: McGraw Hill.

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UNIT 5   GROWTH IN THE HOSPITALITY BUSINESS THROUGH ELECTRONIC MARKETING

CONTENTS

1.0   Introduction
2.0   Objective
3.0   Main Content
        3.1   Customization
        3.2   E-Businesses E-Commerce and E-Marketing in the New Digital Age
        3.3   Benefits to buyers
4.0   Conclusion
5.0   Summary
6.0   Tutor-Marked Assignment
7.0   References/Further Reading

1.0   INTRODUCTION

With the creation of the World Wide Web and web Browsers in the 1990s, the internet was transformed from a mere communication tool into a revolutionary technology. By early 2002, Internet penetration had reached 66 percent. Today, there are billions internet users worldwide, with almost half having access to the Internet at home.

The internet represents an untapped opportunity for many companies including the hospitality industry. lt is in a way useful as a sales outlet and it provides a medium for communication between the company and its customers. In the light of competition, hotels and restaurants must adopt internet technology and avoid the risk of being left behind. This unit discusses the relevance of internet in hospitality industry communication.

2.0   OBJECTIVE

At the end of this unit, you should be able to:

- describe the importance of electronic marketing for effective communication in the hospitality industry.

3.0   MAIN CONTENT

3.1   Customization

The internet-based economy or the New Economy revolves around information businesses. Information has the advantages of being easy to

differentiate, customize, personalize and send at incredible speeds over networks. Companies have grown skilled in gathering information about individual customers, the competitors and business partners such as: (suppliers, distributors, wholesalers and growers). In turn, they have become more adept at individualizing their product and services, messages and media.

Many hospitality and travel companies have developed a competitive advantage by understanding their customers on an individual level and developing marketing offers that fit their wants. They can offer these customers special benefits through loyalty programs. The information on these customers can be made readily available throughout the company through the internet. Thus, if a guest asked for a feather pillow hotel last week, the housekeeper in that hotel will know about it and feather pillow will be on the guest's bed in a branch of the hotel in another town when he arrives the following week. The system will also be in the guest information file, so the front desk clerk will know this arrangement has been on when the guest checks into the hotel. A restaurant will know that a guest comes in about once every four weeks based on their guest information file. Their loyalty program could offer the guest a coupon for a free appetizer, with an expiration date of three weeks on the coupon. The restaurant's database has determined that the customer will be back soon and provide him with an item that will not reduce his overall check. The customer gains recognition and the benefit of a free product at one of their favourite restaurants. Information has allowed the restaurant to electronically create an offer in real time based on the guest's profile. Having access to customise the marketing mix to individual customers can create a competitive advantage.

SELF ASSESSMENT EXERCISE

What is the relevance of electronic marketing to the hospitality industry?

3.2   E-Businesses E-Commerce and E-Marketing in the New Digital Age

E-Business involves the use of electronic platforms –intranets, extranets and the internet to conduct a company's business. The internet and other technologies now help companies carry on their business faster and more accurately. E-commerce is more specific than e-business. E-business includes all electronics-based information exchanges within or between companies and customers and over a wider range of time and space. Many companies have set up web sites to inform about and promote their products and services. They have created intranets to help employees communicate with each other and access information found in the company's computers. They have set up extranets with their major

suppliers and distributors to assist information exchange, orders, transactions and payments.

In contracts, e-commerce involves buying and selling processes supported by electronic means, primarily the internet. E-markets are Market-spaces rather than physical marketplace. Sellers use e-markets to offer their products and services online. Buyers use them to search for information, identify what they want and place orders using credit or other means of electronic payment.

E-commerce includes e-marketing and e-purchasing (e-procurement). E-marketing is the marketing side of e-commerce. It consists of company efforts to communicate, promote and sell products and services over the internet. Some international hotel such as: Hilton, Marriott, Radisson and Starwood conduct e-marketing at their web sites. The e-marketing is the buying side of e-commerce. It consists of companies purchasing goods, services and information from online supplier.

In business-to-business buying, e-marketers and e-purchasers come together in huge e-commerce networks. E-commerce and the internet bring many benefits to both buyers and sellers. Some of these major benefits are discussed in 3.3 below.

3.3   Benefits to Buyers

Internet buying benefits both final buyers and business buyers in many ways. It is convenient; customers don't have to battle traffic, find parking spaces, and trek through stores and aisles to find and examine products. They can do comparative shopping by browsing through mail catalogues or surfing web sites. Direct marketers never close their doors. Buying is easy and private. Customers encounter fewer buying hassles and don't have to face sales people or open themselves up to persuasion and emotional pitches. Business buyers can learn about and buy products and services without waiting for salespeople.

The internet often provides buyers with greater product access and selection. For example, the traveler going to one country can compare hotels through pictures and virtual tours while sitting in their living rooms.
Beyond a broader selection of sellers and products, e-commerce channels also give buyers access to a wealth of comparative information, information about companies, product and competitors.

The company's web page must be appealing, relevant and current if it is to attract repeat visits. Companies should consider using state-of-the-graphics. The sites can be developed to provide valuable helps such as

providing product expertise and a personal connoisseur to recommend choice wines, holiday inns, book rooms over the internet and tell where the restaurants are located.

The internet must be easily accessible and quick in responding to customers' calls. Customers may have high and rising expectations about how quickly and adequately they should receive answers to questions and complaints sent in by phone or e-mail. The internet user must be able to communicate directly with the company on-line. People like to communicate automatically. The computer can be programmed to book reservations, select and confirm room reservations and other information to the customer or prospective customers. However, when the users have questions that the computer cannot answer or they have a problem they would like to discuss, they should be given a phone number to call and an automatic e-mail option.

When designing a web site, one must not forget the customers and the importance of communicating with them in the method they desire.

4.0   CONCLUSION

Every hospitality organisation should endeavour to build and actively manage a customer database. Internet service permits a company's targeting to be super efficient. The hospitality industry should therefore take the advantage of the internet. It will improve the efficiency in the areas of research, provide information, run discussion forum, provide training, carry on lone buying and selling (i.e. e-commerce) to mention but a few.

5.0   SUMMARY

In this unit, which is the last in this course, the importance and application of computer and internet to the hospitality industry have been discussed.

To survive and thrive in this century, managers will need to integrate a new trend to management via the web. There is need to construct relationships with suppliers and customers, to create value for them and make money and in the process, revolutionizing marketing. Some strategists envision a day when all buying and selling will involve direct electronic connection between companies and their customers. This new consumer thinking will affect every business inclusive of the speed, price, product information and service.

6.0   TUTOR-MARKED ASSIGNMENT

List the new age digital you would recommend for a 5- star hotel

7.0   REFERENCES/FURTHER READING

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