

MARKETING *Leadership* in Hospitality

Foundations
and
Practices

.....
Second Edition



Robert C. Lewis
Richard E. Chambers
Harsha E. Chacko
.....

Marketing Leadership in Hospitality

FOUNDATIONS AND PRACTICES

Second Edition

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To
Peg, Richard and Meagan, and Elen

and

John Levak,
the archtypical hospitality consumer,
and those like him

Preface

In the past 20 years, the world has witnessed a massive explosion in the hospitality industry. Today the industry only vaguely resembles a second cousin of the one that existed 20 years ago. Not only has there been a proliferation of hotels and restaurants and airlines, but the way they do business has also changed drastically. Concurrently, there has been a massive change in the hospitality customer. The link between these two phenomena is marketing. This book is about that link.

Much of today's hospitality industry is made up of sophisticated organizations. This is less true in parts of the world where travel and tourism are still developing, but as more companies go global, that scene is also rapidly changing. Independent operations have become increasingly fewer, and their number will continue to dwindle. This is more true with hotels than with restaurants, but even the latter are forming more strategic alliances, if not outright expanding. The transition is not unlike that of the industrial revolution that began over two centuries ago. Cottage industries still exist and so do the individual entrepreneurs in hospitality. It is these same entrepreneurs, however, who have led the way in the growth explosion.

E.M. Statler, Conrad Hilton, Howard John-

son, Kemmons Wilson, and Ray Kroc were some of the early entrepreneurs whose legends and legacies survive today. All these men were marketers, *par excellence*, albeit by a different standard than that of hospitality marketing today. No doubt, words and terms like *segmentation*, *positioning*, *marketing mix*, *consumer needs and wants*, *product life cycle*, *distribution systems*, and many others you will find in this book, were not even part of their vocabulary. Nevertheless, these entrepreneurs all had one thing in common: They solved consumers' problems—and that is what marketing is all about.

It was only natural that the legacies of these individuals, and others like them, would evolve in one form or another into large organizations. Growth inevitably comes from continued solving of consumers' problems. Growth, however, also brings with it growing pains—the pains of organization, management, financing, distribution, and finally, competition.

The emphasis during these heavy growth years was on operations and costs. The person who could run a good operation and control costs was likely to be successful. In hotels, many general managers rose through the ranks in food and beverage departments. In restaur-

rants, the emphasis was primarily food, beverage, and labor costs.

There were still (and always will be) the grand hotels and the grand restaurants, usually owned and run by entrepreneurs in the classic *mein host* style. By and large, customers took what they got for what they paid. There wasn't too much choice. Little attention was paid to selling and advertising, *marketing* was a foreign word.

Marketing in *any* industry, in fact, did not truly begin to evolve to its present state of growth and recognition until the 1960s. It was another 15 to 20 years before it began to evolve in the hospitality industry. When this first happened, moreover, marketing was not recognizable in its present form. With the growth of chain operations and regional, nationwide, and global distribution, organizations began advertising more extensively. Hotels began to fill out their sales staffs. When marketing became an accepted word in the hospitality lexicon, advertising and sales activities were largely what marketing meant; merchandising and promotion were added later.

Thus, until approximately 15 years ago, marketing consisted largely of what we know today as the communications mix, a subset of marketing. Today, outside personal selling is a major portion of the marketing mix in percentage of time and effort, although a small portion of marketing strategy. Extensive advertising is affordable by relatively few, although merchandising and promotion are quite common in operations of all sizes. Hospitality marketing today, like the industry itself, only vaguely resembles a second cousin of what was practiced 20 years ago.

Marketing has evolved similarly in academic programs in restaurant and hotel management. The early subjects were primarily merchandising and selling. Marketing was thought by many to be something intuitive—either you were good at it, or you weren't—but there wasn't much point in spending an entire semester learning it. Hospitality marketing texts were largely non-existent. What did exist concentrated primarily on merchandising, promotion, and selling.

In the early 1980s, hospitality marketing began to acquire recognition. This came about primarily as a result of two forces. The first was the recognition of marketing in other industries and its increasingly frequent mention in the business press. Individuals who had degrees from business schools and/or came from other industries entered the hospitality industry and recognized the need for marketing. Former sales departments became marketing departments. By and large, however, much of the industry was unaware of the difference between sales and marketing.

The second force occurred in the marketplace. As competition intensified, it was no longer a case of "building another better mouse trap" and letting the people come; one had to fight to obtain the business that the competition was also seeking. The customer had also changed. Demographic lines began to blur. Customers became "educated," more demanding—after all, they now had alternatives as properties sought to differentiate from each other.

This pattern has increased one hundred-fold in reaching its present state. The hospitality marketing trend that began in the United States is now in the heavy growth stage internationally. Businesses are now being challenged as never before to improve their marketing capabilities worldwide. Marketing in hospitality is coming of age.

Coming of age, however, does not signify expertise. The transition has been slow, if not painful, it seems, and there is still much to be learned. On the other hand, when one considers a 15-year span in the course of the long history of hospitality, the movement has been rapid—almost to the point of mind-boggling. It is the marketing-oriented operation that survives today and in the future—not the sales- or cost-oriented one. This is the state of the hospitality industry that exists today and that this book addresses.

This Edition

Previous books on hospitality marketing served the purpose of identifying "what is going on out

there,” but did not deal with the theoretical and conceptual foundations of *why* it was going on. This was a natural evolution, ongoing when the first edition of this book was published in 1989. In the short time since then, however, hospitality marketing has soared in practice and the proper foundations become even more necessary.

The second edition of *Marketing Leadership in Hospitality: Foundations and Practices* attempts to bring all of this together. It is filled, as its subtitle indicates, with both marketing *foundations* and *practices*. Our thesis is that the same situation rarely happens twice in the same way. Thus, a known practice is of minimal help when faced with a situation that only *appears* to be similar but may be radically different. It is at these times that solid foundations lead the way to marketing leadership. Deceptive appearances happen because factors in marketing are based on human behavior; there is nothing we know that is more complex than the unpredictable human being. Human behavior does not offer the concrete, factual, and ascertainable solutions that are presented by manufacturing goods, financial equations, accounting manipulations, or even flights to the moon.

Nevertheless, there is a logic and a system to marketing that greatly increases its probability of success—and these can be learned. There are ways that we can better understand the vagaries of customer behavior. There are ways to get at the issues and to reveal the substance of marketing problems. There are underlying principles that appear time and time again.

Although marketing’s elusiveness is frustrating to many on first exposure, we have no choice in the hospitality industry today but to study marketing. Marketing is the umbilical cord that connects the business to the consumer. It is the means by which the organization adjusts to the ever-changing needs of the marketplace. It is the force of change and growth and the exploration of new opportunities. It is the strongest weapon there is in fighting the competition. It is, in fact, the substance of survival in a dog-eat-dog business world.

This book takes a leadership approach to the study of marketing in hospitality organizations.

Our target audience includes those in introductory marketing courses, marketing management courses, and strategic marketing courses. It also includes managers and marketers now operating in the real world of the hospitality industry, at any level, who feel a need for a more foundational view of marketing with applied examples.

This book also takes a realistic approach. We call it as we see it, but we don’t do this lightly. Examples used come from many sources and have been checked and rechecked. Foundations presented are based on accepted principles and solid research. We editorialize and give opinions. These occasions should be clear to the reader, who should feel free to disagree. We will never claim that marketing is an exact science or that we have all the answers, but we will claim a reason and rationale for most marketing decisions. That’s why marketing is also fun—we can all disagree as long as we have foundations on which to base our decisions.

A final note: Examples used, and the ads used to illustrate examples, are largely those of well-known and international hotel companies. These should not be construed as implying that these companies do things any better or more poorly than any other company. Rather, we have used them because they are well-known and many readers, worldwide, will be familiar with their names and better able to identify with them. For students not that familiar with the industry, we have used these ads to create awareness as well as to demonstrate examples related to the text. Further, the use of ads does not contradict our thesis that advertising is but a small subset of marketing—used here, the ads are simply the best sources available to graphically demonstrate our points.

This edition, unlike the first, includes case studies at the end of each chapter. Although some of these have problem orientations, their main purpose here is to be descriptive of the chapter context and to give life to it in a real-world situation. All the cases are based on actual events, although in some instances names, places, and figures may be disguised. Dates have been removed from most because we believe that the situations are timeless—they con-

tinue to exist and apply, even if in different settings.

Why a Second Edition?

Just as we believe that the first edition of this book was the first definitive text on hospitality marketing, we believe that the second edition makes a giant leap forward. About two-thirds of the total content is new—including 59 case studies, only six of which have been previously published (four by us); about 265 illustrations (not counting those in the cases), of which only 15 were used in the first edition; numerous new anecdotes and examples; and a revision and restructuring of chapters. New sections have been added on *target markets of one*, *yield management*, *database marketing*, *pricing*, and new chapters on *personal selling* and *international tourism marketing*. Other parts of the first edition have been substantially revised or edited, while some parts have been dropped.

In the five years the first edition has been in use we have received much feedback from users. While this has been helpful and insightful, it has also been somewhat conflicting. Some had found the book to be too “high-level” or too long for introductory courses, while others were pleased to use it at the community college level. Many used it at the graduate level, while still others believed it was not up to that level.

These contradictions made it quite difficult to know how to position the second edition. The senior author has successfully used the first edition at both the introductory and senior levels, in some cases with the same students, as well as at the graduate level and in executive seminars in North America and abroad. The junior author has used it at the intro level, but only about 15 chapters; this seems to be the case with other instructors at that level—that is, the first edition was too long.

Our task then, for this edition, was to maintain the book at a level above the competition, but at the same time ease its use for those who will choose it over the competition for its greater depth, writing style, real-world examples, cases, and more comprehensive coverage.

This strategy meant fewer chapters, a lightening up on vocabulary, and removal of some theoretical models and narrative. We cautioned ourselves not to remove too much, but to keep the book lively and easy to read. This version, like the first, will for some courses have more chapters than can be covered in one semester, depending on how heavily the case studies are used and the level of the class. The book has been arranged so that marketing teachers can readily adapt it to their classes by using those chapters they feel appropriate, as one does with the better generic marketing texts, most of which run around 1,000 pages, including cases.

The net result is a shorter text(!) to which are added illustrations and cases. The number of chapters has been reduced from 22 to 18. With two new chapters added, this means that the others have been cut down and combined. While total content and number of pages is longer, this is caused by the addition of cases—all of which are never expected to be used in one semester—and heavier use of illustrations. The text itself is about 20 percent, or 100 pages shorter. All of these changes allow the second edition to be used in different ways at different course levels.

We have responded to many users’ and reviewers’ comments as follows:

- Chapter 1 has been shortened and sharpened.
- Chapter 2 combines the previous edition’s chapters 2 and 3 in a shortened version. The customer complaint section has been moved to Chapter 13.
- Chapters 3 and 4 are former chapters 20 and 21. Many asked for these chapters to be moved forward to provide a framework for the rest of the book.
- Chapter 5 combines previous chapters 4, 5, and 19, again in a shortened version, with the marketing intelligence section of former chapter 19 deleted. Chapter 5 is divided into three parts (as opposed to making it three short chapters) for those who do not want to use it all.
- Chapter 6 combines former chapters 6 and 9. Theoretical discussion has been removed, shortened, or footnoted.

- Chapter 7 is former chapter 7 revised.
- Chapter 8 is the same chapter as before and Chapter 9 is the former chapter 10.
- Chapters 10 to 16 cover the marketing mix, previously chapters 11–18. They have been combined and shortened and Chapter 15, “Personal Selling,” added.
- Chapter 17, “International Marketing,” previously chapter 22, has been greatly revised. We have also added many more international examples throughout the text because (1) we think that students everywhere need to be more globally aware, and (2) over 40 percent of the first edition’s sales were overseas.
- Chapter 18, “Tourism Marketing,” is new for instructors who wish to put more emphasis on this area. This chapter is relatively short, but it contains the four longest cases in the book—cases that pick up on many of the elements of the first 17 chapters and tie them to a tourism perspective.
- The first edition’s epilogue has been deleted. It is interesting to note, however, that in the first edition epilogue we made ten forecasts for the future direction of hospitality marketing, all of which have come true—some more, some less—in the ensuing five years.—We believe these trends will continue as hospitality managers become ever-more “marketing-savvy.”
- Bill Hulett, when President of Stouffer Hotels & Resorts, ordered 50 copies of the first edition for his staff and managers—not a bad coup when considering that his own senior vice-president of marketing had also written a hospitality marketing text! While we can’t take credit—because Bill Hulett was a marketing-oriented hotelier if there ever was one—we have noted that many of today’s Stouffer hotels (maybe all) have replaced 60-watt bulbs with three-way ones (50/100/150); have placed at least two comfortable chairs and sometimes a couch in bedrooms, plus a place to put your feet up; have priced room service beverages at only about 100 percent markup; have installed desks even large enough for two people to work on; and have chosen to leave compli-

mentary coffee at your door with just a knock (so you don’t have to worry about time and state of dress), among other things. At the same time, Stouffer has reduced extravagant bathroom amenities that no one needs. All of these items—price/value and knowing-the-customer examples pointed out in the first edition and, still, in this one—have for years been major traveler gripes that even some deluxe hotels haven’t caught on to yet. While the high-tech facilities going into hotel rooms today (even in some budget properties) are needed by *some*, too many basics needed by *almost all* are still being ignored, even at the upscale level. We continue, in this edition, to emphasize these points.

- World maps, as an Appendix, have been updated. (Some users wondered why they were even there in the first edition.) We believe, once again, that students everywhere need to be globalized, and we direct them to the maps when international examples come up in the text and cases. Sometimes we give continental map quizzes, with cities and/or countries to be filled in. (Don’t laugh until you see London put in Italy and Rome in France!)

Usage of the Book

This book has been designed for use at different levels of expertise, background, and experience for the student, the instructor, and the practitioner. All chapters have been used, at one time or another, in the classroom at various levels and/or in industry seminars at the line-, middle-, upper-management, and executive levels.

We are acutely aware of the different class and instructor levels existing in academic institutions. For example, some programs require the introductory marketing course in the business school be followed by a second course in the hospitality program; some teach the intro course in the hospitality program. Some instructors have Ph.D.s in marketing; others, in smaller programs where there is more diversity in subjects taught, may be simply “assigned” the marketing course for a given semester. As

much as possible, we have tried to accommodate all these needs.

Each chapter is followed by three or four cases. We have included this many for the following reasons, as much as possible given our resources: to provide short and intermediate choices, to offer simpler and more complex issues, to provide both hotel and food-service options, to have extra cases for quizzes or exams, and to permit use of different cases in subsequent semesters, to avoid repetition.

The cases are intended, primarily, to be explicative of the issues in the chapter that they follow. Because most are not that finely defined, however, you will find many adaptable and useable with other chapters as well. They are descriptive cases more than they are decision cases for these reasons. This is not to say, however, that they cannot be used with a decision focus. In our opinion this depends on the class level. For example, at the intro level you may want to put the emphasis on the chapter content, with perhaps a short case for illustration. At advanced levels—and this is also how we do it—the chapter content becomes review, with deeper discussion and more chapters assigned per week, and the emphasis is on the longer cases and the decision process. Thus, there is much flexibility in the use of the cases, and it is incumbent upon the instructor to advise students how they are to be handled.

Acknowledgments

Many people—friends, colleagues, and even enemies—both advertently and inadvertently, have contributed to this book and, especially, to the cases. Those who have directly contributed to a case are noted on the first page of that case, and we especially thank them. Others will never realize how helpful they have been—we can only mention a few—and we are grateful to these and to many others who are unmentioned.

We are especially thankful to Susan Morris and Ursula Geschke, each of whom contributed to Chapter 15 on personal selling and sales management. Kaye Chon, professor at University of Nevada/Las Vegas, is the sole author of Chapter 18 on international tourism, and we are extremely grateful for his contribution. Ellen Krentzman Schuster of Hyatt Hotels was most helpful in sorting out some of the confusion of the distribution mix in Chapter 16, as were Jackie Beatty of Utell International and Caroline van der Drift of Supranational. Margaret Shaw reviewed various chapters and sections and made meaningful contributions throughout, as did several reviewers—Kaye Chon, Chekitan Dev, Susan Gregory, John Bowen, Katie Wiedman, Alan Paret, William Greathouse, Marlene Larson, and Ron Cox.

The efforts of many who contributed to the first edition, and thus the second, are also noted here—Mike Leven, Venkat Chandrasekar, Siew Ang, Steve Weisz, Chekitan Dev, Jim Nassikas, and many others.

There were also many sub-rosa contributors—executives, managers, sales and marketing people, and others from numerous hotel companies, restaurant chains, individual hotels and restaurants—and former students, as well as many, many customers.

We have used numerous printed sources as indicated by footnotes throughout the text. We thank all of them for their gracious consideration in furnishing and allowing us to use these materials, as well as the companies that gave permission to use their ads.

Inevitably, we are responsible for any errors, oversights, or deficiencies that remain herein—and we welcome any specific comments about this edition or recommendations regarding the future of our work.

Robert C. Lewis
Richard E. Chambers
Harsha E. Chacko
Summer, 1994

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