“Introduction to Hospitality Marketing”.

: Marketing For Hospitality And Tourism

Topic Objective:

At the end of this topic student would be able to:

- Understand the relationships between the worlds hospitality and travel industry.
- Define the role of marketing and discuss its core concepts.
- Explain the relationship between customer value, satisfaction, and quality.
- Discuss how marketing managers go about developing profitable customer relationships.
- Understand how the marketing concepts call for a customer orientation.

Definition/Overview:

Overview: For hospitality management marketing is not a function that is only carried out by the marketing department, but rather a way of doing business. The main focus of marketing is the customer; this customer orientation must be integrated throughout the organization.

The hospitality industry is one of the worlds largest industries. The hospitality and travel industry combine to form the foundation for tourism. The Hong Kong airport alone will eventually be able to handle 87 million visitors per year. All will be traveling to and from Hong Kong for business and personal reasons that will involve many hospitality related businesses worldwide.

Key Points:

1. Customer Orientation:

The purpose of a business is to create and maintain profitable customers. Customer satisfaction leading to profit is the central goal of hospitality and tourism marketing. The long-term value of the customer must be assessed in order to take appropriate actions and ensure a customers long-term support. Statistical evidence supports the idea that it is much more efficient to maintain customer relationships than to create new customers. Indeed, it is difficult to regain a customer which has been lost to the competition. This is a fundamental idea in marketing today.

2. Marketing in the Hospitality Industry

2.1. Importance of Marketing

Only those companies that understand their customers can survive in the highly competitive environment. The entrances of corporate giants into the hospitality industry and the marketing skills these companies bring with them have produced a much higher level of competition. There are some who predict that the hotel industry will consolidate in much the same way as the airline industry has with five or six major chains dominating the market. If true, this will produce a highly competitive industry with only those companies that understand their customers, surviving. With this increase in competitive pressure, the marketing director is becoming of great importance. It is the marketing director who will focus the company and its employees on the customers and appropriate priorities.

2.2. Travel Industry (Tourism) Marketing

Hospitality and travel marketing is very interdependent, cooperative, and complex in nature. The success of the hospitality marketing industry is highly dependent on the entire travel industry. It is very interdependent, cooperative, and complex in nature.

Government or quasi-government agencies play an important role in travel industry marketing through legislation aimed at enhancing the industry and through promotion of regions, states, and nations. The Marketing Mix is the set of tools that work together to produce satisfied customers, providing that the appropriate target markets and their needs are identified.

3. Important Factors of Marketing in Hotel Management

As marketing is a social and managerial process by which individual and groups obtain what they need and want through creating and exchanging products and value with others. Following elements play a major role in formulating marketing plan for hotel industry:

3.1. Needs

Human needs are complex; we classify them into categories: basic physical needs such as food and housing; social needs for belonging, affection, fun, and relaxation; esteem needs for prestige, recognition, and fame; and individual needs for knowledge and self-expression. When a need is not satisfied, a void exists.

3.2. Wants

Human wants are how people communicate their needs and are shaped by culture and personality. A hungry Aboriginal wants witchery grubs, lizard eggs, and bush onions. A hungry person in the United States may want a hamburger, French fries, and a Diet Coke. Wants are described in terms of objects (or actions) that satisfy needs. See: Macaroni Grill having jug wine on the tables.

3.3. Demands

Demands are wants backed by buying power. People have almost unlimited wants, but limited resources. They choose product that produces the most benefit for their money. In times of recession or higher gas prices, people still travel but may shorten their stay or substitute destinations that are closer and therefore, more cost effective.

3.4. Products

A product is anything that can be offered to a market for attention, acquisition, use, or consumption and that might satisfy a need or want. As in the case of Colorado Preservation, Inc. historical sites can be restored in such a way that an area can become a destination attraction.

3.5. Value

Value is the consumers perception of the products overall capacity to satisfy his or her needs. Value is different things to different people. For example, value can be the best price, or what I get for what I give, or how fast and conveniently the product is delivered, or what I want, regardless of cost.

3.6. Satisfaction

Satisfaction is determined by how well the product meets the customers expectations for that product. Satisfaction is often a measure of the consumers perception of that product. A customer centered company must generate customer satisfaction while meeting company objectives both profitability and image.

3.7 Quality

Quality is the totality of features and characteristics of a product that bear on its ability to meet customer needs. Many companies seek to maximize ROQ (Return on Quality). When they offer the quality the customer wants, they often enjoy improved sales and profitability.

3.8 Exchanges

Exchange is the act of obtaining a desired object from someone by offering something in return; it has legal overtones. An exchange requires two willing parties, with free capacity to accept or reject the others offer.

3.9. Transactions

Transactions are marketings unit of measurement consisting of a trade of values between two parties. Not all transactions involve money. For example, restaurants may trade meals for advertising.

4. Relationship Marketing

Relationship marketing focuses on building a relationship with a companys profitable customers. Usually, repeat customers provide a company with more profitable business with less expense than new customers who require a courtship of sorts to purchase. Relationships include customers, distributors and suppliers.

5. Marketing Management

Marketing management is the analysis, planning, implementation, and control of programs designed to create, build, and maintain beneficial exchanges with target buyers for the purpose of achieving organizational objectives. The effective marketing manager is interested in shaping the level, timing and composition of demand for his/her companys products.

5.1 Five Marketing Management Philosophies

5.1.1 Manufacturing Concept: This concept holds that customers will favor products simply because they are affordable, encouraging management to focus on creating efficiencies in production and distribution. As mentioned in the text, this approach often leads to neglect of the customers.

Examples: Swiss Alps.

5.1.2 Product Concept: The product concept holds that customers prefer existing products and product forms, and the job of management is to develop good versions of these products. The fault here is that without environmental scanning and trend analysis, the company will miss crucial changes in the markets perceptions and expectations. Indeed, the customer will always know what s/he needs, but not necessarily how the product or service can fulfill the need. This is the business of the marketer.

Example: Victoria Station.

5.1.3 Selling Concept: This concept holds that the consumer will respond only to the efforts of the company to market and sell the products. Here, the focus of the company is to sell, sell, and sell. Again, the missing element in this approach is the customer and his or her satisfaction with the product or service. Rather than find the true cause for a slowing of business, firms often advertise to reverse a sales decline or fill gaps created by overcapacity.

5.1.4 Marketing Concept: This concept holds that achieving organizational goals depends on determining the needs and wants of target markets and delivering the desired satisfaction more effectively and efficiently than competitors. The concept of relationship marketing is clearly prevalent in this approach. The company makes it profits by creating and maintaining customer satisfaction.

Examples: Four Seasons, Accor, McDonalds and Southwest Airlines.

5.1.5 Societal Marketing Concept: The underlying concept of the societal marketing approach is responsibility. There is growing faction of corporate America that is recognizing the necessity to operate in an environmentally and ethically responsible manner.

Examples: Fast-food restaurants provide food with more nutritional value, resort developers consider the disposal of waste products and use of water. Hotels consider energy conservation, landscaping, preventive maintenance, water-saving plumbing fixtures, and responsible alcohol service training for employees.

: Service Characteristics Of Hospitality And Tourism Marketing

Topic Objective:

At the end of this topic student would be able to:

- Describe a service culture.
- Identify four service characteristics that affect the marketing of a hospitality or travel product.
- Explain marketing strategies that are useful in the hospitality and travel industries.

Definition/Overview:

The service management strategies: The service management strategies include tangiblizing the product, managing employees, managing perceived risk, managing capacity and demand, and managing consistency. Management of service increases the effectiveness of their business.

Key Points:

1. Service Culture

The service culture focuses on serving the customer and satisfying their needs. The service culture must begin with top management and flow down.

Example: Four Seasons Hotel.

2. Four service characteristics

2.1. Intangibility: Purchasers of hospitality and tourism product usually have nothing physical to show at the end of their experience. Because the product is not tangible it is difficult to evaluate the product before purchase. You can discuss that most products are a mix of tangible products and intangible products. In a restaurant, the meal is tangible. In a fast food restaurant, it is a large portion of the overall product. In an upscale restaurant, the service of the food or intangible portion of the service becomes more important.

2.2. Inseparability: Inseparability means all customer-contact employees become part of the product. It also means customers become part of the product and we have to manage our customer. You can ask students to give examples of when customers influenced the satisfaction of other customers. For example, drunken conventioneers in a romantic restaurant, or someone smoking next to a non-smoker, influence the satisfaction of other guests.

2.3. Variability: Lack of consistency. Ask students how many think McDonalds makes an excellent hamburger. Then ask them how many have been to McDonalds in the last year. More hands will pop up for the second question. One of the reasons for McDonalds success is they have been able to master variability. When you stop at McDonalds you know what you will receive.

2.4. Perishability: A restaurant which has a capacity of serving 400 customers and only serves 100 on Monday night has lost the ability to serve those customers. They cannot inventory the unserved 300 covers. A manufacturing company producing tangible goods can inventory goods, thus they do not have to match capacity and demand in the short term. Most students understand perishability in a hotel or airplane, but some do not understand it in a restaurant.

3. The Service Culture

The service culture focuses on serving the customer and satisfying their needs. Creation of a service culture must begin with top management and flow down.

4. Management Strategies for Service Businesses

- Positioning strongly in chosen target market: strong position can increase service effectiveness. For example, Southwest Airlines positions itself as Just Plane Smart for commuter flyersas a no-frills, short-haul airline charging very low fares. Ritz-Carlton Hotel positions itself as offering a memorable experience that enlivens the senses, instills well-being, and fulfills even the unexpressed wishes and needs of our guests.
- Effective interaction between customers and employees: customers judge service quality on both the service deliverer and the quality of the delivery. ARAMARK example illustrates how to satisfy customers on both technical quality (the quality of the food) and functional quality (the service provided in the restaurant).
- Managing differentiation: The solution to price competition is to develop a differentiated offer, delivery, and image. They can differentiate their service delivery through people, the physical environment and the process. For example, British Airways offers international travelers a sleeping compartment, hot showers, and cooked-to-order breakfast. McDonald differentiates its image through the golden arches symbol.
- Managing service quality: Service firm can differentiate itself by delivering consistently higher quality than its competitors do. The key is to exceed the customers service-quality expectations. Promise only what you can deliver and deliver more than you promise! For example, Marriott authorized its employees to do whatever it takes, on the spot, to keep guests happy. Marriott, Disney and McDonalds look not only at financial performance, but also at service performance. A service providers goal is zero customer defections. Many destinations promote tourism through the Chambers of Commerce and often tax supported visitor bureaus. They often need to take a proactive approach to insuring a high level of quality of services offered.
- Managing the Physical Surroundings: The front-desk staff in a luxury hotel should dress in professional apparel The atmosphere and physical surroundings of McDonalds are just as acceptable but entirely different. In each of these environments a different approach is used to convey the quality of the product/service/price.
- Managing Employees is part of the product: In a well-run hospitality organization, there are two customers, the paying customers and the employees. Internal marketing is the process of training and motivating employees to provide good customer service. This element cannot be overly stressed. Employees, who are happy at their job, do a better job and create happy customers.

- Managing Perceived Risk: The nature of the hospitality service industry inevitably leads to perceived risk on the part of the customer. Nevertheless, it does give rise to higher loyalty among customers when service is consistent over time. Customers are less likely to change to service providers with which they have less or no experience if they are happy with service they are currently receiving. One way of combating concern is to encourage the client to try the hotel or restaurant in a low-risk situation. For example, hotels and resorts offer familiarization (FAM) trips to meeting planners and travel agents. FAM trips reduce a products intangibility by letting the intermediary customer experience the hotel beforehand. Meeting planners sometimes select a higher rated property feeling there is less personal risk in that recommendation (IBM phenomena).
- Managing Capacity and Demand: From the perishable nature of services, managing capacity and demand becomes a more important aspect of managing. A hotel, for instance, cannot just add or delete rooms for upcoming high or low demand periods. Services must adjust their operating systems to enable the business to operate at maximum capacity. For example, restaurants offer buffet to increase capacity. Customers provide their own service, with the service staff providing the beverage and check, which frees the staff to wait on more customers. Furthermore, food is available when customers arrive, allowing them to start eating almost immediately. This increases turnover of tables, further increasing the capacity.
- Managing Consistency: Consistency means that customers will receive the expected product or level of service without unwanted surprises.
- Managing the Customer Relationship (CRM): CRM is a managerial philosophy and practice that combines marketing, business strategy and information technology to better understand customers. CRM calls for developing unique and lasting relationships with customers. Not common to many hospitality companies, companies like the Ritz-Carlton make intensive use of their customer database.
- Service Failure: Despite the best efforts of management, sometimes service efforts fail. Studies show that the best way to deal with customers is to provide forthright and timely information regarding service failures.

The Role Of Marketing In Strategic Planning

Topic Objective:

At the end of this topic student would be able to:

- Explain companywide strategic planning.
- Understand the concepts of stakeholders, processes, resources, and organization as they relate to a high-performing business.
- Explain the four planning activities of corporate strategic planning.
- Understand the processes involved in defining a company mission and setting goals and objectives.
- Discuss how to design business portfolios and growth strategies.
- Explain the steps involved in the business strategy planning process.

Definition/Overview:

Strategic Planning: The aim of strategic planning is to help a company select and organize its business in a way that keeps the company healthy despite unexpected upsets occurring in any of its specific businesses or product lines. . The strategy of going after the leisure traveler may be profitable but it is not compatible with the corporate strategy.

Key Points:

1. Strategic Planning

The three ideas for strategic planning are: managing a companys business as an investment portfolio, assessing the future profit potential for each business by considering the markets growth rate and the companys position and fit, and developing a game plan for achieving a companys long-run objectives.

2. Stakeholders

Stakeholders include stockholders, customers, employees, suppliers, and distributors. Processes: Companies are increasingly refocusing their attention on the need to manage processes even more than department. Companies build cross-functional teams that manage core business processes to be superior to competitors. Companies are commonly deciding to out-source less critical resources. They identify their core competencies and use them as the basis for their strategic planning. Organization: Companies align their organization's structure, policies, and culture to the changing requirements of business strategy.

3. Defining a Company Mission

A mission should define competitive scopes within which the company will operate. A companys mission should be clear at the beginning and should be motivating. Good mission statements embody a number of characteristics. They should focus on a limited number of goals. The following six scopes should be considered by managers when defining missions, goals, and objectives:

- Industry scope
- Products and applications scope
- Competencies scope
- Market-segment scope
- Vertical scope
- Geographical scope

4. Business Portfolios and Growth Strategies

Boston Consulting Group model is normally applied to design business portfolios. The BCG matrix is divided into four cells, each indicating a different type of business. They are question marks, stars, cash cows, and dogs. There are four recommended strategies for the mentioned four types of businesses. They are build, hold, harvest, and divest. The Boston Consulting Group matrix is useful in explaining how companies allocate resources. They will cut back on dogs and maintain cash cows. The bulk of the money will go into the stars and making question marks into stars.

This has employment implications for college students. If they go with the star there will be more chances for growth as the chain expands. This is a good way to get across the concept. The BCG matrix was also adapted and utilized in menu engineering. Programs with an emphasis on food and beverage might want to show the similarities between the two matrixes. This provides an example of how the material presented in this chapter has been used as a tool in restaurants.

Three major growth strategies are intensive growth (market penetration, market development, and product development strategy), diversification growth (concentric diversification, horizontal diversification, and conglomerate diversification strategy), and integrative growth (backward integration, forward integration, horizontal integration).

5. Steps Involved in the Business Strategy Planning Process

Business strategy planning is planning at the SBU (Standard Business Unit) level. Each SBU must define its specific goals and policies as a separate business, defining in the process its various scopes. This includes: products, applications, competence, market segments, vertical positioning, and geography. The steps involved are: business mission, SWOT analysis (external environmental analysis and internal environmental analysis), Goal Formulation, Strategy Formulation, Strategic Alliances, Program Formulation, Implementation, and Feedback and Control.

6. The Aim of Strategic Planning

The aim of a strategic planning is to help a company select and organize its business in a way that keeps the company healthy in spite of unexpected occurrences. It is the process of developing and maintaining a strategic fit between the organizations goals and capabilities and its changing marketing opportunities. It is defined by three ideas:

- Managing a companys business as an investment portfolio, from which it will be decided which business entities deserve to be built, maintained, phased down, or terminated.
- Assessing the future profit potential of each business by considering the markets growth rate and the companys position and fit. For example, Hyatt, Marriott, and Holiday Inns offer a diverse portfolio of brand name lodging.
- Developing a game plan for achieving a companys long-run objectives. For example, American Airlines is pressing for cost reduction as a full-service airline and a strong global market share. Southwest continues to strive for low-cost, limited domestic service airlines.

7. Nature of Strategic Planning of High Performance Business

- **Stakeholder:** The principle that a business must at least strive to please the minimum expectations of each stakeholder group to produce sufficient revenue. Stakeholders include customers, employees, suppliers, and distributors. An often-overlooked critical group is that of owners of hotels managed by a hotel management company. Figure 3-3 shows the dynamic relationship connecting the stakeholder groups and why each must be sufficiently satisfied in order for the operation to remain viable.
- **Processes:** Companies build cross-functional teams that manage core business processes to be superior to competitors. This alleviates common inter-departmental conflicts inhibiting cooperation. For example, the Las Vegas Hilton hotel incorporated marketing and strategic planning into accounting rather than viewing them as separate stand-alone areas and philosophies.
- **Resources:** Companies are commonly deciding to out-source less critical resources. They identify their core competencies and use them as the basis for their strategic planning. See table 3-1 Strategic Analysis: Questions that Generate Creative Ideas.

- **Organization:** Companies align their organization's structure, policies, and culture to the changing requirements of business strategy. For example, the corporate culture of Rock resorts had been changed from product driven to customer oriented

The Marketing Environment

Topic Objective:

At the end of this topic student would be able to:

- List and discuss the importance of the elements of the companys microenvironment, including the company, suppliers, marketing intermediaries, customers, and public.
- List the macro-environmental forces that affect the companys ability to serve its customers and describe the levels of competition.
- Explain how changes in the demographic and economic environments affect marketing.
- Identify the major trends in the firms natural and technological environments.
- Explain the key changes that occur in the political and cultural environments.
- Discuss how companies can be proactive rather than reactive when responding to environmental trends.

Definition/Overview:

Marketing Environment: A companys marketing environment consists of the outside actors and forces that affect marketing managements ability to develop and maintain successful transactions with its target customers. The marketing environment is made up of microenvironments and macro environments. The microenvironment consists of forces close to the company that can affect its ability to serve its customers. The company itself, marketing channel firms, customer markets, competitors, and a broad range of publics are all classified under the microenvironment. The macro environment consists of the larger societal forces that affect the whole microenvironment. Demographic, economic, natural, technological, political, competitor and cultural forces are examples of macro environmental forces.

Key Points:

1. Micro-Environmental Forces

Elements of the companys microenvironment, include, suppliers, marketing intermediaries, customers, and public. Marketing managers must work closely with top management and the various company departments. All company departments will have some impact on the success of marketing plans. Suppliers are firms and individuals that provide the resources needed by the company to produce its goods and services.

Marketing intermediaries are a specialized group of suppliers that help the company promote, sell, and distribute its goods to the final buyers. Additionally, transportation systems, marketing services agencies, financial intermediaries also impact the hospitality marketing environment.

2. Macro-Environmental Forces

Macro environments: competitive, demographic, economic, natural, technological, political, and cultural. There are four levels of competition:

(1) A company can view its competitors as other companies that offer similar products and services to the same customers at a similar price.

(2) A company can see its competitors as all companies making the same product or class of products.

(3) A company can see its competitors more broadly as all companies supplying the same service.

(4) A company can see its competition even more broadly as all companies that compete for the same consumer dollars.

3. Demographic and Economic Environments Affect Marketing

Changes in income and consumer spending pattern make customers more financially cautious and thus marketers need to offer buyers greater value, the combination of product quality and good service at a fair price. Global economic patterns influence the hospitality industry, for example, the expansion of Choice Hotel International, U.S. Franchise Systems, and McDonalds. The Baby Boomers, Generation X, The Echo Boomers can be quoted as examples.

4. Environmental Trends

Companies should take an environmental management perspective. Rather than simply watching and reacting, these firms take aggressive action to affect the publics and forces in their marketing environment. In addition, companies should also use an environmental scanning plan to be proactive. Furthermore, companies should acquire reliable and timely information for their decision-making.

5. The Environmental Factors Are Linked

The following example shows how the elements of environment are linked.

Economic forces result in families with both heads of the household working. This is a demographic statistic that can be tracked over time. Women are also able to build careers and take management positions once reserved for men. The working heads of the household no longer have time to cook. Culturally, 30 to 40 years ago women were expected to stay home and cook. That is no longer the case. Thus we have seen a cultural change where men now participate in home duties and no one member of the household is expected to prepare all meals. Technology has also made it easier to reconstitute food and to warm prepared meals at home.

Finally, the competitive environment between grocery stores and quick-service restaurants is expected to heat up.

6. Responding to the Marketing Environment

An environmental management perspective suggests an aggressive approach to affect the publics and forces in the marketing environment. By shaping opinion and influencing legislation, these types of companies attempt to control their industrys opportunities better. Environmental scanning is an integral part of any marketing environment. The use proves beneficial to track the changes in all environments concerning the marketing of an organization. Using information about the marketing environment is critical to any marketing strategy. Simply collecting and analyzing the data is insufficient. The marketer must translate the data into information and implement it in the strategic planning of the firm.

Environmental trends have affected nearly every area of hotel design. You may want to focus on a few of the areas covered. For instance, within the microenvironment, the hotels have realized the necessity of establishing strong and trustworthy relationships between departments, intermediaries and suppliers. In the macro environment, the hotels have addressed the natural environment by setting up recycle options like trash bins and treated water. Technologically, the hotels are increasingly addressing the computer literate with express check-in and check-out, computerized ticketing, and fax machines and computer lines within the hotel rooms.

7. Control of Macro Environment

Even though companies have little control over the macro environment, companies should still be concerned with the macro environment. Furthermore, smart marketing managers take a proactive rather than a reactive approach to the publics and forces in their marketing environment. Companies which take an environmental management perspective analyze environmental forces and design strategies that will help the company avoid the threats and take advantage of the opportunities that the environment provides. Rather than simply watching and reacting, the proactive firms take aggressive action to affect the publics and forces in their marketing environment.

At the same time, astute marketers will be able to assess and address any potential opportunities and threats that may arise. While control may be limited, one must still certainly be aware of and participate in ones that are relevant and available. There is also some measure of responsibility that accompanies any business endeavor. The ethical responsibility and political responsibilities are somewhat more intangible but still absolutely necessary to monitor.

Likewise, cultural trends offer the same responsibilities and opportunities that are available in the other arenas. Marketers help shape the values and trends that are affected by its presence. Advertising dollars, public relations, media exposure, natural resource use and political associations all contribute to the image of a service firm. Having little control over them should not dissuade it from being concerned with these issues.

- In Section 2 of this course you will cover these topics:
  - Marketing Information Systems And Marketing Research
  - Consumer Markets And Consumer Buying Behavior
  - Organizational Buyer Behavior And Group Markets

- You may take as much time as you want to complete the topic coverd in section 2. There is no time limit to finish any Section, However you must finish All Sections before semester end date.

- If you want to continue remaining courses later, you may save the course and leave. You can continue later as per your convenience and this course will be avalible in your area to save and continue later

Marketing Information Systems And Marketing Research

Topic Objective:

At the end of this topic student would be able to:

- Explain the concept of the marketing information system.
- Identify the different kinds of information the company might use.
- Planning of research objectives, developing the research plan, implementing the research plan, and interpreting and reporting the findings.

Definition/Overview:

Marketing Information System: In todays rapidly changing travel marketplace, managers need accurate information quickly. New technologies allow analysis of large quantities of data. MIS consists of people, equipment, and procedures to gather, sort, analyze, evaluate, and distribute needed, timely, and accurate information to marketing decision makers. The three stages in the system are as following:

- The MIS interacts with managers to assess their information needs.
- It develops needed information from internal company records, marketing intelligence activities, and the marketing research process. Information analysts then research and process information to make it useful and applicable
- It distributes information to managers in the most appropriate form and timely manner to facilitate and enhance marketing planning, implementation, and control.

Key Points:

1. Components of a Marketing Information System

A marketing information system consists of people, equipment, and procedures to gather, sort, analyze, evaluate, and distribute needed, timely, and accurate information to marketing decision makers. Keep in mind that there are three stages in the system:

- The MIS interacts with managers to assess their information needs.
- It develops needed information from internal company records, marketing intelligence activities, and the marketing research process. Information analysts, then research and process information to make it useful and applicable.
- The MIS distributes information to managers in the most appropriate form and timely manner to facilitate and enhance marketing planning, implementation, and control.

2. Assessing Information Needs

A good MIS will balance information that managers would like to have against that which they really need and is feasible to obtain. For example, Mrs. Fields Cookies provides their managers with sales forecasts with updates each hour. Managers need to anticipate new competitive product offerings. However, competitors withhold information to prevent their competition from knowing about the product. During KFCs development of their Chicken Little sandwich, only a few corporate managers knew of the project. KFC had developed ingredient specifications for the making of the sandwich, and its suppliers had to sign secrecy agreements. KFC did not want competitors to learn about the new product offering before its test marketing. Yet a competitor with a good MIS system might have picked up clues in advance about KFCs plans.

The costs of obtaining, processing, storing, and delivering information can add up quickly. Companies must estimate the value of having an item of information against the costs of obtaining it. This value depends on essential but subjective estimates of how it will be used and the costs of obtaining it.

3. Developing Information

Information needed by marketing managers can be obtained from internal company records, marketing intelligence, and marketing research. The information analysis system processes this information and presents it in a form that is useful to managers.

3.1. Internal Records:

Internal records information consists of information gathered from sources within the company to evaluate marketing performance and to detect marketing problems and opportunities; it is essentially raw data. Many companies use internal records to build extensive internal databases, computerized collections of information obtained from data sources within the company. Marketing managers can readily access and work with information in the database to identify marketing opportunities and problems, plan programs, and evaluate performance.

Increasingly, companies are creating data warehouses to house their customer data in a single, more accessible location. Then, using powerful data mining techniques, they search for meaningful patterns in the data and communicate them to managers. The single most important element in any hospitality marketing information system is to have a process for capturing and using information concerning guests. Guest information is vital to improving service, creating effective advertising and sales promotion programs, developing new products, improving existing products, and developing marketing and sales plans and to the development and use of an effective revenue management program.

Guest information trends are vital to the planning and revenue/yield processes. Guest Information Management includes acquisition of this critical information cannot be left to chance or the whims of department managers. Corporate Customer and Marketing Intermediary Information: A database of customers/prospects is of great value to a professional sales force. The marketing information concerning the prospect can be obtained from annual reports, financial analyses of public companies, and articles on the company, and by talking with company employees. For example, the sales force of Benchmark Hospitality Conference Resorts is trained to go beyond demographic studies and to target prospects by geography and industry segment. Benchmarks salespeople monitor the health of specific industries and qualify prospects.

Marketing Intelligence includes everyday information about developments in the marketing environment that helps managers prepare and adjust marketing plans and short-run tactics. Internal sources of marketing intelligence include the companys executives, front-desk staff, service staff, purchasing agents and sales force. This information can be gathered from internal databases, data warehouses, guest history information, guest information trends, guest comment cards, listening to and speaking with guests, automated systems, mystery shoppers, company records, point-of-sale information, corporate customer and marketing intermediary information. External sources of marketing intelligence include macro market information, competitive information, and new innovation and trends. Sources of Competitive Information: competitive intelligence is available from competitors annual reports, trade magazine articles, speeches, press releases, brochures, and advertisements.

4. Commercial sources of marketing information

Companies can purchase information from outside suppliers or from on-line database of information services. Good examples include: Dialog Dow Jones News Retrieval, UMI ProQuest, and Dun & Bradstreets Online Access.

Marketing Research is a process that identifies and defines marketing opportunities and problems, monitors and evaluates marketing actions and performance, and communicates the findings and implication to management. For example, when McDonalds decided to add salads to its menu, its planners needed to research customers preferences for types of vegetables and dressings.

5. Measuring Market Potential

The 10 most common activities are measurement of market potentials, market-share analysis, the determination of market characteristics, sales analysis, studies of business trends, short-range forecasting, competitive product studies, long-range forecasting, marketing information systems studies, and testing of existing products.

6. Sources of Competitive Information

A great deal of information is readily available about your competitors. Information can be gathered from competitors annual reports, trade magazines, speeches, press releases, brochures and advertisements as well as site visits. Search engines can look through thousands of databases online.

Consumer Markets And Consumer Buying Behavior

Topic Objective:

At the end of this topic student would be able to:

- Name the elements of the stimulusresponse model of consumer behavior.
- Outline the major characteristics affecting consumer behavior, and list some of the specific cultural, social, personal, and psychological factors that influence consumers.

- Explain the buyer decision process and discuss need recognition, information search, evaluation of alternatives, the purchase decision, and post purchase behavior.

Definition/Overview:

Consumer behavior: Consumer behavior is the study on when, why, how, where and what people do or do not buy products. It blends elements from psychology, sociology, anthropology and economics. It attempts to understand the buyer decision processes/buyer decision making process, both individually and in groups. It studies characteristics of individual consumers such as demographics, psychographics, and behavioral variables in an attempt to understand people's wants. It also tries to assess influences on the consumer from groups such as family, friends, reference groups, and society in general. Belch and Belch define consumer behavior as 'the process and activities people engage in when searching for, selecting, purchasing, using, evaluating, and disposing of products and services so as to satisfy their needs and desires'.

Key Points:

1. Black box model

The black box model shows the interaction of stimuli, consumer characteristics, decision process and consumer responses. It can be distinguished between interpersonal stimuli (between people) or intrapersonal stimuli (within people). The black box model is related to the black box theory of behaviorism, where the focus is not set on the processes inside a consumer, but the relation between the stimuli and the response of the consumer. The marketing stimuli is planned and processed by the companies, whereas the environmental stimulis are given by social factors, based on the economical, political and cultural circumstances of a society. The buyer\s black box contains the buyer characteristics and the decision process, which determines the buyers response. The black box model considers the buyers response as a result of a consciousness decision process, in which it is assumed that the buyer has recognized the problem. However, in reality many decisions are not made in awareness of a determined problem by the consumer.

2. Information search

Once the consumer has recognized a problem, they search for information on products and services that can solve that problem. Belch and Belch (2007) explain that consumers undertake both an internal (memory) and an external search.

Sources of information include:

- Personal sources
- Commercial sources
- Public sources
- Personal experience

The relevant internal psychological process that is associated with information search is perception. Perception is defined as 'the process by which an individual receives, selects, organizes, and interprets information to create a meaningful picture of the world'
The selective perception process Stage Description Selective exposure consumers select which promotional messages they will expose themselves to. Selective attention consumers select which promotional messages they will pay attention to Selective comprehension consumer interpret messages in line with their beliefs, attitudes, motives and experiences Selective retention consumers remember messages that are more meaningful or important to them

You should consider the implications of this process on the development of an effective promotional strategy. First, which sources of information are more effective for the brand and second, what type of message and media strategy will increase the likelihood that consumers are exposed to our message, that they will pay attention to the message, that they will understand the message, and remember our message.

The buying process starts when the buyer recognizes a problem or need. The buyer senses a difference between his or her actual state and a desired state. An aroused consumer may or may not search for more information. If the consumers drive is strong and a satisfying product is near at hand, the consumer is likely to buy it at that moment. If not, the consumer may simply store the need in memory and search for relevant information. Consumer uses information to evaluate the alternatives. In the evaluation stage, the consumer ranks brands in the choice set and forms purchase intentions. Following a purchase, the consumer will be satisfied or dissatisfied and will engage in post purchase actions of significant interest to the marketer.

3. Information evaluation

At this time the consumer compares the brands and products that are in their evoked set. How can the marketing organization increase the likelihood that their brand is part of the consumer's evoked (consideration) set? Consumers evaluate alternatives in terms of the functional and psychological benefits that they offer. The marketing organization needs to understand what benefits consumers are seeking and therefore which attributes are most important in terms of making a decision.

4. Purchase decision

Once the alternatives have been evaluated, the consumer is ready to make a purchase decision. Sometimes purchase intention does not result in an actual purchase. The marketing organization must facilitate the consumer to act on their purchase intention. The provision of credit or payment terms may encourage purchase, or a sales promotion such as the opportunity to receive a premium or enter a competition may provide an incentive to buy now. The relevant internal psychological process that is associated with purchase decision is integration.

5. Factors Influencing Customer

5.1. Personal Characteristics Affecting Consumer Behavior

5.1.1. Culture

Cultural factors exert the broadest and deepest influence on consumer and are the most basic determinant of a person's wants and behavior. It compromises the fundamental values, perceptions, wants, and behaviors that are continuously reinforced in a society. For example, the cultural shift toward greater concern about health and fitness has resulted in many hotels adding exercise rooms or health clubs or developing an agreement with a local health club so that their guests can have access to it. The shift toward lighter and more natural food has resulted in menu changes in restaurants. The shift toward lighter-colored and simpler home furnishings is reflected in new restaurant designs.

5.1.2. Subculture

Each culture contains smaller subcultures, or groups of people with shared value systems based on common experiences and situations. An example of subcultures might be university students; some are married and live off-campus, others live in dorms, or others live in fraternity/sorority housing. Three important subcultures include the U.S. Hispanic Market, African American Consumers, and Asian American consumers.

5.1.3. Consumer Behavior across International Cultures

The values, attitudes, and behaviors of consumers in different countries often vary dramatically. International marketers must understand such differences and adjust their products and marketing programs accordingly. For example, KFC, Pizza Hut, Burger King, and McDonalds have adapted their menus to make them kosher for Passover.

5.1.4. Consumer Behavior across International Borders

Consumers in different countries show dramatic differences in values, attitudes and behaviors. Companies need to tailor their menus to suit their overseas customers.

5.1.5. Social Class

Relatively permanent and ordered divisions in society whose members share similar values, interests, and behaviors. Social class in newer nations such as the U.S., Canada, and Australia is not indicated by a single factor such as income, but is measured as a combination of occupation, source of income, education, wealth, and other variables. Social classes show distinct product and brand preferences in such areas as food, travel, and leisure activity. Some marketers focus on only one social class.

The Four Seasons restaurant in Upper Manhattan targets upper-class patrons, while Joes Coffee Shop in Lower Manhattan focuses on lower-class patrons.

Age and Life-cycle Stage: The type of goods and services people buy, changes during their lifetimes. Preferences for leisure activities, travel destinations, food and entertainment are often age related.

For example, a study of mature travelers showed that this segment places great importance on grab bars in bathrooms, night-lights, legible, visible signs in hallways, extra blankets, and large printing on menus. Buying behavior is also shaped by the family life-cycle stages. Young unmarried persons usually have few financial burdens, and spend a good portion of their discretionary income on entertainment. Once they have children, their purchases from restaurants can change to more delivery and carry out.

5.1.6. Occupation

A person's occupation affects the goods and services bought. For example, business executives purchase meals from a full-service restaurant, while clerical employees may bring their lunch or purchase lunch from a nearby quick-service restaurant.

5.1.7. Economic Situation

A person's economic situation greatly affects product choice and the decision to purchase a particular product. For example, during recessions, consumers cut back on restaurant meals, entertainment, and vacations. They trade down in their choice of restaurants and/or menu items and eat out less frequently, looking for a coupon or deal when they do go out. Conversely, periods of economic prosperity create opportunities.

Consumers are more inclined to buy expensive wines and imported beers, menus can be upgraded, and air travel and leisure expenditures increase.

Life-style: A lifestyle is a person's pattern of living as expressed in his or her activities, interests and opinions.

Lifestyles portray the whole person interacting with his or her environment. Marketers search for relationships between their products and achievement-oriented customers. For example, a study of tourists who purchase all-inclusive travel packages vs. those who make travel arrangements independently revealed that lifestyle characteristics varied. All-inclusive travel purchasers were more socially interactive, solicitous, and take their vacations mainly to relax. Tourists who preferred independent travel arrangements were more self-confident and often seek solitude.

5.1.8. Psychological Factors

Motivation arises out of needs. A need becomes a motive when it is aroused to a sufficient level of intensity. Perception is the process by which an individual selects, organizes, and interprets information to create a meaningful picture of the world. Perception is highly individual and especially elusive. In the same situation, two people with the same motivation may act quite differently based on how they perceive conditions.

6. The Buyer Decision Process

Buyers decision process consists of five stages: need recognition, information search, evaluation of alternatives, purchase decision, and post purchase behavior.

Possibly the most challenging concept in marketing deals with understanding why buyers do what they do (or dont do). But such knowledge is critical for marketers since having a strong understanding of buyer behavior will help shed light on what is important to the customer and also suggest the important influences on customer decision-making. Using this information, marketers can create marketing programs that they believe will be of interest to customers. Buyer behavior is deeply rooted in psychology with dashes of sociology thrown in just to make things more interesting. Since every person in the world is different, it is impossible to have simple rules that explain how buying decisions are made.

More generally, decision making is the cognitive process of selecting a course of action from among multiple alternatives. Common examples include shopping, deciding what to eat. Decision making is said to be a psychological construct. This means that although we can never "see" a decision, we can infer from observable behavior that a decision has been made. Therefore we conclude that a psychological event that we call "decision making" has occurred. It is a construction that imputes commitment to action. That is, based on observable actions, we assume that people have made a commitment to effect the action.

Organizational Buyer Behavior And Group Markets

Topic Objective:

At the end of this topic student would be able to:

- Understand the organizational buying process.
- Identify and discuss the importance of the participants in the organizational buying process.
- Identify the major influences on organizational buyers.
- List the eight stages of the organizational buying process.
- Identify and describe the group markets in the hospitality industry.

Definition/Overview:

Overview: Compared with consumer purchases, a business purchase usually involves more buyers and a more professional purchasing effort. Organizational buying process tends to be more formalized than the consumer process and a more professional purchasing effort. The more complex the purchase, the more likely it is that several people will participate in the decision-making process.

Key Points:

1. Decision Making Unit of Buying

The decision-making unit of a buying organization, sometimes called the buying center, is defined as all those individuals and groups who participate in the purchasing decision-making process, who share common goals and the risks arising from the decisions. Six participants in the purchase decision process: users, influencers, deciders, approvers, buyers, gatekeepers. Organizational buyers are subject to many influences as they make their buying decisions, such as Environmental Factors, Organizational Factors, Interpersonal Factors, and Individual Factors.

There are eight stages of the organizational buying process including problem recognition, general need description, product specification, supplier search, proposal solicitation, supplier selection, order-routine specification, and performance review.

2. Group markets in the Hospitality Industry

The group business market is often more sophisticated and requires more technical information than the consumer market. Many group markets book more than a year in advance. There are four main categories of group business: conventions, association meetings, corporate meetings, and the SMERF (social, military, educational, religious, and fraternal organizations) groups

3. The Organizational Buying Process

The organizational buying process tends to be more formalized than the consumer process and a more professional purchasing effort. The more complex the purchase, the more likely it is that several people will participate in the decision-making process. Compared with consumer purchases, a business purchase usually involves more buyers and a more professional purchasing effort. The process involves following steps:

- Organizational demand is derived demand; it comes ultimately from the demand for consumer goods or services. It is derived or a function of the businesses that supply the hospitality and travel industry with the meetings, special events and other functions.
- Organizational buyers usually face more complex buying decisions than consumer buyers. Their purchases often involve large sums of money, complex technical features (room sizes, room setups, breakout rooms, audiovisual equipment, and the like), economic considerations, and interactions among many people at all levels of the organization.
- In the organizational buying process, buyer and seller are often very dependent on each other. Sales has become a consultative process. For example, the hotel staff develops interesting and creative menus, theme parties, and coffee breaks. The hotels convention service staff works with meeting planners to solve problems.

3.1. Participants in the Organizational Buying Process: The decision-making unit of a buying organization, sometimes called the buying center, is defined as all those individuals and groups who participate in the purchasing decision-making process, who share common goals and the risks arising from the decisions.

3.1.1. The Buying Center

The buying center includes all members of the organization who play any of six roles in the purchase decision process:

3.1.2. Users: Those who will use the product or service, often initiating the buying proposal and defining the product specifications. For example, meeting attendees influence their company the usage of hotel.

4. Major Influences on Organizational Buyers

Organizational buyers are subject to many influences as they make their buying decisions, such as Environmental Factors, Organizational Factors, Interpersonal Factors, and Individual Factors.

- **Environmental Factors:** Current and expected economic trends will necessarily impact the decision-making process of the business community. Factors, such as, the level of primary demand, the economic outlook, and the cost of money.
- **Organizational Factors:** Organizational factors include specific objectives, policies, procedures, organizational structures, and systems related to buying.
- **Interpersonal Factors:** The buying center usually includes several participants with differing levels of interest, authority, and persuasiveness.
- **Individual Factors:** Each participant in the buying decision process has personal motivations, perceptions, and preferences. The participants age, income, education, professional identification, personality, and attitudes toward risk all influence the participants in the buying process.

5. The Organizational Buying Decisions

Organizational buyers do not buy goods and services for personal consumption. They buy hospitality products to provide training, to reward employees and distributors, and to provide lodging for their employees.

6. Group Business Markets the group business market is often more sophisticated and requires more technical information. Many group markets book more than a year in advance. During this time, cognitive dissonance can develop; thus marketers must keep in contact with the buyer to assure them that they made the right decision in choosing the sellers hotel.

7. Dealing with Meeting Planners

When negotiating with meeting planners, it is important to try to develop a winwin relationship. One successful technique for negotiating with a meeting planner is to determine the groups requirements in detail and work out a package based on needs and budget. Taking a consultative approach is much more effective. If the hotel knows that the meeting planner wants to spend $25 for dinner, the chef can develop alternatives within this price range.

- Hotels can provide a high value to meeting planners when there is available space, hotels offer a small meeting room set up with business services, including Internet access, computers and printers. Additionally, a major shift in food and beverage is toward lighter, healthier meals, particularly at lunch.
- There is a great deal of difference in the level of expertise of those who plan meetings. Meeting planners may be divided into three levels of professionalism: the facilitator, the meeting manager, and the meeting administrator.
- Meeting planners want their calls returned the same day they are received. When they ask about the availability of meeting space, they expect a response the same day and a complete proposal in five days. They want check-in and checkout to last no more than 4 minutes. Most meeting planners want their bill within one week of the event. Planners feel that hotel management should empower the convention service manager to solve their problems. Ultimately, when dealing with group business, the hotel has to please both the meeting planner and the meeting planners clients.
- One of the most important aspects of creating a successful function is a pre-function meeting between staff and the planner. It is effective to plan all of the details of what services are to be delivered and to set up a follow-up meeting.

8. The Corporate Account and Corporate Travel Manager

A non-group form of organizational business is the individual business traveler. Most hotels offer a corporate rate, which is intended to provide an incentive for corporations to use the hotel. The basic corporate rate is about 10 to 15% below the hotels rack rate; the contract is a negotiated rate, usually 10 to 40% below the hotels rack rate. It often includes other benefits besides a discounted rate. Common benefits include morning newspapers, upgrades when available, use of the hotels fitness center, early check-ins and late checkouts.

The most important attributes to the travel managers when negotiating a hotel contract are: a favorable image of the hotels brand by the companys travelers; guaranteed availability of negotiated rate; location; reputation of the hotels bran;, negotiated rate; flexibility on charges for late cancellation of room reservations. In addition to developing corporate hotel contracts, the travel managers set per diem rates, specifying the amount a company traveler can spend on food and beverage.

In Section 3 of this course you will cover these topics: - Market Segmentation, Targeting, And Positioning - Designing And Managing Products - Internal Marketing
You may take as much time as you want to complete the topic coverd in section 3. There is no time limit to finish any Section, However you must finish All Sections before semester end date.
If you want to continue remaining courses later, you may save the course and leave. You can continue later as per your convenience and this course will be avalible in your area to save and continue later.

Market Segmentation, Targeting, And Positioning

Topic Objective:

At the end of this topic student would be able to:

- Explain market segmentation, and identify several possible bases for segmenting consumer markets, business markets, and international markets.
- List and distinguish among the requirements for effective segmentation: measurability, accessibility, substantiality, and actionability.
- Outline the process of evaluating market segments, and suggests some methods for selecting market segments.
- Illustrate the concept of positioning for competitive advantage by offering specific examples.
- Discuss choosing and implementing a positioning strategy, and contrast positioning based on product, service, personnel, and image differentiation.

Definition/Overview:

Overview: A marketing strategy is based on expected customer behavior in a certain market. In order to know the customer and its expected buying process of segmenting and positioning is needed. These processes are chronological steps which are dependent on each other.

Key Points:

1. The process-data model

Below a generic process-data model is given for the whole process of segmenting and positioning as a basis of deciding on the most effective marketing strategy and marketing mix.

This model consists of the three main activities: segmenting, targeting and positioning. It shows the chronological dependency of the different activities. On the right side of the model the concepts resulting from the activities are showed. The arrows show that one concept results from one or more previous concepts; the concept can not be made when the previous activities have not taken place. Below the three main activities are shortly described as well as their role as a basis for the next step or their dependency on the previous step.

1.1 .Segmenting

Segmenting is the process of dividing the market into segments based on customer characteristics and needs. The main activity segmenting consists of four sub activities. These are determining who the actual and potential customers are, Identifying segments, analyzing the intensity of competitors in the market and selecting the attractive customer segments.

The first two and fourth steps are described at market segmentation. The third step of analyzing the intensity of the competitors is added to the process of segmenting in this process description. When different segments are identified, it is not necessary that these segments are attractive to target. A company is almost never alone in a market, competitors have a great influence on the attractiveness of entering a certain market. When there is a high intensity of competitors, it is hard to obtain a profitable market share. When this is the case, a company should decide not to enter this certain market; this segment is not attractive to target. The third step of segmenting is the first part of the topic of competitor analysis.

The need for segmenting a market is based on the fact that no market is homogeneous. For one product the market can be divided in different customer groups. The variables used for this segmenting in these groups are usually geographical, psychographical, behavioral and demographic variables. This results in segments which are homogeneous within and heterogeneous between each other. When these segments are known, it is important to decide on which market to target. Not every market is an attractive market to enter. A little filtering has been done in this activity, but there are more factors to take in account before targeting a certain market segment. This process is called targeting and is described next.

1.2. Targeting

After the most attractive segments are selected, a company should not directly start targeting all these segments. The attractiveness of the segments is also depending on other important factors. In the main activity of defining a target market, four sub activities are given which are the bases for deciding on which segments will actually be targeted. Obviously, targeting can only be done when segments are predefined; there have to be segments to analyze the competitors which are in this market. When the process of targeting is ended, the markets to target are selected, but the way to use marketing in these markets is not yet defined. To decide on the actual marketing strategy, knowledge of the differential advantages of each segment is needed. When positioning a product, the segments are first analyzed, this process is described next.

1.3. Positioning

When the list of target markets is made, a company might want to start on deciding on a good marketing mix directly. But an important step before developing the marketing mix is deciding on how to create an identity or image of the product in the mind of the customer. Every segment is different from the others, so different customers with different ideas of what they expect from the product.

This process is described at the topic positioning; here different concepts of positioning are given. The process-data model shows the concepts resulting from the different activities before and within positioning. The model shows how the predefined concepts are the basis for the positioning statement. The analyses done of the market, competitors and abilities of the company are necessary to create a good positioning statement.

Designing And Managing Products

Topic Objective:

At the end of this topic student would be able to:

- Define the term product, including the core, facilitating, supporting, and augmented product.
- Explain how atmosphere, customer interaction with the service delivery system, customer interaction with other interactions, and customer co-production are all elements with which one needs to be concerned when designing a product.
- Understand branding and the conditions that support branding.
- Explain the new product development process.
- Understand how the product life cycle can be applied to the hospitality industry.

Definition/Overview:

Product Management: Product management is an organizational function within a company dealing with the planning or marketing of a product or products at all stages of the product lifecycle.

Key Points:

1. Product

A product is anything that can be offered to a market for attention, acquisition, use, or consumption that might satisfy a want or need. It includes physical objects, service, places, organizations, and ideas.

- **Core Product**: the core product is the most basic level of a product.
- **Facilitating Products**: Facilitating products are services or goods that must be present for the guest to use the core product.

- **Supporting products**: Supporting products are extra products offered to add value to the core product. This includes accessibility, atmosphere, customer interaction with the service organization, customer participation, and customers' interaction with each other.

2. Branding

A brand is a name, term, sign, symbol, design, or a combination of these elements that is intended to identify the goods or services of a seller and differentiate them from those of competitors. Five conditions that support branding: the product is easy to identify by brand or trademark, the product is perceived as the best value for the price, quality and standards are easy to maintain, the demand for the general product class is large enough to support a regional, national, or international chain, and there are economies of scale.

3. Product Levels

- **Accessibility**: How accessible the product is in terms of location and hours of operation.
- **Core Product:** the core product is the most basic level of a product. This answers the question: What is the buyer really buying? Every product is a package of problem-solving services. As all good steak houses have learned, Dont sell the steak, sell the sizzle.
- **Facilitating Products**: Services or goods that must be present for the guest to use the core product. They vary for different products and services, but they are dependent on the expectations of the guest. For example, a first-class corporate hotel must have check-in and checkout services, telephones, a restaurant, and valet service. On the other hand, in a limited-service economy hotel, facilitating services might be no more than check-in and checkout service and public phones on the property. Moreover, one important aspect of facilitating products is accessibility. For example, guests expect a business hotel to have a business center and it must be accessible when the guests want to uses its services. Product design requires an understanding of the target market and the facilitating services that they require.
- **Supporting Products:** Core products require facilitating products but do not require supporting products. Supporting products are extra products offered to add value to the core product and to help differentiate it, and thus position it among the competition. For example, in a corporate

hotel, a business center or a full-service health spa are supporting products that may help to draw customers to the hotel. The distinction between facilitating and supporting products is not always clear. Facilitating products for one market segment may be supporting products for another. For example, while families may not require restaurants and valet service when staying at a hotel, business travelers depend on them.

- **Augmented Product:** This includes accessibility, atmosphere, customer interaction with the service organization, customer participation, and customers' interaction with each other. These elements combine with the core, facilitating, and supporting products to provide the augmented product. The core, facilitating, and supporting products determine what the customer receives but not how they receive it. The augmented service offering, combines what is offered with how it is delivered.

4. Aspects of product management

Depending on the company size and history, product management has a variety of functions and roles. Sometimes there is a product manager, and sometimes the role of product manager is held by others. Frequently there is Profit and Loss (P&L) responsibility as a key metric for evaluating product manager performance. In some companies, the product management function is the hub of many other activities around the product. In others, it is one of many things that need to happen to bring a product to market.

5. Product life cycle

The product life cycle goes through many phases, involves many professional disciplines, and requires many skills, tools and processes. Product life cycle (PLC) has to do with the life of a product in the market with respect to business/commercial costs and sales measures; whereas product lifecycle management (PLM) has more to do with managing descriptions and properties of a product through its development and useful life, mainly from a business/engineering point of view. To say that a product has a life cycle is to assert four things:

- That products have a limited life
- Product sales pass through distinct stages, each posing different challenges, opportunities, and problems to the seller

- Profits rise and fall at different stages of product life cycle
- Products require different marketing, financial, manufacturing, purchasing, and human resource strategies in each life cycle stage.

5.1. Market introduction stage

- cost high
- sales volume low
- no/little competition - competitive manufacturers watch for acceptance/segment growth losses
- demand has to be created
- customers have to be prompted to try the product

5.2. Growth stage

- costs reduced due to economies of scale and
- sales volume increases significantly
- profitability
- public awareness
- competition begins to increase with a few new players in establishing market
- prices to maximize market share

5.3. Mature stage

- Costs are very low as you are well established in market & no need for publicity.
- sales volume peaks
- increase in competitive offerings
- prices tend to drop due to the proliferation of competing products
- brand differentiation, feature diversification, as each player seeks to differentiate from competition with "how much product" is offered
- Industrial profits go down

5.4. Saturation and decline stage

- costs become counter-optimal
- sales volume decline or stabilize
- prices, profitability diminish
- profit becomes more a challenge of production/distribution efficiency than increased sales

The life cycle may be useful as a description, but not as a predictor; and usually should be firmly under the control of the marketer. The important point is that in many markets the product or brand life cycle is significantly longer than the planning cycle of the organisations involved. Thus, it offers little practical value for most marketers. Even if the PLC (and the related PLM support) exists for them, their plans will be based just upon that piece of the curve where they currently reside (most probably in the 'mature' stage); and their view of that part of it will almost certainly be 'linear' (and limited), and will not encompass the whole range from growth to decline

Internal Marketing

Topic Objective:

At the end of this topic student would be able to:

- Understand why internal marketing is an important part of a marketing program.
- Explain what a service culture is and why it is important to have a company where everyone is focused on serving the customer.
- Describe the four-step process involved in implementing an internal marketing program.
- Explain why the management of non-routine transactions can create the image of being an excellent service provider.

Definition/Overview:

Internal Marketing: Internal marketing (IM) is an ongoing process that occurs strictly within a company or organization whereby the functional process aligns, motivates and empowers employees at all management levels to consistently deliver a satisfying customer experience. Key concepts of internal marketing include:

- IM functioning as a continual internal 'upskilling' process.
- Alignment of the organizations purpose with employee behavior.
- Employees internalizing the core values of the organization.
- Motivation, reframing and empowerment of employee attitude.
- Inside-out management approach.
- Retaining a positive customer experience throughout the business objectives

Key Points:

1. The Following Are the Features of an Internal Marketing-Oriented Business

- Creating enabling culture: this is done when employees are empowered by management through allowing creativity, innovation, allowing initiatives and accountability and responsibility of their decisions.
- Practicing participative hiring: that is involving current employees in the process of hiring new employees.
- Ensuring equitable recognition and reward: business must exercise employee recognition with reward to what employee has achieved.
- Demonstrating fairness during hard times: fair treatment of employees when faced with hard times and difficult moments like death of the near family members. This can be achieved by setting aside emergency funds.
- Good organization structure that allows learning, total quality management and re-engineering.

2. Benefits of Internal Marketing

- Encourages the internal market (employees) to perform better;
- Empowers employees and gives them accountability and responsibility;
- Creates common understanding of the business organization;
- Encourages employees to offer superb service to clients by appreciating their valuable contribution to the success of the business;
- Helps non-marketing staff to learn and be able to perform their tasks in a marketing-like manner;
- Improves customers retention and individual employee development;
- integrates business culture, structure, human resources management, vision and strategy with the employees' professional and social needs;
- Creates good coordination and cooperation among departments of the business.

3. Problems affecting successful implementation of Internal Marketing

The following are the problems affecting effective implementation of internal marketing.

- Managerial incompetence in interpersonal, technical and conceptual skills is some of the stumbling blocks against successful internal marketing.
- Poor understanding of internal marketing concept.
- Individual conflict and conflict between departments makes the implementation of internal marketing difficult.
- Rigid organisational structure coupled by bureaucratic leadership hinders success of internal Marketing.
- Ignoring and not listening to subordinate staff.
- The tendency of ignoring employees' importance and treating them like any other tools of the business.
- Unnecessary protection of information against employees.
- Resistance to change.

4. Implementation of Internal Marketing in Hospitality Management

Internal marketing is the philosophy of treating employees as customer and it is the strategy of shaping job-products to fit human needs. The definition of the Internal marketing is proposed as a planned effort using a marketing-like approach to overcome organizational resistance to change and to align, motivate and inter-functionally co-ordinate and integrate employees towards the effective implementation of corporate and functional strategies in order to deliver customer satisfaction through a process of creating motivated and customer oriented employees.

For the application of internal marketing in hospitality industry, for example hotel group like The Taj Group of Hotels, provides an employee-oriented culture. The group always hired fresh graduates from leading hotel management institutes all over the world so that it could shape their attitudes and develop their skills in a way that fitted its needs and culture. They also had to take part in various leadership programs, so that they could develop in them a strong, warm and professional work culture. The group offered opportunities to employees both on personal (personal counseling), as well as organizational front (career advancement, training programs, opportunities for learning and sharing, self-development programs). In the other hand, the group is working on talent management, which is a function that involves an organizations ability to attract, recruit, hire and retain the right talent at the right time and align it with its business goals. The group strives hard to create a work environment or setting in which people are enabled to perform to the best of their abilities, standardize all its processes and evolve a work culture, which appealed to all its employees universally. These programs and processes show that The Taj Group is enthusiastically considered for the employees goals and organizational goals. Furthermore, the group develops an employee-rating system which aims to identify, recognize and reward those employees who excelled in their work. This system helps employees work together as a team and appreciate fellow employees for their acts of kindness and excellence. It increase customer satisfaction and enhance their motivation levels at the same time. As a result, it will lead to higher company performance.

In Section 4 of this course you will cover these topics: Building Customer Loyalty Through Quality Pricing Products: Pricing Considerations, Approaches, And Strategy Distribution Channels
You may take as much time as you want to complete the topic coverd in section 4. There is no time limit to finish any Section, However you must finish All Sections before semester end date.
If you want to continue remaining courses later, you may save the course and leave. You can continue later as per your convenience and this course will be avalible in your area to save and continue later.

Building Customer Loyalty Through Quality

Topic Objective:

At the end of this topic student would be able to:

- Define customer value and customer satisfaction.
- Understand the difference between customer satisfaction and customer loyalty.
- Discuss attracting new users and retaining current customers by developing relationship marketing.
- Know tactics for resolving customer complaints and understand the importance of resolving complaints.
- Define quality and discuss the importance of the benefits of quality.
- Implement capacity and demand management tactics

Definition/Overview:

Loyalty marketing: Loyalty marketing is an approach to marketing, based on strategic management, in which a company focuses on growing and retaining existing customers through incentives. Branding, product marketing and loyalty marketing all form part of the customer proposition the subjective assessment by the customer of whether to purchase a brand or not based on the integrated combination of the value they receive from each of these marketing disciplines.

Key Points:

1. The service quality model

The loyalty business model is a business model used in strategic management in which company resources are employed so as to increase the loyalty of customers and other stakeholders in the expectation that corporate objectives will be met or surpassed. A typical example of this type of model is: quality of product or service leads to customer satisfaction, which leads to customer loyalty, which leads to profitability.

A model by Kay Storbacka, Tore Strandvik, and Christian Gronroos (1994), the service quality model, is more detailed than the basic loyalty business model but arrives at the same conclusion. In it, customer satisfaction is first based on a recent experience of the product or service. This assessment depends on prior expectations of overall quality compared to the actual performance received. If the recent experience exceeds prior expectations, customer satisfaction is likely to be high. Customer satisfaction can also be high even with mediocre performance quality if the customer's expectations are low, or if the performance provides value (that is, it is priced low to reflect the mediocre quality). Likewise, a customer can be dissatisfied with the service encounter and still perceive the overall quality to be good. This occurs when a quality service is priced very high and the transaction provides little value.

2. Expanded models

Schlesinger and Heskett added employee loyalty to the basic customer loyalty model. They developed the concepts of "cycle of success" and "cycle of failure". In the cycle of success, an investment in your employees ability to provide superior service to customers can be seen as a virtuous circle. Effort spent in selecting and training employees and creating a corporate culture in which they are empowered can lead to increased employee satisfaction and employee competence. This will likely result in superior service delivery and customer satisfaction. This in turn will create customer loyalty, improved sales levels, and higher profit margins. Some of these profits can be reinvested in employee development thereby initiating another iteration of a virtuous cycle. Fredrick Reichheld expanded the loyalty business model beyond customers and employees. He looked at the benefits of obtaining the loyalty of suppliers, employees, bankers, customers, distributors, shareholders, and the board of directors.

The discipline of customer loyalty marketing has been around for many years, but expansions from it merely being a model for conducting business to becoming a vehicle for marketing and advertising have made it omnipresent in consumer marketing organizations since the mid- to late-1990s. Some of the newer loyalty marketing industry insiders, such as Fred Reichheld, have claimed a strong link between customer loyalty marketing and customer referral. In recent years, a new marketing discipline called "customer advocacy marketing" has been combined with or replaced "customer loyalty marketing." To the general public, many airline miles programs, hotel frequent guest programs and credit card incentive programs are the most visible customer loyalty marketing programs.

3. Data collection

Typically, loyalty data is being collected by multi-item measurement scales administered in questionnaires. However, other approaches sometimes seem more viable if managers want to know the extent of loyalty for an entire data warehouse. This approach is described in Buckinx, Verstraeten & Van den Poel in 2006.

Another approach to building customer loyalty through data is described in Scoring points, a book about the Tesco clubcard. This was produced by a company called [Dunnhumby] who gathered the data on household purchases on an opt-in permission basis. Once they had this data they then allowed households to accumulate loyalty points which could be used for subsequent purchases. They subsequently added to the value of customer loyalty by sending out targeted offers from grocery producers the people whose behavior said they had a use for the offer. The data gathered in this way allowed customer loyalty to be assessed on both an individual and an aggregate basis.

Whilst less common than the questionnaires, loyalty card data is more complete and does not suffer from the arpirational misreporting bias that is common to most forms of market research. It has been credited with the phenomenal success of the Tesco chain as well as with significant improvements by several other large retailers.

4. Loyalty marketing impact

Many loyalty programs have changed the way consumers interact with the companies from which they purchase products or services from and how much consumers spend. Many consumers in the US and Europe have become quite accustomed to the rewards and incentives they receive by being a "card carrying" member of an airline, hotel or car rental program. In addition, research from Chris X. Moloney shows that nearly 1/2 of all credit card users in the US utilize a points-based rewards program.

In recent years, the competition for high income customers has led many of these loyalty marketing program providers to provide significant perks that deliver value well beyond reward points or miles. Both American's AAdvantage program and Starwood Hotels' Preferred Guest program have received industry awards, called "Freddie Awards" by Inside Flyer Magazine and its publisher Randy Petersen for providing perks that customers value highly. These perks have become as important to many travelers as their reward miles according to research.

Pricing Products: Pricing Considerations, Approaches, And Strategy

Topic Objective:

At the end of this topic student would be able to:

- Outline the internal factors affecting pricing decisions, especially marketing objective, marketing mix strategy, costs, and organizational considerations.
- Identify and define the external factors affecting pricing decisions, including the effects of the market and demand, competition and other environmental elements.
- Contrast the differences in general pricing approaches, and be able to distinguish among cost-plus, target profit pricing, value-based pricing, and going-rate.
- Identify the new product pricing strategies of market-skimming pricing and market-penetration pricing.
- Understand how to apply pricing strategies for existing products, such as price bundling and price adjustment strategies.
- Discuss the key issues related to price changes, including initiating price cuts and price increases, buyer and competitor reactions to price changes, and responding to price changes.

Definition/Overview:

Pricing: Pricing is one of the four Ps of the marketing mix. The other three aspects are product, promotion, and place. It is also a key variable in microeconomic price allocation theory. Price is the only revenue generating element amongst the 4ps, the rest being cost centers. Pricing is the manual or automatic process of applying prices to purchase and sales orders, based on factors such as: a fixed amount, quantity break, promotion or sales campaign, specific vendor quote, price prevailing on entry, shipment or invoice date, combination of multiple orders or lines, and many others. Automated systems require more setup and maintenance but may prevent pricing errors.

Key Points:

1. Price

Price is the only marketing mix element that produces revenue. Simply defined, price is the amount of money charged for a good or service. More broadly, price is the sum of the values consumers exchange for the benefits of having or using the product or service.

2. Pricing Strategies

There are many ways in which the price of a product can be determined. The following are the foremost strategies that businesses are likely to use.

2.1. Creaming or skimming

Selling a product at a high price, sacrificing high sales to gain a high profit, therefore skimming the market. Usually employed to reimburse the cost of investment of the original research into the product - commonly used in electronic markets when a new range, such as DVD players, are firstly dispatched into the market at a high price. This strategy is often used to target "early adopters" of a product/service. These early adopters are relatively less price sensitive because either their need for the product is more than others or they understand the value of the product better than others. This strategy is employed only for a limited duration to recover most of investment made to build the product. To gain further market share, a seller must use other pricing tactics such as economy or penetration.

2.2. Limit pricing

A limit price is the price set by a monopolist to discourage economic entry into a market, and is illegal in many countries. The limit price is the price that the entrant would face upon entering as long as the incumbent firm did not decrease output. The limit price is often lower than the average cost of production or just low enough to make entering not profitable. The quantity produced by the incumbent firm to act as a deterrent to entry is usually larger than would be optimal for a monopolist, but might still produce higher economic profits than would be earned under perfect competition.

The problem with limit pricing as strategic behavior is that once the entrant has entered the market, the quantity used as a threat to deter entry is no longer the incumbent firm's best response. This means that for limit pricing to be an effective deterrent to entry, the threat must in some way be made credible. A way to achieve this is for the incumbent firm to constrain itself to produce a certain quantity whether entry occurs or not. An example of this would be if the firm signed a union contract to employ a certain (high) level of labor for a long period of time.

2.3. Premium Pricing

Premium pricing is the practice of keeping the price of a product or service artificially high in order to encourage favorable perceptions among buyers, based solely on the price. The practice is intended to exploit the (not necessarily justifiable) tendency for buyers to assume that expensive items enjoy an exceptional reputation or represent exceptional quality and distinction.

2.4. Dynamic pricing

A flexible pricing mechanism made possible by advances in information technology, and employed mostly by Internet based companies. By responding to market fluctuations or large amounts of data gathered from customers - ranging from where they live to what they buy to how much they have spent on past purchases - dynamic pricing allows online companies to adjust the prices of identical goods to correspond to a customers willingness to pay. The airline industry is often cited as a dynamic pricing success story. In fact, it employs the technique so artfully that most of the passengers on any given airplane have paid different ticket prices for the same flight.

2.5. Target pricing

Pricing method whereby the selling price of a product is calculated to produce a particular rate of return on investment for a specific volume of production. The target pricing method is used most often by public utilities, like electric and gas companies, and companies whose capital investment is high, like automobile manufacturers.

Target pricing is not useful for companies whose capital investment is low because, according to this formula, the selling price will be understated. Also the target pricing method is not keyed to the demand for the product, and if the entire volume is not sold, a company might sustain an overall budgetary loss on the product.

2.6. Marginal-cost pricing

In business, the practice of setting the price of a product to equal the extra cost of producing an extra unit of output. By this policy, a producer charges, for each product unit sold, only the addition to total cost resulting from materials and direct labour.

Businesses often set prices close to marginal cost during periods of poor sales. If, for example, an item has a marginal cost of $1.00 and a normal selling price is $2.00, the firm selling the item might wish to lower the price to $1.10 if demand has waned. The business would choose this approach because the incremental profit of 10 cents from the transaction is better than no sale at all.

2. 7. Pricing for joint products is a little more complex than pricing for a single product. To begin with there are two demand curves. The characteristics of each demand curve could be different. Demand for one product could be greater than for the other product. Consumers of one product could be more price elastic than the consumers of the other product (and therefore more sensitive to changes in the product's price).

To complicate things further, both products, because they are produced jointly, share a common marginal cost curve. There are complexities in the production function also. Their production could be linked in the sense that they are bi-products (referred to as complements in production), or they could be linked in the sense that they can be produced by the same inputs (referred to as substitutes in production). Also, production of the joint product could be in fixed proportions or in variable proportions.

When setting prices in a situation as complex as this, microeconomic marginal analysis is helpful. In a simple case of a single product, price is set at that quantity demanded where marginal cost exactly equals marginal revenue. This is exactly what is done when joint products are produced in variable proportions. Each product is treated separately. In fact, it might even be possible to construct separate cost functions. In the diagram below, to determine optimal pricing for joint products produced in variable proportions, you find the intersection point of marginal revenue (product A) with the joint marginal cost curve. You then extend that quantity, up to the demand curve for product A, and that gives you the profit maximizing price for product A (point Pa in the diagram). You do the same for product B, yielding price point Pb1.

If the products are produced in fixed proportions (example: cow hides and cow steaks), then one of the products will very likely be produced in quantities different from the profit maximizing amount considered separately. In fact the profit maximizing quantity and price of the second half of the joint product, will be different from the profit maximizing amount considered separately. In the diagram, product B is produced in greater amounts than the profit maximizing amount considered separately, and sold at a lower price (point Pb2) than the profit maximizing price considered separately (point Pb1). Although price is lower and output is higher, marginal cost is also higher. Yet this is a profit maximizing solution to this situation. Quantity supplied of product B is increased to the point that marginal revenue becomes zero (ie.: the point where the marginal revenue curve intersects the horizontal axis).

Distribution Channels

Topic Objective:

At the end of this topic student would be able to:

- Describe the nature of distribution channels, and tell why marketing intermediaries are used.
- Understand the different marketing intermediaries available to the hospitality industry and the benefits each of these intermediaries offers.
- Know how to use the Internet as a distribution channel.
- Discuss channel behavior and organization, explaining corporate, contractual, and vertical marketing systems, including franchising.
- Illustrate the channel management decisions of selecting, motivating, and evaluating channel members.
- Identify factors to consider when choosing a business location.

Definition/Overview:

Distribution: Distribution (or place) is one of the four elements of marketing mix. An organization or set of organizations (go-betweens) involved in the process of making a product or service available for use or consumption by a consumer or business user.

Key Points:

1. The distribution channels

Frequently there may be a chain of intermediaries; each passing the product down the chain to the next organization, before it finally reaches the consumer or end-user. This process is known as the 'distribution chain' or the 'channel.' Each of the elements in these chains will have their own specific needs, which the producer must take into account, along with those of the all-important end-user. A number of alternate 'channels' of distribution may be available:

- Selling direct, such as with an outbound sales-force or via mail order, Internet and telephone sales
- Agent, who typically sells direct on behalf of the producer
- Distributor (also called wholesaler), who sells to retailers
- Retailer (also called dealer or reseller), who sells to end customers
- Advertisement typically used for consumption goods

Distribution channels may not be restricted to physical products alone. They may be just as important for moving a service from producer to consumer in certain sectors, since both direct and indirect channels may be used. Hotels, for example, may sell their services (typically rooms) directly or through travel agents, tour operators, airlines, tourist boards, centralized reservation systems, etc.

There have also been some innovations in the distribution of services. For example, there has been an increase in franchising and in rental services - the latter offering anything from televisions through tools. There has also been some evidence of service integration, with services linking together, particularly in the travel and tourism sectors. For example, links now exist between airlines, hotels and car rental services. In addition, there has been a significant increase in retail outlets for the service sector. Outlets such as estate agencies and building society offices are crowding out traditional grocers from major shopping areas.

2. Channel members

Distribution channels can thus have a number of levels. Kotler defined the simplest level, that of a direct contact with no intermediaries involved, as the 'zero-level' channel. The next level, the 'one-level' channel, features just one intermediary; in consumer goods a retailer, for industrial goods a distributor. In small markets (such as small countries) it is practical to reach the whole market using just one- and zero-level channels.

In large markets (such as larger countries) a second level, a wholesaler for example, is now mainly used to extend distribution to the large number of small, neighborhood retailers or dealers. In Japan the chain of distribution is often complex and further levels are used, even for the simplest of consumer goods. In Bangladesh Telecom Operators are using different Chains of Distribution, especially 'second level'.

In IT and Telecom industry levels are named "tiers". A one tier channel means that vendors IT product manufacturers (or software publishers) work directly with the dealers. A one tier / two tier channel means that vendors work directly with dealers and with distributors who sell to dealers. But the most important is the distributor or wholesaler.

3. The internal market

Many of the marketing principles and techniques which are applied to the external customers of an organization can be just as effectively applied to each subsidiary's, or each department's, 'internal' customers. In some parts of certain organizations this may in fact be formalized, as goods are transferred between separate parts of the organization at a `transfer price'. To all intents and purposes, with the possible exception of the pricing mechanism itself, this process can and should be viewed as a normal buyer-seller relationship. The fact that this is a captive market, resulting in a `monopoly price', should not discourage the participants from employing marketing techniques.

Less obvious, but just as practical, is the use of `marketing' by service and administrative departments; to optimize their contribution to their `customers' (the rest of the organization in general, and those parts of it which deal directly with them in particular). In all of this, the lessons of the non-profit organizations, in dealing with their clients, offer a very useful parallel.

4. Managerial Concerns

The channel decision is very important. In theory at least, there is a form of trade-off: the cost of using intermediaries to achieve wider distribution is supposedly lower. Indeed, most consumer goods manufacturers could never justify the cost of selling direct to their consumers, except by mail order. Many suppliers seem to assume that once their product has been sold into the channel, into the beginning of the distribution chain, their job is finished. Yet that distribution chain is merely assuming a part of the supplier's responsibility; and, if they have any aspirations to be market-oriented, their job should really be extended to managing all the processes involved in that chain, until the product or service arrives with the end-user. This may involve a number of decisions on the part of the supplier:

- Channel membership
- Channel motivation
- Monitoring and managing channels

5. Channel membership

- Intensive distribution - Where the majority of resellers stock the 'product' (with convenience products, for example, and particularly the brand leaders in consumer goods markets) price competition may be evident.
- Selective distribution - This is the normal pattern (in both consumer and industrial markets) where 'suitable' resellers stock the product.
- Exclusive distribution - Only specially selected resellers or authorized dealers (typically only one per geographical area) are allowed to sell the 'product'.

6. Channel motivation

It is difficult enough to motivate direct employees to provide the necessary sales and service support. Motivating the owners and employees of the independent organizations in a distribution chain requires even greater effort. There are many devices for achieving such motivation. Perhaps the most usual is `incentive': the supplier offers a better margin, to tempt the owners in the channel to push the product rather than its competitors; or a competition is offered to the distributors' sales personnel, so that they are tempted to push the product. Dent defines this incentive as a Channel Value Proposition or business case, with which the supplier sells the channel member on the commercial merits of doing business together. He describes this as selling business models not products.

7. Monitoring and managing channels

In much the same way that the organization's own sales and distribution activities need to be monitored and managed, so will those of the distribution chain. In practice, many organizations use a mix of different channels; in particular, they may complement a direct sales force, calling on the larger accounts, with agents, covering the smaller customers and prospects

In Section 5 of this course you will cover these topics: Promoting Products: Communication And Promotion Policy And Advertising Professional Sales Electronic Marketing: Internet Marketing, Database Marketing, And Direct Marketing
You may take as much time as you want to complete the topic coverd in section 5. There is no time limit to finish any Section, However you must finish All Sections before semester end date.
If you want to continue remaining courses later, you may save the course and leave. You can continue later as per your convenience and this course will be avalible in your area to save and continue later.

Promoting Products: Communication And Promotion Policy And Advertising

Topic Objective:

At the end of this topic student would be able to:

- Outline the six steps in developing effective communications.
- Define the ways of setting a total promotional budget: affordable, percentage-of-sales, competitive-parity, and objective and task methods
- Explain each promotional tooladvertising, personal selling, sales promotion, and public relationsand the factors in setting the promotion mix: type of product and market, push versus pull strategies, buyer readiness states, and product-life-cycle stage.
- Describe the major decisions in advertising, including setting objectives and budget; creating the advertising message; selecting advertising media; and choosing media types, vehicles, and timing, and evaluating advertising.

Definition/Overview:

Advertising: Advertising is a form of communication that typically attempts to persuade potential customers to purchase or to consume more of a particular brand of product or service.

Key Points:

1. Concepts behind Advertisements and Promotion

Many advertisements in hospitality industry are designed to generate increased consumption of those products and services through the creation and reinforcement of "brand image" and "brand loyalty". For these purposes, advertisements sometimes embed their persuasive message with factual information. Every major medium is used to deliver these messages, including television, radio, cinema, magazines, newspapers, video games, the Internet and billboards. Advertising is often placed by an advertising agency on behalf of a company or other organization.

Organizations that frequently spend large sums of money on advertising that sells what is not, strictly speaking, a product or service include political parties, interest groups, religious organizations, and military recruiters. Non-profit organizations are not typical advertising clients, and may rely on free modes of persuasion, such as public service announcements.

2. Types of advertising

Commercial advertising media can include wall paintings, billboards, street furniture components, printed flyers and rack cards, radio, cinema and television adverts, web banners, mobile telephone screens, shopping carts, web pop-ups, skywriting, bus stop benches, human billboards, magazines, newspapers, town criers, sides of buses, banners attached to or sides of airplanes ("logojets"), in-flight advertisements on seatback tray tables or overhead storage bins, taxicab doors, roof mounts and passenger screens, musical stage shows, subway platforms and trains, elastic bands on disposable diapers, stickers on apples in supermarkets, shopping cart handles (grabertizing), the opening section of streaming audio and video, posters, and the backs of event tickets and supermarket receipts. Any place an "identified" sponsor pays to deliver their message through a medium is advertising.

One way to measure advertising effectiveness is known as Ad Tracking. This advertising research methodology measures shifts in target market perceptions about the brand and product or service. These shifts in perception are plotted against the consumers levels of exposure to the companys advertisements and promotions. The purpose of Ad Tracking is generally to provide a measure of the combined effect of the media weight or spending level, the effectiveness of the media buy or targeting, and the quality of the advertising executions or creative

3. Global advertising

Advertising has gone through five major stages of development: domestic, export, international, multi-national, and global. For global advertisers, there are four, potentially competing, business objectives that must be balanced when developing worldwide advertising: building a brand while speaking with one voice, developing economies of scale in the creative process, maximizing local effectiveness of ads, and increasing the companys speed of implementation. Born from the evolutionary stages of global marketing are the three primary and fundamentally different approaches to the development of global advertising executions: exporting executions, producing local executions, and importing ideas that travel.

4. Budgeting for Promotional Activities

Promotion involves disseminating information about a product, product line, brand, or company. It is one of the four key aspects of the marketing mix. (The other three elements are product marketing, pricing, and distribution.)

Promotion is generally sub-divided into two parts:

- Above the line promotion: Promotion in the media (e.g. TV, radio, newspapers, Internet and Mobile Phones) in which the advertiser pays an advertising agency to place the ad
- Below the line promotion: All other promotion. Much of this is intended to be subtle enough for the consumer to be unaware that promotion is taking place. E.g. sponsorship, product placement, endorsements, sales promotion, merchandising, direct mail, personal selling, public relations, trade shows

The specification of these four variables creates a promotional mix or promotional plan. A promotional mix specifies how much attention to pay to each of the four subcategories, and how much money to budget for each. A promotional plan can have a wide range of objectives, including: sales increases, new product acceptance, creation of brand equity, positioning, competitive retaliations, or creation of a corporate image. The term "promotion" is usually an "in" expression used internally by the marketing company, but not normally to the public or the market - phrases like "special offer" are more common.

Professional Sales

Topic Objective:

At the end of this topic student would be able to:

- Explain the role and nature of personal selling.
- Describe the basics of managing the sales force, and tell how to set sales force strategy, how to pick a structureterritorial, product, customer, or complexand how to ensure that sales force size is appropriate.
- Identify the key issues in recruiting, selecting, training, and compensating salespeople.
- Apply the principles of personal selling process, and outline the steps in the selling processqualifying, pre approach and approach, presentation and demonstration, handling objections, closing, and follow-up.

Definition/Overview:

Sale: A sale is the pinnacle activity involved in selling products or services in return for money or other compensation. It is an act of completion of a commercial activity. The "deal is closed", means the customer has consented to the proposed product or service by making full or partial payment (as in case of installments) to the seller.

Key Points:

1. Seller and Owner

A sale is completed by the seller, the owner of the goods. It starts with consent (or agreement) to an acquisition or appropriation or request followed by the passing of title (property or ownership) in the item and the application and due settlement of a price, the obligation for which arises due to the seller's requirement to pass ownership, being a price the seller is happy to part with ownership of or any claim upon the item. The purchaser, though a party to the sale does not execute the sale, only the seller does that. To be precise the sale completes prior to the payment and gives rise to the obligation of payment. If the seller completes the first two above stages (consent and passing ownership) of the sale prior to settlement of the price the sale is still valid and gives rise to an obligation to pay.

2. The sales and marketing relationship

Marketing and sales are very different, but have the same goal. Marketing improves the selling environment and plays a very important role in sales. If the marketing department generates a potential customers list, it can be beneficial for sales. The marketing department's goal is increase the number of interactions between potential customers and the sales team using promotional techniques such as advertising, sales promotion, publicity, and public relations, creating new sales channels, or creating new products (new product development), among other things. In most large corporations, the marketing department is structured in a similar fashion to the sales department and the managers of these teams must coordinate efforts in order to drive profits and business success. For example, an "inbound" focused campaign seeks to drive more customers "through the door" giving the sales department a better chance of selling their product to the consumer. A good marketing program would address any potential downsides as well.

The Sales department's goal would be to improve the interaction between the customer and the sales facility or mechanism (example, web site) and/or salesperson. Sales management would break down the selling process and then increase the effectiveness of the discreet processes as well as the interaction between processes. For example, in many out-bound sales environments, the typical process is out bound calling, the sales pitch, handling objections, opportunity identification, and the close. Each step of the process has sales-related issues, skills, and training needs as well as marketing solutions to improve each discrete step, as well as the whole process.

One further common complication of marketing involves the inability to measure results for a great deal of marketing initiatives. In essence, many marketing and advertising executives often lose sight of the objective of sales/revenue/profit, as they focus on establishing a creative/innovative program, without concern for the top or bottom lines. Such is a fundamental pitfall of marketing for marketing's sake.

3. Marketing potentially negates need for sales

Some sales authors and consultants contend that an expertly planned and executed marketing strategy may negate the need for outside sales entirely. They suggest that by effectively bringing more customers "through the door" and enticing them to contact you, sales organizations can dramatically improve their results, efficiency, profitability, and allow salespeople to provide a drastically higher level of customer service and satisfaction, instead of spending the majority of their working hours searching for someone to sell to.

While this theory is present in a few marketing consulting companies the practical and realistic application of this principle has not been widely proven in the market and sales forces worldwide continue to be responsible for developing business as well as closing it.

Some marketing consulting firms postulate that each selling opportunity at each enterprise lies on a continuum of numbers of people involved, necessary degree of face-to-face interaction, overhead, and through-put time, to name a few dimensions. The number of people involved in actual face-to-face selling at, say, a clothing store is probably vastly different than at an on-line book-seller.

4. Sales and marketing alignment and integration

Another key area of conversation that has arisen is the need for alignment and integration between corporate sales and marketing functions. According to a report from the Chief

Marketing Officer (CMO) Council, only 40 percent of companies have formal programs, systems or processes in place to align and integration between the two critical functions. Traditionally, these two functions, as referenced above, has been largely segmented and left in siloed areas of tactical responsibility. In Glen Petersens book, The Profit Maximization Paradox, the changes in the competitive landscape between the 1950s and today are so dramatic that the complexity of choice, price and opportunities for the customer forced this seemingly simple and integrated relationship between sales and marketing to change forever. Petersen goes on to highlight that salespeople are spending approximately 40 percent of their time preparing customer-facing deliverables while leveraging less than 50 percent of the materials created by marketing, adding to the perception that marketing is out of touch with the customer, and sales is resistant to messaging and strategy.

5. Recruitment of Sales-force

At the heart of a successful sales-force operation is the selection of effective sales representatives. Most customers say they want sales representatives to be honest, reliable, knowledgeable, and helpful. The company should look for these traits when selecting candidates.

5.1 Sales-Force Compensation

Sales representatives would like income regularity, extra reward for an above-average performance, and fair payment for experience and longevity. The components of compensation might be: a fixed amount, a variable amount, expenses, and fringe benefits.

6. Sales Force Structure and Size: The sales-force structures commonly used in the hospitality industry today are: Territorial-Structured Sales Force, Market-Segment-Structured Sales Force, Market-Channel-Structured Sales Force, Customer-Structured Sales Force, and Combination-Structured Sales Force.

6. 1 Territorial-Structured Sales Force is the designation of an exclusive territory in which the salesperson represents the companys whole line of products. This is most appropriate for single product lines in one industry and many customers. In designing territories, the company seeks certain territorial characteristics. Territories are easy to administer, their sales potential is easy to estimate, they reduce total travel time, and they provide a sufficient and equitable workload and sales potential for each sales representative. These characteristics are achieved through deciding on territory size and shape.

Territory size can be designated to provide either equal sales potential or equal workload. Differences in sales yield by territory are assumed to reflect differences in ability or effort of the representative. Territory shape is often used by airlines, cruise lines and corporate level hotel chains. Here, the territory is designed to help influence the cost and ease of coverage and the sales representatives job satisfaction.

6.2 Product-Structured Sales Forces: Company structures its sales force along with product line due to the importance of sales representatives knowing their products.

6.3 Market-Segment-Structured Sales Force is often used by hotels. Here, the market is broken down into different segments, such as corporate, transient, and conventions sales; or into different industries, such as conventions and trade shows. Market-Channel-Structured Sales Force addresses the importance of marketing intermediaries such as wholesalers, tour operators, and travel agencies.

Customer-Structured Sales Force recognizes that some customers are more critical and valuable to the success of the organization and organizes salespeople by customer levels for large, medium and small. These allow national accounts special attention by more experienced salespersons.

6.4 Combination-Structured Sales Force categorizes the sales force into combination segments by product, market segment, market channel, and customer. This is often a reaction to internal and marketing forces rather than the proactive stance of strategic planning. Proponents of such a sales force feel that it encourages the sales force to reach all or most available customers. Opponents of this system feel that in many cases this sales force structure indicates that the hotel is trying to be all things to all people in the absence of long-run goals and strategies.

Regardless of which structure is used by a hotel or resort, there is a particular market segment that is neglected by many North American hoteliers: local markets. A sales manager must be aware of the local market and develop a sales-force structure appropriate for penetrating this market.

Electronic Marketing: Internet Marketing, Database Marketing, And Direct Marketing

Topic Objective:

At the end of this topic student would be able to:

- Describe the relationship between Internet marketing, database marketing and direct marketing.
- Evaluate a companys web site and comment on its marketing potential.
- Describe how to set up an effective database.
- Discuss the growth e-mail marketing.
- Understand how databases can be used to develop direct marketing campaigns.

Definition/Overview:

Internet Marketing: Electronic or Internet marketing, also referred to as web marketing, online marketing, or eMarketing, is the marketing of products or services over the Internet.

Key Points:

1. Benefits of Electronic Marketing

The Internet has brought many unique benefits to marketing, one of which being lower costs for the distribution of information and media to a global audience. The interactive nature of Internet marketing, both in terms of providing instant response and eliciting responses, is a unique quality of the medium. Internet marketing is sometimes considered to have a broader scope because it refers to digital media such as the Internet, e-mail, and wireless media; however, Internet marketing also includes management of digital customer data and electronic customer relationship management (ECRM) systems.

Internet marketing ties together creative and technical aspects of the Internet, including design, development, advertising, and sales. Internet marketing does not simply entail building or promoting a website, nor does it mean placing a banner ad on another website. Effective Internet marketing requires a comprehensive strategy that synergizes a given company's business model and sales goals with its website function and appearance, focusing on its target market through proper choice of advertising type, media, and design.

Internet marketing also refers to the placement of media along different stages of the customer engagement cycle through search engine marketing (SEM), search engine optimization (SEO), banner ads on specific websites, e-mail marketing, and Web 2.0 strategies. In 2008 The New York Times working with comScore published an initial estimate to quantify the user data collected by large Internet-based companies. Counting four types of interactions with company websites in addition to the hits from advertisements served from advertising networks, the authors found the potential for collecting data upward of 2,500 times on average per user per month.

2. Differences from traditional marketing

The targeted user is typically browsing the Internet alone, so the marketing messages can reach them personally. This approach is used in search marketing, where the advertisements are based on search engine keywords entered by the user. And now with the advent of Web 2.0 tools, many users can interconnect as "peers"

2.1. Appeal to specific interests

Internet marketing and geo marketing places an emphasis on marketing that appeals to a specific behavior or interest, rather than reaching out to a broadly-defined demographic. "On- and Off-line" marketers typically segment their markets according to age group, gender, geography, and other general factors. Marketers have the luxury of targeting by activity and geo-location. For example, a kayak company can post advertisements on kayaking and canoing websites with the full knowledge that the audience has a related interest.

Internet marketing differs from magazine advertisements, where the goal is to appeal to the projected demographic of the periodical. Because the advertiser has knowledge of the target audiencepeople who engage in certain activities (e.g., uploading pictures, contributing to blogs) the company does not rely on the expectation that a certain group of people will be interested in its new product or service.

2.2. Advantages

Internet marketing is relatively inexpensive when compared to the ratio of cost against the reach of the target audience. Companies can reach a wide audience for a small fraction of traditional advertising budgets. The nature of the medium allows consumers to research and purchase products and services at their own convenience. Therefore, businesses have the advantage of appealing to consumers in a medium that can bring results quickly. The strategy and overall effectiveness of marketing campaigns depend on business goals and cost-volume-profit (CVP) analysis.

Internet marketers also have the advantage of measuring statistics easily and inexpensively. Nearly all aspects of an Internet marketing campaign can be traced, measured, and tested. The advertisers can use a variety of methods: pay per impression, pay per click, pay per play, or pay per action. Therefore, marketers can determine which messages or offerings are more appealing to the audience. The results of campaigns can be measured and tracked immediately because online marketing initiatives usually require users to click on an advertisement, visit a website, and perform a targeted action. Such measurement cannot be achieved through billboard advertising, where an individual will at best be interested, then decide to obtain more information at a later time.

Internet marketing as of 2007 is growing faster than other types of media. Because exposure, response, and overall efficiency of Internet media are easier to track than traditional off-line mediathrough the use of web analytics for instance Internet marketing can offer a greater sense of accountability for advertisers. Marketers and their clients are becoming aware of the need to measure the collaborative effects of marketing (i.e., how the Internet affects in-store sales) rather than siloing each advertising medium. The effects of multichannel marketing can be difficult to determine, but are an important part of ascertaining the value of media campaigns.

3. Limitations of Internet Marketing

Internet marketing requires customers to use newer technologies rather than traditional media. Low-speed Internet connections are another barrier: If companies build large or overly-complicated websites, individuals connected to the Internet via dial-up connections or mobile devices may experience significant delays in content delivery.

From the buyer's perspective, the inability of shoppers to touch, smell, taste or "try on" tangible goods before making an online purchase can be limiting. However, there is an industry standard for e-commerce vendors to reassure customers by having liberal return policies as well as providing in-store pick-up services. A survey of 410 marketing executives listed the following barriers to entry for large companies looking to market online: insufficient ability to measure impact, lack of internal capability, and difficulty convincing senior management.

4. Effects on industries

Internet marketing has had a large impact on several previously retail-oriented industries including music, film, pharmaceuticals, banking, flea markets, as well as the advertising industry itself. Internet marketing is now overtaking radio marketing in terms of market share. In the music industry, many consumers have been purchasing and downloading music (e.g., MP3 files) over the Internet for several years in addition to purchasing compact discs. By 2008 Apple Inc.'s iTunes Store has become the largest music vendor in the United States. Internet marketing has had a growing impact on the electoral process. In 2008 candidates for President heavily utilized Internet marketing strategies to reach constituents. During the 2007 primaries candidates added on averaged over 500 social network supporters per day to help spread their message. President-elect Barack Obama rose over US$1 million in a single day during his extensive Democratic candidacy campaign, largely due to online donors.