



# STRATEGIC HOTEL/MOTEL MARKETING

Revised Edition

Christopher W.L. Hart and  
David A. Troy

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**Christopher W.L. Hart**  
**and**  
**David A. Troy**



**EDUCATIONAL INSTITUTE**  
of the American Hotel & Motel Association

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# Preface

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In writing this textbook, the purpose has been to gather into one manageable volume the best of contemporary hospitality marketing ideas and practices. We, the authors, have been aided in this task by many friends, colleagues, and competitors, who agreed to put in writing their thoughts about our discipline so they could be shared with you, the reader. Taken as a whole, their comments in this book reflect the state of the art of marketing in the hospitality industry.

To supplement these ideas, we have researched other educational materials produced by the Educational Institute of the American Hotel & Motel Association (AH&MA), as well as periodicals and trade magazines, for successful approaches and techniques that could be included in this text. Also, we have not hesitated to draw on other sources containing information about the marketing programs of various hotel organizations—the giant chains that have traditionally dominated the field; the newer, more specialized companies which have emerged in recent years; and even individual properties.

Every hotel—whether it is part of a vast organization or a small, independently owned property—must engage in marketing planning and execution. Therefore, regardless of what marketing resources are at your disposal, the principles of sound marketing planning and careful follow-up presented in this book will help your hotel achieve significantly better financial results.

This text is divided into five parts. The first part, which includes Chapters 1 and 2, defines the marketing concept and other important terms in order to put the subject of hospitality marketing in perspective. Part One also identifies distinctive aspects of service marketing and discusses the various circumstances which have shaped the evolution of marketing thought.

Part Two introduces the concept of strategic marketing planning. Comprising Chapters 3 through 6, Part Two examines the types of planning and analyses which form the base for successful hospitality marketing programs.

In Part Three, the focus turns to individual properties in contrast to previous discussions which center on marketing approaches of major hotel chains. Chapters 7 through 10 discuss the typical structure of a marketing and sales division in addition to exploring some of the techniques and tools of marketing.

Part Four, which embraces Chapters 11 through 14, illustrates marketing tools in action. Readers are walked through the strategic planning process to see how these seemingly separate tools can be correlated in a successful hotel marketing program. Because examples are given at the property level, this section should be particularly useful to small hotels, whether they fall at the budget end of the market, at the world-class end, or somewhere in between.

Part Five discusses strategic planning as a growth philosophy and some of the current trends in the hospitality industry. Growth strategies, market conditions, product lines, new hotel types, and management considerations are among the topics presented in Chapters 15 and 16 in terms of their potential impact on hospitality marketing in the future.

Some chapters in the text are followed by supplemental readings. These materials are intended to help facilitate your understanding and further study of hospitality marketing.

We have undertaken the preparation of this book with humility and consider its contents a beginning, not a conclusion. Twenty-five years ago, the discipline of hospitality marketing was virtually nonexistent, but it has grown rapidly in the intervening years. Nevertheless, from the

## **X** *Preface*

standpoint of marketing practices, the hospitality industry has yet to mature to the level of sophistication enjoyed by some industries. If this book contributes to that maturing process, it will have accomplished its task.

The authors would like to acknowledge Gary Spizizen, independent consultant in the hospitality industry, for his contributions and invaluable assistance in developing this text.

The Educational Institute of AH&MA, the publisher of this textbook, is committed to the improvement of marketing education in the hospitality industry. So, too, is its peer organization, the Educational Foundation of the Hotel Sales and Marketing Association, International

(HSMIA). Thanks to these two outstanding organizations, the quality of marketing education in our industry has been and continues to be greatly enhanced.

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# **PART ONE**

## **INTRODUCTION**

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This section defines the marketing concept and identifies distinctive aspects of service marketing that apply to the hospitality industry. Chapter 1 addresses the marketing concept as a means by which companies achieve their business goals by first determining the needs and wants of target markets and then delivering products and services to satisfy those markets more effectively and efficiently than the competition. The chapter also discusses the circumstances which influence companies to fully adopt the marketing concept and closes with a brief account of the evolution of hospitality marketing thought. The marketing concept is further defined in Chapter 2 where the focus shifts to the differences between the marketing of services in the hospitality industry and the marketing of products in manufacturing industries. Supplemental readings which follow each chapter elaborate on the material presented in the text.



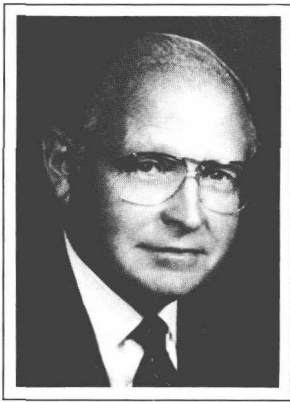
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# 1

## The Marketing Concept

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The marketing function is essential to the success of a hospitality operation. This function encompasses a broad range of activities. While many of these activities are the direct responsibility of the marketing staff, every employee in the hospitality operation has a marketing responsibility.



Howard P. James  
customers, they are not really 'sold' on a hotel unless they enjoy the real product that a Sheraton sells—a quality guest experience.

Assuring our customers of that quality experience means providing a warm welcome; clean, comfortable, and convenient facilities; fine cuisine and courteous service. It involves the cooperation of a unified staff, working at every position in the hotel. This is a hotel's true

marketing strength, and it has been very successful for Sheraton. ”

—Howard P. James  
Former Chairman of the Board  
The Sheraton Corporation

This statement by Bud James, who has been such a dominant figure in the hotel industry over the last 15 years, indicates the new depth of commitment to marketing called for at all levels of today's lodging industry, and it sets the stage for your study of hospitality marketing.<sup>1</sup>

Hospitality is already a big industry, and it's still growing. As the industry expands, competition becomes keener. Because today's guests expect more services, amenities, and value, the industry is responding by becoming more specialized and sophisticated. As more and more companies equip themselves to surpass the competition and to meet these new customer demands, marketing will play an increasingly important role in the hospitality industry.

Marketing is often mistakenly equated with selling, or advertising, or public relations. While it does include these activities, it is much more. Marketing integrates such basic business functions as sales, advertising, public relations, promotions, merchandising, and pricing in order to produce the maximum obtainable profit.

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<sup>1</sup>As it is used in this text, hotel is a broad generic term for all types of lodging operations including luxury hotels, motels, motor inns, and inns.



Sig Front

**“My** personal philosophy about selling and marketing in the hospitality industry is to constantly involve yourself in the basics—the basic knowledge of your industry and the service involved, basic selling and marketing skills with complete knowledge of your customer’s needs—and finally to develop those creative skills that sepa-

rate you as an individual and your hotel from that of your competition. I have always felt the people are buying you, your ideas, your sincere desire to follow through and make it happen. The final ingredient in my personal philosophy is to **do it at a profit**. It doesn’t take a genius to give it away. It takes hard work, perseverance, and a love for what we are doing to truly succeed. I have never thought I was better than anybody else, but I’ve always worked overtime to try to be better.”

—Sig Front  
Senior Vice President of Marketing  
The Sheraton Corporation

The most basic task of marketing is to bring buyers and sellers together. Strategic marketing planning is the process of accomplishing this task by first learning who the buyers are. Markets must be identified by grouping current or potential customers on the basis of such categories as geographic location, industry sector, economic status, or behavioral and lifestyle characteristics. Next, the markets must be narrowed into the particular segments toward which the operation will direct its marketing efforts. Once these target markets have been selected, strategic marketing planning must develop the appropriate marketing mix—the particular combination of marketing objectives, strategies, and tactics by which to attract the targeted mix of market segments.

Above all, marketing attempts to see the business of the hospitality operation through the eyes of the customer. From this perspective, it is obvious that activities other than selling, adver-

tising, and public relations become important. For example, discovering what your guests want and need, how your property can deliver the appropriate services, and planning strategies for competing against other properties catering to the same customers are among marketing activities which are critical to the success of today’s hospitality operation.

## The Marketing Orientation

The marketing concept proposes that the best way to achieve organizational goals consists of determining the needs and wants of target markets and delivering products and services to satisfy those needs and wants more effectively and efficiently than competitors. Today’s marketers begin by asking what personal needs and wants customers desire to satisfy. The company then creates products and services to satisfy those wants. Profits come about through customer satisfaction and repeat purchasing.

The marketing concept has a long history behind it. Peter Drucker suggests that the marketing concept first appeared in Japan around 1650 when a member of the Mitsui family settled in Tokyo as a merchant and opened what might be called the first department store.<sup>2</sup> He became the buyer for his customers, designed the right products for them, and developed sources for their production. He implemented a money-back, no-questions-asked policy, and adopted the strategy of offering a large assortment of products to his customers rather than focusing on any single craft or product category.

Despite occasional manifestations of these kinds of marketing techniques throughout history, the actual tenets of the marketing concept did not crystalize, at least in the United States, until the late 1950s. From our position today, we can view the emergence of the marketing concept as one step in the progressive evolution of a business philosophy. This business philosophy addresses the following concern: in the manufacture and creation of products and services, what weights should be given to the interests of the company, the customers, and society?

<sup>2</sup>Peter F. Drucker, *Management: Tasks, Responsibilities, Practices* (New York: Harper & Row, 1973) p. 62.

The specific weights, or emphases, that a company places on its own interests, the interests of its customers, and the interests of the society within which it conducts business will define that particular company's business orientation. There are essentially four competing concepts, or orientations, under which businesses conduct their economic activities: (1) product orientation, (2) selling orientation, (3) marketing orientation, and (4) the societal marketing orientation.

## Product Orientation

Companies that are product-oriented aim to provide products or services that are low in cost, capable of a wide distribution, and which offer the best quality, performance, and features. Product-oriented companies assume that consumers are primarily interested in product availability and low prices.

This assumption appears to be valid in a business situation in which the demand for a product exceeds supply. For the most part, this situation prevailed in the United States from the latter part of the nineteenth century to about 1920. At that time, there was little demand for products not associated with satisfying basic family needs. Businesses placed their emphasis on meeting the general demand for basic commodities and satisfying the relatively homogeneous needs of a population having relatively limited discretionary income. Companies concentrated their efforts on ways to streamline their production processes while, at the same time, holding down costs. Ford Motor Company, with its standardized Model-T, is a classic example of this product-oriented approach to the marketplace.

The problem with the product orientation is that it leads to what Theodore Levitt terms "marketing myopia"—an undue concentration on the product rather than on the needs of consumers. Product-oriented managers seem to focus all their attention on their products and channel all their energies to improving them. They fail to notice significant changes in the marketplace which may affect their businesses, such as changing consumer needs, new competitors entering the market with better products, or substitute products which more accurately satisfy consumer needs. Ford Motor Company

learned this lesson when other car manufacturers began turning out automobiles in hundreds of different styles and colors.

A classic example which illustrates an extreme product orientation to the marketplace is the story about a manufacturer of office files who complained that his files should be selling better because they are the best in the world. "They can be dropped from a four-story building and not be damaged." "Yes," agreed the sales manager, "but our customers aren't planning to push them out of four-story buildings."<sup>3</sup>

## Selling Orientation

Selling-oriented companies generally operate under the assumption that buyers are naturally reluctant to part with their money and, therefore, they need to be persuaded to purchase products and services. The selling orientation reached its zenith in the United States during the period from 1920 to 1950. During this time, many companies turned out increasing quantities of goods through improved mass-production processes. Many businesses found a situation in which supplies of their products or services exceeded demand. Given this economic condition, the success, or failure, of many businesses hinged on the ability of the sales force to move inventories. Many companies developed sophisticated sales techniques by which to locate prospects and convince them through persuasive personal selling techniques to purchase their companies' products or services.

Today, the selling orientation to the marketplace is still a crucial and effective perspective for many businesses, especially for those businesses that provide products or services which consumers do not normally think of buying. At times, these businesses are accused of using "high-pressure" sales techniques. However, it is only reasonable to expect sales representatives of these kinds of businesses to be as persuasive as possible, because they often have only one opportunity to convince their sales prospects to purchase the products or services offered.

<sup>3</sup>Philip Kotler, *Marketing Management: Analysis, Planning, and Control* (Englewood Cliffs, N.J.: Prentice-Hall, Inc., 1984) p. 18.



## 6 Introduction

Although the selling orientation has connotations of “hard driving,” “high-pressure,” and “pushy” salespeople, some kind of sales push is necessary in almost every business. However, for a selling orientation to be most effective, it must be integrated within a more general marketing effort—one which identifies the necessity and the limitations of the sales effort in relation to a customer needs assessment, market research, product development, pricing, and distribution. If the customer needs are accurately identified, and if the appropriate distributing, promoting, and pricing tactics have been implemented, then the personal selling task should not be terribly difficult or “high-pressured.”

### Marketing Orientation

During the 1950s, competition for markets grew. As consumer discretionary income rose, so too did the demand for an increasingly wide variety of products and services. In this more competitive environment, selling skills alone were insufficient. Sophisticated companies developed new skills to enable them to produce products and services more attuned to a discriminating market. These conditions ushered in the marketing-oriented era.

A marketing orientation begins by asking what personal needs the consumer wants to satisfy. Needs may be defined very broadly to include not only the basic services such as a room and a meal, but ancillary services as well, such as a reservations system, valet parking, express check-in and check-out, and many others.

The personal needs of consumers can also be viewed as a bundle of intangible benefits which they expect to receive by purchasing a company's products or services. These bundles of benefits may range from the sensual (for example, the sight and sound of the facility and of other guests), to the psychological (for example, the comfort, status, or just plain well-being associated with staying at a particular property).

Identifying the bundle of benefits which consumers seek to receive from purchasing a specific product or service is a critical task for marketing efforts within service industries. Once the consumer needs have been identified, a property then begins to develop the products

or services which will satisfy those needs better than the competition.

The difference between the marketing concept and the product concept is really the difference between an internal and an external focus. Peter F. Drucker notes that it is often necessary to step outside a business in order to get inside the heart of the operation:

“I do not believe that one can manage a business by reports. One must spend a great deal of time outside, where the results are. Inside a business one only has costs. One looks at markets, at customers, at society, and at knowledge, all of which are outside the business, to see what is really happening. This, reports will never tell you.”<sup>4</sup>

It is easy for managers to lose a marketing-oriented focus. Just as a fish doesn't know that it's wet because it has been in the water all of its life, so managers often lose track of the environment in which their businesses exist. The demand of day-to-day operations frequently locks managers' attention onto short-term concerns and hinders their perceptions of long-term considerations which may be critical to the success of their companies. Indeed, one of the most difficult tasks that managers face today is setting aside time to take off the hat of the operating manager and put on the hat of the strategist.

Marketers need to be strategists because marketing activities begin not after products or services are offered, but long before they are produced. Long before construction ever begins with a new hotel project, efforts must be made to determine whether a market actually exists for the hotel's services, and, if a market does exist, its location, size, segments, perceptions, preferences, and buying habits must also be identified.

This is critically important for the lodging industry for at least two reasons. First, with the enormous variety of lodging properties on the market, a new hotel must be sure that its product meets a specific need. Consumers want to

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<sup>4</sup>Peter F. Drucker, *Technology, Management, and Society* (New York: Harper Colophon, 1977) pp. 95-96.