

School of Business

Course Code : SOBO1001

Course Name: Hospitality Services Sales & Marketing

Marketing Hospitality Services

Reference:

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3	Hotel & Food Service Marketing- Francis Buttle
4	Marketing Hospitality, By Cathy H.C. Hsu and Tom Powers Published By Wiley
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Marketing Hospitality Services



What is the meaning of HOSPITALITY?

Hospitality is the act of kindness in welcoming and looking after the basic needs of guests or strangers, mainly in relation to food, drink and accommodation.

A contemporary explanation of Hospitality refers to the relationship process between a guest and a host.

Hospitality marketing is unique because it deals with the tangible product, like a bed in the hotel or food in the restaurant, but it also deals with the intangible aspects of the hospitality and tourism industry.

It is about the experience in a trip and social status it brings eating in a fine-dining restaurant.

Hospitality Industry

Tourism Industry

*Institutional/
Welfare
Catering
e.g. Hospital
Catering*

*Commercial
Accommodation
Services
e.g. Hotels,
Guest Houses*

*Transportation
services
e.g. Car Rental,
Airlines*

Characteristics of Services

Intangibility

Inseparability

Variability

Perishability

Service Characteristics of Hospitality Marketing

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

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

Service Characteristics: Challenges for Hospitality Marketers & Relevant Suggestions

Service characteristic	Challenge for hospitality marketers	Suggestion
Intangibility	To reduce the feelings of uncertainty in consumers.	‘Tangibilize’ the intangible – to provide tangible evidence and images to customers to strengthen their confidence about the services before buying. For instance, a restaurant that offers family trips or food trial will provide clues to customers as to what to expect in terms of food and services.
Inseparability	To manage the provider-customer and customer-customer interactions.	Because providers and customers are likely to be part of the service experience, it is important to recruit the right people and to train providers and/or customers to understand the service delivery system. Additionally, providers should also try to manage their customers so that they do not cause dissatisfaction for others. For instance, certain restaurants in the USA targeting at couples or adult buyers have implemented a “no-kids are allowed” policy in their premises.

Service characteristic	Challenge for hospitality marketers	Suggestion
Variability	To manage the quality consistency.	<p>Good hiring and training procedures are more likely to increase quality consistency in the hospitality industry. Other options will be to standardize the service-performance process and to monitor the level of customer satisfaction periodically.</p>
Perishability	To manage the demand and supply levels.	<p><u>To manage the demand level:</u></p> <p>a) Use differential pricing to shift some demand from peak to off-peak periods. Example: Some hotels promote discount prices for weekdays only to manage their room demands.</p> <p>b) Cultivate non-peak demand. Example: Certain theme parks in Singapore have introduced night-time attractions and activities for this non-peak period.</p> <p>c) Have a reservation system to manage the demand level. Hotels, airlines, and restaurants use reservation systems extensively.</p>

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

The 7 Ps in a Marketing Mix

Traditional 4 Ps
(as prevalent in
manufacturing
economy)

1. Product

2. Place

3. Promotion

4. Price

Additional 4 Ps

(common in service economy to
account for the unique service
characteristics)

5. People

6. Process

7. Physical Evidence



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First P: Product

In the service industry like hospitality and tourism, what we offer in terms of product is largely intangible. In fact, in the hospitality industry, our products are mainly in the form of services, which make the product of the industry quite unique as compares to other industries. This is the experience and service that you have paid for, for example 1) Taking a vacation trip to Europe. Once the trip is over, you are unable to take the product away except the pleasant experience that lingers on.

2) This is the same when you go to a fancy restaurant you are not only buying the meal (Product) but also experience, the ambience, decor and the service that are provided by the restaurant.

Different Target Markets have Different Product/service Needs

Target Market

Hospitality Products/Services

Families

- Rooms with more space
- Reasonable rates or no extra rates for children
- Low cost recreational facilities
- Room with kitchen facilities
- Kiddies menus
- Colourful interior rooms
- In house doctors
- Baby sitting facilities
- All inclusive packages

Business Executives

- 24 hours room service
- Internet connection
- Business centre
- Airport pick up
- Conference room
- Quality service

Female travelers

- Safety is the primary concern
- Quiet floors
- Bathroom with good lighting for make up
- Hair dryers, iron boards, etc.
- Spa and health club

Retirees

- Clean and comfortable room, lounge areas, and public areas
- Rooms with two separate beds
- High safety and security measures
- Easy access rooms closer to elevators
- Elderly care facilities
- Large well lit rooms and non slippery floors

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

Customers rely on the brands of the product and service to give them a clue of the consistency in quality. Brands are defined as unique elements which can be identified easily with a product and set the product apart from the other competitors.

Many hospitality companies are easily recognized by the brand name for their products and services.

For example,

In the fast food sector, we normally come across with the international brand names such as McDonald's, Pizza Huts, KFC, etc.

Second P: Place

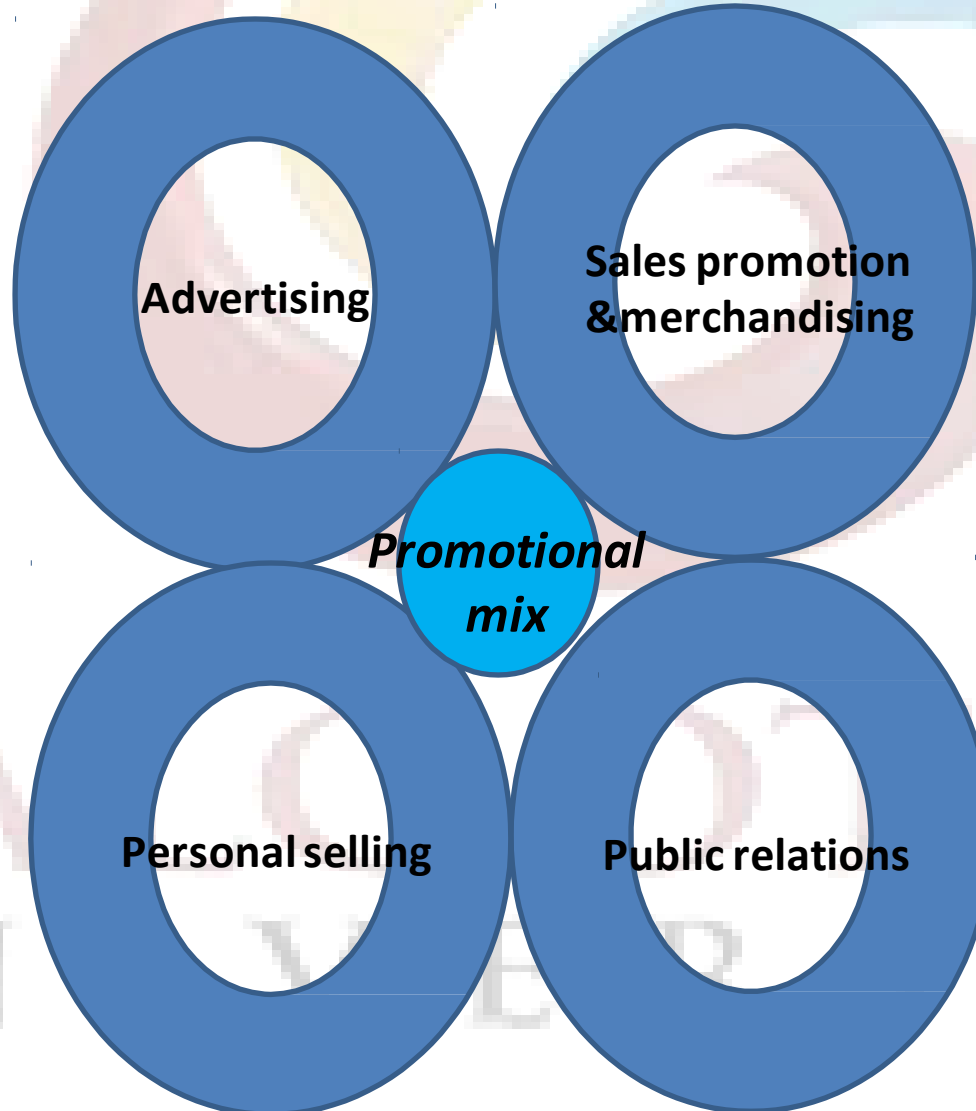
In the hospitality and tourism industries, one would often hear the expression of “location, location, location” which is critical to the business’s success.

There are many factors to consider when we determine the right location for our hotels, restaurants or theme parks. These factors include, accessibility, traffic pattern, supporting infrastructure, establishments (e.g. hospitals, schools, office buildings, residential and etc.) in the vicinity, demographics and income distribution of the people living in the area.

Moreover, location does not mean that it has to be stationary and permanent. Sometimes, the Place comes to your doorsteps, such are the cases of pizza or KFC delivery

Third P: Promotion

Promotional Mix



Advertising

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

Advertising is the communication to target markets that are paid for by hospitality companies. It ranges from television commercials, to radio and Internet advertisements, through print media such as newspapers and magazines, and billboards. The type of advertising that you use to promote your product will depend on your marketing budget.

Some types of advertising, like television commercials are very costly while other types like the company website on the Internet can be relatively cheap.

Advertising can be in the forms of advertisement in newspapers, magazines, billboards, sides of public transports (e.g. aero planes, taxi, buses, ferries), posters, TV commercials, radio, SMS (short message service), web banners, bus stop benches, wall paintings, printed flyers, shopping carts, you name it.

Sales Promotion

As part of the promotional mix, sales promotion is about short-term incentives to encourage the purchase or sales of a product or service.

There are two main kinds of promotional strategy: push promotions and pull promotions.

A push promotional strategy is the company makes use of its sales force to create consumer demand of a product.

On the other hand, pull promotional strategy is that the company needs to spend a lot on advertising to build up consumer demand for its product.

Different Promotions Tools Associated with Push Promotions

Point-of-sales (POS) displays

It is the display at the counter of quick service or fast food restaurants or as table tents in the restaurants. The main function of the display is to stimulate increased sales.

Example:

Include signs, banners to building exteriors, table tents displayed by hotels in the lobbies, restaurant outlets, room service menu, elevators and guest rooms.

Cooperative advertising

It is a joint marketing activities with selected intermediaries, it requires teamwork and advertising cost can be shared.

Example:

In hotels, cooperative opportunities are most likely to be hotel and transportation companies such as cruise lines, airlines, rail lines). For examples, Cathay Pacific Airway has the cooperative advertising with the Mandarin Oriental Kuala Lumpur to sell for a holiday

Advertising materials

Different forms of advertising require different advertising materials to be effective. There are different requirements and consideration for advertisement that are 2-dimensional versus those that are 3-dimensional. It depends on the company objective and advertising budget to decide different media of advertising.

Example:

Advertising materials that prepared for radio commercial may be different than the newspaper ad or TV commercial.

Traditional collateral material

It is mainly for printed version of advertisement.

Example:

Most companies use the promotional efforts such as brochures, flyers or directories to promote the company product offerings. There is usually a theme running through all the collateral material so that consumers can associate it and spot it every time they see the ad. In today's Information Age, companies also use the Internet to advertise. Electronic collateral material on their websites is where firms use Web-based promotions to communicate with current and prospective customers.

Special packages

This is common for tourist destination and or hotels industry.

Example:

Special packages offered by resorts, hotels, and convention centers to attract conferences and meetings with a large group of people. Normally, the

Different Promotions Tools Associated with Pull Promotions

Sampling

It is a give away of trial amount of a product to the customers, normally in small portion, and free of charge. It is commonly use in foodservice industry and it is a very efficient tool for promotion.

Examples:

Starbucks serves free samples of new product in the stores to seek for opinion from their customers.

Supermarkets often feature free samples of new products, so consumers are guaranteed risk-free of buying something they did not like.

Price reduction promotions

These occur when price is reduced for a limited time and this encourage trial and increase sales.

Examples:

Many resorts offer special rates during the low season to increase the volume.

A resort destination promotes getaway holiday packages with a special rates promotion with complimentary day tour and boat ride around the island.

Coupons

These are vouchers or certificates that offer the savings to customers and stimulate the customers to purchase the product. Some coupons are sent to customers by direct mail, some are placed in newspapers and magazines.

Example:

Coupons are widely used in the foodservice industry. For example, McDonald's offers a \$5-off cash coupon for every meal purchase to boost the sales.

Combination offers or bundling

It is the combination of two or more products or services and offering for a special rate. The cost for the combination offer is normally cheaper if bought separately.

Example:

Pizza Hut offers a family value combo meal with pizza, pasta and a Pepsi drink, or McDonald's and KFC offer a value meal with a sandwich, French fries and a drink for a price which costs cheaper than each item bought separately.

Premiums

It is the incentive to customers to buy the product by giving away free goods or offering at a reduced price. Customers need to make a purchase of the product in order to redeem for the premium.

For example, McDonald's offers that for every Happy Meal purchase, customer can add \$8 to redeem for the featured toy.

Contests and sweepstakes

It is a way to give customers a chance to win prizes, in the form of cash or even vacations. A contest is to encourage customers to make a purchase of the product and submit an entry to enter the contest.

On the other hand, sweepstakes requires entrants to fill in their names and addresses only. There is no extra work involve. Entrants can enter their forms as many times as they wish to increase the chances of winning the prizes. Winners are picked on the basis of chance, not skill.

Example:

One of the most popular sweepstakes has been the "McDonald's Monopoly instant-win " game-piece promotion and giving out instant prizes such as items from their menu and coupons.

3) Personal selling:

The sales force of a hotel may contact its corporate clients from time to time to promote hotel rooms, banquet service and/or meeting spaces. They also do cold calls to potential customers. They can also answer questions the clients may have and for better understanding of their products or services.

4) Public relations:

It is the communication that results from activities organized by a hospitality or travel organization which it does not directly paid for.

These include press releases, sponsorship deals, exhibitions, conferences, seminars or trade fairs and events.

Fourth P: Price

- Price is the monetary value that you charge to cover the cost of the product plus the other costs associated with the product, such as labor cost, promotional cost, etc., plus a profit.

Different Pricing Methods

Prices are determined by the customers demand

The price is not based on production costs, but by the demand in the market.

Example:

For some hotels, since their main target markets are business travelers, they find it difficult to fill up their rooms during weekends. As a demand-driven pricing technique, some hotels tend to offer weekend getaway package at a special rate to fill up the hotel rooms.

Value pricing

It is focus on the consumer's perception of good value for the money they pay for the product/service they receive.

Example:

Some people are willing to pay for \$5,000 a night at a five-star hotel for the elegant lobby, the luxurious-designed room and personalized service; however, some people are only willing to pay for \$500 a night at a hotel or a three star hotel just for a basic, clean room.

Negotiated pricing

It is often used in the hospitality industry. Price is open for negotiation, you may not have to pay for the fixed amount given the right timing.

Example:

A couple plans to have their wedding banquet at a hotel. With a budget of \$500 per guest, they may discuss with the caterer and negotiate for the menu items and service level they want at an agreeable price. Similarly some travelers like to bid for the lowest fare they can in Travelocity on the Internet for their last minute hotel rooms.

Quantity discounts

These are frequently given to customers who purchase a large amount of a product or service.

Example:

Each year, travel agencies will get discounts for group rates on hotel rooms, air-tickets as a promise for a pre-determined volume.

Cash discounts

They are given to the customers when they make a cash purchase for a product or service. The seller can use the money to invest and make money, which something the seller misses out on when allowing creditors a long time to pay.

Example:

In hospitality industry, suppliers often offer cash discount of up to 10% to companies for prompt payment of invoices, usually within 30 days.

Seasonal discounts

They are widely used by hotels, resorts and airlines, discounts are given during times when the demand is low.

Example:

Airlines offering off-season rates for air tickets during school year. The airfare is cheaper when compare to summer holiday where families travel with their school-aged children.

Two-part pricing

It is the two different components of the total price paid.

Example:

You have a membership for the club house of the apartment that you live. The membership fee usually consists of the initial fee as well as a fixed monthly dues to use the facilities.

Pricing by priority

It usually implies for those customers who are paying the most to be among the group of first priority.

Examples:

Airline ticket seats and concert tickets, where prices are initially high, but eventually will get lower as time approaches the take-off time or curtain time. The company would drop the prices may be considerably at the end so it can sell the remaining places or seats to last minute bargain-hunting travelers.

When iPod was first introduced in the market, the prices are much higher than it is now after mass production and new technology drive down the price.

Fifth P: People

We all know that hospitality industry is a people business, where service is provided by employees within the organization to their customers. People in the hospitality marketing mix means employees as well as customers.

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

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

For this reason, a company has to commit to training of employees and develop them professionally.

Sixth P: Process

- A tourist expects that his/her tour programme right from the beginning to the end of the programme should pass freely from stage to stage, without any hurdles.
- The management of service process aims at simplifying customer interactions and customer participation in the service process. The systems, policies, procedures, equipment, tools, people and other support services need to be customer friendly.
- The way the entire service environment responds to the customer needs and requirements reflects the efficiency of the process management.

Seventh P: Physical evidence

- The last element in the service marketing mix is a very important element. As said before, services are intangible in nature. However, to create a better customer experience tangible elements are also delivered with the service. Take an example of a restaurant which has only chairs and tables and good food, or a restaurant which has ambient lighting, nice music along with good seating arrangement and this also serves good food.
- By partnership with other tangible products or with companies with proven reputation of good quality, it would reduce the perceived uncertainty by customers and they would be more willing to try your offering.