part 1

INTRODUCTION TO HOSPITALITY MARKETING

Courtesy of The Breakers, Palm Beach, Florida.

Courtesy of Wyndham Worldwide.

chapter 1

The Functions of Marketing

Chapter Objectives

After studying this chapter, you should be able to:

1. Explain the importance of marketing to the success of a hospitality operation.
2. Define the term *marketing*.
3. Explain and diagram the marketing process.
4. Distinguish between the concepts of marketing and selling.
5. Outline in detail the traditional marketing mix and contrast it with the hospitality marketing mix.
6. List examples of external environments that influence the hospitality marketing process.
7. Describe the typical marketing management cycle.
8. Identify the marketing-related roles fulfilled by internal departments of a hospitality operation.

Chapter Outline

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Questions for Review and Discussion

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1. What are the major components or duties associated with your current position?

Ultimately, my role is to ensure that we are able to deliver four diamond *and more* service through training our team members and developing programs that allow them to grow their careers. The education piece includes the facilitation of manager workshops throughout the company. We facilitate several FranklinCovey workshops, including Stephen R. Covey's *The 7 Habits of Highly Effective People* and *The 4 Disciplines of Execution*, which our executive committees and managers across the company attend. In addition, we develop and facilitate our own management and hourly workshops, designed to reinforce our company culture, share basic skills, and ensure that our team members are able to deliver our brand promise. Maintaining, measuring, and monitoring adherence to our standards is also a big component of the role—every position and every task each position performs has service standards associated with it.

For management development we meet individually with managers at all properties who are interested in growing with Loews and relocating from one hotel to another. Participants work with their managers to develop a personal career development action plan. With the information discussed during our session, we look to match each manager with open positions throughout the company. Over the past two years, with the implementation of our career development program, we have seen internal management promotions increase from 32.9 percent to 52.5 percent. We also oversee the program for our high-potential managers. This program allows them to work on additional projects through the year, preparing them for their next role. One on one time is spent with each of them to create a plan, touch base throughout the year, and evaluate the final portfolio each creates to document the managers' projects for the year.

2. What are the components of your position that bring you the most satisfaction? What about your position causes you frustration?

I guess it's pretty much a cliché to say people—but in this field it's all about seeing someone reach their goal and hearing how excited or proud they are of their accomplishment. I enjoy taking my ten-plus years of hotel operations experience and using it to help managers throughout the company. Whether I am sharing Covey principles or company culture, having real-life hotel experiences that I can share to help others better understand or get excited about a concept is very rewarding. Great satisfaction comes from seeing people make the connection—the light goes on, that "Aha, now I get it!" Follow-up e-mails and phone calls from the people out at the properties after a workshop or seeing a familiar face in a new position and hotel makes all the traveling worthwhile!

The greatest frustration for me is that there is simply never a good time to train—it's either too busy or too slow. Unfortunately, training is oftentimes seen as an unnecessary cost—a luxury, especially if the economy takes a turn down. Usually, the red line goes through training dollars as soon as times get tough. A couple of months down the line, when managers are wondering why the guest satisfaction scores are lower, you just have to bite your tongue and ask what you can do to help. Failing to make that investment can lead to an apathetic staff providing average service at best. It is easy to forget that training, even in small doses every day, helps energize the team—when employees see the investment being made in them, they put in extra effort to deliver the standards and exceed our guest expectations.

3. What are the most challenging aspects you're facing?

Fewer and fewer managers are willing to relocate to another city, which makes it difficult as we look to grow the brand. The best way to ensure the company culture comes to life at a new hotel is by having Loews managers in key positions. Once upon a time, to grow with a company you had to be willing to go anywhere the company asked you to, but times have changed, and people are looking more and more to stay close to home. It can be difficult to keep a high-potential manager who isn't interested in relocating challenged in his or her current position until an opportunity comes available. As an organization, we need to find ways to encourage people to relocate and make it easier and more attractive to do so.

4. What major trends do you see for your segment of the hospitality and tourism industry?

In training we are seeing more and more blended learning adding Web-based and virtual training to the traditional classroom training. The hospitality industry isn't always on the cutting edge of technology so, while other industries set trends, we tend to follow a few years behind. The nature of our industry is one where many team members attending workshop do not have access to computers, so we'll always have a need for traditional classroom instruction. That being said, with different generations in the workplace today, we need to constantly evaluate what available tools and technology we could better use to engage the younger generations.

5. What role does marketing play within your company?

In the training world we work to market our programs to our internal guests—our managers and team members. Developing our team members is part of our brand promise, so our department is charged with making that a reality. Our new-hire orientation program ensures that all new team members are given the proper tools to succeed. We show them from day one that we are committed to their success. Each of our programs is marketed on the property to encourage attendance and reinforce the importance of continuing education throughout one's career.

Training and education does play an outside marketing role as well. We are recognized on *Training* Magazine's Top 125 Training Companies. When preparing a presentation to potential investment partners or hotel owners, our vice president of development includes this honor and an overview of our different education and development programs, as well as the measurement tools we have in place to ensure that our standards are being upheld throughout the company. While financial results certainly play a major role in an owner's decision, many companies may offer a similar return—our investment in our team members can be what makes us unique.

6. If you could offer one piece of advice to an individual preparing for a career in the hospitality and tourism industry, what would you suggest?

Be proactive and take responsibility for your career—now. There's no substitute in this business for hands-on experience—think of it as the hospitality school of life. That experience can be what separates you from your peers. Worse yet, don't wait until a required internship to find that this industry isn't for you. You've got to have a passion for what you do—to love the service business and taking care of people. Be willing to put in the energy and effort right from the beginning so that you can stand out from the rest of the graduates just starting out on their careers.

INTRODUCTION TO MARKETING

In recent years, most of the growth in the hospitality industry has occurred in chain operations or in the industry's corporate segment. The hospitality industry leaders, such as Marriott International, Hyatt, Hilton, McDonald's, Subway, Choice International, and Starwood Lodging, continue to increase their share of the market at the expense of smaller chains and independent operators. While independent operators have continued to prosper, especially in the food service sector, the marketplace is much more competitive. An increased level of competition has meant greater emphasis on marketing. No longer is it possible for an individual to open and operate a food service facility successfully on good food alone. To ensure a steady flow of customers, a hospitality manager must possess a thorough understanding of marketing. Without the marketing management skills the hospitality industry demands, a hospitality manager is less likely to achieve success today. With this continual change and increased competition, what are the marketing functions that a successful hospitality manager must fulfill? This chapter introduces basic marketing definitions and concepts, including the marketing mix, the marketing environment, the marketing management cycle, and the role of marketing within the operation of a hospitality and tourism organization.

Marketing

Marketing encompasses merging, integrating, and controlling supervision of all company's or organization's efforts that have a bearing on sales.

Marketing Defined

The term **marketing** encompasses many different activities, and it is necessary to discuss some of the terms used in the definition of marketing, and throughout the text. First, the term **product** refers to all of the goods and services that are bundled together and offered to consumers. For example, computers and automobiles are sold as tangible goods, but they include warranties and service contracts as part of the overall product. Therefore, the term **product** refers to both goods and services, but it is often thought of as a good or commodity. Nearly every product sold includes both tangible and intangible elements. Another term that is used to refer to the product as a bundle of goods and services, and eliminate the confusion, is the **product–service mix**.

Product

The goods and services that are bundled together and offered to consumers.

Product–service mix

A bundle of goods and services offered by an organization.

A **service** is defined as an intangible product that is sold or purchased in the marketplace. A meal purchased at a fast-food restaurant or an occupied room in a hotel is considered a part of the service segment. Why? Simply stated, after the meal is consumed and paid for or after the individual checks

Service

An intangible product that is sold or purchased in the marketplace.

out of the hotel, the individual leaves the facility and does not have a tangible product in exchange for the money spent. This individual has consumed a service that is a part of the hospitality and travel industry, one of the largest service industries.

Each year, millions of individuals spend billions of dollars vacationing and traveling for business and pleasure; when the trip is over, nothing tangible remains. To more clearly reflect the role of service industries, such as the hospitality and tourism industry, the definition of marketing can be expanded to include references to services. This will eliminate the confusion caused by the semantic differences between products, goods, and services, discussed earlier. According to the American Marketing Association, "Marketing is an organizational function and a set of processes for creating, communicating, and delivering value to customers and for managing customer relationships in ways that benefit the organization and its stakeholders.[1]

The vast majority of hospitality establishments, however, are operated to generate a satisfactory return on investment in the form of profits or excess revenue. These profits are used to pay dividends to stockholders and are reinvested by the organization to promote expansion and further development. Even nonprofit hospitality operations, such as selected hospitals, nursing homes, college or university hospitality operations, and government-run hospitality operations must be concerned with marketing. Managers of nonprofit operations must still understand the wants and needs of their consumers and provide goods and services at a satisfactory level to as many individuals as possible. A universal concern of all hospitality managers is the financial condition of the organization. Whether a manager is trying to achieve a 20 percent annual return on investment (ROI) or is instead aiming to break even on a very limited budget, the overriding concern is still financial.

Another factor that any definition of marketing must include is a focus on the exchange that takes place between a producer and a consumer. In order for an exchange to take place, both parties must receive something they are satisfied with. In most cases, consumers give producers money in exchange for products and services that meet the consumers' wants and needs. However, the exchange can include anything of value to the parties. Before there was a monetary system, people would **barter**, or exchange goods and services rather than money. There are still companies that engage in bartering today. For example, PepsiCo chose to exchange its soft drink product with a company in Mexico for wine and other products to avoid incurring the foreign exchange risk associated with the peso, which was devalued at the time.

Barter

A process of exchanging goods and services rather than money.

Marketing concept

The marketing concept is based on the premise that firms determine customer wants and needs, and then design products and services that meet those wants and needs, while also meeting the goals of the firm.

Marketing mix

The first layer around the target market, or consumers, is referred to as the marketing mix. The marketing mix has four components: price, product, place, and promotion, which are often called the four P's of marketing. Managers can control those variables.

The Marketing Process

The process of marketing can be best understood by examining the diagram presented in Figure 1.1. As you can see, the target market, or those groups of consumers that the firm chooses to target with its marketing efforts, is at the center of the process. The **marketing concept** is based on the premise that firms determine customer wants and needs and then design products and services that meet those wants and needs while at the same time meeting the goals of the firm. This concept is an extension of earlier concepts that focused on the production process as a means to design products and services, or the selling of already produced products and services. Today, most firms realize the value of customer input in the new product design process. Chapter 2 looks at the issues unique to marketing services, Chapter 3 focuses on the behavior of hospitality consumers, and Chapter 4 discusses the process of choosing target markets and positioning products in the market.

In Figure 1.1 the first layer around the target market, or consumers, is referred to as the **marketing mix**. The marketing mix has four components: price, product, place, and promotion. These are often referred to as the four P's of marketing, and they are the variables that managers can control. Firms will manipulate the marketing mix variables to formulate strategies that are

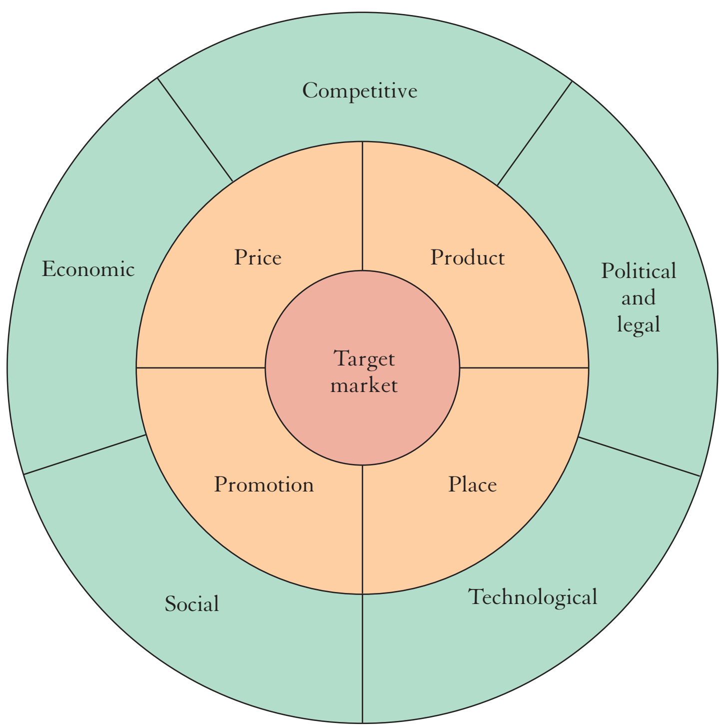

FIGURE 1.1 • *The marketing mix.*

combined in a **marketing program** for a product or service. This program is the basis on which the firm's products and services compete with the offerings of other firms in the competitive environment. The marketing mix will be discussed in more detail later in this chapter. The product component is covered in Chapters 7 and 8, the place (distribution) component is covered in Chapters 9 and 10, the promotion component is covered in Chapters 11 through 15, and the price component is covered in Chapter 15.

The outside layer of the diagram represents the **external environments** that influence the marketing process. The state of the economy, trends in society, competitive pressures, political and legal developments, and advances in technology all affect the performance of a product or service. Firms cannot control these environments, but they must monitor the changes and trends in the respective environments and look for opportunities and threats. Later in this chapter, the different environments and some of the current trends that affect hospitality and travel firms will be examined in more detail.

Firms must continually monitor environments and make changes in their marketing programs. The **marketing management cycle** involves marketing planning, marketing execution, and marketing evaluation. This cycle is discussed briefly in this chapter, and Chapter 5 covers the marketing planning process in depth. To be successful in marketing planning, firms need to conduct research and collect information that can be used to evaluate their programs. Chapter 6 discusses the **marketing research process** used to gather information to be stored in **marketing information systems** and used to make marketing decisions.

Marketing program

Firms will manipulate the marketing mix variables (e.g., price, product, place, and promotion) to formulate strategies for a product or service that are used to form a marketing program.

External environments

The environments that influence the marketing process. The state of the economy, trends in society, competitive pressures, political and legal developments, and advances in technology reflect external environments and affect the performance of a product or service.

Marketing management cycle

The marketing management cycle involves marketing planning, marketing execution, and marketing evaluation.

Marketing research process

A process used to collect information about consumers and markets.

Marketing information systems (MIS)

The structure of people, equipment, and procedures used to gather, analyze, and distribute information used by an organization to make a decision.

The Emergence of the Marketing Concept

If a hospitality organization is to market its product–service mix successfully, it is essential that the marketing concept be thoroughly understood and fully implemented. Understanding the marketing concept is not difficult, but implementing it may prove to be very challenging for management. Simply stated, the marketing concept is a consumer-oriented philosophy that focuses all available resources on satisfying the needs and wants of the consumer, thereby resulting in profits. As an old rhyme states, "To sell Jane Smith what Jane Smith buys, you've got to see things through Jane Smith's eyes."

Clearly, it is difficult to sell something to someone who has no need for it. If the firm adopts a consumer-oriented marketing philosophy, however, the product–service mix will be designed in direct response to unsatisfied consumer needs. As a result, very limited actual selling will be necessary. In such instances, supply and demand are in balance, and both the consumer and the hospitality providers are satisfied.

Table 1.1 illustrates the two different philosophies of the marketing concept that are often practiced in the hospitality and tourism industry. One demonstrates the actions of a manager who applies the marketing concept; the other demonstrates actions that are not consistent with the marketing concept. The key question to ask when trying to distinguish between the two approaches is whether consumers are given priority, or whether the operation is run to suit the needs of the employees, management, or owners.

A manager of a hospitality operation has a difficult series of daily challenges. First, a manager is expected to successfully satisfy the needs of the hospitality consumers. Second, the owners expect a manager to maintain the level of expenses within certain predetermined limits that are usually defined in actual dollars or as a percentage of sales. Third, a manager is expected to generate a satisfactory return on investment (ROI) for the owners.

This return might be the break-even point in a nonprofit operation or a 10, 15, or 20 percent rate of return in a commercial operation. Whatever the expected return, a manager is faced with a series of difficult objectives to achieve, and these objectives often conflict with one another. Even in the most successful companies, there are limited resources that must be used to accomplish seemingly unlimited goals and objectives. Regardless of how well the company has performed in the past, owners and senior management will always expect a little more in the future. Guests develop ever-increasing expectations for all aspects of the product–service mix. Owners want increased profits, and the employees want a little more each year. The manager's task is to balance the three objectives mentioned in the preceding paragraph. Managers often view profitability as the single most important objective of the firm. Yet for the long-term financial well-being of the firm, profits may not be the most important objective. It is quite possible, as many shortsighted owners and managers have demonstrated, to achieve high levels of short-term profitability at the expense of long-term consumer satisfaction and long-term profits. After a period of time, however, consumers will perceive that they are not receiving a high level of value for their money, and the operation will develop a reputation for being overpriced and/or offering poor service. As a result, the number of patrons is likely to decline, and so will profitability.

By contrast, if management establishes a consumer orientation and places customer satisfaction as the number one priority, the firm's products and services are more likely to meet customers' expectations. As a result, they will return more frequently to the hospitality operation, and this will have a positive influence on long-term sales and profits. In addition, by telling their friends and

DECISIONS	WHEN THE MARKETING CONCEPT IS APPLIED	WHEN THE MARKETING CONCEPT IS NOT APPLIED
Menu design	"Let's conduct focus group interviews using our current and target market customers to determine which potential new menu items we should add to our menu."	"Let's add two steaks to the menu; that's what I like to eat."
Pricing	"How do you think our guests will perceive the price value of our new weekend package if we increase the price by 5 percent?"	"Let's increase the price by 5 percent; that's what we did last year."
Guest service	"I'm very sorry that you had to wait 20 minutes for your breakfast this morning. May I offer you a complimentary breakfast today, or would you like the credit applied toward your breakfast tomorrow?"	"I'm sorry you had to wait, but we were short-handed today. One of the servers called in sick."
Guest requests	"We don't have any rooms with a king bed available at this time, but I can have one ready for you in 30 minutes. Can I have the bell staff check your bags until then?"	"We don't have any rooms with a king bed left. You'll have to take a room with two double beds."
Reactions to negative guest comments	"That is a very good idea. I'll talk about it at our staff meeting tomorrow and see if we can use your suggestion to improve service. Thanks for suggesting that."	"Your idea isn't feasible, and besides, it's against our policy."

TABLE 1.1 • *Marketing Concept Philosophies*

Word of mouth
A spoken communication that portrays either positive or negative data.

acquaintances about their positive experiences, satisfied consumers are likely to influence others to patronize the establishment. This **word of mouth** passed on by satisfied customers can become a very important part of a firm's promotional efforts. It doesn't cost anything, yet it can be a very powerful influence on sales, and as sales increase, so does profitability. Experience shows that when the marketing concept is understood and applied by all of a firm's employees, substantial changes have often been made in the establishment's manner of operation, and the financial results have often been improved significantly.

Marketing versus Selling

Many hospitality managers engage in activities that they incorrectly refer to as marketing. Many people confuse advertising or personal selling with marketing. Although such activities are without question a part of the marketing function, alone and unsupported they cannot be referred to as marketing. Marketing refers to the entire process that is illustrated in Figure 1.1. Advertising and personal selling are merely forms of promotion, and promotion is just one component of the marketing mix. Managers engaging in activities of this type are merely attempting to sell their products and services.

The product–service mix is composed of all the tangible and intangible products and services that make up a hospitality operation. The product–service mix includes the food, beverages, guest rooms, meeting facilities, tabletop appointments, and personal attention by service personnel, as well as a host of other tangibles and intangibles. Advertising or personal selling performed alone focuses only on the hospitality operation's product–service mix, and the goal is to convince the consuming public to purchase and consume a portion of the product–service mix. Little consideration is given to the needs and wants of the consuming public; instead, the hospitality manager is hoping that a sufficient number of consumers will patronize the operation to allow the operation to achieve its financial objectives.

The hospitality and tourism industry, especially the foodservice segment, is filled with examples of operations that have failed because the owners created operations they liked or "always wanted to operate," yet the owners and managers failed to consider fully the needs and wants of potential consumers. The results are predictable: low volume, poor sales revenue, and frequent bankruptcy. Because this mistake is so prevalent in the foodservice segment, restaurants have one of the highest failure rates of any type of business in the United States. In some instances, the failure rate of new independently owned restaurants may reach 90 percent in the first 12 months of operation.[2]

The difference between selling and marketing is very simple. **Selling** focuses mainly on the firm's desire to sell products for revenue. Salespeople and other forms of promotion are used to create demand for a firm's current product(s). Clearly, the needs of the seller are very strong. Marketing, however, focuses on the needs of the consumer, ultimately benefiting the seller as well. When a product or service is truly marketed, the needs of the consumer are considered from the very beginning of the new product development process, and the product–service mix is designed to meet the unsatisfied needs of the consuming public. When a product or service is marketed in the proper manner, very little selling is necessary because the consumer need already exists and the product or service is merely being produced to satisfy the need.

Selling

In contrast to marketing, selling focuses mainly on the firm's desire to sell products, and to a lesser extent on the needs of the potential buyer.

A brief example will illustrate the critical difference between selling and marketing. If you had asked many successful hospitality owners in the middle 1980s if they thought that an operation specializing in coffee and tea beverages, as well as baked pastries, sandwiches, salads, musical CDs, and a retail coffee selection, made available in a casual atmosphere in which customers could relax and enjoy conversation, could be successful, many would not have been positive. They might have provided many reasons that the concept could not work, or could not be scaled to multiple units. How wrong they might have been. What began as a single Starbucks™ in 1971 located in Seattle has grown significantly. Today, Starbucks™ has 6,566 company-owned stores and 3,729 licensed stores that operate in more than 40 countries.

Table 1.2 illustrates the growth that Starbucks™ has enjoyed.

YEAR	NUMBER OF STORES
1990	84
1995	677
2000	3,501
2005	10,241
2006	12,440
	Source: http://www.starbucks.com/aboutus/Company_Timeline.pdf

TABLE 1.2 • *Starbucks Growth*

To remain competitive, hospitality organizations must keep up with the ever-changing market. Courtesy of The Melting Pot.

THE MARKETING MIX

Marketing managers have used the term *marketing mix* for a long time. The concept of the marketing mix has gained universal acceptance. It is important for hospitality marketing students to understand this concept, both conceptually and strategically. This section outlines the major components of the traditional marketing mix, and the next section covers the hospitality marketing mix that was offered as an alternative for the industry. We will explain the similarities and differences between the two approaches. A successful hospitality organization is one that focuses on the needs and wants of the consumers and markets the product–service mix of the operation. Management of this type of operation involves integrating the components of the marketing mix into a marketing program that will appeal to potential consumers and meet the goals and objectives of the firm. The following sections will introduce the components of the marketing mix, which will be discussed in more detail in Chapters 7 to 14.

The Traditional Marketing Mix

The marketing mix, many believe, consists of four elements, often called the four P's of marketing:

PRICE. The **price** component refers to the value placed by a firm on its products and services. Some of the decisions involve pricing the product line, discounting strategies, and positioning against competitors.

PRODUCT. This component refers to the unique combination of goods and services offered by a firm to consumers. The product includes both the tangible and intangible elements of the service offering. Product decisions involve product attributes such as quality, the breadth and mix of the product line (i.e., the number and type of products and services offered by a firm), and services such as warranties and guarantees.

PLACE. The **place** component refers to the manner in which the products and services are being delivered to consumers. This component is sometimes referred to as **distribution**, and it involves decisions related to the location of facilities and the use of intermediaries. In addition, the marketing of services includes the decision regarding customer involvement in the production process.

PROMOTION. This component refers to the methods used to communicate with consumer markets. The **promotion mix** includes advertising, personal selling, sales promotions (e.g., coupons, rebates, and contests), and publicity. These are the vehicles that can be used to communicate the firm's intended messages to consumers. The decisions for promotion involve the amount to be spent on each component of the promotion mix, the strategies for each of the components, and the overall message to be sent.

Price

Price refers to the value placed by a firm on its products and services.

Place

This component, sometimes called distribution, refers to the manner in which the products and services are being delivered to consumers. It involves decisions related to the location of facilities and the use of intermediaries.

Distribution

The manner in which the products and services are being delivered to consumers. It involves decisions related to the location of facilities and the use of intermediaries.

Promotion mix

The basic elements include advertising, personal selling, sales promotion, and public relations. All of the elements are equally important.

Hospitality firms use the elements of the marketing mix to establish a competitive position in the market. Courtesy of Red Lobster Restaurants, Orlando, Florida.

To achieve success in marketing a hospitality operation, a manager must closely examine and understand all of the components of the marketing mix. To be successful, these components must be combined into well-conceived marketing programs and managed properly. There is no magical formula that will guarantee success. If there were, no hospitality operation would ever fail or go out of business. Yet each year, many hospitality operations fail because they are not able to combine the elements of the marketing mix into effective marketing programs, or they fail to implement them properly.

The Hospitality Marketing Mix

Hospitality marketing mix

Hospitality marketing mix consists of five components: product–service mix, presentation mix, communication mix, pricing mix, and distribution mix.

Just as researchers have demonstrated distinct differences between goods and services, some researchers believe that the traditional four P's approach to the marketing mix does not apply to the hospitality industry. Rather, a modified marketing mix is more appropriate. This **hospitality marketing mix** consists of five components:[3]

1. Product–service mix
2. Presentation mix
3. Communication mix
4. Pricing mix
5. Distribution mix

PRODUCT–SERVICE MIX. This is a combination of all the products and services offered by the hospitality operation, including both tangible and intangible elements. For example, it includes such things as the type of guest room, the amenities offered, and the broad array of elements offered to the consumer. Chapter 2 addresses further the unique nature of services. Keep in mind that once a hospitality consumer leaves the hotel or restaurant, there is nothing tangible to show. Because the consumer has purchased and consumed the service, the largest part of the hospitality industry product–service mix is indeed the intangible elements of service.

PRESENTATION MIX. This includes those elements that the marketing manager uses to increase the tangibility of the product–service mix as perceived by the consumer. This mix includes physical location, atmosphere (lighting, sound, and color), and personnel.

COMMUNICATION MIX. This involves all communication that takes place between the hospitality operation and the consumer. It includes advertising, marketing research, and feedback about consumer perceptions. The communication mix should be viewed as a two-way communication link, rather than as a simple one-way link with the hospitality operation communicating to the consumer. This two-way link allows for the traditional advertising and promotion that flow from the seller to the buyer, but it also allows for marketing research and other data collection vehicles. In these cases, the seller is seeking information and data from the consumer, thereby establishing open communication with the various market segments.

There are some similarities and differences between the traditional marketing mix and the hospitality marketing mix. In the hospitality version, the product component is expanded to include some aspects of distribution. People are part of the production process in services, and distribution occurs in the presence of the consumer. The communication mix is almost identical with the promotion component in the traditional marketing mix, although it does include some additional communications such as marketing research. Finally, the presentation mix represents the largest departure from the traditional marketing mix. It includes price and some of the aspects of the place component such as location, and it adds elements such as atmosphere and the personal contact between customers and employees.

PRICING MIX. In addition to the actual price a firm charges, the pricing mix encompasses the consumer's perception of value. The pricing mix includes such variables as volume discounts and bundling multiple products together for an overall discounted price. This bundling approach is used extensively by fast-food chains as a method to increase spending per customer.

DISTRIBUTION MIX. This includes all distribution channels available between the firm and the target market. Historically, distribution occurred at the point of production, such as the restaurant where the food was produced. This has changed since newer distribution channels, such as the Internet and e-Commerce have developed; the importance of the distribution mix has increased.

The marketing mix, whether designed in the traditional or modified hospitality services format, is an important concept for managers of marketing functions. Initially, the marketing mix is used to formulate a marketing strategy and plan (see Chapter 5), but it pervades all aspects of marketing management. Several external factors can reduce the effectiveness of the manager's efforts to successfully implement all the components of the hospitality marketing mix. These factors, which may have either direct or indirect influence, are consumer perceptions, attitudes, and behavior; industry practices and trends; local competition; broad national and international trends; and government policy and legislation.

THE MARKETING ENVIRONMENT

During the past decade, many changes have had an impact on the hospitality industry in the United States. The industry has confronted and adapted to such diverse situations as economic recession, overbuilding, increased competition, increased emphasis on technology, increased emphasis on the environment, newer forms of distribution and sales using technology, increased foreign ownership of previously American brands, changes in dining habits, changes in food consumption patterns, the ever-increasing globalization of the hospitality and tourism industry, and the impact of international terrorism. Each of these external forces has brought with it changes that hospitality firms have had to make to remain competitive in a global marketplace.

Environmental scanning
Environmental scanning can be a formal mechanism within a firm, or merely the result of salespeople and managers consciously monitoring changes in the environment.

When marketing managers consider changes in marketing strategy or tactics, they often examine the changes in five major marketing environments: competitive, economic, political and legal, social, and technological. Firms cannot directly influence their external environments, but they can monitor changes and be somewhat proactive. It is critical for firms to engage in some level of **environmental scanning**, so they can take advantage of marketing

Hotels such as the Wingate Tulfarris Hotel and Golf Resort in County Wicklow, Ireland, offer a range of room rates and amenities for guests with differing levels of purchase power. Courtesy of Wyndham Worldwide.

opportunities while at the same time anticipating any threats to their business. Environmental scanning can be a formal mechanism within a firm, or merely the result of salespeople and managers consciously monitoring changes in the environment. The larger the firm, the more likely it will have a structured approach to scanning the environment and documenting trends. The following section contains brief descriptions of each of the external environments.

The Economic Environment

The goal of all marketing activity is to create and satisfy customers. Consumers' **purchasing power**, or ability to purchase products and services, is directly related to the economic health of the city, state, and country. As marketers study the economic environment, they are concerned about such things as inflation, recession, unemployment, resource availability, interest rate trends, personal income growth, business growth and performance, and consumers' confidence in the economy. There are other key economic terms that relate to marketing and will be used throughout the text. The **consumer price index (CPI)** is a measure of the relative level of prices for consumer goods in the economy. As this measure rises, there are more concerns about inflation and a poor economy. The term **disposable income** refers to the portion of an individual's income that is left for spending after required deductions such as taxes. **Discretionary income** is probably a more important measure for most marketers because it refers to the income that is available for spending after deducting taxes and necessary expenditures on housing, food, and basic clothing.

Purchasing power
Consumers have the ability to purchase products and services.

Consumer price index (CPI)
A measure of the relative level of prices for consumer goods in the economy.

Disposable income
An individual's income that remains for spending after required deductions such as taxes.

Discretionary income
An individual's income that is available for spending after deducting taxes and necessary expenditures on housing, food, and basic clothing.

Some examples of issues and trends related to the economic environment that affect the hospitality and travel industry:

- The percentage of independently owned hospitality operations has declined, resulting in a concentration of power among large hospitality chains. In turn, these chains have become large, multinational firms based in the United States or abroad.
- An increase in the amount of discretionary income has resulted in an increase in the percentage of the household food budget spent outside the home. The hospitality industry today receives in excess of 50 percent of all consumer expenditures for food.[4]
- After a period of excess supply due to overbuilding in the 1980s, hotel occupancy percentages fell to the low 60s. This trend later reversed itself because of the strong economy and business growth. Following a recession

in the early 1990s, occupancy and profitability reached all-time highs for many lodging companies. In the early 2000s, and especially after the events of September 11, 2001, and the recession of the early 2000s, hotel occupancies fell and many properties suffered operating losses. Since 2005, occupancy percentages have improved and in many cases, profitability has been excellent.

- Variations in consumer purchasing power have led the hospitality and travel industry to offer products and services at different price levels. For example, most of the major lodging chains now have established multiple brands, ranging from economy to luxury, based on prices and amenities. Each brand targets a specific market segment.

Some of the issues in the economic environment are closely related to the trends in the social environment that will be discussed next.

The Social Environment

There are constant changes in the social environment as consumers evolve. The social environment is affected by all of the other environments. Changes in the economy, advances in technology, competitive actions, and government regulations all shape the way consumers view the world. These changes may be sudden, or they may take place over a number of years or even decades. First, there have been changes in **demographics**, or characteristics that describe the population, such as age, income, education, occupation, family size, marital status, and gender. Second, there have been changes in consumers' attitudes, interests, and opinions that determine their lifestyles.

Demographics
Characteristics that describe the population such as age, income, education, occupation, family size, marital status, and gender.

Some issues related to the social environment affect the hospitality and travel industry:

- The proportion of two-income families and the impact that the increased discretionary income and time pressures have on their lodging, dining, and travel behaviors. These families take more but shorter vacations to fit their busy lifestyles. Also, they are quality-conscious and focus on brand names.

- The proportion of older Americans and their purchasing power are continually increasing. Senior citizens are becoming a very important market segment because people are living longer. Further, there is an improved quality of life among seniors, and their disposable income continues to increase. This segment has specific needs, and the American Association of Retired Persons (AARP) is one of the strongest political lobbying organizations in the nation.

- The dietary habits of the American people have also changed, and in some ways are bipolar: the percentage of individuals characterized as overweight or obese is at an all-time high, yet many individuals are showing an increased concern for their health. The trend has been toward healthier, more natural foods. In support of this, the United States Department of Agriculture publishes *Dietary Guidelines for Americans*, which outlines the dietary goals for the nation. The American Heart Association provides menu review and recipes that meet their dietary guidelines for good health. Many foodservice operations now feature menu items that have been approved by this organization. The National Restaurant Association has also been active in this area, especially in educating its members.

Fast-food restaurants, extended-stay hotels, and the growth in the cruise industry are all the result of changes in the social environment. These changes can offer opportunities for new products and services, while posing a threat to existing companies. For example, the increasing emphasis on brand names has resulted in tremendous growth in restaurant chains such as Outback Steakhouse, Starbucks, Panera Bread, Subway, Chili's, and Applebee's. This growth of regional and national brands has come at the expense of many independent restaurants.

The Competitive Environment

Within all markets, a variety of competitors seek to win the favor of the consumer. Each offers what it believes will be the best combination of products and services designed to result in maximum consumer satisfaction. The **competitive structure** in an industry can range from a **monopoly**, with one seller and many buyers, to **perfect competition**, with many buyers and sellers of homogeneous products that are almost exactly the same. In between, there is the **oligopoly**, with a few sellers and many buyers, and the most common form of competitive structure, **monopolistic competition**, where there are many buyers and sellers with differentiated products. The **price elasticity of demand** is a measure of the percentage change in demand for a product resulting from a percentage change in price. The price elasticity of demand normally increases as the competitive structure changes from monopoly to oligopoly to monopolistic competition and ends with perfect

Competitive structure
A combination of buyers and sellers in a market.

Monopoly
A competitive structure in an industry with one seller and many buyers.

Perfect competition
The competitive structure in an industry with many buyers and sellers of homogeneous products that are almost exactly the same.

Oligopoly
A competitive structure in an industry with a few sellers and many buyers.

Monopolistic competition
A common, competitive structure where there are many buyers and sellers with differentiated products.

Price elasticity of demand
A measure of the percentage change in demand for a product resulting from a percentage change in price.

competition. The hospitality and tourism industry is highly competitive, with new companies entering the industry every day. In the business world, four levels of competition must be considered in order for firms to be able to protect their positions in the market:[5]

- **Product form competition exists among companies that provide similar products and services to the same customers at a similar price level.** For example, McDonald's competes with Burger King and Wendy's; Delta Airlines competes with United Airlines and US Airways; Hertz competes with Avis and National; and Four Seasons Hotels competes with Ritz-Carlton and other luxury hotels.
- **Product category competition exists among companies that make the same class of products.** In this case, McDonald's competes with other fast-food restaurants such as Pizza Hut, Taco Bell, and KFC; Delta Airlines competes with charter airlines and commuter airlines; Hertz competes with all the local rental car companies; and Four Seasons Hotels competes with nonluxury hotel chains such as Marriott and Sheraton.
- **General competition exists among companies that offer the same basic service that fulfills the same basic consumer needs.** For example, McDonald's competes with all restaurants as well as with convenience stores and supermarkets; Delta Airlines and Hertz compete with all forms of transportation, such as bus and rail; and Four Seasons Hotels competes with all forms of lodging, such as bed-and-breakfasts and boutique hotels.
- **Budget competition exists among all companies that compete for consumers' disposable incomes.** Most consumers have limited budgets that can be used for purchasing products and services, and all companies compete for these consumer dollars, especially discretionary income. The hospitality and travel firms discussed earlier would compete with department stores, movie theaters, health clubs, and financial institutions for consumers' limited resources.

As companies examine the competitive environment, three important questions need to be addressed. The questions may seem straightforward, but the answers are often difficult to determine, and many firms do not make the correct decision:

1. Should we compete?
2. If we compete, in what markets should we compete?
3. What should our competitive strategy be?

The response to the first question should be based on such things as the firm's resources and objectives. The company must examine the level of potential sales, potential profitability, and the overall feasibility of competing. A firm may decide that it should not compete if the risks outweigh the potential returns or if the projected returns are not as high as it would like to see.

The second question relates to the markets in which a firm wishes to compete. Most firms elect not to compete in all potential markets. For example, although many firms, such as Marriott International, have developed brands that compete in all price segments of the lodging industry (economy through luxury), others, such as Hyatt Hotels and Resorts, initially did not chose not to compete in all price segments. They believed that the single brand strategy would serve its best long-term interests. More recently, Hyatt has adopted the multibrand strategy. The following information was posted at www.hyatt.com. This area is covered in more detail in Chapter 5.

Hyatt brands and affiliates in addition to Hyatt Hotels:

Andaz—Simple luxuries. Unexpected details.

Hyatt Place—A new kind of Hyatt for today's relaxed lifestyle.

Hyatt Summerfield Suites—Upscale all-suite hotels with full kitchens.

Hyatt Vacation Club—Own a vacation for a lifetime.

AmeriSuites—Great rates, spacious hotel rooms.

Hawthorn Suites—For business travel or for pleasure.

The third question relates to marketing strategy. How should the firm attempt to gain a competitive advantage? These decisions, which will be explored in much greater depth throughout the text, are related to issues such as products and services, pricing, distribution, and promotion.

The Political and Legal Environment

Understanding the political and legal environment means understanding the rules and regulations by which the competitive game is played. At all levels of government—local, state, national, and international—there are laws and regulations that businesses must follow. To compete successfully, a firm must understand not only the current laws and regulations but also any new ones that might come into play in the future. Most professional hospitality and tourism managers belong to one or more professional associations. One of the goals of these associations is to help members not only understand developing laws and regulations, but have influence in how they are written through lobbying efforts with politicians and government officials. Two examples of hospitality industry associations are the National Restaurant Association (NRA) and the American Hotel & Lodging Association (AH&LA). Here are some examples of issues related to the political and legal environment that affect the hospitality and tourism industry:

- **Changes in the federal tax codes have made hotel development less desirable than under previous tax codes.** So-called passive investments, in which the investor is not an active participant in the daily management of the facility, are not treated as favorably under the new federal tax codes as they were in the past. As a result, future hotel development decisions are based more on operational feasibility and less on the real estate investment aspects of the project.
- **As a means to reduce the federal budget deficit, costs are being shifted to state and local governments.** To raise tax revenues at the local level without incurring the disapproval of local voters, many localities have implemented or increased taxes on lodging and restaurant meals. These user taxes serve to increase consumer perceptions of the prices for hospitality and travel products and can have a major negative impact on operations.
- **Another related tax issue that affects the hospitality industry is the reduction in the tax credit for business meals and expenses.** The lobbyists for the NRA argued that this tax change would have a major negative impact on restaurant sales.
- **National, state, and local governments also pass laws that can affect firms' operations without using taxes.** For example, while the national government has chosen to stay on the sidelines, local and state governments are taking on the issue of smoking in public places such as restaurants and arenas. This directly affects the competitive structure of the industry when regulations do not affect all firms equally. For instance, in some areas with smoking bans, consumers can go to restaurants in nearby towns and smoke.

The idea of a level playing field is critical when governments evaluate new taxes and regulations. It is often difficult for firms to address social issues as a priority over profits, especially small firms with very limited resources. However, governments can make sure that their laws and regulations do not distort the balance of competition.

The Technological Environment

We live in an increasingly technological and interconnected society. With the evolution of the personal computer from an expensive desktop machine to either a notebook computer, a smartphone, or a personal digital assistant (PDA) and the pervasive access to the Internet via both wired and wireless connections, our lives have changed in ways we perhaps could not have even dreamed about before. The power of computers doubles roughly every 18 to 24 months, with prices constantly dropping. Computers are being used for more and more applications every day. Although the hospitality and tourism industry remains a highly labor-intensive and personal-contact-oriented industry, computers and technology have had and will continue to have an impact. The area in which technology will have the greatest impact in the next ten years is in **direct marketing** and **mass customization**, where a product–service provider can customize the experience for each individual customer. Through the use of database software technology, marketers have improved their ability to target their customers, track their behavior and preference, and then provide exactly what the customers desire when they want it. Through the careful use of technology, marketers can monitor guests' purchasing behavior and then tailor service offerings to meet their needs.

Direct marketing
The firm contacts consumers at home or work with promotions.

Mass customization
When a firm customizes the experience for each individual consumer.

Hotels now provide Internet stations to their customers. Courtesy of Wyndham Worldwide.

Some examples of issues related to the technological environment that affect the hospitality and travel industry:

- **New technologies have helped to combat labor shortages and the high cost of labor by enabling hospitality and travel firms to shift some of these duties to consumers through self-service operations.** Examples include automated check-in and checkout. This is occurring within all segments of the industry, from fast-food restaurants to luxury hotels and resorts. The very competitive environment in which commercial airlines operate has made them leaders in cost-saving applications of technology.
- **The increasing sophistication and decrease in price of computer technology have had a significant impact.** Most of the larger firms maintain relational databases and use resource management systems that can provide managers with the potential to better serve customers. This technology is becoming more accessible to smaller firms through service contractors and consultants.
- **The development and growth of the Internet has changed the competitive structure in the hospitality and travel industry.** Even small firms can now market on a national or international basis. Selling on the Internet also reduces the costs associated with service delivery, thereby increasing the profit potential for service firms. The trend toward consumers' evaluating service alternatives and making online purchases has been significant.

Along with these changes, the hospitality industry has experienced growth. Most of the leading hospitality experts are projecting continued industry growth, albeit somewhat slower rate. Certainly, a few large obstacles loom on the horizon. Existing economic cycles will cause some upward and downward shifts in the hospitality industry, and further changes in the tax codes may have some negative impact on business travel and entertaining.

THE MARKETING MANAGEMENT CYCLE

Marketing is an ongoing process. It needs constant attention to be successful. Management must regularly obtain feedback and use it to revise strategic plans. Management's role in the marketing effort is critical, for without diligent effort, the results will be less than satisfactory.

Large hospitality and tourism organizations normally have a director of marketing who is responsible for the management of all marketing activities. However, in most hospitality and tourism units, and especially in independent firms, the marketing function is the responsibility of an operations manager who must be concerned with other functions as well. This, together with the lack of a sizable budget, results in a low priority for marketing in these situations. For the larger organizations, the units are all treated the same, which could lead to some missed opportunities and competitive disadvantages. For smaller organizations, it is difficult to compete with larger chains that benefit from national and regional marketing campaigns.

The successful marketing of a hospitality operation is not something that can be accomplished overnight or with only a few hours of attention each week. Establishing and maintaining a successful marketing program requires significant management time and effort. The management activities in marketing a hospitality operation can be divided into three major areas that form a marketing management cycle: marketing planning, marketing execution, and marketing evaluation. Each of these areas will be discussed in more depth in later chapters; however, a brief overview of the major functions of each element of the marketing management cycle is presented in Figure 1.2.

Marketing Planning

The **marketing planning** process is discussed in detail in Chapter 5. There are three basic questions that should be addressed during this process. The first question is "Where are we now?" A situation analysis should be performed to determine the company's strengths and weaknesses. This information is based on past trends and historical performance, and it should include an analysis of the market and the competition. In addition, it is necessary to scan the environment for opportunities and threats. Once the company has a good grasp of the situation, it is time to move on to the next question.

Marketing planning

Managers focus on three basic questions that should be addressed during this process: Where are we now? Where do we want to go? How are we going to get there?

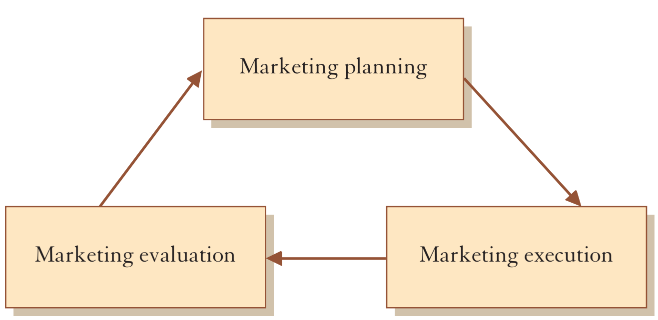

FIGURE 1.2 • *The marketing management cycle.*

The second question is, "Where do we want to go?" It is at this point that a company must set its goals and objectives for operating in the future. These goals and objectives should be clear, concise, and measurable over a specific time frame. All employees and stakeholders should be made aware of the strategic direction of the firm. Also, these goals and objectives become targets for evaluating the performance of the company's employees. Finally, these goals and objectives should be consistent with the company's mission statement.

The third question is, "How are we going to get there?" Once the company determines its direction for the future, it is necessary to devise strategies and action plans that can serve as a road map. Basically, marketing managers develop marketing programs that are consistent with the goals of the firm. The components of the marketing mix are under the direct control of managers, and they can be used to form strategies that will help the company to reach its goals. The actions taken with price, the product–service mix, promotion, and distribution should be integrated and lead to a common end.

Marketing Execution

Once the objectives and strategies are determined, the next step is to implement the action plans developed during the planning process, using the specific timetable that was part of the marketing plan. This is accomplished using the promotional, advertising, personal selling, and direct marketing materials and methods that were devised in the planning stage. Employees should be informed about the company's plans for its service offerings and receive additional training if necessary. Unit managers and franchisees should be made aware of the changes in the marketing plan so that they can implement them in their respective units.

Marketing Evaluation

The final step in the marketing management cycle is to monitor and control the elements of the marketing plan. Data are collected and evaluated using a variety of marketing research methods and stored in forms that allow for easy retrieval. Organizational performance needs to be analyzed in comparison with goals and objectives, looking for the underlying reasons for the difference between stated performance goals and actual performance.

Specifically, the company should analyze the effectiveness of its marketing programs, including its strategies for pricing, promoting, and distributing its products and services. The firm's performance can be evaluated relative to its competitors, using measures such as sales, market share, and customer satisfaction. Finally, at this point, firms can return to the planning stage of the marketing management cycle and make any desired changes in their objectives or their strategies.

MARKETING WITHIN THE ORGANIZATION

Marketing management, as practiced today, differs tremendously from the techniques used earlier. Marketing within the hospitality and travel industry is in a constant state of flux, as corporations plan, implement, and evaluate new marketing strategies and tactics. Marketing management practices and techniques should be analyzed and used as guidelines, but it is necessary for each hospitality organization to adjust and modify these general guidelines and techniques as dictated by the competitive environment. The competitive environment is ever changing, and this serves to attract management personnel who want to be continuously stimulated and who don't want to work in a repetitive environment.

It is also important to remember that marketing is but one of the key result areas with which management must be concerned. Within large hospitality organizations, specialists are hired to staff positions within each of the functional areas. In small organizations, however, managers must wear many hats and successfully perform all or some of these managerial functions. The following discussion places marketing in its proper place as a major part of the successful management of any hospitality organization. To fulfill an organization's potential, management must integrate its various key result areas and manage them successfully. The key result areas are interdependent and must support each other, thereby increasing the overall strength of the organization. The primary focus of all marketing efforts is to create and sustain customers. In order to do this successfully, marketers must understand and work with other managers who have responsibilities in the other key result areas discussed in this section.

Operations

Management is responsible for the day-to-day operation of the hospitality facility. This includes diverse activities such as purchasing, receiving, inventory control, production, service of guest rooms, and all of the other activities that take place each day within a successful hospitality or tourism operation. Without a strong focus on operations, the quality of the product–service mix is likely to be poor or inconsistent. Problems in the operations area of a firm can lead to declining customer counts and possible business failure. People in operations are mainly concerned with efficiency and cost containment, which are best achieved by limiting product flexibility and standardizing production and delivery. Conversely, marketing personnel are concerned with pleasing customers by providing them with the types of products and services they prefer. This requires a good deal of variety and individual customization that conflicts with the goals of production personnel. Management must balance the goals of the two areas with the goals of the firm in order to be successful.

Finance

A central and overriding goal of all businesses, including hospitality and tourism organizations, is to increase the wealth of the owners or stockholders. In periods of economic uncertainty, such as during high rates of inflation, high interest rates, or periods of recession, skilled management of the financial function becomes even more critical to the success of the hospitality organization. All hospitality organizations need to focus considerable attention on this function to manage the organization's assets and financial affairs successfully. Most areas within a firm have bottom-line financial responsibility, and managers need to understand the fundamentals of finance and accounting. All firms have limited resources, regardless of size, and it is important to invest in areas that demonstrate a high potential for meeting the targeted return. For example, financial considerations must be applied when developing new products and services, creating advertising campaigns, and setting pricing policies.

Human Resources

As a service industry, the hospitality and tourism industry places a heavy emphasis on customer service. The success of a hospitality venture depends greatly on the ability of its employees to provide a consistently high level of customer service. Management is responsible for establishing the overall direction, but it is left to each employee to implement management's strategies and action plans. The major activities of human resources include recruitment, selection, orientation, training, professional development, benefits management, compliance with laws and regulations, and other aspects of personnel relations. Historically, the turnover rate in the hospitality industry has been much higher than in other industries. Wages tend to be low in relation to responsibility, and in some cases, there is a lack of upward mobility unless the employee is willing to relocate. High rates of turnover for all positions adversely affect the entire organization. It is the responsibility of the human resources department to select employees who fit the profile of a dedicated service employee and then train them and provide support throughout their careers. In essence, the human resources department must market the firm to employees, who will then be motivated to market the firm and its products to customers.

Research and Development

To compete successfully in the years ahead, hospitality firms must invest time and money in the key result area of research and development. These efforts typically focus on developing new market segments and new elements of the product–service mix. The growth of new concepts and new types of product–service mixes is an example of the outgrowth of research and development efforts. Lodging organizations such as Choice Hotels International, Marriott International, Starwood Hotels and Resorts, Promus Hotel Corporation, and others developed all-suite hotel brands and other segmented brands in response to research and development efforts that identified a substantial consumer market for a specific set of product–service mix attributes at varying price points. Each year, they further refine their products and services offered to the traveling public with the goal of meeting and exceeding customer expectations. Because it is unlikely that a single hospitality concept will be successful indefinitely, management must be future-oriented and must anticipate necessary changes. Research and development efforts must be attuned to what consumers will want in the future. Being ready and able to change to meet future consumer needs is the real challenge of research and development. Examples of recent product–service mix enhancement within the lodging industry include such improvements as better-quality bedding and pillows, more functional desks and workspaces for business travelers, installation of larger flat-screen televisions, and wireless networks throughout the hotel. Although none of these changes are revolutionary, all address specific guest needs and enhance the guests' experience. The goal of each is to improve the guest experience and build loyalty.

chapter review

Summary of Chapter Objectives

This chapter serves a vital function in introducing many concepts that will be used throughout the book. First, it provides an introduction to marketing, including the definition of marketing, the marketing process, and the difference between marketing and selling. For the purposes of this book, marketing is defined as the process of determining consumer needs, creating a product–service mix that satisfies these needs, and promoting the product–service mix in order to attain the goals and objectives of the firm.

The marketing process starts with research to determine the wants and needs of consumers so that products and services can be developed to fulfill those needs. Then, once the product–service mix is determined, the firm develops a marketing program using the other three elements of the marketing mix: price, place, and promotion. The strategies for each of the four P's are combined into a marketing program that is used to position the firm's products and services in the marketplace. The marketing management cycle consists of marketing planning, execution, and evaluation. Finally, the firm scans the environment throughout the marketing management cycle to identify any potential opportunities or threats that should be addressed. The external environment can be divided into five subenvironments: economic, social, competitive, political and legal, and technological.

Marketing is different from selling because marketing focuses on the needs of consumers, whereas selling focuses on the needs of the seller. In addition, the marketing concept advances the philosophy that the needs of the consumer should be given priority over any financial goals that the firm may have. The concept holds that if the consumer's needs and wants are totally satisfied, then financial success will follow.

Finally, it is management's responsibility to understand the role of marketing within the organization. It is important to understand how marketing interfaces with the other key result areas in the firm: operations, finance, human resources, and research and development. These key areas are normally well defined within large organizations. However, it may be difficult to separate these functions in smaller firms because the same employees are often responsible for more than one key area. One of the most critical issues is to balance the often-conflicting goals of the operations area and the marketing area with the overall goals of the firm.

Key Terms and Concepts

Barter
Competitive structure
Consumer price index (CPI)
Demographics
Direct marketing
Discretionary income
Disposable income
Distribution
Environmental scanning
External environments
Hospitality marketing mix
Marketing
Marketing concept
Marketing information systems (MIS)
Marketing management cycle
Marketing mix
Marketing planning
Marketing program
Marketing research process
Mass customization
Monopolistic competition
Monopoly
Oligopoly
Perfect competition
Place
Price
Price elasticity of demand
Product
Product–service mix
Promotion mix
Purchasing power
Selling
Service
Word of mouth

chapter review

Questions for Review and Discussion

1. Why has marketing assumed a position of increased importance in the management of hospitality organizations?

2. What is marketing? Why is it important to the success of a firm?

3. Explain the difference between selling and marketing. How are the two similar? Think of an example to illustrate each concept.

4. What is the marketing process? Briefly explain the process and its elements.

5. What are the key variables in the marketing environment? In your opinion, which is the most important? Why?

6. Of the variables in the marketing environment, are there one or two that you believe a marketing manager can control or predict more easily than the others? If so, which one(s), and why?

7. What changes in technology will impact the hospitality and tourism industry in the next five years? What specific positive and negative impacts from technology do you foresee?

8. What is the marketing concept? What role should the marketing concept play in managing a hospitality or tourism facility?

9. Discuss the components of the traditional and hospitality marketing mixes. What role does the hospitality manager play in managing the marketing mix? How is the marketing mix used?

10. What factors can affect the marketing mix? How might these factors affect the marketing mix? How might a manager anticipate the impact that these factors might have?

11. What is the marketing management cycle? Explain and discuss the major activities with which a manager must be concerned.

12. How does the marketing function interface with other areas in an organization?

Notes

[1] American Marketing Association Dictionary website, http://www.marketingpower.com/_layouts/Dictionary.aspx?dLetter=M, 2008.

[2] American Express Open Services, television commercial, 2003.

[3] Leo Renaghan, "A New Marketing Mix for the Hospitality Industry," *The Cornell Hotel and Restaurant Administration Quarterly* (April 1981), pp. 31, 35; Robert C. Lewis, Richard E. Chambers, and Harsha E. Chacko, *Marketing Leadership in Hospitality: Foundations and Practices*, 2nd ed. (New York: John Wiley and Sons, Inc., 1994), pp. 394–395.

[4] William Fisher, president of the National Restaurant Association, presentation at the annual conference of the Council on Hotel, Restaurant and Institutional Education, July 1994.

[5] Donald R. Lehman and Russell S. Winer, *Analysis for Marketing Planning*, 2nd ed. (Homewood, IL: Richard D. Irwin, Inc., 1991).

case study

Case Study

Location, Location, Location?

Bruce Adams stood in the parking lot facing an empty restaurant building. The restaurant had closed 60 days earlier, after being in business for about eight months. As he visually surveyed the area he noticed several things of interest. The building itself was fairly new, having been built ten years ago by a franchisee of a national budget steakhouse chain. In the current configuration, the building had three separate dining areas, with seating for 40, 50, and 30 in the respective areas. In addition, there was a lounge that had 12 seats at the bar and space for an additional 16 seats. The quality of the building was very good, and the equipment, while not new, was certainly better than what he'd seen in other locations.

Bruce, who owned three other restaurants in another city within the state, believed that the local area offered potential. A successful 130-room, four-story Days Inn was located next to the restaurant, and it was positioned at an interchange of an interstate highway. There was a small residential community north of the restaurant that consisted of approximately 100 single-family homes priced slightly above the average for the city. To the east and south of the restaurant were over 1,500 apartments, occupied predominantly by students attending a local university. The city in which the building was located had a rapidly growing population of 50,000, and the effective trading area population for businesses in the city was over 200,000. Several universities and a community college were within a ten-mile radius of the restaurant. The local industrial base consisted of a number of small manufacturing operations. The largest employers manufactured parts for the automotive industry, published books for national and international distribution, manufactured equipment for the agricultural industry, produced beer for one of the nation's largest brewers, and provided trucking and transportation services. In addition, there was a growing service economy, and the city was home to a regional medical center and a strong professional community. At the present time, overall economic conditions in the area were good. Unemployment was very low, less than 2 percent, well below both the state and national levels.

As he stood in the parking lot, Bruce discussed the restaurant site with a business associate and a commercial real estate agent. He asked what he felt was an obvious question: "With what appear to be so many positive attributes for this location, why hasn't anyone been successful here?" In the ten years since the building was constructed, there had been five different restaurant concepts, none of them successful. The failed concepts included a budget steakhouse, a southern barbecue restaurant, two different midpriced casual dining concepts, and most recently a somewhat upscale fine-dining concept. All had proven to be unsuccessful. Most closed their doors within 9 to 12 months. The longest-running restaurant remained open for 22 months. The only individuals making any money from this location were the commercial real estate agents. As the discussion continued, Bruce wondered aloud, "What type of product–service mix might be successful here? What type of concept might attract and retain customers? How might we approach the development of a successful restaurant?"

Case Study Questions and Issues

1. How can the marketing concept be applied to this situation?
2. Should Bruce be considering the potential product–service mix for a restaurant at this location at this time? Or should he be focused on other issues? If so, what might they be?
3. What information does Bruce need in order to make a decision about the possible purchase or lease of this site?
4. How should he go about gathering this information? What should his action steps be?
5. Based on what Bruce has said, do you perceive him to be a marketer or a seller? Why?
6. Based on the information you have, assess the marketing environment.