

TOURISM AND HOSPITALITY STUDIES

Hospitality Marketing



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PASSPORT

Manual on Elective III – Hospitality Marketing

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Centre for Food Safety, Food and Environmental Hygiene Department

Introduction

A set of curriculum support package of tourism and hospitality learning and teaching materials is being developed by the Personal, Social and Humanities Education Section of Curriculum Development Institute, Education Bureau for the implementation of the senior secondary Tourism and Hospitality Studies curriculum in schools. The curriculum support package is comprised of eight manuals, and they are developed to broaden students' knowledge of the eight different units of the Tourism and Hospitality Studies curriculum.

The content of this manual – Hospitality Marketing, should enhance students' understanding of the dynamic nature of the tourism and hospitality industry. In addition, the manual includes activities to deepen students' understanding and help them to apply theories and concepts. Furthermore, students should be able to develop enquiry, problem-solving and decision-making skills through these activities.

All comments and suggestions related to this curriculum support package may be sent to:

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Hospitality Marketing

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III. Hospitality Marketing

Hospitality marketing is unique because it deals with the tangible product, like a bed in the hotel or food in the restaurant, but it also deals with the intangible aspects of the hospitality and tourism industry. It is about the experience in a trip and social status it brings eating in a fine-dining restaurant. Hospitality marketing is very critical in the success of any hospitality and tourism product, organization and tourist destination. Proper marketing effort promotes a product or service that fills the needs and wants of the consumers and at the same time, bring profits to the organization or country that features it.

Content of the Student Manual

In this manual, we will address three important aspects associated with hospitality marketing: 1) services marketing, 2) the marketing plan, and 3) electronic marketing. Specifically, this manual contains the following contents:

Unit 1: Services Marketing

- 1.1: The marketing concept
- 1.2: Product marketing vs. services marketing

Unit 2: The Marketing Plan

- 2.1. Analyzing marketing opportunities and challenges: The macro-environment
- 2.2. Analyzing your markets: Consumer vs. business markets
- 2.3. Market segmentation
- 2.4. Conducting market research
- 2.5. Marketing mix
- 2.6: The promotional mix

Unit 3: Electronic Marketing

- 3.1: Internet and database marketing

Exercises to Help You

Whenever feasible, we will use examples to illustrate the key points of hospitality marketing, and you can test your grasp of the main concepts by completing the exercise at the back of each unit. This way you are sure that you can apply what you learn in a real situation.

Written Assignment

The written assignment is designed to help you integrate all the critical concepts you learnt from this course.

Unit 1: Services Marketing

1.1: The Marketing Concept

This topic defines what marketing is and it explains the core components of the marketing concept.

Are you familiar with the word ‘marketing’? How would you explain ‘marketing’ to your teachers or classmates? Many students think of marketing as promotion, advertising, sales, and/or making profit per se, but I can assure you that these images only partially represent what marketing is.

According to the definition provided by the American Marketing Association (2008), marketing refers to “an organizational function and a set of processes for creating, communicating, and delivering value to customers and for managing customer relationships in ways that benefit the organization and its stakeholders.” In essence, marketing is a consumer-oriented philosophy or way of doing business; companies that are consumer-oriented will put consumers’ needs and wants on their top priority. From this perspective, the ultimate goal of marketing is therefore to create and retain profitable customers by satisfying their demands. It is worth noting that the goal of retaining profitable customers is particularly challenging in Asia including Hong Kong. This is because people in this region tend to be more group-oriented and the word-of-mouth effects are especially strong.

Let’s find out how much you understand the idea of satisfying customers’ demands before we move on to address other core issues about the marketing concept. Take a look at the following questions:

- 1) If a chef intends to add two new items that he particularly likes to its existing menu, would you say he is applying the consumer-oriented marketing concept?
- 2) What if the two new items added to the menu are based on the preferences of the restaurant’s current and targeted customers? Is he applying the consumer-oriented marketing concept?

I hope your answer to the first question is NO because consumers are not given the priority in this instance. Similarly, employees who reject customers’ requests or suggestions without giving them serious considerations are not exercising the marketing concept either. If we go back to the second question above, it is clearly a

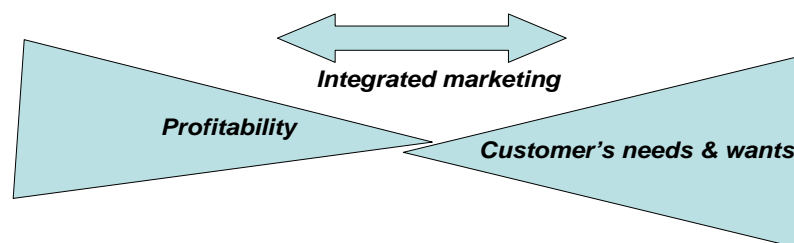
customer-oriented practice because changes are made to the menu to specifically tailor to the customers' preferences instead of the chef's personal needs.

Another important idea about the marketing concept is, companies do not aim to make profit per se; instead, they focus on generating profits by creating values to customers and satisfying their needs better than competitors. Marketers who apply the marketing concept trust that, if they put their customers first, profits will take care of themselves.

One final point about the marketing concept - it is not a function that can be left to people working in the marketing department only. Successes in marketing require the involvement of employees from all levels and functional departments to serve their customers' interests. It is important that you bear all these in mind because inappropriate view of marketing will not allow your marketing efforts to come to fruition.

The following summarizes the three main components of the marketing concept that we have addressed above: **(Figure 1)**

Figure 1: The Marketing Concept



- 1) **Customers' needs/ wants/ demands** – the focus of the marketing concept is to satisfy customers' needs, wants, and demands;
- 2) **Profitability** – companies aim to generate profits by satisfying their customers' demands better than their competitors;
- 3) **Integrated marketing** – marketing is a concerted effort from all personnel within a company.

Concluding example: Four Seasons Hotels and Resorts is a hospitality organization that embraces the marketing concept. The goals of Four Seasons are to achieve a fair and reasonable profit to ensure the prosperity of the company and its shareholders, as well as to offer long-term benefits to its hotel owners, shareholders, customers and employees. The company satisfies the needs and wants of its customers by creating properties of long-lasting value using superior design and supports them with exceptional personal service experiences. Four Seasons highly believes that the united efforts of all its employees are the key to satisfying the customers; therefore it is important for all employees to work cooperatively together and respecting each other's contribution and presence. As a result, there is a famous saying within the organization, "we seek to deal with others as we would have them deal with us." In this example, Four Seasons clearly demonstrates that the organization expects to generate profits by placing its guests' needs and wants on the top priority, and its success is an outcome of the service-oriented attitude of all its personnel.



Four Seasons Hotel in Central, Hong Kong.

Exercise 1: Visit two travel agencies such as Wing On and Hong Thai. Request information and ask questions about a certain travel destination. Compare the two organizations for their customer orientation using similar criteria such as friendliness of employees, product knowledge of employees, helpfulness of employees etc. Share your experience with your classmates.

Now, let's move on to examine the differences between product and service marketing.

1.2: Product Marketing vs. Services Marketing

This topic introduces the fundamental differences between marketing products and marketing services. Discussion for the latter will be addressed specifically in the hospitality context.

By now, you should know that the focus of the marketing concept is to satisfy customers' demands, and these demands can be in the form of physical products and/or services. It is common for people to refer to products as objects, devices or things and services as actions, performances or experiences. Marketing was initially developed in connection with the physical products, but with the growing interest in consumers for services today, selling services have become an increasingly important component of the marketing concept. Just to give you an idea to what extent services have affected our global economies: In Australia, Canada, France, Japan, Norway, and the United Kingdom, 60 percent or more of the gross domestic product (GDP) comes from services, and the service sector comprises of approximately 85 percent of the GDP in Hong Kong. It is important for you to know that although the core outputs for many hospitality organizations are primarily performances or experiences (i.e. services), it does not mean that absolutely no tangible elements are tied to the process. For instance, the food and beverages will be considered the tangible element we experience when dining out in a restaurant.

So, can the hospitality industry directly adopt the marketing practices of those firms with physical products as their primary outputs? The answer is no, because there are four characteristics, intangibility, inseparability, variability and perishability, that set services apart from physical goods (see **Figure 2**). Now, refer to **Table 1** for the four characteristics of services that make service marketing distinctively different from product marketing.

Figure 2: Characteristics of Services

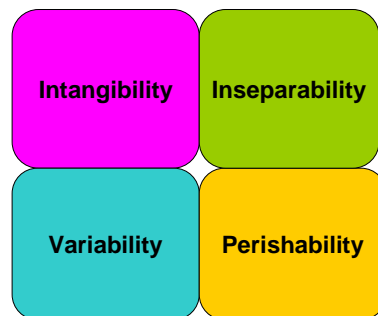


Table 1: Service Characteristics of Hospitality Marketing

Service characteristic	What it means?	Hospitality example
Intangibility	<ul style="list-style-type: none"> Services cannot be conceptualized or perceived by the five senses before purchase. 	<ul style="list-style-type: none"> Customers will have no way to evaluate their meals at a restaurant until they have experienced the food and service.
Inseparability	<ul style="list-style-type: none"> Providers are part of the service experience because providers and customers must be present simultaneously for the transaction to occur. Customers themselves may be part of the service experience because of their greater involvement in the production process. The presence of other customers may become part of the service experience. 	<ul style="list-style-type: none"> The attitude of a flight attendant will influence customers' ratings on their overall experience with the airline. Customers that use automated check-in- and check-out service provided by hotels must understand the system in order to have a satisfactory experience. The presence of loud customers in a restaurant will influence the experiences of other

Service characteristic	What it means?	Hospitality example
		customers.
Variability	<ul style="list-style-type: none"> Quality of services is likely to vary (i.e. lack of consistency) because of the provider, location, timing, etc. 	<ul style="list-style-type: none"> Service quality in a restaurant during peak and non-peak demand periods may vary. Service quality provided by hotel A in Hong Kong and Singapore may vary.
Perishability	<ul style="list-style-type: none"> Services are not durable and only last for a short while; they cannot be stocked as inventory for future sales or use. 	<ul style="list-style-type: none"> An empty seat on a flight cannot be inventoried. Hotel rooms that are not sold today cannot be saved for tomorrow (i.e. lost revenues for today cannot be recaptured tomorrow).

The nature of services will pose distinctive marketing challenges for hospitality organizations. **Table 2** provides you a summary of these challenges and some suggestions for the industry to tackle the problems.

Table 2: Service Characteristics: Challenges for Hospitality Marketers & Relevant Suggestions

Service characteristic	Challenge for hospitality marketers	Suggestion
Intangibility	To reduce the feelings of uncertainty in consumers.	‘Tangibilize’ the intangible - to provide tangible evidence and images to customers to strengthen their confidence about the services before buying. For instance, a restaurant that offers fam trips or food trial will provide clues to customers as to what to expect in terms of food and services.

Service characteristic	Challenge for hospitality marketers	Suggestion
Inseparability	To manage the provider-customer and customer-customer interactions.	Because providers and customers are likely to be part of the service experience, it is important to recruit the right people and to train providers and/or customers to understand the service delivery system. Additionally, providers should also try to manage their customers so that they do not cause dissatisfaction for others. For instance, certain restaurants in the USA targeting at couples or adult buyers have implemented a “no-kids are allowed” policy in their premises.
Variability	To manage the quality consistency.	Good hiring and training procedures are more likely to increase quality consistency in the hospitality industry. Other options will be to standardize the service-performance process and to monitor the level of customer satisfaction periodically.
Perishability	To manage the demand and supply levels.	<p>To manage the demand level:</p> <ul style="list-style-type: none"> a) Use differential pricing to shift some demand from peak to off-peak periods. Example: Some hotels promote discount prices for weekdays only to manage their room demands. b) Cultivate non-peak demand. Example: Certain theme parks in Singapore have introduced night-time attractions and activities for this non-peak period. c) Have a reservation system to manage the demand level.

Service characteristic	Challenge for hospitality marketers	Suggestion
		<p>Hotels, airlines, and restaurants use reservation systems extensively.</p> <p>To manage the supply level:</p> <ul style="list-style-type: none"> a) Use part-time employees during peak demand period. b) Cross-train the employees so that they can perform various tasks especially when there is a labor shortage. c) Encourage customers to participate in the production process. For instance, fast food companies in the USA require customers to fill their own beverages.

I hope what we have covered in this unit gives you a better idea of what it means by service marketing, particularly in the hospitality context. Here is another example and an exercise for you before we move on to the next unit.

Concluding example: Ritz-Carlton Hotels certainly understand the importance of increasing the tangibility of their services. For instance, their front-line staff are always dressed in professional apparel and its physical buildings are decorated in such a way to convey a high level of service. Additionally, well designed promotional materials are used to create a tangible impression for the guests. Ritz-Carlton also put tremendous efforts in personnel selection and training in order to manage the efficiency and consistency of their services. Apart from that, the company has formulated 20 standards of service that frame management's expectations of employees. These standards provide guidance to its employees' day-to-day behaviors, which are crucial for managing the interactions between the staff and guests. Due to the perishable nature of services, hotels cannot just add or delete rooms for upcoming high or low demand periods. As a result, Ritz-Carlton offers various promotional packages during low demand periods in order to attract more guests.

Exercise 2: Visit the website of the Hong Kong Tourism Board (HKTB) (www.discoverhongkong.com). The Board has attempted to make the travel experience tangible especially for first-time visitors through the website. Your task is to explain how HKTB accomplishes this goal.

Exercise 3: Consider how a hotel or a restaurant deal with the intangibility, inseparability, variability, and perishability of the service it provides. Give specific examples to support your conclusions.

References

Students should note that all contents in this unit are based on the following sources:

American Marketing Association (2008). Resource library. Retrieved June 18, 2008 from [http: www.marketingpower.com/-layouts/Dictionary.aspx?dletter=m](http://www.marketingpower.com/-layouts/Dictionary.aspx?dletter=m)

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Unit 2: The Marketing Plan

In this unit, we will discuss the concept of Marketing Plan: What it is, why it is important, and the different aspects that are typically found in a Marketing Plan.

What is Marketing Plan?

Let us say that you are very entrepreneurial and you wish to set up a stand to sell hot dog in your school's Sports Day. You calculate that you will need about \$10,000 to pay for the stand, umbrella and food, etc. You want to borrow money from your parents, the banker. They want to make sure you know what you are doing, so they ask that you come up with a marketing plan. They want to make sure the customers (your classmates) that you target will know about your product and buy your hot dogs. They require a detailed plan before they will loan you the money for your business venture. They believe that careful planning before the execution will reduce risk. This is also happens in the real world. You have never heard of a Marketing Plan before, so you are not sure where to begin. Allow us to help you to understand what it is and the aspects that you need to consider in putting together the plan.

Marketing plan is a road map that the Marketing department of a company developed to bring the product and services it wants to the market. The Marketing department devised such a plan based on its budget and the market research it conducts. The plan also needs to match the company's overall mission and strategic objectives. Without the plan, marketing efforts will become piecemeal and ad hoc and would be up to luck whether the company would achieve the desired performance.

Roughly speaking, there are two parts to the Marketing plan:

- 1) The first part involves a good understanding of the aspects in the external environment so we can offer a product or services that the market wants. These aspects include: Analyzing marketing opportunities and challenges, analyzing your markets, market segmentation, and conducting market research (as covered in **2.1 to 2.4**).
- 2) For the second part, the company will use the information gathered in the first part to form basis to decide on the optimum marketing mix (the 8 Ps), as seen in **2.5**. Giving the importance, we will further elaborate on one of the Ps, the promotional mix in **2.6**.

2.1. Analyzing Marketing Opportunities & Challenges: The Macro-environment

This topic identifies and discusses the major macro-environmental forces that affect the hospitality industry's ability to market its offerings.

All hospitality organizations operate in a macro-environment that is constantly changing, and such changes often give rise to opportunities for marketers to do business or pose threats to the companies. Thus, before companies consider their marketing strategies, close monitoring of such environmental changes is essential. To achieve this end, hospitality marketers must study and monitor six major forces (demographic, economic, political/legal, social/cultural, technological and natural/ecological) as shown in Figure 3 and **Table 3**.

Figure 3: Macro-Environmental Forces

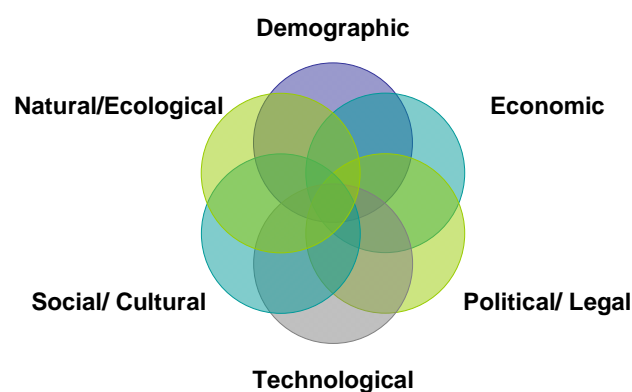


Table 3: Macro-environmental Forces

Environment	What it is?	Relevant indicators (Examples of what to study?)
Demographic	This environment refers to the broad characteristics of people that make up any geographic unit of analysis as nation, state, region, or country.	Population size, density, age structure, gender, occupation, ethnic mix, geographic distribution.

Economic	This environment concerns with issues that affect the nature and direction of the economy in which an organization operates.	Disposable income, purchasing power, interest rate, consumption pattern, GDP growth, unemployment rate, inflation.
Political/ Legal	This environment concerns with issues related to legislative and electoral politics, regulations, including regulatory agencies, and interest group pressures.	Government stability Wage/ price controls, Variety of legislation such as equal opportunities, health and safety, tax policy, lawsuits, patents/ copyrights.
Technological	This environment concerns with changes in product/ service technologies and process technologies.	Research and development activities, new product/ service development, productivity improvement, applications of knowledge, information management.
Social/ Cultural	This environment concerns with values that people hold and some broad societal trends.	Lifestyles, work/leisure balance, family unit size and composition, social relationships, women in the workforce, propensity to travel, social awareness of disability.
Natural/ Ecological	This environment concerns with issues pertaining to environmental sustainability.	Water quality, solid waste, air quality, conservation, recycling, energy management.

The study of the changing landscape relevant to each of these environmental forces helps to reveal trends that may have important implications (which could be opportunities or threats) to hospitality organizations for marketing their services to customers. The following examples in **Table 4** should help you to see more clearly the impacts of these environmental forces on hospitality marketing:

Table 4: The Impacts of Environmental Forces on Hospitality Marketing

Environment	Example of Trend & marketing implication
Demographic	Restaurant operators view the trend of aging population in the USA as a good business opportunity. Research indicates that there are differences in the way that the mature market responds to marketing offerings (Moschis, Curasi, and Bellenger, 2003). For instance, senior patrons tend to be less responsive to price or monetary appeals as compared to the younger markets. Marketers are therefore advised to find other value-added offerings that the mature market finds useful instead of engaging in price competitions.
Economic	The rising oil prices are having a negative impact on the airline industry; some full-service carriers such as Qantas and Thai Airways have responded to the tough economy by scaling back on certain routes that are considered less profitable (Rising oil prices, 2008).
Political/ Legal	Legislations on health and safety can be of great challenge to the hospitality industry. For instance, many states in the USA now have the “trans-fat free” legislation. This change has caused many restaurant operators to eliminate trans-fat from their menus and the need to consider their replacement recipes and oils. For instance, if you go to the McDonald’s website, under “Food, nutrition & fitness”, it provides information pertaining to the current status of the trans-fat reduction at McDonald’s.
Technological	Self-service technology has made a tremendous impact on restaurant marketing (Cole, 2008). One of the recent trends is the use of tableside touch screen terminals in certain restaurants in the USA. The technology allows customers to place their own orders without the need of servers. About 46 percent of all adults in the USA indicate a likelihood of using these systems at a restaurant.
Social/ Cultural	Due to the healthy trend in Hong Kong, fast food restaurants such as McDonald’s has responded to this societal change by providing nutritional information of their food items on print.
Ecological	The global warming issue has caused many corporations to consider the “greening” trend, and hotels are no exception.

Environment	Example of Trend & marketing implication
	Many hotels have adopted practices that are environmental-friendly to show their support and to build an image. Some of these practices include reuse of linens in all guest rooms; buying fair trade products, using nontoxic cleaners and sanitizers, educating guests and staff to turn off lights and turn down heating/ air conditioning when rooms are not occupied etc.

Before we end this section, it is important for you to remember that, changes in one environment may affect changes in another. So, always consider such changes carefully and thoroughly before you implement your marketing strategies. One final point, there are many sources you can use if you are interested in conducting an environmental scanning and the following are some examples:

- Publications (i.e. newspapers, trade journals)
- Observations
- Attendance at trade shows
- Conversations with customers, suppliers, employees, etc.
- Internet
- Government documents



A McDonald's Nutrition Facts booklet can be found from the McDonald's outlets.

Consider the following example and exercise before you move on to the next section.

Concluding example: The rapid expansion of Starbucks to China can be attributed to the distinctive macro-environmental forces that have been shaping the country and its demand for coffee. Specifically, the open economic policy in China and the development of the Chinese economy have provided great opportunities for foreign investors like Starbucks. The increasingly wealthy Chinese people and the one-child policy in China have led to a young generation of customers who are responsive to Western trend such as coffee drinking. Today, Starbucks has succeeded in transforming coffee drinking habit into a unique lifestyle in China. The success of Starbucks worldwide should also be attributed to the company's commitment to minimize the environmental impact and help create a healthy planet. For instance, the company has taken various initiatives to buy, sell, and use environmentally friendly products. Additionally, Starbucks is also good at leveraging technology in marketing to guests and meeting customer requirements. Starbucks Card that allows customers to pay without carrying cash is a good example that illustrates how hospitality organizations should respond to the new and fast changing technology in the business environment.



Starbucks in International Financial Centre (IFC), Hong Kong.

Exercise 4: Get hold of a hard copy of an annual report of a hospitality organization or try to access the company's annual report via its website. Based on the report, would you say the organization has made an effort to change its business to fit the environment?

Note:

Students should look at whether the company has modified its business in responding to the environmental forces. For instance, students may look for whether the company adds service products to cater to the senior citizens because of the aging of the population. Does the company utilize the advancement of the technology in its operational system or sales promotion, etc.?

2.2: Analyzing Your Markets: Consumer vs. Business Markets

This topic introduces the differences between consumer market and group business market in terms of their purchasing behaviors.

Because the aim of marketing is to anticipate, meet and satisfy customers' needs and wants, it is essential for hospitality marketers to understand who these customers are and their buying behaviors. In general, customers can be divided into two broad categories:

- 1) Consumer market; and
- 2) Business market.

Consumer Market

Consumer market refers to customers who buy hospitality services for personal consumption; they are the end users of the services. For instance, customers who dine at a nice restaurant to celebrate their friend's birthday, customers who buy air tickets to Tokyo for leisure, or customers who purchase a three-night stay in a Disney's hotel with their families are all considered the consumer market. As consumers, we are bound to be influenced by many factors when we make our purchase decisions on hospitality products and services. Often time, hospitality organizations can fail badly without having a clear understanding of what and how these factors would affect our buying decisions. Let me give you an example. Starbucks' store in China's Forbidden City was not welcome by the Chinese because the people viewed its presence as a sign of growing cultural influence of the West and it was a distraction to the site's atmosphere (Starbucks brews storm, 2000). In this instance, the 'storm' between the Chinese consumers and Starbucks stems from the influences of culture. Such misunderstanding could have been avoided if Starbucks had understood the Chinese tradition better. Apart from culture, there are many other factors that will exert an impact on consumers' buying behaviors or decisions and some of these are summarized in **Table 5**. Hospitality organizations can make better marketing decisions if they have a thorough understanding of the current and future behaviors of their customers.



Hong Kong Disneyland.

Table 5: Factors Influencing Consumer Purchase Behaviors

Factor	What it means & Example
Cultural	<p>Every culture has its own values, perceptions, wants, and acceptable behaviors; and these are likely to be used as a frame of reference for consumers when purchasing hospitality services. Differences in culture and their impacts on hospitality marketing are most apparent when firms expand their businesses globally.</p> <p>Example: The cultural shift toward greater concerns for health and fitness in Hong Kong has resulted in many restaurants adding more natural food to their menus and adjusting their portion sizes (i.e. smaller portions). Hotels in Hong Kong have also added health spas to their facilities in order to respond to their health-conscious consumers.</p>
Social	<p>Consumers' buying decisions can be strongly influenced by such social factors as their families, friends and peers, and social status.</p> <p>Example: Children are likely to influence their parents' choices on fast food restaurants. Consumers who consider themselves at a higher social status may only select 4 or 5-star resorts/ hotels for their family vacations.</p>

Table 5: Factors Influencing Consumer Purchase Behaviors

Factor	What it means & Example
Personal	<p>Consumers' buying decisions may be influenced by such personal characteristics as age, occupation, lifestyle, personality, etc.</p> <p>Example: College students may prefer to visit a travel destination where a famous theme park is located, whereas middle aged couples may prefer a destination famous for its cultural heritage.</p>
Psychological	<p>Psychological factors such as motivation, perception, learning, beliefs and attitudes are likely to influence consumers' buying decisions.</p> <p>Example: Consumers' purchase decisions may change because of their learning of the new services provided by hospitality organizations. For instance, consumers who have no initial intentions to buy Marriott's Vacation Club membership may change their decisions after learning about what the club has to offer by the hotel's sales persons.</p>

Concluding example: To understand how the various factors may affect consumers' decisions in fast food purchases, let us take a look at the McDonald's Corporation in Hong Kong:

- a) The shift towards consumer's preferences for lighter and healthier food in recent years may lead to lower sales in McDonald's because fast food has traditionally been considered as unhealthy (cultural factors).
- b) The busy lifestyle of the Hong Kong people continues to be an important factor that gives rise to the opportunities for McDonald's to do business (personal factors).
- c) Children tend to exert a large influence on fast food buying decisions (social factors); hence, McDonald's promotional efforts and advertisements tend to aim directly at children.
- d) To help children to retain very positive images of McDonald's which will

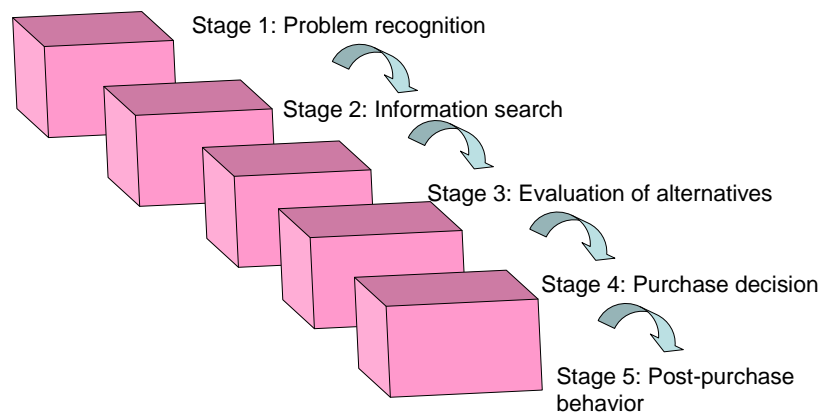
influence their purchases as adults (i.e. shaping their attitude toward the company), the company is committed to treating the children market as its lifelong customers (psychological factors).



One of the McDonald's outlets in Central.

This example clearly shows that McDonald's success relies heavily on its understanding about the various factors that are likely to affect its consumer market.

Apart from knowing the various factors that are likely to influence consumers' purchase decisions, hospitality marketers must also understand how consumers make buying decisions. The consumer decision-making process generally involves the following stages, as shown in **Figure 4**:

Figure 4: Consumer Decision-Making Process

- 1) **Problem recognition** – The buying process begins with the buyer recognizes a problem or a need. Although the buyer's need is sometimes triggered by internal stimuli (ex. you feel hungry now and need to eat), it can also be triggered externally; for instance, a television advertisement on Spain may trigger your need for a vacation. At this stage, hospitality marketers must identify such factors that trigger consumers' problem recognition and deliberately relate their products and services as the best solutions for their customers.

- 2) **Information search** – At this stage, the buyer seeks information about the hospitality products and services. Let's continue with our previous example on the buyer's need for vacation. The buyer now may visit different travel agencies for information on packages to Spain before making his/her final decision. At the same time, the buyer may also talk to friends and family who have been to Spain for more information. Therefore, hospitality marketers can take advantage of this stage by making sure that such information is readily available and accessible to customers, and most importantly, communicate about the features and benefits of their products and services to customers through these sources.

- 3) **Evaluation of alternatives** – The buyer is now ready to compare information gathered about the hospitality products and services, in our example, the buyer will evaluate the different travel packages to Spain. There is no single process that can be used to explain how the buyer chooses among the alternatives. However, it is likely that the buyer will evaluate each travel package in terms of a variety of

product attributes such as price, itinerary, airline, departing time, etc. Knowing what these attributes are and the importance that consumers attach to these attributes should enable hospitality organizations to come up with effective marketing strategies at a later stage.

- 4) **Purchase decision** – The buyer is now ready to commit to the alternative selected in the prior stage. However, hospitality marketers should note that unexpected situations may still occur at this stage that lead to changes in consumers' final purchase decisions. For instance, the buyer's choice on the travel package to Spain may change because of an unexpected car repair expense for the month.
- 5) **Post-purchase behavior** – Following a purchase, the buyer may (may not) repurchase from the same travel agency for his/her next vacation trip based on his/her previous experience with the company. Hospitality marketers need to identify customers' post purchase behaviors in order to take necessary actions. For instance, the travel agency may ask the buyer to fill out a short survey about his/her overall impression on the trip to Spain and his/her post-purchase intention.

Before we move on to discuss the business market, note that consumers may not go through every stage of the process for every purchase. For instance, routine purchases such as fast food purchases may not involve information search and evaluation of alternatives. A relatively expensive purchase such as a vacation in Spain may require the 5 stages and the whole process may take longer for customers to reach their final decisions. Can you also think of other hospitality-related examples that may or may not involve the five stages of the decision-making process?

Exercise 5: Talk to several of your classmates about how they would choose a restaurant for a special occasion. What did you learn about the buyer decision process from these discussions?

We are now ready to take a look at the business market.

Business Market

Business market refers to organizations or buyers that purchase hospitality services for business purposes. What sorts of purposes would that be? For instance, a fashion retail chain in Hong Kong may book a hotel's conference room for a certain week for training purpose, the secretary of your school may reserve a room in Singapore for three nights on behalf of the principal because he needs to attend an important meeting in the destination, or a meeting planner may be contacted and asked to arrange for a three-day conference on behalf of a pharmaceutical company. Therefore, you can see that organizational buyers actually purchase hospitality services for a wide variety of purposes. Within the business market, group business is especially important to the hospitality industry because of its volume of business. Again, group market purchases hospitality services for different reasons such as for conventions, expositions, meetings, training, rewarding employees for their excellent work performance, or any other purposes pertaining to social, educational, and religious functions.

Similar to the consumer market, organizational buyers also tend to be influenced by many factors, and these are:

- 1) **Economic environmental factors** – For instance, companies are not likely to give incentive trips to their employees during economic downturn period because of poor businesses.
- 2) **Organizational factors** – The different organizational objectives, policies, procedures, buying systems and so forth are likely to influence organizational purchase decisions for hospitality services. For instance, a company may only allow their employees at the upper management level to stay at a 5-star hotel.
- 3) **Interpersonal factors** – Because a business purchase usually involves more participants in the buying process, it is important for hospitality marketers to understand the group dynamics. For instance, the person contacted the hotel may not have authority to make the final purchase decision.
- 4) **Individual factors** – Participants in the business buying process may differ in terms of their buying motivations, preferences, and perceptions. Each participant's personal factors such as age, education, personality, attitudes towards risks etc. are likely to influence the buying process.

Concluding example: Let's take a look at the various influences that may affect the purchase meeting space by IBM for its sales meetings:

- a) A slow down in the economy, which could be translated to less computer sales may cause IBM to tighten its travel expenses to help maintain profitability (economic environmental factors).
- b) The customary three-day sales meetings of IBM that close with a dinner banquet allow hotel sales people to promote its specialty banquet to the company (organizational factors).
- c) The hotel sales person who is rude to the receptionist of the IBM may be blocked by the receptionist from contacting the decision maker of the sales meetings (interpersonal factors).
- d) A detailed-oriented meeting planner of IBM who is new to his job may prefer the hotel sales person to talk him through the entire process (individual factors).

As compared to the consumer market, the buying process of the business market tends to be more formalized and complex since it involves more participants. Keep in mind that the final users of the hospitality products and services may not be the same persons who have the authority to select the hospitality organizations and arrange the terms of purchase, or have the final say on the purchases. Therefore, it is important for hospitality marketers specializing on group businesses to understand who these participants are and their specific roles in the buying process.

As mentioned above, the organizational purchase decision-making process is slightly different from the consumer market; the process is more complicated and it requires more professional effort. **Table 6** and **Figure 5** illustrate this process using a scenario where a company intends to provide a series of training for its sales persons in a hotel.

Figure 5: Business Market Buying Process

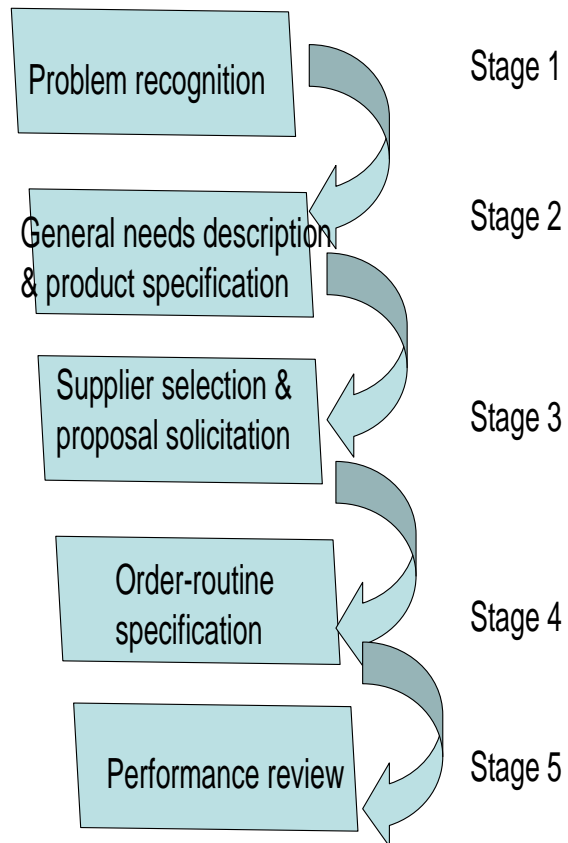


Table 6: Buying Process of the Business Market

Stage	Scenario
Problem recognition	A new product line creates the need for a series of training for the company's sales people.
General need description & product specification	Buyer identifies what the company requires in order to have a successful training program conducted in a hotel (e.g. food and beverage services, meeting spaces, audio-visual equipment, sleeping room requirements, etc.). Once the general requirements are determined, organizational buyer will proceed to outline the specific requirements for each item (this is called product specification). For example, in terms of meeting space, the buyer further specifies the need for a space that could accommodate 25 people, with a classroom style set up, two separate break-up rooms, etc.
Supplier selection & proposal solicitation	Buyer looks for potential hotels to hold the training program through various sources such as the trade directories, internet search, advertising materials, calling the local hotel sales people, etc.. Then, a short list of hotels is invited to submit proposals to the buyer.
Supplier selection	Buyer evaluates proposals to identify the most appropriate hotels and negotiates for better prices and terms.
Order-routine specification	Buyer finalizes the product specification with the hotel and the hotel offers the buyer a formal contract.
Performance review	Buyer conducts post-purchase evaluation of the hotel's products and services to see if everything meets the buyer's specifications. Repeat purchases are likely only if the evaluation is positive.

Before we leave this section, I'd like to highlight a few points concerning the buying process for the business market:

- There is more emphasis on specifications.
- Organizational buyers tend to be professional buyers with an extensive knowledge of the product. Therefore, the process tends to be longer.
- There are more negotiations in the process.
- Organizational buyers tend to purchase in large volumes (e.g. 10 or more hotel rooms).
- Repeat business is likely as long as the performance review is satisfactory.
- Last but not least, the process often involves more than one individual; therefore, a group of people will influence the buying decisions.

Exercise 6: Go to the Internet site of a travel company that has a separate section for group or organizational purchases. How does the information in this section differ from its consumer site?

In the next unit, we will address some techniques to learn more about our markets.

2.3: Market Segmentation

This topic discusses the importance of market segmentation and the ways for hospitality marketers to segment the market.

What is market segmentation? Market segmentation is actually a strategy whereby the total market is divided into smaller groups that comprise of consumers who share certain similarities among themselves. With the understanding of the underlying commonalities among consumers within groups, hospitality organizations can then design and implement different marketing programs that meet the needs of specific groups. Most importantly, market segmentation allows hospitality organizations to identify those market segments that have the highest propensity to purchase their services and products so that their marketing resources can be allocated and used more effectively.

So, how do hospitality organizations segment their markets? Well, there are several types of variables commonly used for market segmentation, and these are **geographic, demographic, psychographic, and behavioral variables** (see **Figure 6**). To gain a better view of the market structure, marketers will divide their markets based on any of the above variables, alone or in combination, from time to time. **Table 7** summarizes how each variable can be used to segment the hospitality markets.

Figure 6: Market Segmentation Bases

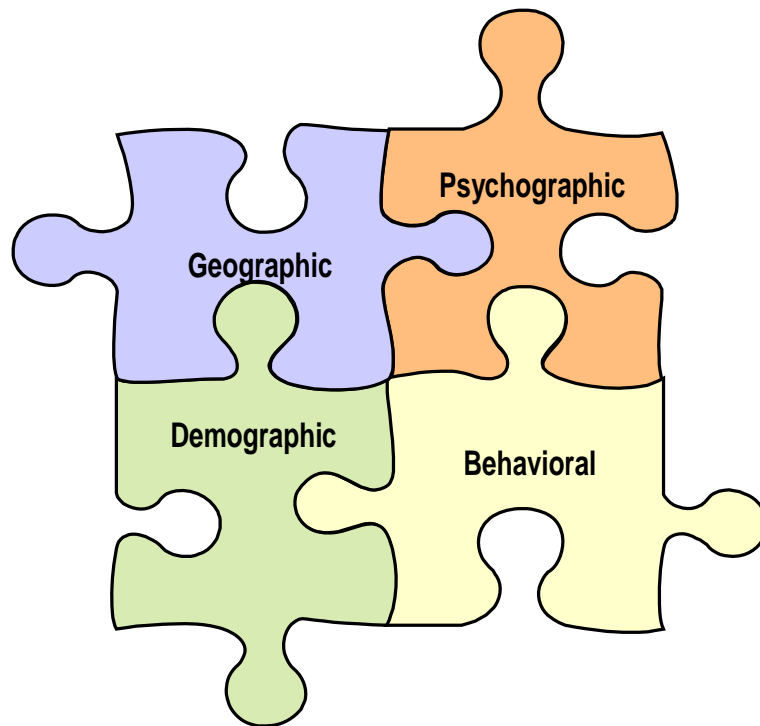


Table 7: Bases for Segmenting Hospitality Markets

Base for Segmentation	What it means?	Example
Geographic variables	Buyers are divided into different segments based on such geographic units as nations, states, regions, cities etc.. Buyers' preferences may vary because of their geographic differences.	Most tourism boards understand the importance of segmenting the travel markets based on the origin of the guests (i.e. the country where they come from); it is an effective way to identify those places that the boards should concentrate on advertising and promotion.
Demographic variables	Buyers are divided into different segments based on such variables as age, gender, income, family size, educational level, occupation, etc.. Buyers' preferences may vary because of their demographic differences.	McDonald's understands the importance of segmenting the fast food markets based on age; the company's Happy Meal and the "Go Active Birthday Party" are specifically targeted at children.
Psychographic variables	Buyers are divided into different segments based on their social class, lifestyle, and personality characteristics. Buyers' preferences may vary because of their psychographic differences.	Afternoon tea at the Mandarin Oriental in Hong Kong is targeted at the upper-middle and upper classes (i.e. the markets are segmented based on social class).
Behavioral variables	Buyers are divided into different segments based on their knowledge,	Restaurants in Hong Kong understand the importance of grouping buyers

Base for Segmentation	What it means?	Example
	attitude, use, or response to a product/ service. Buyers' preferences may vary because of their behavioral differences.	according to the product/ service benefits they seek. Therefore, atmosphere and food quality are often highlighted by luxury restaurants in their promotional messages.

Market segmentation is indeed a useful approach to understand the structure of the hospitality markets better and it helps hospitality organizations to identify the needs of specific market segments so that suitable products and services can be identified to suit each segment. All examples in **Table 7** illustrate clearly that one of the goals of conducting market segmentation is to select suitable marketing strategies to attract new customers and to ensure existing customers' commitment for repurchase.

Concluding example: The following is a list of initiatives commonly taken by hotels worldwide; which clearly reflect the ways that the hotel industry segments its markets.

- a) A Ladies Executive Floor is exclusively provided for female executive travelers given that women have accounted for more and more of all business travelers in many developed or developing countries (Demographic segmentation).
- b) Spa has become popular among travelers in recent years. Thus, certain city hotels (ex. the Langham Place in Hong Kong) have positioned themselves as a true spa hotel in the region (Psychographic segmentation).
- c) Many hotels segment their markets based on the origin of the guests (i.e. American, Chinese, English, etc.) for effective promotional efforts and advertising (Geographic segmentation).
- d) Many hotels also segment their markets based on their frequency and length of stay in order to formulate a marketing plan to increase loyalty and frequency of use even further (Behavioral segmentation).

Try the following exercises before we discuss the next topic on market research.

Exercise 7: Classify your classmates in this course into different segments using any of the variables discussed in this unit. Explain how you come up with the segments and describe the segments. What strategy suggestions do you have for hospitality marketers?

Exercise 8: Choose a restaurant in Hong Kong and describe some of the market segments that the restaurant targets at. What variable(s) did the restaurant use to segment its overall market?

2.4: Conducting Market Research

This topic examines the role of marketing research in the hospitality industry and it discusses the various methods for data collection in market research.

Based on what we discussed in the previous units (2.1 to 2.3), I hope I have made it clear to you that keeping track of the changes in the macro-environment and knowing the preferences of your customers and how they make buying decisions are essential for hospitality marketers to make appropriate marketing decisions. In other words, organizations that can collect such relevant information to be used effectively and efficiently for marketing decisions are more likely to be the most successful in the future.

A simple example will illustrate this point. Suppose that you are the marketing manager for a restaurant chain and you need to make a decision about allocating the advertising budget among the available media such as television, radio, and print for the upcoming season. In this instance, you will definitely need the following types of information to help you make an effective decision: characteristics of your existing customers and your potential customers, the media habits of both types of customers (e.g. do they tend to watch television instead of listening to radio?), the availability of all media vehicles and the profiles of their customers (e.g. what are the channels and programs most suitable for my advertisement if I decide to use television), etc.. Without all these information, you will not be able to make a sound judgment on your media allocation decision.

On many occasions, in order to obtain the desired information in the most useful form, hospitality organizations conduct market research. Marketing research is “the process of designing, gathering, analyzing, and reporting information that may be used to solve a specific marketing problem” (Burns and Bush, 2003, p. 7). This definition tells us that the purpose of marketing research is to provide information to make marketing decisions. Marketing problem here is a generic term that could apply to a wide variety of marketing-related objectives.

For instance, a hotel may conduct market research to identify if opportunity for adding spa service to its facility exists with its targeted customers; a restaurant chain may conduct market research pertaining to customer satisfaction to detect service quality problem; a resort may generate an advertising campaign that meets the organization’s image and to evaluate the effectiveness of the campaign based on market research, and so forth. Because marketing research can be conducted for

different objectives, it is important for hospitality organizations to clearly define their intentions for conducting such research prior to determining the best method for collecting the data.

So, what are the possible methods for collecting the data in market research? **Table 8** summarizes some of the most commonly used methods.

Table 8: Data Collection Methods for Market Research

Observation	<p><i>How to conduct:</i></p> <p>Observe relevant people, actions, and situations and take notes to document or record what have been observed.</p> <p><i>Things to note when using observations:</i></p> <ul style="list-style-type: none"> ● Effective when people are not willing or unable to provide information and when researchers do not want people to know that they are being observed (i.e. knowing that we are being observed may change our behaviors). ● Not effective when the objective is to identify feelings, beliefs, attitudes that motivate buying behaviors. <p><i>Example:</i></p> <p>A fast food chain sends researchers to their own store to observe how customers are being served by their front-line employees (i.e. customer service), the speed of the service, the most frequently ordered items, foods that are often partly consumed by customers (may be because of the food quality or the portion size), etc.</p>
Survey	<p><i>How to conduct:</i></p> <p>Ask consumers to provide information pertaining to the research problem on a questionnaire or comment card. Surveys can be accomplished using various means such as through direct mails, telephones, personal interviews, and computer.</p> <p><i>Things to note when using surveys:</i></p> <ul style="list-style-type: none"> ● Survey allows collection of significant amounts of data in an economical and efficient manner, and it typically allows for much larger sample sizes. ● Survey sometimes generates low response rate because people are unable to answer the questions (e.g. they cannot remember what they do) or they are unwilling to answer questions that are considered private and/ or sensitive; they think the survey is too

	<p>long; they may be too busy to answer the questions, etc..</p> <p><i>Example:</i></p> <p>A hotel identifies customers' perceptions towards its product and service attributes (i.e. employees' friendliness, ambience, safety, etc.) using a survey. Customers are asked to rate how important is each attribute and how they perceive the hotel is performing in terms of each attribute.</p>
Experiment	<p><i>How to conduct:</i></p> <p>The researcher divides consumers into groups and exposes each group to a different <u>treatment</u> to see how it affects the studied <u>outcome</u>, while also controlling for other <u>extraneous factors</u> that may affect the outcome.</p> <p>Treatment – It refers to the independent variable over which the researcher has and wishes to control.</p> <p>Outcome – It refers to the dependent variable that the researcher has little or no direct control, yet the researcher is interested in finding out.</p> <p>Extraneous factors – These are factors that may have some effect on the dependent variable (i.e. the outcome) but the researcher is not interested in this effect.</p> <p><i>Things to note when conducting experiments:</i></p> <ul style="list-style-type: none"> ● Effective when the research problem aims to establish a cause-and-effect relationship in which the independent variable (treatment) is the cause and the dependent variable (outcome) is the effect. ● Designing an experiment can be complex because of the need to control for other extraneous factors. <p><i>Example:</i></p> <p>To determine the best approach to work, Marriott International has allowed a group of its salespeople to work from home while another group to work from an office in the hotel. The performance of the two groups in terms of sales volume and revenues are then compared to determine the best approach.</p> <p>In this example, the <u>approach to work</u> (i.e. from home or from the office) is the <u>independent</u> variable whereas <u>sales performance</u> (in volume and revenues) is the <u>dependent</u> variable.</p> <p>What could be the <u>extraneous factor</u> in this example? One possible answer is the <u>year of working experience</u>. Logically, the more</p>

	<p>experience we have in certain skills, the better the performance. Therefore, if participants who work from the office happen to be more experienced salespeople than those who work from home, we may also see better sales performance with the former group of participants. If this were the case, we cannot say that working from the office leads to higher sales performance. Therefore, to obtain valid results, the researcher needs to make sure that all salespeople selected for this experiment are similar in terms of working experience.</p>
Focus group	<p><i>How to conduct:</i></p> <p>A small group of people, about 6-12, are brought together to discuss about the research problem guided by a moderator.</p> <p><i>Things to note when conducting focus group interviews:</i></p> <ul style="list-style-type: none"> ● Effective in terms of generating creative ideas and honest insights. Focus groups have great flexibility; they can be used to discuss unlimited number of topics and issues. Also, researcher can probe more deeply into the opinions of the participants. ● Results generated from focus groups may not be conclusive because participants are not likely to be representative of the general population the researcher is studying. Also, the method can be costly and time consuming. <p><i>Example:</i></p> <p>A focus group interview is conducted by a coffeehouse chain to identify the reasons that motivate them to patronize coffeehouses.</p>

The above discussion suggests that there are indeed different ways to collect data for our market research. Other than the above methods, it is important for you to realize that sometimes information may be readily available for your research and we call this type of information as secondary data. Methods suggested in **Table 8** are considered primary data collection methods. Guess why a smart marketing manager will check the availability of all secondary data sources before conducting primary data collection method? Bingo! The two main reasons are TIME and COST; secondary data allow managers to access the information very quickly and it is much less expensive because they are available from the existing sources. Some of the sources of secondary data include the following:

- Guest histories and sales data
- Customer feedback
- Front-line employees and management staff who know their guests
- Trade journals and periodicals
- Internet
- Government sources
- Syndicated services – these are firms that specialize in collecting and distributing marketing information for a fee. Example in Hong Kong: A.C. Nielson.

Once we have collected all the necessary information about our market and the business environment, it is time for us to think about our marketing mix strategies. But before we proceed, let us look at a real-life example and try to complete the following exercises.

Concluding example: Ritz-Carlton Hotel is serious about tracking its guest satisfaction. The hotel relies on a post-visit survey to identify how satisfied their customers are. The survey includes numerous questions covering the following areas: market image, important product/ service features, problem significance and competitive standing. The survey results are sent to the corporate office for immediate response to guest concerns.

Exercise 9: Give an example of how observation or focus group could be used by a hotel to collect data on guest satisfaction.

Exercise 10: A restaurant's owner is interested to find out how customers feel about the food services offered by the restaurant. Specifically, he wants to know:

- What attributes are most important to customers when selecting a restaurant?
- How customers perceive the restaurant's performance in terms of these attributes?

The following table summarizes the results of the survey (the numbers are the mean scores):

Attribute	Importance rating (1 = not important at all; 5 = very important)	Performance rating (1 = poor; 5 = excellent)
Timeliness of service	3.87	4.50
Cleanliness	4.34	3.34
Quality of food	4.84	4.60
Menu variety	3.50	4.00
Employee friendliness	4.86	2.85
Atmosphere	4.30	4.33
Value for the price paid	3.56	3.80



The owner requires your help to analyze the results of the survey. What are the top four attributes that are important to customers when choosing a restaurant? How does the restaurant perform in terms of these attributes?

*A restaurant in San Francisco, U.S.A.
How customers perceive the restaurant's atmosphere?*

In this unit so far, you have learnt about the 4 aspects of the Marketing Plan: Analyzing marketing opportunities and challenges from the macro-environment perspective; analyzing your markets to differentiate consumer vs. business markets; market segmentation; and conducting market research. These all deal with the external environment. Now, we are ready to turn to the second part of the unit and explore the rest of the aspects that are part of the Marketing Plan: The concept of the marketing mix in hospitality industry and the tools and techniques associated with each marketing mix.

2.5. The Marketing Mix in Hospitality Industry

This topic defines what marketing mix is and it explains the core components of the marketing mix concept in the hospitality industry.

Once a company has analyzed and collected the information about its business environment and its markets, it is time for the company to consider its marketing mix strategies. In essence, marketing mix is a combination of elements that require a company's attention when bringing a product or service to the market. For instance, we will need to consider the types of promotional efforts that are effective for our newly introduced spa services in the hotel. In this example, decisions about our promotional efforts are one important element of the marketing mix strategies. Apart from promotion, what would you consider to be important when addressing strategies for the hotel's spa services? Yes, you may also want to price the services carefully so that you are not over- or undercharging the customers, and we refer to such pricing decisions as the price mix strategies.

Expanding 4 Ps to 8 Ps in the Marketing Mix

Traditionally, companies need to formulate their strategies around the following marketing mix:

- 1) **Product** mix;
- 2) **Price** mix;
- 3) **Place** mix; and
- 4) **Promotion** mix.

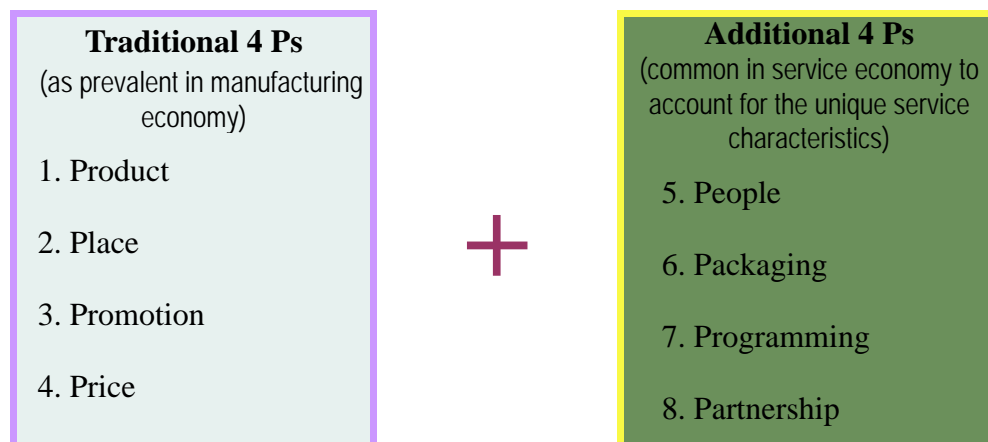
We also call these the **4 Ps** (the "P" refers to the first syllable of each word). Essentially, addressing the marketing mix is synonymous to making decisions about selling the RIGHT product/ service (product mix) at the RIGHT price (price mix) in the RIGHT location (place mix) using the RIGHT promotional tools and messages (promotion mix). The four Ps were developed initially for the marketing of retail goods like cars and shoes, at the time when our economy was fueled predominantly by manufacturing industries. The traditional 4 Ps are considered adequate when we are trying to market a specific, tangible product - something that the consumers can touch and feel, and take home with after they purchase it. However, as the bulk of our GDP now comes from the service industries, such as the hotel, restaurant, banking, financial institutions and airlines, where the products offered are mostly intangible, marketing them becomes difficult if we only rely on the traditional 4 Ps in the

marketing mix.

For this reason, there is a need to expand the 4 Ps to what is now the 8 Ps. This is to accommodate the unique characteristics of the service industry that we discussed in 1.2. Thus, marketing mix for the service industry like hospitality and travel are expanded to include the additional 4 Ps: **People, Packaging, Programming, and Partnership**. The **8 Ps** framework (**Figure 7**) calls upon marketing professionals to decide on the product and its characteristics, set the price, decide how to distribute their product, and choose methods for promoting their product. They also need to consider people (employees and customers) who are involved in the service delivery process, how to package the product and service, what kind of programming to offer to the customers, and who you would like to partner with to generate more sales (**Table 9**).

Figure 7: The Marketing Mix



Table 9: The 8 Ps in a Marketing Mix

Example: Let us illustrate our 8 Ps by using an example of the food service industry. I am sure that you must have eaten in a Café de Coral. It is the largest local grown fast-food chain in Hong Kong. The company claims to use premium ingredients in their food **product** and quality control so it can sell at affordable **prices**. There are 120 restaurants around Hong Kong, so most people can dine in the Café de Coral outlets that are convenient located (**Place**). Through all these restaurants, over 300,000 customers (**People**) are served daily. As the company puts it in their campaign advertisement: *“To serve you better, you can almost find a Café de Coral branch in any busy district all over the territory: from crowded commercial district and shopping malls to well-populated estates. You can get our best food and service no matter when or where you want it”*

(<http://www.cafedecoralfastfood.com/eng/company/company03.jsp>).

The company regularly launches **Promotional** campaigns to feature new food items/themes, e.g. Chinese hot pot, Korean theme, etc. The company also does a good job in **packaging** the outlet, from the design, decor, to tables and chairs, food display, to give the overall impression of value for price, and away from a standard fast food outlet. Café de Coral using **Programming** technique by promoting "Club 100" where customers can enjoy non-stop marvelous rewards provided by the "Bonus Point" Program. Café de Coral also has a limited-time **Partnership** agreement with the MTR that if you ride it 10 times consecutively in a week, you would be entitled to a complimentary breakfast at its outlets. From this example, you can see that marketing mix is a combination of key ingredients to create an effective product/service package to reach its target market.



Café de Coral is the largest local foodservice company in Hong Kong.

Components of the Marketing Mix (8 Ps)

We will discuss each of the 8 Ps in the marketing mix in the following section. We will spend more spaces to examine the first P, Product because this is the most important element in the mix: you will need a product or service that fills the needs and wants of the consumers. Without it, the rest of the marketing mix would not be able to carry their functions effectively.

First P: Product

In the manufacturing industry, once a product is made in the factory and shipped to the retail shop, there is always not much of contact between the customers and the manufacturer after that. However, in the hospitality industry, it is not so clear cut. We involve customers in the process of service delivery and sales transaction. For instance, we make the food when the customers waiting in line at the McDonald's, ring up the sales, and they take away their food to find seats.

Customers to fast food outlets like McDonald's is expecting a meal that is consistent in its quality, fast service, clean environment and affordable. Essentially, this is an example of a food service company offers customers a combination of product, service and facilities to its target customers to fulfill their needs and wants.

Customers have different expectations with products and services in different settings (i.e. Place, Packaging, Programming, People, etc.). For instance, consider these two scenarios: 1) Selling a cup of milk tea in a local diner for \$7 to a construction worker on his tea break or a housewife on her way to the market versus 2) Selling a cup of Earl Grey tea in the Peninsula Hotel lobby for \$40 to a Japanese tourist. Both set of customers in the two different settings of food outlets would consider they are getting what their money worth.

The construction worker quenches his thirst and gets a boost with the caffeine and do not expect too much from the atmosphere of the diner for that price. On the other hand, the Japanese tourist gets what he pay for the tea (**Product**) plus the pleasant experience of "to see and to be seen". The doorman, the fleet of Rolls Royce outside, the hotel ambience (**Packaging**) and the live band (**Programming**) in the lobby make his visit very memorable.

All products have tangible and intangible aspects. The tangible part of the product is the physical object that you can touch and feel and take it with you, such as buying a pair of shoes from a department store or a plasma TV. When you buy a car, you are getting the tangible part of product, the car. So you look for the product features primarily. But you may also look or go for certain brand because of its good after-sale service aspect as an add-on (or peripheral) feature. So a reputable car manufacturer, like BMW or Porsche, is known to provide good service to its car owners.

However, in the service industry like hospitality and tourism, what we offer in terms of product is largely intangible. In fact, in the hospitality industry, our products are mainly in the form of services, which make the product of the industry quite unique as compares to other industries. This is the experience and service that you have paid for, for example, taking a vacation trip to Europe. Once the trip is over, you are unable to take the product away except the pleasant experience that lingers on. This is the same when you go to a fancy restaurant in the IFC (International Finance Centre) Mall or having high tea in the Peninsula lobby, you are not only buying the meal (Product) but also experience, the ambience, decor and the service that are provided by the restaurant.

By now, I hope you have a clear idea of the difference between the two terms: **“Product” vs. “Service”**.

In the discussion of the concept of Product, we will also differentiate the core product from the supporting product and facilitating product; examine brand name as a guarantee of product and service quality and image; and point out that analogy of product to human beings that it also goes through different stages of the product life cycle.

The core product, supporting product & facilitating product – As core product is really what customer is getting, supporting product is extra products to offer the add value to the core product itself and to help to differentiate it from the competitors. Facilitating products are the goods or services that must be present for the guest to use the core product. To put it in another way, not only that we sell a core product like the computers, but in the hospitality industry, we also feature supporting product and facilitating product.

In fact, customers come to us for an expectation of a wonderful experience that combines all these elements. For example, Starbucks' core product is selling coffee that will satisfy the consumer's need for a beverage with caffeine. The facilitating

product of a Starbucks will be the convenient locations which make it easy for consumers to buy their coffee. In this case, Starbucks is mainly available at CBD (central business district) areas. This is where its major target client, the white collars, works as compares to some other suburban districts. The supporting product for Starbucks will be providing free magazines, newspapers and the Wi-Fi system for its customers to access the Internet using personal laptop computers or mobile phones.

Exercise 11: Let us do the following exercise to help you grasp the concept that we just discussed. The hospitality industry offers products and service to appeal to different target markets. Customers for these markets have different expectations in their needs and wants. If you have a good understanding of your customers' needs and wants, then you can use the right marketing mix to reach them and offer products and services that would meet their expectation. For each target market of customers in the following table, describe the parts of the hospitality products/services to satisfy their needs.

	Starbucks' Product		
	Core	Supporting	Facilitating
Beverage with caffeine			
Electronic gadgets			
Relax			

Different Target Markets have Different Product/service Needs

Target Market	Hospitality Products/Services
Families	<ul style="list-style-type: none"> • Rooms with more space • Reasonable rates or no extra rates for children • Low cost recreational facilities • Room with kitchen facilities • Kiddie menus • Colourful interior rooms • In house doctors • Baby sitting facilities • All inclusive packages
Business Executives	<ul style="list-style-type: none"> • 24 hours room service • Internet connection • Business centre • Airport pick up • Conference room • Quality service
Female travelers	<ul style="list-style-type: none"> • Safety is the primary concern • Quiet floors • Bathroom with good lighting for make up • Hair dryers, iron boards, etc. • Spa and health club
Retirees	<ul style="list-style-type: none"> • Clean and comfortable room, lounge areas, and public areas • Rooms with two separate beds • High safety and security measures • Easy access rooms closer to elevators • Elderly care facilities • Large well lit rooms and non slippery floors

Brand Name as a Guarantee of Product and Service Quality and Image

When we talk about the concept of product, we must mention the term, brand. In the service industry like the hospitality where the product we offer is largely make up of intangible elements, brands are especially important in a marketing mix. Customers rely on the brands of the product and service to give them a clue of the consistency in quality. Brands are defined as unique elements which can be identified easily with a product and set the product apart from the other competitors.

Branding is considered as a product characteristic because the brand is used to attract the awareness of the product in the consumer's mind. Dragon Air commands higher airfare than other airlines in China because the brand carries an image of good safety record and service where the safety-conscious consumers are willing to pay for the premium. Nowadays, brands have become increasingly important for a company's marketing strategy, mostly because having a well-known brand tends to create brand identity. Many hospitality companies are easily recognized by the brand name for their products and services.

For example, in the fast food sector, we normally come across with the international brand names such as McDonald's, Pizza Huts, KFC, etc. In fact, the golden arches of McDonald's is well-recognized in every part of the world. In Hong Kong, we have local brands like Café de Coral, Maxims and Fairwood. The consumers know exactly what they are getting each time in terms of product and service, when they patronize these food outlets, no matter where they are in the world.

A hamburger purchased in McDonalds' at Beijing supposedly to taste the same if you buy it in Johannesburg, South Africa. In the hotel industry, we have brands like Marriott, Shangri-la, InterContinental, Hyatt, Holiday Inn, each creates a different image in the travelers' mind. Often, different companies have different target markets. Consumers of these brands have different expectations of the products and services the companies offer. For example, people who choose McDonald's are mainly looking for quick meal and economical price. Their expectation would be different if they patronize a fine dining French restaurant like Caprice in Four Seasons Hotel.

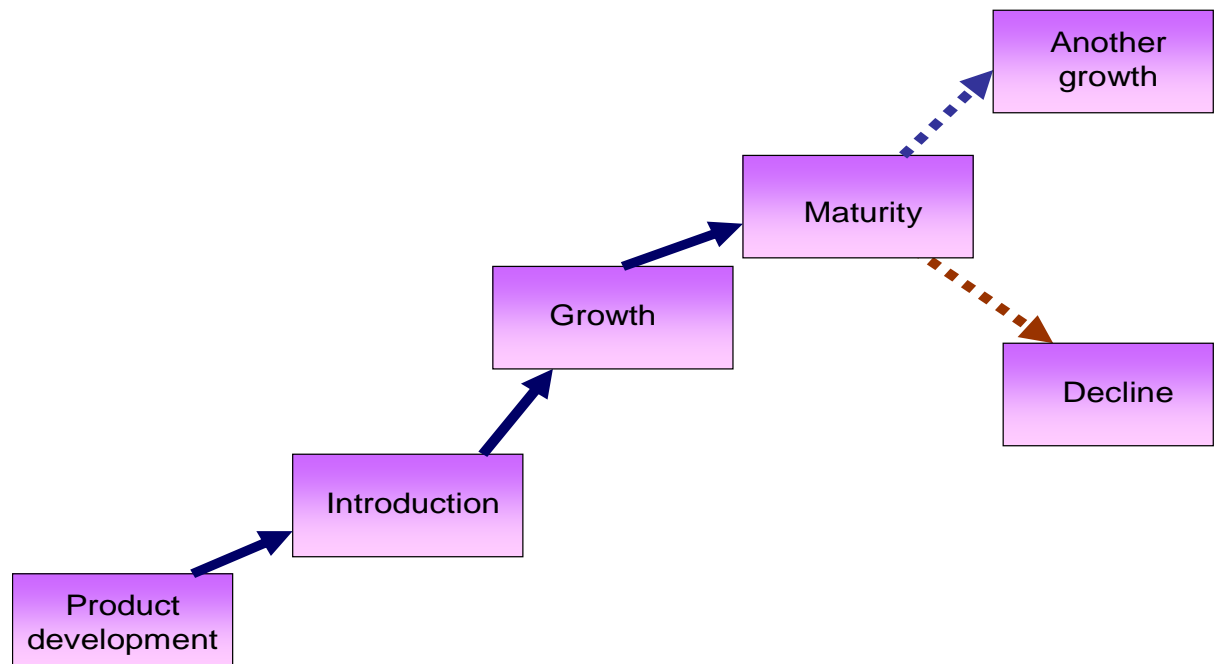
Product Life-Cycle

Another key concept that we would like to introduce is the concept of product life-cycle, because this will also have impact on how we put together the right marketing mix. Let us visualize that a product is like human being that also has a life-cycle. In other words, every product or service goes through various stages of product life-cycle from the time it is conceived, developed and introduced to the market.

During the product lifetime, it requires different marketing mix in terms of strategies and tactics. For example, when a hotel enters a decline stage of the product life-cycle, normally there will be major renovations for the hotel and also by adding new facilities to the hotel to regain the popularity and bring a new growth stage. Some fast food chains may be able to stay in the mature stage for a very long time. This is because every couple months they introduce new products to their menu, change store design, and innovative marketing strategies in order to maintain their popularity.

For instance, Maxims and Café de Coral are successful in coming up with new food campaigns every several weeks to spark the interest in consumers to try. For example, Café de Coral latest menu promotion offers are Summer Cool drink and sizzling New Zealand Sirloin Steak. As it becomes a popular item, when the market is saturated the sales slows down and eventually people not interested in it any more and the product ceased to exist.

Let us take a look at each of the five stages of product life-cycle: product development, introduction, growth, maturity, and decline, as shown in **Figure 8** and **Table 10**.

Figure 8: Product Life Cycle**Table 10: Different Stages of Product Life-Cycle**

Product development	<p>This is when a company spends resources in research and development (R&D) seeking for innovations and develops a new product idea. It is a costly endeavor because it often means that the company has to commit a great deal of financial investment on R&D and the failure rate is quite high. However, this is critical if the company wishes to stay a step ahead of the competitions and to slow down the maturity stage, and avoid ever going to the decline stage.</p> <p><i>Example:</i> Apple Computer invests in the development of iPhone is a good example.</p>
Introduction	<p>Product is being introduced to the market for the first time and usually the sales growth is slow, particularly if this is a new product that the consumers are not familiar. Profits at this stage are nonexistent due to high expenses of product introduction. There are fewer choices of the similar product in the market for consumers due to few competitors. Marketing mix at this time concentrates on bringing awareness of the product and educating consumers about the use of it.</p>

	<p><i>Example:</i> Back in the 1950s when Holiday Inn was first conceived and introduced in the United States by the founder Kilmons Wilson, there are not many other hotel brands where travelers can choose from. Wilson was traveling with his family of four and found the hotel rooms too expensive to afford. He saw that there is a market void that he could fill. So he came up with the idea of creating a brand, Holiday Inn to cater to families that are looking for clean and affordable accommodations. Holiday Inn is known for allowing children 18 years or under to stay in the room with their parents free.</p>
Growth	<p>Where rapid demand for the product occurs which results in increasing profits for the companies that offer this type of product. Now that the product satisfies a need in the market, more customers are willing to pay for the product/service and the market is ready for it. This situation attracts competitors to enter the market as the opportunity for profit is lucrative. Consumers can choose from different brands of the same product.</p> <p><i>Example:</i></p> <p>In the United States, the hotel industry experienced a rapid growth period in 1970s where more brands began to expand, particularly with their franchise system. Similarly, in Hong Kong, we saw a surge in the number of hotels opened in late 1970s to 1980s, especially with the development of the East Tsim Sha Tsui where you can find international brands like Hyatt Regency, Holiday Inn, Shangri-la Kowloon, Nikko, etc.</p>
Maturity	<p>Now imagine a person reaching 40s and 50s of his age. He reaches a stage where we called mid-life crisis. This is same for the analogy of the product that we have been discussing so far. During the maturity stage of product life cycle, the sales of the product slow down due to fierce competitions in the market. Customers have wider range of choices as there are lots of alternatives to choose from. Profits may level off or start to decline because of rapid marketing outlays to defend the product against competition in the market.</p> <p><i>Example:</i></p> <p>The hotel industry in the United States reaches its maturity domestically in the late 1980s with flat sales growth and decrease in</p>

	customer count. In order to continue to grow, many international brands, Marriott, KFC, turn to the rest of the world for its future expansion, particular in China and Asia.
Decline	<p>With the onset of maturity, the next step inevitably is decline stage. Like a person reaches old age, everything is going downhill, so to speak. With the change of time, consumers may change their tastes and wants, as they get tired of the product that have been around in market and look for new products that are more exciting. The decline stage sets in when the sales of the product drop off considerably and profits decline. You would find that there are too many competitors that offer the same product/service with no differentiating features that the market can bear. In other words, there are more supply than the demand.</p> <p><i>Examples:</i></p> <p>With the popularity of digital camera, the need for regular camera and films has decreased considerably. It is very hard nowadays to find an electronic company that carries a good selection of regular camera simply because there are few demands for this type of product.</p> <p>In Hong Kong, there used to be a theme park called Kai Tak Amusement Park and it was popular among the youngsters and families back in the 1970s. However, due to various reasons, the Park did not survive the economy boom in the 1980s and eventually has to close its door to the public and ceased to exist any more.</p>

Concluding example: To understand the product life-cycle concept, we may apply this concept to the Macau's gaming resort development, where Macau is best known as the "Monte Carlo of the Orient" or "East Las Vegas". From 1962 to 2002, Macau's gaming industry was held the monopoly system. Since the early 1960s, around 50% of Macau's official revenue has been driven by gaming. By 2002, the gaming industry slowly set in a maturity stage. In 1999 there was a 9.1% revenue decrease and the year 2001, Macau reported about \$2 billions in gambling revenues. In 2002, the Macau government has granted three casino operating concessions which end the monopoly system of gaming industry in Macau. As for 2005, Macau's gaming industry has generated \$5.8 billions of revenue. By 2010, the city's gaming revenue is expected to reach \$14 billions. This set the gaming industry life-cycle a new growth. Macau is

going through a period of accelerated evolution.

Now that you have learnt everything you need regarding the first P, Product of the marketing mix, we will do an exercise so you can apply what you learnt.

Exercise 12: Go online and find a hospitality company: a hotel, a restaurant, or a travel agency. Think about the company's target market and its brand image that it sets out to create. Does the company emphasize its brand image? Why or why not? The company is currently at which stage of the product life cycle? What are your recommendations for the company to enhance its product image?

Are you ready for the rest of the Marketing Mix? Good, I am glad that you are. Let us move to the second P.

Second P: Place

After the Product, Place is another important aspect in the marketing distribution channel. Once a product is made and is available for sale to consumers, 'where to sell' becomes a critical decision. Imagine this: You may have the best product in the world, but nobody can access to the remote Place where the product is sold, you still would not have any transaction. Thus, Place is where an organization selects to place its product and service so that its target consumers can easily get hold of it. In the hospitality and tourism industries, one would often hear the expression of "location, location, location" which is critical to the business's success. Take a guess: Where is the most expensive rental for a shop in Hong Kong? You guess it! It is a small shop in Causeway Bay that sells freshly squeezed fruit juice and street food. The owner pays a premium-plus rental monthly because it locates in the intersection of a street with a very heavy pedestrian traffic. After paying the high rental cost, he still makes a good profit because of the businesses that brings in by this superb location. Another example is the Cafe Landmark where it is located inside the Landmark shopping with one of the highest rental in Hong Kong.



Cafe Landmark which is located in the heart of CBD area in Hong Kong.

The decision on the Product and Service to sell determines the location that you select. For example, you would only find Four Seasons Hotels and Resorts in major gateway cities around the world. Why? This is because only these cities can afford enough rich clientele that appreciate its product and services and willing to pay the premium. Similarly, for a restaurant that locates in a prime “A” location is definitely attracts more foot traffic than a “B” location on a side street.

On the other hand, there are also times that location determines the product or service that you would offer. Hotels built as center city hotel, resort hotel, airport hotel or a motel along the highway are pretty much determined by the locations that they are on. This in turn dictates the type of clientele that these hotels will attract. Similarly, the recently opened Asia Expo in Lantau Island definitely attracts different set of customers than the one that Hong Kong Convention and Exhibition Center at Wanchai due to different locations.

There are many factors to consider when we determine the right location for our hotels, restaurants or theme parks. These factors include, accessibility, traffic pattern, supporting infrastructure, establishments (e.g. hospitals, schools, office buildings, residential and etc.) in the vicinity, demographics and income distribution of the people living in the area. If you choose to put your restaurant next to an office building, a factory, a hospital or even a school, you are guaranteed to have businesses from these establishments. We also need to consider number of direct competitors in the radius where you want to draw your customers. For example, picture an exotic

resort locates at a remote area where there is no good infrastructure to support it. People cannot get to it easily, surely it will not be as crowded as it wishes to attract.

Moreover, location does not mean that it has to be stationary and permanent. Sometimes, the Place comes to your doorsteps, such are the cases of pizza or KFC delivery. We can also expand the business beyond the Place (on premise) by having facility built in to facilitate customers do take-out orders.



A delivery motorcycle for Pizza Hut.

We need to remember that a good location at the time when you open for business may not be a good location for ever. You must constantly monitor trends in the town planning to keep track of any changes that may affect you. Take the example of Regal Hotel at the old Kai Tak Airport. Built across the old airport, the hotel was established to target to the tourists that used the airport and did a good business then. As soon the new airport at Chek Lap Kok opened in 1997 and the old airport at Kai Tak stopped operation, Regal Hotel has lost its competitive advantage and is forced to change its target market to survive.

Third P: Promotion

Now that we have the product that the consumers want and good location to sell it, we need to consider the third P in the Marketing Mix: Promotion. A company has a good product is not enough; it will not generate any sales unless the consumers are aware of

the product's existence and also can access to the product. This is where Promotion comes to play its part. Promotion helps to get the message of the product out so consumers are aware of it and want to purchase it.

There are many promotion tools that you can consider to market your product. These tools include: Advertising, sales promotion and merchandising, personal selling, and public relations. Each of the tools has its functions, cost and disadvantages. Hospitality organizations can consider these tools to match their product nature, the brand image and the stage of life cycle.

- 1) **Advertising** is the communication to target markets that are paid for by hospitality companies. It ranges from television commercials, to radio and Internet advertisements, through print media such as newspapers and magazines, and billboards. The type of advertising that you use to promote your product will depend on your marketing budget. Each of these forms has its advantages and disadvantages and you have to decide what suits your product the best. Some types of advertising, like television commercials are very costly while other types like the company website on the Internet can be relatively cheap. It also depends on the economy of scale if you have many hotel properties.

With the 250+ McDonald's restaurants in Hong Kong, it is economical to share the advertising cost. Among the TV commercials would be prohibitive if you only have a single hotel or an independent restaurant. Through advertisement, you can build a brand image, increase the awareness of the product or the sales promotions of the product. Moreover, the type of advertising that you use when you first introduce your product to the market may be different when your product is at its maturity stage of the product life-cycle. This is because you want to send different messages about your product to your consumers during the stages of its life cycle. When Wynn Hotel and Casino opens in Macau in 2007, it took out a full-page advertisement in the newspaper to announce its grand opening.

- 2) **Sales promotion and merchandising** is a short term inducement to motivate an immediate purchase of a product or service. You do this either to introduce a new product to the market or to boost sales of existing product. Sales promotion tools include offering discount coupons, contests and sweepstakes, free samples, and premiums. In the hotel industry, a "buy three get one free" offer for dining at a hotel for dinner buffet is an example. Some hotels have the "Happy Hour Drink Buffet" where diners can enjoy the all-you-can-drink beverages for a special price. This is usually effective in creating excitement about products among the guests.

Similarly, restaurants may offer “early bird” special to senior citizens if they have their dinner before 7:00 p.m. so to generate business during slow meal period. Around July every year, department stores like Marks and Spencer and the like have a sales promotion on its merchandise up to 50% off on summer clothes so it would have room for the fall series. Sometimes a company may join hands with a partner to conduct sales promotion on their product, e.g. Hang Seng Bank joins hand with Ocean Park and offer discount on the price of the admission ticket if you purchase it with its credit card. As merchandising is the in-house displays which use to stimulate the sales for the company. For example, Starbucks is using the merchandising technique to sell the coffee beans, coffee mugs and coffee machines in their stores, rather than just selling freshly brew coffee.



A Pizza Hut's discount coupon from the newspaper.

- 3) **Personal selling** is the interpersonal process of where a sales person does his best to persuade the consumer to purchase his product. The sales force of a hotel may contact its corporate clients from time to time to promote hotel rooms, banquet service and/or meeting spaces. They also do cold calls to potential customers. These sales calls give the hospitality firm exposure and provide information to potential clients with arrangement of conference and banquet functions. They can also answer questions the clients may have and for better understanding of their products or services.
- 4) **Public relations** is the communication that results from activities organized by a hospitality or travel organization which it does not directly paid for. These include press releases, sponsorship deals, exhibitions, conferences, seminars or trade fairs and events. The function of public relations is to have a good relationship with all the stakeholders that it serves. Different from advertising or personal selling, there is usually no direct sales result from activities of public relations, but the impact is

more of long term. For example, the Public Relations department of a hotel usually has close relationship with reporters and invites them to sample new product or campaign so they can write feature articles about it. Hong Kong Tourism Board may invite travel writers in target markets to have a familiarization trip to Hong Kong so they can write travel articles when they return to their home countries. Ronald McDonald's House of Charities is part of the public relations of McDonald's. The aim is to build positive image in the local community as a good corporate citizen. The annual marathon sponsored by the Chartered Bank becomes a great public relations activity for the company. Through activities like the marathon, the bank sends out a "we care" message to participants and the citizens alike which extends beyond its regular banking line of business.

We will discuss Promotional mix in more detail in **2.6**. Regardless of which type of promotion tools that you select for your product, the function of promotion is to create expectations in the consumers' minds that your product can satisfy their needs and wants. It also creates an image in their minds that your product is one of a kind that is apart from other competitors. This can be from the Product itself, or the Place, or from the Pricing standpoint. Let us now turn our attention to the next P, Price.

Fourth P: Price

How much do you want to sell your product and service? Or put it another way: how much should you charge that you think your customer would pay and yet you still make a profit? Price is the monetary value that you charge to cover the cost of the product plus the other costs associated with the product, such as labor cost, promotional cost, etc., plus a profit. The decision on pricing would make or break your business. Consider this: If your price cannot even cover the cost to produce it, you will operate in a loss and eventually go out of business. On the other hand, if the price you charge is so high that it may drive you out of the market.

Price also conveys the message to the consumers that indicates the price-quality relationship: The higher the price, the better the quality. You also pay for the brand name rather than just the product itself. Take Louis Vuitton handbags as an example, the \$10,000+ price tag is associate with status symbol. On the other hand, there are some companies that choose to mark up their product slightly than the cost in order to go for the volume in sales. For example, consider a \$200 hotel room per night versus staying in a hotel room that charges \$2000. What is the difference of expectations for the customer who pays for the \$200 hotel versus the one who pays \$2000 a night?

Often times, customers are willing to pay premium for a product that they perceive to be of good value. The closer the price to value relationship, consumers are more likely to be satisfied and likely to have return purchase. For example, a Valentine's Special for a romantic dinner at a five-star hotel's restaurant is often fully booked even though the price is several times higher than in regular time. We can also use pricing as a promotional tool. Take this example: to celebrate the 120th anniversary of The Peak Tram, the return-journey fare is set back to what was charged in 1888, which is only thirty cents. Over 6000 tourists and residents queued up for the world's oldest and most famous funicular railways.

Pricing Methods: How much to charge for a product or service is an art and a science. It is a science because you can charge the price based on the cost calculation and mark up accordingly. It is an art because the price is more than the cost of the product, it is a combination of company philosophy's on its image, competition and customer demand which determine what the market would bear. You can consider using any of the several pricing methods in **Table 11**.

Table 11: Different Pricing Methods

Prices are determined by the customers demand	<p>The price is not based on production costs, but by the demand in the market.</p> <p><i>Example:</i></p> <p>For some hotels, since their main target markets are business travelers, they find it difficult to fill up their rooms during weekends. As a demand-driven pricing technique, some hotels tend to offer weekend getaway package at a special rate to fill up the hotel rooms.</p>
Value pricing	<p>It is focus on the consumer's perception of good value for the money they pay for the product/service they receive.</p> <p><i>Example:</i></p> <p>Some people are willing to pay for \$5,000 a night at a five-star hotel for the elegant lobby, the luxurious-designed room and personalized service; however, some people are only willing to pay for \$500 a night at a motel or a three star hotel just for a basic, clean room.</p>
Negotiated pricing	<p>It is often use in the hospitality industry. Price is open for negotiation, you may not have to pay for the fixed amount given the right timing.</p>

	<p><i>Example:</i></p> <p>A couple plans to have their wedding banquet at a hotel. With a budget of \$500 per guest, they may discuss with the caterer and negotiate for the menu items and service level they want at an agreeable price. Similarly some travelers like to bid for the lowest fare they can in Travelocity on the Internet for their last minute hotel rooms.</p>
Quantity discounts	<p>These are frequently given to customers who purchase a large amount of a product or service.</p> <p><i>Example:</i></p> <p>Each year, travel agencies will get discounts for group rates on hotel rooms, air-tickets as a promise for a pre-determined volume.</p>
Cash discounts	<p>They are given to the customers when they make a cash purchase for a product or service. The seller can use the money to invest and make money, which something the seller misses out on when allowing creditors a long time to pay.</p> <p><i>Example:</i></p> <p>In hospitality industry, suppliers often offer cash discount of up to 10% to companies for prompt payment of invoices, usually within 30 days.</p>
Seasonal discounts	<p>They are widely used by hotels, resorts and airlines, discounts are given during times when the demand is low.</p> <p><i>Example:</i></p> <p>Airlines offering off-season rates for air tickets during school year. The airfare is cheaper when compare to summer holiday where families travel with their school-aged children.</p>
Two-part pricing	<p>It is the two different components of the total price paid.</p> <p><i>Example:</i></p> <p>You have a membership for the club house of the apartment that you live. The membership fee usually consists of the initial fee as well as a fixed monthly dues to use the facilities.</p>

Pricing by priority	<p>It usually implies for those customers who are paying the most to be among the group of first priority.</p> <p><i>Examples:</i></p> <p>Airline ticket seats and concert tickets, where prices are initially high, but eventually will get lower as time approaches the take-off time or curtain time. The company would drop the prices may be considerably at the end so it can sell the remaining places or seats to last minute bargain-hunting travelers.</p> <p>When iPod was first introduced in the market, the prices are much higher than it is now after mass production and new technology drive down the price.</p>
Price bundling	<p>It is two or more products or services being combined together and sell as a package.</p> <p><i>Example:</i></p> <p>Visit Macau package is a good example: The price of the trip includes a round-trip of TurboJet, hotel accommodation, free shuttle bus to and from the hotel and free half-day tour to the local attractions. It is priced less than if they are purchased separately.</p>

To find the optimum pricing for your product or service is not an easy task. In addition to the material cost and other costs that associated with it, you must find a price level that the market would bear. In other words, pricing will depend on the competition and also the supply and demand situation of the market.

We will examine the next element in the Marketing mix: People.

Fifth P: People

Picture this: With the right product, superb location and a price that is right for the target market, an effective promotional tool to reach the market with the right message, customers are at your door to buy your product or services that you have to offer. This is a scenario every merchant and company would like to see. Here comes the moment of truth. Customers come with their expectations of the product and services. How their expectations are met, whether customers enjoy their visit, have a good

experience and vow to return to your property will entirely depend on one thing: your employees. We all know that hospitality industry is a people business, where service is provided by employees within the organization to their customers. People in the hospitality marketing mix means employees as well as customers.

In the hospitality and tourism sectors, employees must do two things:

- 1) To provide good product to customers such as: meal, room, airline seat, holiday package, rental car and etc.



Airport lounge for business travelers

- 2) To provide good service of a standardized service quality.

The quality of the product is very important but the quality of service is equally important. For 5-star hotels, Grand Hyatt Hotel and InterContinental Hotel may have similar hardware in terms of facilities (fancy lobby and elegant ballroom, swimming pool and spa, diverse food outlets, etc.), however, what makes it different between the two hotels may lie in the personalized service that its people deliver. For example, for those of you who have been to Hong Kong Disneyland or The Peninsula Hong Kong, you may notice the standard of the quality of services offered. There is a strong relationship between marketing and human resources as people are the most essential resource of a company and it is important to recruit the service-oriented employees. Nowadays companies consider People to be its human capital, rather than a cost.

For this reason, a company has to commit to training of employees and develop them professionally. Employees come from a diverse background so the company needs to provide standardized operating procedure to ensure consistency delivery of product and service every time. The company also needs to provide a conducive working environment for their employees to learn and grow. We can sense this from the credo of Ritz-Carlton Hotel which is “ladies and gentlemen serving ladies and gentlemen”.

People in the hospitality industry also mean customers. Like aforementioned (**Table 1 in 2.1**), in the service industry, customers are partial employees where they are part of the service delivery employees, they family, educational background, and have different company' job is to expectation and are satisfied with services.



Customer needs a quick meal

Front-line employees give customers first impression of the company. If customers are happy, they will tell their friends by word of mouth, but if they are not happy with their experience, they also would not mind to repeat the unpleasant incident with their friends. Thus, there is a need to ensure the service encounter between the two parties (employees and customers) meets the company standard. For example, to ensure good service, a telephone operator must answer his phone within three rings.

OK, so much for People. Let us move on to the next P. Close your eyes for a minute and visualize this: When you were a kid, how many times that you refused to eat some unknown food or food that has strange color, shape or form that your mom prepared? Just look at your plate, you decided that it would not taste good. That is why we say that we eat with our eyes. This brings out the importance of Packaging, our 6th P.

Sixth P: Packaging

Packaging “epitomizes a marketing orientation. It results from finding out what people need and want and then assembling various services and facilities to match these needs. It is the combination of related and complementary hospitality service into a single-price offering” (Morrison, 2002, p. 314). To provide good product and services is a must, however, good packaging is equally important, so it will appeal to consumers’ needs and wants. The elegant design of a box of Godiva or agnès b chocolate denotes high quality and luxurious status that consumers are willing to pay premium price to enjoy themselves or as gifts.

Similarly, the blue color of the Tiffany’s jewelry box becomes its signature color and consumers around the world associate it with high quality, brand, status and willing to pay for high price. Japanese are known for their aesthetic packaging of food products. Customers not only find the food taste good but also pleasing to the eyes.



A pretty metallic pink metal box for agnès b’s chocolate.

For service industry like hospitality and tourism, where we offer products that are largely intangible, packaging is also seen as overall presentation. We need tangible items to give consumers a sense of the quality for the intangible service that we offer. In other words, tangibilize the intangible, so to speak. Travelers equate the sharp and neatly pressed uniform that flight attendants wear and their smile the feeling of a pleasant journey.

A mint left in the pillow by the room attendant after the turn-down service is also a reminder of the personalized service a 5-star hotel provides. A hotel chain in the United States, Doubletree would give their customers, upon check-out a bag of

home-made chocolate chip cookies to take home, to remind them of the pleasant stay they have in the hotel. The packaging gives consumers an indication of quality standard and reduces the uncertainty that is associated with purchasing product and service that are mostly intangible, that you cannot touch or feel.

Good packaging entices customer's desire to purchase. However, in the hospitality and tourism industry, a customer's total experience of the product and service that you offer would not be complete if there is no good programming. Now let us spend some time to discuss what Programming is all about.

Seventh P: Programming

Your family just booked a cruise ship for a family reunion. You will be spending 7 days in a ship. What is your expectation with this type of travel? Non-stop food offerings, clean cabins, swimming pool and yes, lots of programming on the ship. Programming in a cruise journey is very critical because the guests are basically captive audience while on abroad between ports of call. The seventh P, Programming deals with the development of special function activities, events, or programs that stimulates customer spending or give added value to a package or other hospitality service as an incentive.



Gaming operators often program their properties into a multi-functional hotel or resort. For example, a gaming resort target its markets to both gamblers and family.

If Packaging entices a tourist to visit a destination, then Programming provides him a pleasant experience and makes him wants to stay longer or even return for the second time. To boost sales, there are many packages that one can develop and offer. For example, Star Cruises offers the cruise ride to the guests and also offering them live entertainment such as musical shows and magic shows as their its packaging and programming techniques.

Similarly, in promoting Hong Kong as a tourist destination, Hong Kong Tourism Board works hard to offer different activities, parades, events and festivals to give tourists a reason to visit all year round. Some programs are suitable for tourists who

only has one day to spare, some with longer period of time. Some activities and attractions may be suitable for tourists that are interested in cultural heritage or eco-tourism, while the other may go for golfing, hiking or other recreational sports. Halloween Bash in November in Ocean Park provides a good programming for youngsters and the young at heart a fun and scary activity to visit the park. Even shopping malls in Hong Kong attract a bigger crowd with theme programming to celebrate Christmas, New Year and major festivals like Valentine's Day, Easter, etc. In Asia, many people go to the Philippine for snorkeling activities or riding elephants in Thailand.

Now that we understand the role that each of the 7 Ps plays in the overall Marketing Mix, we are ready for the final P: Partnership.

Eighth P: Partnership

What is partnership and why is it important as part of the marketing mix? Partnership is cooperative promotions and marketing efforts by two or more hospitality companies to enhance sales of their products. Again, this is important in the service industry because of the mostly intangible nature of its businesses. By partnership with other tangible products or with companies with proven reputation of good quality, it would reduce the perceived uncertainty by customers and they would be more willing to try your offering. Often times, it is one company forms a closer relationship with its operator-customer, in order to increase the profit and awareness.

A wine tasting session provides a useful example. The wine maker provides the restaurant with wines for tasting, free of charge or a fraction amount of money, as well as promotional materials such as booklets, regional wine maps, table tents, posters and CD-rom. This can motivate diners to go to the cellar for wine tasting and likely to order wine while having dinner after wine tasting. The wine tasting provides an excellent kick-off for a new wine list and a campaign promoting the sale of wine with dinner.

In airlines industry, partnership can be seen in the form of loyalty or frequent flyer program. To encourage travelers to fly more often with their companies, this type of program allows travelers to accumulate their air mileage. Eventually they can use these mileages to redeem a free ticket or receive free gifts. To be attractive to travelers and share operating costs among companies, a group of airlines join partnership in the program. United Airline has its own frequent flyer program for its loyal customers, while it also belongs to the Star Alliance Program. Its counterparts, Asia Miles is

popular among Asian travelers. Some Asia Miles members include: Cathay Pacific Airways, Finnair, British Airways, Dragon Air and etc. Star Alliance members include: Air Canada, Thai Airways, Air China, Lufthansa and so on. These are examples of such program where different airlines join partnership in one program so they stay competitive. Moreover, many hotels form partnership with airlines in their frequent flyer program. If you become a member for the Asia Miles, a loyalty program where Dragon Air and other Asian airlines belong to, you may also earn mileage if you stay in designated hotels. You can also earn airline mileage each time you use certain credit cards to pay for your purchases. Essentially, you want your customers to feel that you are offering them more value for their money, or give them more reasons to purchase your product or services.



Different types of frequent flyer membership cards.

As you can see, each component or P in the marketing mix has its functions and is equally important to the overall success of bringing your product and service to the market. Marketing Mix is about a series of critical questions you have to consider regarding your product and services. These include: Choosing what to sell (**Product and services**), where to sell it (**Place**), how to tell customers about your product (**Promotion**), how to sell it (**Packaging**), how much you would sell it for (**Price**), who will sell it for you and who your target customers are (**People**), what kind of activities you will offer associated with your product (**Programming**), and finally, who you would invite to be your business partners to create more value for your customers (**Partnership**).

We will end this unit with an exercise to apply what we just learnt about Marketing Mix.

Exercise 13: Select a company in the hospitality and tourism industry: e.g. hotel, restaurant, airline, cruise line, theme park, convention center, tourist agency, tourist destination, etc. Trace the company and discuss the 8 Ps of the Marketing Mix used by this company. You may have to use different sources, company website, company annual report, newspaper or other form of advertisement, newspaper articles, etc. to piece the information together.

Of the 8 Ps in the marketing mix, promotional mix is more complicated element than the rest, so it warrants more discussion in the next unit.

2.6: The Promotional Mix

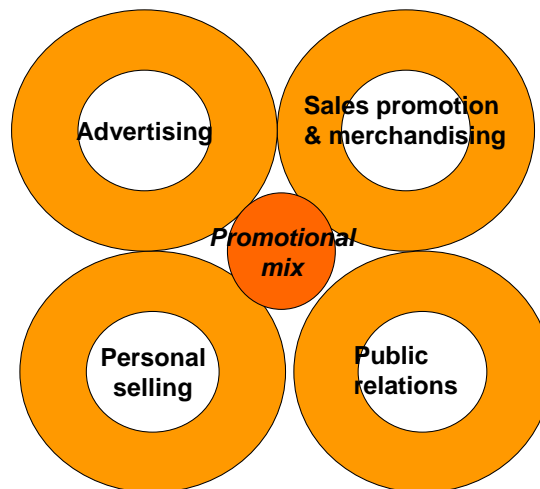
This topic discusses further why promotional mix is important and it expands on the core components of the promotional mix concept in the hospitality industry.

Now you already know that the promotional mix must complement the other seven parts of the marketing mix. You may have the greatest product and/or services in the world, but nobody knows about it. How would this do to your business? To avoid this scenario, you will need a great marketer or promoter to help you to bring this message to your customers in a fashion that they will want to buy it. Sometimes, your customers may not know that they will need or what your product, it will be your job to create the needs and wants for the customers. Back in early 1990's, very few people know what Internet is all about or any product associated with it. PC (Personal computer) is not as common as today. Can you imagine life before cell phone? What about the day that you forget to bring your cell phone or when it has no battery? It is the work through promotional mix, the marketers create a positive image and bring the product and service to the target market.

The promotion is a broader-based term denoting efforts undertaken to induce patronage. The main function of the promotion is to establish the awareness in the minds of customers about the company's product/service. Secondly, it is to establish a positive value in the minds of customers, then to reinforce consumer behavior by communicating with individual who have patronized, say a particular hotel or restaurants in the past.

Promotion includes personal selling that involves face-to-face communication between the seller and the prospective buyer as well as other efforts designed to increase sales. Specifically, as aforementioned in **2.5**, the four elements of promotional mix include advertising, sales promotions and merchandising, personal selling and public relations.

Figure 9: Promotional Mix



Advertising

According to the American Marketing Association, it defines advertising as “any paid form of non-personal presentation and promotion of ideas, goods, or services by an identified sponsor” (Reid, p. 386).

The purpose of advertising is to motivate the customers to make a repeat purchase or repeat patronage by their positive experiences to create the brand loyalty (Kotler, p. 564). Advertising is a form of promotion, but all forms of promotion are not necessarily advertising. Advertising can be in the forms of advertisement in newspapers, magazines, billboards, sides of public transports (e.g. aeroplanes, taxi, buses, ferries), posters, TV commercials, radio, SMS (short message service), web banners, bus stop benches, wall paintings, printed flyers, shopping carts, you name it.

As you can imagine, some form of advertisement are more costly than the others, such as the case of TV commercials as compares to newspaper ads; some form like web banners have much wider coverage/penetration at a relatively low cost. Some forms may be more suitable to feature your product or services at that particular stage of life cycle. You will have to weigh the advantages and disadvantages of each one against your marketing budget and target customers (refer to the Table in the **Exercise 7**).

For example, if you are selling a round-the-world cruise package to senior citizens, you may not want to reach them through the web, although there are increasingly

more elderly using computers to connect with their family members living in separate locations.

Table 12: Characteristics of Advertising

Paid form	<p>It is a form of advertisement that company paying for the space (newspapers and magazines) or time (television and radio) and they have a complete control over the printed advertisement.</p> <p><i>Example:</i> A restaurant advertises its buffet dinner with a special rate for Father's Day Special in a newspaper ad.</p>
Nonpersonal	<p>A form of mass media advertisement without any personal contact or interaction between the seller and the potential buyer.</p> <p><i>Example:</i> A billboard outside of the Cross Harbor Tunnel advertising an upcoming opera performance in the Hong Kong Cultural Center. The example that we mentioned in #1 (Paid form) can be included here.</p>
Promotion related to ideas, goods, or services	<p>Advertising need not be restricted to the promotion of a tangible physical product or good. It may try to influence individuals to change their way of thinking or their behaviour towards the products.</p> <p><i>Example:</i> You may have encountered campaigns developed by the Hong Kong Government ask you to register to vote, or not to touch live birds to avoid Avian flu, etc. Equally, you will not miss those posters promoting the Olympic Games in Hong Kong in 2008. During election years, we will see a lot of poster boards in the street promoting different candidates with their slogans seeking legislative positions.</p>
Identified sponsor	<p>All advertising has an identified sponsor, whether it is for commercial or non-commercial endeavor.</p> <p><i>Example:</i> For instance, the identified sponsor for a Clean Air campaign is organize by the Green Peace Group.</p>

Sales Promotion

As part of the promotional mix, sales promotion is about short-term incentives to encourage the purchase or sales of a product or service (Kotler, pp. 612). There are two main kinds of promotional strategy: push promotions and pull promotions. A push promotional strategy is the company makes use of its sales force to create consumer demand of a product. Push promotions include: Point-of-sales (POS) displays, cooperative advertising, advertising materials, traditional and electronic collateral material, and convention and owners'/managers' meeting.

On the other hand, pull promotional strategy is that the company needs to spend a lot on advertising to build up consumer demand for its product. Pull promotions include sampling, price reduction promotions, coupons combination offers or bundling, premiums, contests and sweepstakes. We will examine them one by one to get a grasp of the concepts.

1) Push promotions

Push promotions involve activities that draw customers to your product. There are different forms of promotion that qualified as push promotions, as shown in **Table 13**.

Table 13: Different Promotions Tools Associated with Push Promotions

Point-of-sales (POS) displays	<p>It is the display at the counter of quick service or fast food restaurants or as table tents in the restaurants. The main function of the display is to stimulate increased sales.</p> <p><i>Example:</i></p> <p>Include signs, banners to building exteriors, table tents displayed by hotels in the lobbies, restaurant outlets, room service menu, elevators and guest rooms.</p> <p>Hotel and restaurants frequently use POS to announce new special promotions. For example, Marco Polo Hong Kong Hotel organizes Oktoberfest (German Beer Festival) in October every year. The hotel will fill with beers, food, games and outdoor marquee. The hotel displays banners and posters to promote the festival. You can imagine the beer and other alcoholic sales goes up in this month.</p>
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Cooperative advertising	<p>It is a joint marketing activities with selected intermediaries, it requires teamwork and advertising cost can be shared.</p> <p><i>Example:</i></p> <p>In hotels, cooperative opportunities are most likely to be hotel and transportation companies such as cruise lines, airlines, rail lines). For examples, Cathay Pacific Airway has the cooperative advertising with the Mandarin Oriental Kuala Lumpur to sell for a holiday package.</p>
Advertising materials	<p>Different forms of advertising require different advertising materials to be effective. There are different requirements and consideration for advertisement that are 2-dimensional versus those that are 3-dimensional. It depends on the company objective and advertising budget to decide different media of advertising.</p> <p><i>Example:</i></p> <p>Advertising materials that prepared for radio commercial may be different than the newspaper ad or TV commercial.</p>
Traditional collateral material	<p>It is mainly for printed version of advertisement.</p> <p><i>Example:</i></p> <p>Most companies use the promotional efforts such as brochures, flyers or directories to promote the company product offerings. There is usually a theme running through all the collateral material so that consumers can associate it and spot it every time they see the ad. In today's Information Age, companies also use the Internet to advertise. Electronic collateral material on their websites is where firms use Web-based promotions to communicate with current and prospective customers.</p>
Special packages	<p>This is common for tourist destination and or hotels that are cater to the MICE industry.</p> <p><i>Example:</i></p> <p>Special packages offered by resorts, hotels, and convention centers to attract conferences and meetings with a large group of people. The attendees can be either for business purpose or leisure, or both. Normally, the package includes accommodations and meals, but they may also incorporate local tours, attraction admissions, special local events, or programs.</p>

2) Pull Promotions

Pull promotions are those activities that you bring to the customers. These include the ones in **Table 14**:

Table 14: Different Promotions Tools Associated with Pull Promotions

Sampling	<p>It is a give away of trial amount of a product to the customers, normally in small portion, and free of charge. It is commonly use in foodservice industry and it is a very efficient tool for promotion.</p> <p><i>Examples:</i></p> <p>Starbucks serves free samples of new product in the stores to seek for opinion from their customers.</p> <p>Supermarkets often feature free samples of new products, so consumers are guaranteed risk-free of buying something they did not like.</p>
Price reduction promotions	<p>These occur when price is reduced for a limited time and this encourage trial and increase sales.</p> <p><i>Examples:</i></p> <p>Many resorts offer special rates during the low season to increase the volume.</p> <p>A resort destination promotes getaway holiday packages with a special rates promotion with complimentary day tour and boat ride around the island.</p> <p>In Hong Kong, Mass Transit Railway offered 20% off its regular fare for a limited period to reward its frequent travelers.</p>
Coupons	<p>These are vouchers or certificates that offer the savings to customers and stimulate the customers to purchase the product. Some coupons are sent to customers by direct mail, some are place in newspapers and magazines.</p> <p><i>Example:</i></p> <p>Coupons are widely used in foodservice industry. For example,</p>

	McDonald's offers \$5-off cash coupon for every meal purchase to boost the sales.
Combination offers or bundling	<p>It is the combinations of two or more products or services and offering for a special rate. The cost for the combination offers is normally cheaper if buys each product separately.</p> <p><i>Example:</i></p> <p>Pizza Hut offers a family value combo meal with pizza, pasta and Pepsi drink, or McDonald's and KFC offer value meal with the sandwich, French fries and a drink for a price which cost cheaper than each item bought separately.</p>
Premiums	<p>It is the incentive to customers to buy the product by giving away free goods or offering at a reduced price. Customers need to make a purchase of the product in order to redeem for the premium.</p> <p><i>Example:</i></p> <p>Normally the featured and collectible toys for McDonald's ties in to the newly launch of the Kung Fu Panda movie to attract kids and offer for limited time only. For example, McDonald's offers that for every Happy Meal purchase, customer can add \$8 to redeem for the featured toy. 7-Eleven has similar campaign with Hello Kitty and the like.</p>
Contests and sweepstakes	<p>It is a way to give customers a chance to win prizes, in the form of cash or even vacations. A contest is to encourage customers to make a purchase of the product and submit an entry to enter the contest.</p> <p>Usually customers have to earn their prizes by participating in contests by filling out a jingle or provide answers to a game.</p> <p>On the other hand, sweepstakes requires entrants to fill in their names and addresses only. There is no extra work involve. Entrants can enter their forms as many times as they wish to increase the chances of winning the prizes. Winners are picked on the basis of chance, not skill.</p> <p><i>Example:</i></p> <p>Sweepstakes are frequently used by fast-food restaurants to boost</p>

	business. One of the most popular seepstakes has been the “McDonald’s Monopoly instant-win ” game-piece promotion and giving out instant prizes such as items from their menu and coupons.
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Merchandising

The next element in the promotional mix is Merchandising. It is the eye-catching signage or display for point-of-purchase advertising tool to draw the attentions of the customers. This includes materials used in-house to stimulate sales, e.g. menus, wine lists, tent cards, signs, posters, brochures, meeting planner guides, displays, and other point-of-sale promotional items. For example, some restaurants will have the tent cards on the dining table to promote wines of the week or desserts of the week.

Many retailers have incorporated coffee areas into their stores for the enjoyment of customers, like the café on one side of the Page One bookstore. Similarly, Starbucks (2001) uses these emerging merchandising techniques to attract customers and to keep them in the store for longer period of time and drive sales. The Starbucks cafés project a friendly, comfortable atmosphere and turn sipping coffee into a “retail-tainment” experience by incorporating how-to seminars, coffee- and tea-tasting events, live music and poetry readings. Starbucks also uses attractive displays to sell coffee- and tea-related merchandise, such as coffee mugs, coffee beans and coffee machines.



Example of merchandising products for Délifrance.

In the past, customers’ expectation on merchandising is simple and basic. The society was not very affluent and choices of products and services were not abundant. Back in 1970s, working class families were happy to have television at home. There was

only one color for telephones: black. Of course, there are no cell phones and air-conditioning is considered luxury. People did not travel much, if they did, it was a big deal. These all change as the economy took off in 1980s and onwards. As consumers become more sophisticated, they become more demanding with their choices. They are no longer satisfied with the functionality of the product, but rather they are turned on by the upbeat and trendy merchandising display of the product. However, how you merchandise your product must match with the customers that you target. Can you tell the difference in merchandising display in stores in IFC mall versus the one in New Century Mall in Mongkok? The stores at the two malls serve different clienteles and thus merchandise their products accordingly.

Personal selling

Our next element in the mix is personal selling. It is an interpersonal process of face-to-face or telephone conversation with one or more potential purchasers for the purpose of making sales to satisfy the needs and wants of the purchasers. So you can see that this is quite different from the tools that we have aforementioned. There are three types of personal selling: field sales, telephone sales and inside sales, as shown in **Table 15**.

Table 15: Types of Personal Selling

Field sales	<p>It is also referred to as outside sales or sales calls, where the sales person will have face-to-face meeting the potential clients to make the presentations. This is the most costly type of personal selling as it involves a sales force with travel costs when they are away from their home office. Additional funds also have to be invested in the sales support materials, such as portable computer for presentation, videotapes/DVD, presentation manuals with photographs, brochures/posters and etc.</p> <p><i>Example:</i></p> <p>The outside sales agents of travel agencies and hotel sales representatives who call on corporations and convention/meeting planners</p> <p>Sales representatives from airlines, cruise lines, tour wholesalers, and car rental firms who visit travel agencies.</p>
Telephone sales	<p>It is also called telemarketing where the communications via the phone that lead directly or indirectly to sales. The phone is an effective way to reach the prospective customers. It is done by sales people makes an appointment for sales call, to follow up with promised information, and to confirm the details of a sales prospect's requirements.</p> <p><i>Examples:</i></p> <p>Have your parents receive such calls from insurance companies selling policy or hotels selling membership in its restaurant?</p>
Inside sales	<p>It is also called the internal selling which is the efforts made when customers are already in the premise, to either increase the revenue of a sale or to increase the customers' average spending levels. Inside sales is suggestive selling or up-selling, where employees suggest or recommend additional or higher-priced items.</p> <p><i>Example:</i></p> <p>Most commonly use in the restaurants outlets, where the wait staff does suggestive selling to the guests, e.g. the wine of the week promotion. McDonald's teaches their sales staff to suggest a dessert when customer orders only the value meal.</p>

Public relations

Our last element of promotional mix is public relations. As aforementioned, public relations is different from the other elements because it does not aim at generating direct sales. Can you tell the difference between advertising and public relations? The primary aim of advertising is to create sales transaction, while public relations, as the name implies, is to build long term relationship with the clients and the community that it serves. Image building is more of the primary goal.

The function of public relations is obtaining favorable publicity, developing a positive corporate image, and handling or heading off unfavorable publicity or heading off unfavorable rumors, stories, or events (Kotler, pp. 605). Some companies has in-house Public Relations department to deal with publicity of the company, while others may rely on professional Public Relations company for a fee.

To achieve publicity, public relations use different means, ranging from news releases, to photographs, letters and enclosures, house newsletters, speeches and public appearances, posters, bulletin boards, and exhibits, audiovisual materials, and open houses and tours. Let us take a look at each one of them briefly in **Table 16**.

Table 16: Public Relations use Different Means

News releases	<p>It is a short news article on an organization that is written by the Public Relations Department and supply it to media to gain its awareness. The media will base on the releases and write an article on the information about people and events of potential interest.</p> <p><i>Example:</i></p> <p>McDonald's charity concert is the biggest event organized for McDonald's World Children Day. This event has raised 2.8 millions dollars to the Ronald McDonald's House. To ensure public awareness of the event, Public Relations of the company send announcement as news releases to all newspaper and other relevant media so they can cover it.</p>
Photographs	<p>To use a famous personality or create a human positive print or angle to create an image for your product or service. The featured personality serves the function of PR for your product.</p> <p><i>Example:</i></p> <p>In very Rolex watch print ad, it always features a famous, established personality in different fields that love the accuracy of Rolex watch. This is</p>

	to portray a positive association of successful person and a high quality watch.
Letters, inserts, and enclosures	<p>Companies may use this form of PR to convey a message to its potential and current clients. It may also be “A formal letter that sent to government officials and urging the government to take some action. Inserts can be used as envelope-stuffers in employee paychecks, or they can be sent as follow-up correspondence to guests or clients” (Reid and Bojanic, 2006, p.478).</p> <p><i>Example:</i></p> <p>In monthly statement to its customers, Master Card (a credit card company) often times send along inserts to announce other promotional activity that it may have.</p>
House newsletters	<p>This is a form of written report analysis of the news and usually issues periodically. The newsletters are mainly prepared by a group or a company typically and target special audience. This is seen more of a service and a communication effort to the external world. At the long run, the main purpose is to create a positive image for the company, which in term increase sales and influence public opinions.</p> <p><i>Example:</i></p> <p>Hong Kong Airport Authority sends its employees and its external partners a monthly newsletter “hkia News” to keep them abreast of the happening with the Hong Kong International Airport.</p>
Speeches and public appearances	<p>Public appearances by key personnel of a company is a way for creating positive relations for a product and company publicity. Usually company will arrange relevant occasions for the important person to meet the public. This may happen when there is a special announcement on the company’s new product launch or the year end financial result.</p> <p><i>Examples:</i></p> <p>The founder of a company usually is good spokesperson, as everybody can associate Bill Gates with Mircosoft, or the silver-haired, bearded Colonel Sanders for KFC.</p> <p>In the opening of The Landmark Mandarin Oriental, General Manager,</p>

	<p>Susanne Hatje's spoke for the hotel in her remarks, "<i>We are catering to different markets. The Landmark Mandarin Oriental is in a niche of its own so it does not compete with other hotels. We cater mainly to the leisure and business traveler with business and entertainment on his mind and who uses Hong Kong as a hub to the rest of Asia</i>"</p> <p>(http://www.hktrader.net/200509/lead/lead-landmarkmandarin200509.htm).</p>
Posters, bulletin boards, and exhibits	<p>It is a visual placard to draw the attention of the public. Posters are also used in advertising, the difference here is the message that is conveyed.</p> <p>For example, Spaghetti House launching "Hot Pot Campaign" and posters are placed on the MTR stations, where a cute little piglet covered with sauce is featured. The selling point of this poster is to grab the by passers' attentions about new product launch.</p>
Audiovisual materials	<p>Public Relations also use videotapes, video clips, CDs, or DVDs to distribute to potential customers or media.</p> <p><i>Example:</i></p> <p>Some winery owners will distribute the DVD to the wine retailers, wine distributors and customers. The DVD may contain the information of the wine making process, details about the vineyard, facilities of the winery, the wine maker, their products, the climate, terroir and etc. University may record the relevant information about its offering on a DVD and send to perspective students and parents.</p>
Open houses and tours	<p>Companies issue special invitations to the media, travel professionals, and potential customers to the property and experience it first hand. This can increase the awareness, publicity and create interests.</p> <p><i>Example:</i></p> <p>The Peninsula Hong Kong celebrated the 80th Anniversary; there was an open house for invited guests and media for the special event. A hotel usually organizes a pre-opening cocktail reception for selected guests and movers and shakers in the community.</p>

So far, we have discussed the different kinds of tools used in promotional mix. A company has to decide which type of the promotional tools is most effective for

promoting their product. It needs to bear in mind the type of product, stage of life cycle, target customers, and their budget.

We will end this unit with the following exercise.

Exercise 14: Identify the promotional mix of the hospitality company with the examples.

Promotional Mix	Hospitality companies	Examples
Advertising		
Public relations		
Sales promotion		
Merchandising		
Personal Selling		

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Unit 3: Electronic Marketing

This topic explores an emerging trend of hospitality marketing - electronic marketing. Specifically, we will examine the impact and application of Internet and database marketing in the hospitality industry.

3.1: Internet Marketing

The advancement of technology in this era has changed the way many hospitality organizations conduct business. Specifically, most hotel and travel companies are now using the internet to communicate about, promote, and sell products and services. Internet marketing benefits both buyers (consumer and business markets) and sellers in many ways as shown in **Table 17**:

Table 17: Benefits of Internet Marketing

Benefits to buyers	Benefits to sellers
<ul style="list-style-type: none"> • It is convenient and easy to use, and it offers privacy – Buyers do not have to leave the room to buy; buyers don't have to face salespeople and their sales pitches. • It offers greater product access, selection, and hence, comparative information – Buyers have easy access to a wide range of alternatives and it is so much easier for them to make comparisons among alternatives. • Internet buying is interactive and immediate. This nature of the buying process allows buyers to interact with the sellers' sites immediately to create the configuration of information, products, and services desired. • It gives buyers greater control 	<ul style="list-style-type: none"> • It is a powerful tool for customer relationship building – sellers can interact with their customers online and learn about their customers' needs and wants through questions asked by customers and comments provided. • It reduces cost of doing business and increases speed and efficiency – example: no physical store is involved for e-tailers who sell travel products and they can inform buyers about their orders within seconds. • It offers greater flexibility – It allows hospitality marketers to make ongoing adjustments to its offers and programs. For instance, hotel can easily adjust their room rates based on the

Benefits to buyers	Benefits to sellers
over the buying process – example: customers can choose their in-flight seats via the internet.	projected occupancy conditions.

How exactly has internet affected the marketing function of the hospitality industry? Well, I guess you must be familiar with hospitality organizations selling their goods and services to final users via the Web, and this is certainly one way that internet has transformed the way the industry used to conduct its business. Let's take a look at a few examples in Hong Kong. Mandarin Oriental (2008) features its "tempting offers" (i.e. hotel specials) on the hotel's website aiming to attract potential customers who seek value for money.

Starbucks (2008) in Hong Kong uses its site to promote merchandise and gifts. Furthermore, the site has also been used successfully to promote the corporate image of Starbucks – being socially responsible. Soho Delivery (2008), owned by the Chiram Strategic Group (CSG), allows customers to place food orders from a range of well-known restaurants located in the area via the Web. These are only a few examples that show how internet marketing has affected our daily lives, and I am sure you can come up with a few more examples on your own. Given the increasing popularity and accessibility of the World Wide Web in most countries, it is important to keep in mind that online consumer buying is expected to continue to grow.

Apart from online selling to end users, internet has also transformed hospitality marketing in other domains:

- Most suppliers of hospitality organizations are making the best use of internet to reach and serve their customers more effectively and efficiently. For instance, EquipAsia (2008), a supplier of table wares, linens, food service furniture etc. to the hospitality industry in Hong Kong has a website that lists the company's products in details.
- The availability of internet has created a platform for consumers to buy or exchange goods directly with one another. For example, eBay and Amazon.com Auctions allow consumers to sell or exchange travel products. Additionally, internet (i.e. through forums, newsgroups, chat rooms, etc.) has been increasingly used by consumers to share information and experiences about hospitality

products and services. Hospitality marketers should never take this form of “word-of-mouth” too lightly as both good and bad informational exchanges can exert a considerable impact on the organization’s image and profitability.

- More and more consumers are communicating with hospitality organizations via the Web. Today’s consumers can provide instant feedback and pose questions to hospitality firms via the companies’ web sites. At times, consumers are also given more control in terms of initiating a business transaction through the internet. For instance, consider how Priceline.com operates. Consumers are the one who take the initiative to bid for airline tickets and hotel rooms, and the sellers (i.e. airlines and hotels) then decide if they would accept the offers. Traditional business transaction would have required the sellers to offer the prices and the buyers make the decisions to accept or reject the offers.

Concluding example: Guests can now purchase items that they enjoyed during their stay with a hotel via the web. Paris-based Hotels At Home Inc. is a targeted catalog and e-commerce business that services more than 2400 hotels worldwide which include Westin, Hilton, and Sheraton chains. How does it work? If a Westin guest likes the “Heavenly Bed” that he slept on last night, the bath robe from the Hilton’s, or even the artwork hung in the Sheraton’s room, he can order it from the hotel’s specially branded Web site, which is run by Hotels At Home. This example clearly shows that online retail can now be an effective way for hotels to create better overall experiences for customers by extending their brand presence into the home.

Exercise 15: Pick two Internet websites that in the same type of hospitality or tourism organization. For example, go to two hotels or dining outlets, and comment on the websites. Describe what are the strengths and weaknesses for the two websites and provide recommendations of how it can be improved.

Exercise 16: Type OpenTable.com on the search engine. Select the “Hong Kong” site (Under International section). Explain what is the site about and comment if this site is useful from the consumer perspective.

3.2: Database Marketing

To understand the role of marketing database in the marketing function, we should first define what a customer database is. Customer database is actually an organized collection of data about individual customers that can be used for certain marketing purposes. Creating a customer database involves time and money (for the latter, it requires investments in computer hardware, data-processing software, information enhancement programs, training, etc.), but it certainly can enhance marketing productivity of hospitality firms if the setup is done properly.

Customer databases should be user-friendly and available to all personnel in the organizations. The systems must be integrated should numerous databases are available within a firm. It is also important to store information about the customers accurately and appropriately. For example, if two files are accidentally created for the same customer (they are stored under two different names such as John Smith and J. Smith), the firm will take him as two separate individuals and will not be able to know his real value. Ideally, customer databases should include such information related to past purchases, customers' demographics, psychographics, media preferences, and any other information that the companies think useful.

Today, hospitality managers use consumer databases to achieve various marketing objectives, and some of these include the following:

- 1) To identify potential customers for certain promotional events or efforts – Managers can use the databases to generate a list of guests who exhibit certain characteristics. For instance, a restaurant can use its database to generate a list of guests who spent over \$500 on a bottle of wine in their previous visits. The list can then be used for promoting a wine-and-food pairing event.
- 2) To make predictions about customers' responses to an offer – This is also called data mining. Using the marketing databases and the data mining software, hospitality managers can explore a wide variety of relationships between the customers and the desired marketing outcomes.
- 3) To provide better service or experience for the customers – Consumer databases allow hospitality employees to know what their customers prefer and what types of services will be of value to their customers. For instance, information about a first-time hotel's guest who requests for slippers will be stored in the database and when the customer comes back for a visit, slippers will be placed in the guest's

room without further request.

Based on our previous discussion, we can see that database marketing refers to “the process of building, maintaining, and using the customer databases... for the purpose of contacting, transacting, and building relationships” (Kotler et al., 2003, p. 50). Remember that hospitality organizations need to provide certain benefits to customers for being in the database. Although most marketers use customer databases to identify their prospects for promotional activities, they should be used more often as a tool to improve or enhance the services provided to customers, which is fundamental if the companies want to build long-term buyer-seller relationships.

Concluding example: Frequent-diner program is an effective way to capture customer information. It is easy to implement a frequent-diner program by simply assigning a special number to each patron and then using that number to track his or her activity. Once the customer participates in the program, the customer information can be entered automatically into your database as you gather it. To get more data, restaurants can consider creative ways to encourage customers to visit. For instance, giving priority seating for their program members, special buy one get one offers, discounted meals after several visits and more. Although entering and tracking customer data take time, once available, the data can be used to identify the customer segments and the type of relationship they have with the restaurant. Profiling the customers based on their relationship with the restaurant will help the operator to send relevant communications and use appropriate strategies to develop customer loyalty.



A frequent diner card for Pokka Café.

Exercise 17: Visit a hotel or a restaurant website that contains information about its guest frequent program. In your opinion, how effective is the program in developing guest loyalty and why do you think so?

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Students should note that all contents in this unit are based on the following sources:

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Glossary

Analogy of product	Analogy is the alikeness of the product
Data mining software	A software tool which helps to sort out a collection of data and arranged for user for ease and speed of retrieval by using the computer
Differentiating features	Major differences of a product or service
Epitomizes	Description or illustration of an object
Market void	Market opportunities or market potential
Monetary appeals	The financial values that attract people to purchase
Personality and lifestyle	Visible aspect of one's character, attitude and habits
Propensity to purchase	Inclination to buy a product
Short term inducement	A short-term incentives that motivate people to purchase
Values, perceptions and wants	Recognition and interpretation of sensory stimuli for something a customer's desired

Written Assignment

Maxim Marketing Plan for the Coming year

The scenario:

You are the Marketing Director for Maxims (look up proper name) and have a team of marketing staff working for you. You are given an annual budget to run your department and do various marketing effort. This is the last quarter of the year and you need to finalize the marketing strategy for the coming year. In other words, you need to submit a marketing plan for Maxims fast food to Executive Board for its approval. Once approved, this will become the road map for the teams of your department to execute. Use what you have learnt from the course, and demonstrate your knowledge from this course and apply it to this marketing plan.

Your task:

In the marketing plan, you will need to address the following areas:

1. Analyze the marketing opportunities/challenges
2. Identify the market segmentation for Maxims - discuss your competitors
3. Conduct a market research method which is best use to collect the data for your marketing plan.
4. Provide recommendation for the eight Ps of the Marketing mix and promotional mix for Maxims.
5. Discuss how you would market your product via electronic marketing



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