

David Bowie
Francis Buttle

Hospitality Marketing

Principles and Practice

SECOND EDITION

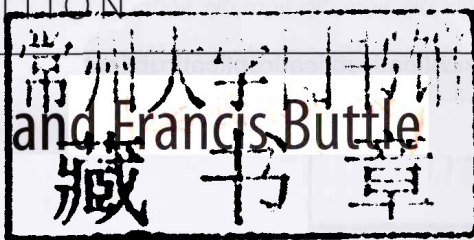




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Preface

Most readers of this textbook will be university undergraduate or college students studying hospitality and/or tourism marketing for the first time. Our main objective in writing the book has been to provide you with an easy-to-read text, which presents a review of modern marketing theory in the context of the hospitality industry. Examples from the industry are provided to illustrate real-life practice and give you a better understanding of hospitality marketing.

The book has the following special features:

- A unique structure, which examines marketing activities before, during and after the customers' experience of the hospitality encounter. This helps you to understand what has to be done to attract customers, provide them with an experience that meets their expectations, and motivate them to return.
- Fifteen chapters, one for each of the key elements you need to understand about marketing.
- Each chapter contains learning activities, which include Internet searches of relevant company websites and visits to hospitality units as a customer to collect information – you will then need to analyze and evaluate your findings.
- Its own website (www.elsevierdirect.com/companions/9780080967912) which contains a student section with further information, case studies and hospitality contact details. For tutors, there is a separate section, which provides additional teaching materials.

Structure

The structure of the book is divided into the following sections:

- *Part A: Introduction.* A single chapter, which introduces the key concepts of marketing in the hospitality industry, including market demand, the marketing concept, the special characteristics of service industries, the PESTE environment and the hospitality marketing mix.
- *Part B: Pre-encounter marketing.* This part of the text consists of eight chapters and discusses all the marketing activities that companies have to carry out to attract customers to experience the hospitality offer. Chapters include marketing research; understanding and segmenting customers; competitive strategies; developing, locating, pricing, distributing and communicating the offer.
- *Part C: Encounter marketing.* This section comprises three chapters, which are concerned with managing the customer experience while consuming the hospitality offer. They include managing the physical environment, managing the service process and managing customer contact employees.
- *Part D: Post-encounter marketing.* These two chapters discuss post-encounter marketing and explain the importance of customer satisfaction and developing mutually beneficial relationships with key customers.
- *Part E: The marketing plan.* The final chapter builds on the previous chapters, and explains how to write a marketing plan for a hospitality business.

Learning features

Each chapter contains the following features to aid understanding:

- *Chapter Objectives:* Each chapter begins with bullet points highlighting the main features and learning to be covered in the chapter.
- *Activities:* Short practical activities located at appropriate 'break' points throughout the chapter, which enable the reader to assess their understanding and marketing experience.
- *Headlines:* Highlights, appearing in blue type, throughout the chapter, which bring important points to the attention of the reader.

- *Marketing Insights:* Marketing anecdotes and observations to contextualize learning.
- *Case Studies:* International companies and scenarios are used to illustrate how the theories work in real world situations.
- *Conclusion:* Condenses the main themes of the chapter enabling the reader to check learning and understanding.
- *Review Questions:* Appear at the end of each chapter allowing readers to test their knowledge, understanding and to put the theory into practice.

Each chapter contains online sources to help students explore the good examples of hospitality marketing in practice.

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PART **A**

Introduction

Introduction to hospitality marketing



Chapter objectives

After going through this chapter, you should be able to:

- Define key marketing terms and understand the marketing concept
- Describe major environmental influences that impact on hospitality customers and organizations
- Explain the special characteristics of services that influence the practice of hospitality marketing
- Identify the eight elements of the hospitality marketing mix.

INTRODUCTION

In this chapter, you will be introduced to the key concepts of marketing. We start by explaining what marketing is reviewing different definitions of marketing, defining the marketing concept and discussing management orientations. We then discuss the macro- and micro-environments in which hospitality companies operate, the special characteristics of service, and the hospitality marketing mix.

Whether we recognize it or not, we are all involved, willingly or unwillingly, in marketing. We come in contact with marketing practice every day as customers making buying decisions and at work, even if we do not have a job in marketing. Although marketing has a powerful influence in modern life, it is often misrepresented and misunderstood.

Students learning about marketing for the first time can be confused, because academic definitions of marketing differ from the everyday use of the term. Students can also be confused about the role of marketing, since marketing is both a business philosophy and a management practice.

Activity 1.1

- Write down what you think 'marketing' means before reading the chapter.
- Write down what you think marketers do.
- List the jobs that you think marketers are responsible for.

We will review your ideas at the end of this chapter and see whether they have changed!

WHAT IS MARKETING?

One set of marketing definitions suggests that marketing is primarily a business philosophy that puts the customer first. From this perspective, the primary goal of hospitality businesses should be to create and retain satisfied customers. This perspective proposes that satisfying customers' needs and wants should be at the center of an organization's decision-making processes. Professional marketers believe that true customer focus is the responsibility of everybody in the organization. Adopting this philosophy requires a total management commitment to the customer, and companies that pursue this approach can be described as having a *customer orientation*.

Definitions of marketing

Early definitions of marketing centered on the exchange/transaction process. Kotler (2010) proposes that in order to satisfy people's needs and wants, products and services are exchanged in mutually

rewarding transactions, generally but not exclusively, using the monetary system. Kotler originally suggested that this exchange process, now known as transaction marketing, is a core concept in marketing and is a 'value-creating process which leaves both parties better off than before the exchange took place'.

Another set of definitions suggests that marketing is a management process aimed at delivering customer satisfaction. Examples of this approach include the definitions offered by the Chartered Institute of Marketing in 1976 and the American Marketing Association (2007). These definitions introduce a crucial aspect of marketing management – planning, which is discussed in greater detail later in this textbook but is implicit in all of an organization's marketing activities.

Earlier definitions of marketing have been criticized on the grounds that the transactional focus is on generating first-time sales only. Relationship marketing evolved as a response to that criticism and has become more widely appreciated as academics and practitioners recognize the lifetime value of a customer can be high, even if the value of each transaction is relatively low. Relationship marketing is the development of mutually beneficial long-term relationships between suppliers and customers. In hospitality markets, a 'relationship marketing' approach has seen the major hotel groups focus their marketing activities on frequent travellers in an attempt at encouraging repeated and recommended business.

A definition proposed by the Chartered Institute of Marketing in a 2007 discussion paper called 'Shape the Agenda', presents a wordy and more complex definition whilst retaining the core idea that marketing is a strategic business function with a focus on managing customer demand.

Marketing insight 1.1

Different Perspectives of Marketing (1976–2007)

'Marketing is the management process responsible for identifying, anticipating and satisfying customer requirements profitably'.

(Chartered Institute of Marketing, 1976)

'In services, every contact between customers and employees includes an element of marketing'.

(Carlzon, 1987)

Relationship marketing aims to 'identify and establish, maintain and enhance, and where necessary, terminate relationships with customers and other stakeholders, at a profit so that the objectives of all parties involved are met; and this is done by mutual exchange and fulfillment of promises'.

(Grönroos, 1994)

'Marketing's central purpose is demand management ... and marketers ... need to manage the level, timing and composition of demand'.

(Kotler, 1999)

(Continued)

'Marketing is the strategic business function that creates value by stimulating, facilitating and fulfilling customer demand. It does this by building brands, nurturing innovation, developing relationships, creating good customer service and communicating benefits. With a customer-centric view, marketing brings a positive return on investment, satisfies shareholders and stakeholders from business and the community, and contributes to positive behavioral change and a sustainable business future'.

(Chartered Institute of Marketing, 2007)

'Marketing is the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large'.

(American Marketing Association, 2007)

Creating memorable experiences

Another view of marketing proposes that satisfying customers is no longer enough in a competitive environment. Companies compete by 'creating memorable experiences' to 'wow' customers and generate positive word of mouth to build repeat and recommended business (Pine & Gilmore, 1999). Creating memorable experiences in hospitality is a combination of marketing planning, company culture and individual employees' spontaneous responses to customer requirements. Memorable moments provide long-lasting and remarkable experiences that demonstrate a genuine commitment to customers by the company and its employees. These moments can be trivial, like clearing light snowfall from the cars parked in the lot, or they can be linked to emotional events, like the special attention that should be given to honeymooners and couples celebrating romantic anniversaries. Creating memorable moments can be applicable in any hospitality sector, and at any price point and can happen at any time – but not all businesses can realistically strive to compete on this basis. Albrecht (1992) suggests that there are four product levels that companies can offer from the basic, expected, desirable to ultimately the unanticipated (see Fig. 1.1); but only the fourth level – the unanticipated – is where companies are competing strategically to deliver memorable experiences.

- 1 At the basic level, a company provides essential core attributes (e.g. a clean bed) that customers need. If this basic level is not provided, customers will not buy the product – if the bed is not clean, customers will not be satisfied and might check out of the hotel. A hospitality firm that only offers a basic level of value is not competitive and is unlikely to generate significant repeat and recommended business.
- 2 At the expected level, a company provides attributes that customers expect and take for granted – for example, efficient check in, a clean bed and availability of a bar/restaurant might be examples

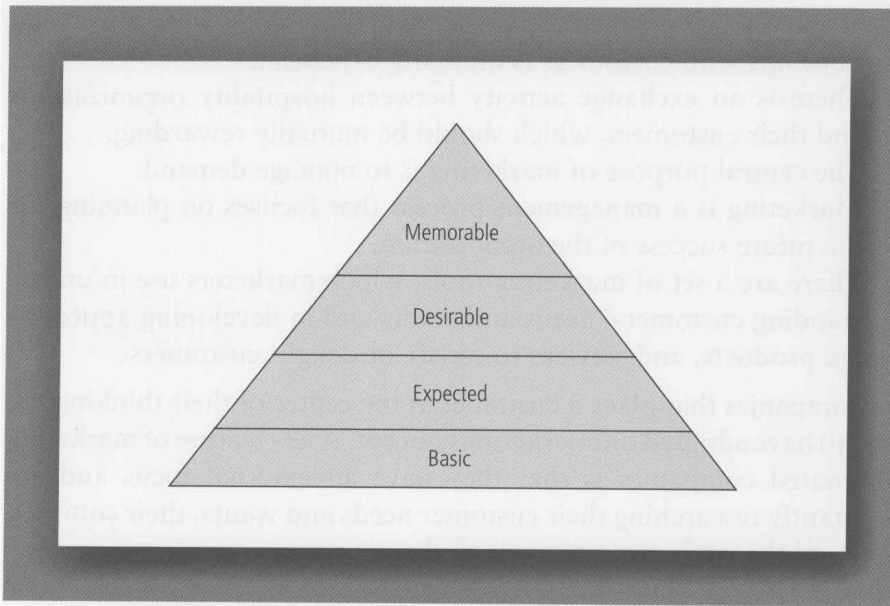


Figure 1.1 The hierarchy of customer value *Adapted from Albrecht (1992)*

of the attributes expected from a mid-scale hotel. A hospitality company providing attributes at the expected level is only providing an average standard service; there is nothing better about the service offer compared with the competition. Customers may only be moderately satisfied, and there is no incentive to return or recommend this company.

- 3 At the desirable level, a company provides attributes that customers know of but do not generally expect. The friendliness of the staff, the quality of the food and the efficiency of the service are examples of attributes that customers know but do not always expect. Companies providing the desirable offer are competing more effectively than most of their competitors.
- 4 At the memorable level, hospitality operators offer customers memorable experiences that demonstrate outstanding service quality. Companies aiming to deliver memorable experiences can leverage a significant competitive advantage over their competitors. Fairmount Hotels are a collection of luxury properties that strives to deliver 'authentic local experiences and warm, memorable service' (www.fairmount.com); whilst Jonathan Raggett of Red Carnation Hotels encourages his employees to deliver *TNT – Tiny Noticeable Touches*.

The marketing concept

To summarize the various approaches and definitions of marketing, we present the following core principles

- 1 Marketing is the business philosophy that places the customer at the center of a hospitality organization's purpose. Increasingly,

hospitality companies recognize that developing long-term relationships with customers is mutually beneficial.

- 2 There is an exchange activity between hospitality organizations and their customers, which should be mutually rewarding.
- 3 The central purpose of marketing is to manage demand.
- 4 Marketing is a management process that focuses on planning for the future success of the organization.
- 5 There are a set of marketing tools, which marketers use in understanding customers' needs and wants and in developing appropriate products, and services to satisfy or delight customers.

Companies that place a customer at the center of their thinking are said to have adopted the marketing concept. A key feature of marketing orientated companies is that they have an external focus and are constantly researching their customer needs and wants, their competitors and the environment in which they operate.

Managing demand

All the different definitions can seem quite confusing, particularly when many people who work in marketing are actually involved in increasing sales using many different forms of promotional activities such as online and offline advertising, sales promotion and publicity. Most hospitality marketers are employees in sales, sales promotion, print and publicity, direct mail, advertising, public relations, customer relations, marketing research, and online sales and marketing roles such as guest user interface (GUI) management, web product development, website sales, search engine optimization, database management, daily web operations and content management.

So how can we bridge the gap between the various philosophies and definitions of marketing and the roles that marketers occupy?

The key concept that underpins marketing theory and practice is *the management of demand*. After a lifetime devoted to developing marketing theory and promoting the benefits of marketing, Kotler (1999) stated that 'marketing's central purpose is demand management' and marketers need 'to manage the level, timing and the composition of demand'. This definition of marketing seems to explain most accurately what marketers do and why they do it.

What is a market?

Originally, a market was a meeting place, where people could buy and sell produce and, of course, this type of market still exists today. In modern societies, a 'market' is much more complex, but still reflects the core principle of bringing together buyers and sellers with common interests. This modern concept of the market is based on groups

of people who have similar needs and wants (actual and potential consumers or customers), and companies that aim to satisfy those needs and wants better than their competitors (an industry). *Needs* can range from the basic requirements for survival – food, shelter, safety – to much more complex social needs, such as belonging and recognition.

Wants are how different people choose to satisfy their needs; wants are shaped by culture and personality. People with similar needs, for example, the need to travel for a family event and stay overnight, can have different wants – some will want to stay with relatives while others want to have the independence of their own hotel accommodation. Obviously, a major limitation on how people can satisfy their wants is the amount they can afford to pay.

Consumers have to make buying choices based on their own resources or buying power. Consumers will often buy the best bundle of benefits provided by a product for the price that can be afforded. The aggregated purchase decisions of *all* the individuals buying a product (or service) are described as *market demand*. Market demand is normally measured using two criteria:

- 1 The number of units sold, which is a reflection of the number of people buying the product or service; this is called the volume
- 2 How much people have paid for the product; this is called the value.

Individuals can choose different ways to satisfy similar needs. Not everyone wants the same bundle of benefits and this creates sub-markets, or market segments, within the overall market. In hospitality markets, luxury, mid-market and budget market segments represent different bundles of benefits sought by different groups of customers. Over a period of time, the volume and the value of market segments can increase or decrease depending on a wide range of factors.

Market supply can also be measured and this is called the *industry capacity*. In the hotel market, the number of hotels and bedrooms in an area is called the *market capacity*. If the number of hotels and bedrooms is increasing, because new hotels or bedroom extensions have been built, then the market capacity increases. In the hospitality industry, market supply is often categorized under the same headings as market demand segments; thus, the luxury, mid-market and budget classifications are also used to describe the different types of operations serving those market segments. Other ways of categorizing hospitality market supply include

- Tourist board, motoring or other organization ratings for hotels and restaurants (e.g. star rating classification)
- Purpose of travel (leisure or business)
- Niche markets (e.g. youth action adventure holidays, conferences or gourmet food).