

TOURISM MARKETING

2^η Σειρά Διαλέξεων

MBA Tourism Management

Τμήμα Οργάνωσης και Διοίκησης Επιχειρήσεων

ΠΑΝΕΠΙΣΤΗΜΙΟ ΠΕΙΡΑΙΩΣ



Development & Growth

- Marketing initially developed in connection with selling physical products.
- Today, a major trend is swift growth of services, or products with little or no physical content.
 - in most developed countries, services account for a majority of the gross domestic product (GDP)
 - in developing countries a majority of nonagricultural workers are often employed in hospitality and travel
- Growth of service industries has created a demand for research into their operation and marketing.

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Introduction

- Some managers think of their operations only in terms of tangible goods.
 - managers of fast-food restaurants who think they sell only hamburgers may have “*slow, surly service personnel, dirty unattractive facilities, and few return customers.*”
- A most important task of a hospitality business is to develop the “service” side of the business.
 - specifically, a strong service culture
- Service culture focuses on serving & satisfying the customer, starts with top management & flows down.

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Introduction

- This means the business mission (*to be discussed in Chapter 3*) contains a service vision.
- It means hiring employees with a customer service attitude, and working to instill the concept of service.
- The outcome of these efforts is employees who provide service to the customers.
- The culture of Ritz-Carlton lets the employees know they are expected to deliver service to the guest.
 - and provides them with the tools & support they need to deliver good service.

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- Service marketers must be concerned with four characteristics of services:
 - *intangibility, inseparability, variability, and perishability*

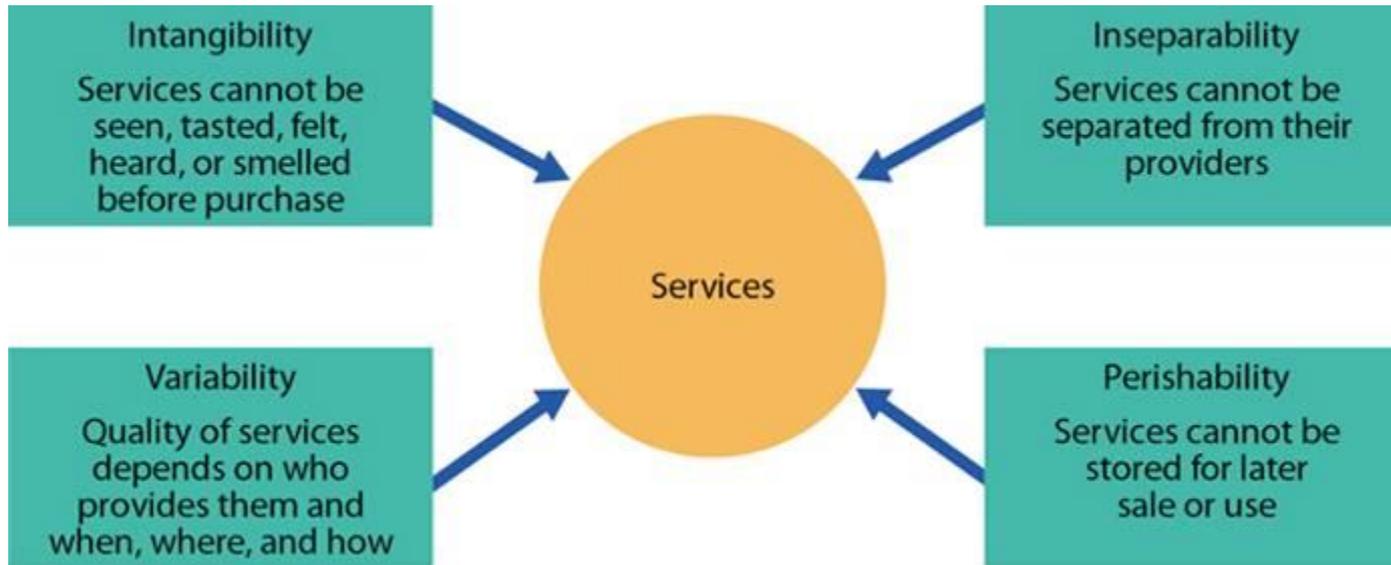


Figure 2-1
Four service characteristics.



Intangibility

- Unlike physical products, services cannot be seen, tasted, felt, heard, or smelled before purchase.
 - prior to boarding, airline passengers have nothing but a ticket & promise of safe delivery to their destination
 - a sales force cannot take a hotel room with them on a sales call, and when guests leave, they have nothing to show for the purchase but a receipt
- Robert Lewis observed that someone who purchases a service may go away empty-handed, but they do not go away empty-headed.
 - they have memories that can be shared with others



Intangibility

- To reduce uncertainty caused by service intangibility, buyers look for tangible evidence that will provide information and confidence about the service.
 - tangibles provide signals as to the quality of the intangible service
 - condition of the grounds & overall cleanliness provide clues as to how well a restaurant is run
- As a niche segment of the hospitality-lodging industry, conference centers face a continuous need to make their products tangible.
 - they must differentiate themselves from resorts & hotels



Intangibility - Conference Centers

- Product features that conference centers use to differentiate themselves include the following:
 - dedicated meeting rooms that cannot be used for other purposes
 - twenty-four-hour use, which offers clients security & personalization (computers, briefcases, etc., can be left in the room)
 - continuous coffee, not just coffee breaks
 - all-inclusive pricing, a set price per day, per attendee
- The International Association of Conference Centers offers an online database for travel planners.



Inseparability

- In most hospitality services, both service provider & customer must be present for the transaction to occur.
 - food in a restaurant may be outstanding, but if the service person has a poor attitude or provides inattentive service, customers will not be satisfied with their experience
- Service inseparability also means that customers are part of the product.
 - having chosen a restaurant because it is quiet & romantic, a couple will be disappointed if a group of loud, boisterous conventioners is seated in the same room
- Managers must manage their customers so they do not create dissatisfaction for others.



Inseparability

- Another implication is that customers & employees must understand the service delivery system because they are coproducing the service.
- This means hospitality and travel organizations have to train customers just as they train employees.
 - customers must understand the menu items in a restaurant so that they get the dish they expect
 - hotel customers must know how to use the phone system and express checkout on the television
 - casinos know they must train customers how to play certain table games such as blackjack or craps

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Inseparability

- Customer coproduction also means organizations must select, hire, and train customers.
- The benefits provided to the guest by becoming an “employee” include increased value, customization, and reduced waiting time.
 - fast-food chains train customers to get their own drinks
 - hotels, restaurants, airlines & rental car companies train customers to use the electronic check-in and the Internet to get information and to make reservations
- Inseparability requires hospitality managers to manage both their employees and their customers.

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Variability

- Services are produced & consumed simultaneously, and quality depends on who provides them and when & where they are provided.
 - fluctuating demand makes it difficult to deliver consistent products during periods of peak demand
- A high degree of contact between the service provider and the guest means product consistency depends on the service provider's skills and performance at the time of the exchange.
 - a guest can receive excellent service one day and mediocre service from the same person the next day



Variability

- Lack of communication and heterogeneity of guest expectations also lead to service variability.
 - a customer ordering a medium steak may expect it to be cooked all the way through, where the person working the broiler may define medium as having a warm pink center
- Since the guest will be disappointed when he/she cuts into the steak and sees pink meat, restaurants have developed common definitions of steak doneness.
 - they communicate them to the employees and customers
 - sometimes verbally & sometimes printed on the menu



Variability

- Customers usually return to a restaurant because they enjoyed their last experience.
 - when the product they receive is different & does not meet their expectations on the next visit, they often don't return
- Product variability or lack of consistency is a major cause of customer disappointment in the hospitality.
- Consistency is one of the key factors in the success of a service business, and means customers receive the expected product without unwanted surprises.
 - consistency is one of the major reasons for the worldwide success of McDonald's

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Variability - Three Steps to Consistency

- Here are three steps hospitality firms can take to reduce variability and create consistency.
- **Step One** - Invest in good hiring & training procedures. Recruiting the right employees & providing them with excellent training is crucial.
 - whether highly skilled professionals or low-skilled workers
- **Step Two** - Standardize the service-performance process throughout the organization.
 - diagramming service delivery can map the service process, points of customer contact & evidence of service from a customer point of view

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Variability - Three Steps to Consistency

- Figure 2–2 shows the service blueprint for a guest spending a night at a hotel.
 - the *line of interaction* represents the guest's contact with hotel employees
 - the *line of visibility* represents areas visible to the guest & which provide tangible evidence of the hotel's quality
 - the *line of internal interaction* represents internal support systems that are required to service the guest
- Visually representing the service can help understand the process and see potential design flaws while the service delivery system is still in the design stage.



Characteristics of Service Marketing

Variability - Three Steps to Consistency

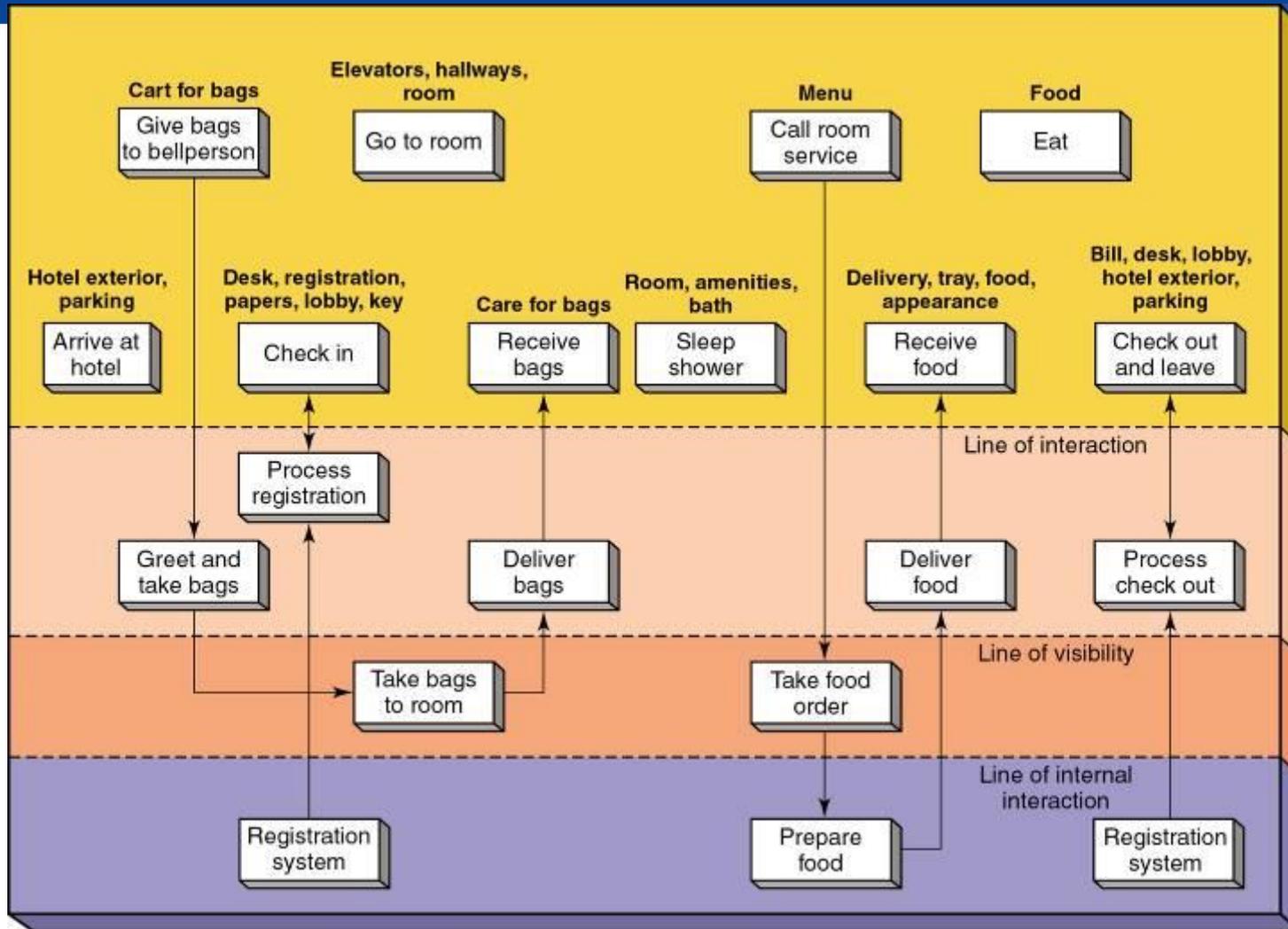


Figure 2-2

Variability - Three Steps to Consistency

- **Step Three** - Monitor customer satisfaction, using suggestion & complaint systems, customer surveys, and comparison shopping.
- Hospitality companies know their customers, and have e-mail addresses of those who purchase from our Web sites, making it easy to send customer satisfaction surveys after a guest has departed.
 - travel intermediaries like travelocity.com contact guests to see if they were satisfied with a hotel booked on their site
- Firms can also develop customer databases to permit personalized, customized service, especially online.

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Perishability

- Services cannot be stored. A 100-room hotel that sells only 60 rooms on a given night can't inventory 40 unused rooms and sell 140 rooms the next night.
 - revenue lost from not selling the 40 rooms is gone forever
- Because of service perishability, airlines and some hotels charge guests holding guaranteed reservations when they fail to arrive.
 - restaurants are also starting to charge a fee to customers who do not show up for a reservation
- If hospitality companies are to maximize revenue, they must manage capacity and demand.

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Introduction

- Good service firms use marketing to position themselves strongly in chosen target markets.
 - services differ from tangible products & often require additional marketing approaches
- In a product business, the products are fairly standardized & sit on shelves waiting for customers.
 - in a service business, customer and frontline service employee interact to *create* the service
- Effective interaction depends on skills of frontline service employees and on service production and support processes backing these employees.

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Service-Profit Chain

- Successful service companies focus their attention on both their employees and customers.
- They understand the service-profit chain, which links service firm profits with employee and customer satisfaction, and consists of five links:
 - healthy service profits and growth
 - satisfied and loyal customers
 - greater service value
 - satisfied and productive service employees
 - internal service quality

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Service Marketing

- Service marketing requires more than just traditional external marketing using the four Ps.
 - service marketing also requires both internal marketing and interactive marketing.

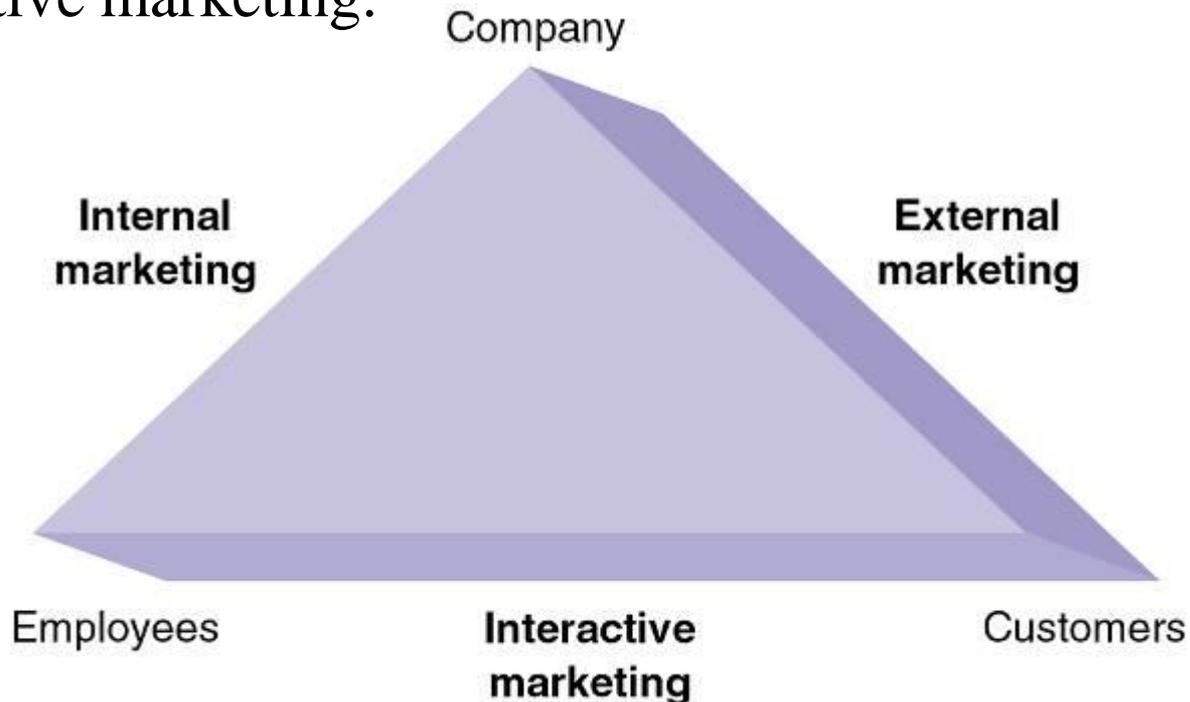


Figure 2-3 Three types of marketing in service industries.



Internal Marketing

- Internal marketing means the service firm must effectively train & motivate its customer-contact employees and all the supporting service people to work as a team to provide customer satisfaction.
 - for the firm to deliver consistently high service quality, everyone must practice customer orientation
- It is not enough to have a marketing department doing traditional marketing while the rest of the company goes its own way.
 - everyone in the organization must also practice marketing
 - internal marketing must precede external marketing

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Interactive Marketing

- Interactive marketing means that perceived service quality depends heavily on the quality of the buyer–seller interaction during the service encounter.
 - service quality depends on both the service deliverer and the quality of the delivery
 - the customer judges service quality not just on technical quality (food quality) but also on functional quality (service provided in the restaurant)
- Service companies face the task of increasing three major marketing areas: competitive differentiation, service quality, and productivity.

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Managing Differentiation

- When customers view services of different providers as similar, they care less about provider than price.
- The solution is to develop differentiated offerings, with innovative features that set a company apart.
 - airlines offer Internet access in flight, seats that turn into flat beds, showers & cooked-to-order breakfasts
- Though innovations are copied easily, the service company that innovates regularly usually gains a succession of temporary advantages.
 - and an innovative reputation that may help it keep customers who want to go with the best

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Managing Differentiation

- Service companies can differentiate their service delivery in three ways:
 - through people, physical environment, and process
- A company can distinguish itself by having more able, reliable customer-contact people.
- It can develop a superior physical environment & process in which the service product is delivered.
- Finally, service companies can also differentiate their images through symbols and branding.
 - familiar symbols would be McDonald's golden arches
 - familiar brands include Hilton, Shangri-La, and Sofitel

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Managing Service Quality

- A service firm can differentiate itself by delivering consistently higher quality than competitors.
 - with hospitality products, quality is measured by how well customer expectations are met
- Expectations are based on past experiences, word-of-mouth, and service firm advertising.
 - if perceived service of a given firm exceeds expected service, customers are apt to use the provider again
- A service firm's ability to retain customers depends on how consistently it delivers value to them.
 - customer retention is perhaps the best measure of quality



Managing Service Quality

- Studies of well-managed service companies show they share common virtues regarding service quality.
 - top service companies are “customer obsessed”
 - well-managed service companies have a history of top management commitment to quality
 - the best service providers set high service-quality standards
 - the top service firms watch service performance closely, both their own and that of competitors

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Resolving Customer Complaints

- Problems inevitably occur, for as hard as they try, even the best companies have an occasional late delivery, burned steak, or grumpy employee.
 - a company cannot always prevent service problems, but it can learn from them
- Good service recovery can turn angry customers into loyal ones, and can win more customer purchasing & loyalty than if things had gone well in the first place.
- Companies should take steps not only to provide good service every time but also to recover from service mistakes.

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Resolving Customer Complaints

- To have effective complaint resolution, managers must empower frontline service employees.
 - to give them authority, responsibility, and incentives they need to recognize, care about, and tend to customer needs
- Resolving customer complaints is a *critical* component of customer retention.
- A study by the Technical Research Programs Institute found that if a customer has a major complaint, **91 percent** will not buy from you again,
 - but if it was resolved quickly, **82 percent** of those customers will return

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Resolving Customer Complaints

- There are two important complaint resolution factors:
 - first, if you resolve a complaint, *do it quickly*—the longer it takes to resolve, the higher the defection rate
 - second, *seek out* customer complaints
- Complaints by letter should be responded to quickly, with most effective resolution being via telephone.
 - a call allows personal contact with the guest and allows the manager to find out exactly what happened
- The worst thing a company can do is send out a form letter that shows no empathy to the guest's problem.
 - or not respond at all

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Resolving Customer Complaints

- Another critical area in complaint resolution is that most customers do not complain.
 - they do not give managers a chance to resolve their problem; they just leave and never come back
- When a customer does complain, management should be *grateful*.
 - it gives them a chance to resolve the complaint and gain the customer's repeat business
- Most complaints come from loyal customers who want to return, but they also want management to fix the problem so it will not occur on their next visit.



Resolving Customer Complaints

- Managers must develop methods to encourage customers to complain.
 - customer hotlines encourage calls about problems
 - comment cards encourage customers to discuss problems
 - trained employees can look out for guests who appear dissatisfied and try to determine their problems
 - a service guarantee is a way to get customers to complain; to invoke the guarantee, they *have* to complain
- Customer complaints are one of the most available yet underutilized sources of customer and market information.

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Marketing Highlight

JetBlue Excels at Service Recovery

2-2 CEO David Neeleman set the bar high for responding to enraged customers after the company's drastic Valentine's Day failure of 2007. During storms in New York City, JetBlue left hundreds of passengers stranded aboard grounded aircraft—some for longer than nine hours—and cancelled more than a thousand flights. JetBlue had built its reputation on being a more responsive, humane company in an era of minimal services and maximal delays for airline passengers. Hence CEO Neeleman knew he had to act fast to stem another kind of storm: a whirlwind of customer defections. Within twenty-four hours, Neeleman had placed full-page ads in newspapers nationwide in which he personally responded to JetBlue's debacle. "We are sorry and embarrassed," the ads declared, "but most of all we are deeply sorry." Along with the heartfelt apology, JetBlue gave concrete reparations to passengers. Neeleman announced a new "customer bill of rights" that promises passengers travel credits for excessive waits. For instance, passengers who

are unable to disembark from an arriving flight for three hours or more will receive vouchers worth the full value of their round-trip ticket. Waiting for as little as thirty minutes will bring smaller amounts. JetBlue will also hand out vouchers for the full amount of passengers' round trips if a flight is cancelled within twelve hours of a scheduled departure. The apology, backed by concrete benefits for the angry and inconvenienced passengers, netted kudos for the company from both the business press and JetBlue's own loyal customers. Neeleman eventually stepped down as CEO, though, as new management was brought in to address some of the growth challenges the airlines faced.



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Tangibilizing the Product

- Promotional material, employees' appearance, and the service firm's physical environment all help *tangibilize* service.
 - a hotel's promotional material might include a meeting planner's packet, photographs of the hotel's public area, guest rooms, and meeting space
- A banquet salesperson for a fine restaurant can make the product tangible by taking pastry samples on morning sales calls.
 - this creates goodwill and provides the prospective client with some knowledge about the restaurant's food quality



Tangibilizing the Product

- The salesperson may be the prospective customer's first contact with that business.
 - one who is well groomed, dressed appropriately and who answers questions in a prompt, professional manner can do a great deal to help develop a positive image of the hotel



- Everything about a hospitality company communicates *something*.

Uniforms provide tangible evidence that the person delivering this service is professional.
Courtesy of Paul Kenward © Dorling Kindersley



Tangibilizing the Product

- Managers work hard provide their guests with positive reinforcement, and physical evidence that is not managed properly can hurt a business.
- Negative messages communicated by poorly managed physical evidence include:
 - signs that continue to advertise a holiday special two weeks after the holiday has passed
 - signs with missing letters or burned-out lights
 - parking lots & grounds unkempt and full of trash
 - employees in dirty uniforms at messy workstations
- Such signs send negative messages to customers.



Tangibilizing the Product

- Physical surroundings should be designed to reinforce product position in the customer's mind.
 - front-desk staff in a luxury hotel should dress in professional apparel, such as a conservative suit, while staff at a tropical resort might wear Hawaiian-style shirts
- A firm's communications should also reinforce their positioning.
 - Ronald McDonald is great for McDonald's, but a clown would not be appropriate for a Four Seasons hotel
- A service organization should review all tangible evidence to ensure it delivers the desired image.



Managing Employees as Part of the Product

- In the hospitality industry, employees are a critical part of the product and marketing mix.
- This means the human resources and marketing departments must work closely together
 - in restaurants without a human resources department, the restaurant manager serves as the human resource manager
- The manager must hire friendly, capable employees and formulate policies that support positive relations between employees and guests.
 - even minor details related to personnel policy can have a significant effect on the product's quality

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Managing Perceived Risk

- Customers of hospitality products experience anxiety because they cannot experience the product first.
- Consider a salesperson whose manager asks her to set up a regional sales meeting.
 - if the meeting goes well, her sales manager will be favorably impressed; if it goes badly, she may be blamed
 - in arranging the meeting, the salesperson has to trust the hotel's salesperson
- Good hotel salespeople alleviate client fears by letting them know they have arranged hundreds of successful meetings.

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Managing Perceived Risk

- A way to combat concern is to encourage the client to try the hotel or restaurant in a low-risk situation.
 - hotels and resorts offer familiarization (or fam) trips to meeting planners and travel agents
 - airlines often offer complimentary flight tickets because they are also interested in creating business
 - fam trips reduce a product's intangibility by letting the intermediary customer experience the hotel beforehand
- The high risk people perceive when purchasing hospitality products increases loyalty to companies that have provided a consistent product in the past.

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Managing Perceived Risk

- Meeting planners sometimes select the hotel for a client's meeting.
 - or are quite influential in the decision
- Planners feel there is less personal risk in selecting a highly rated hotel, particularly in the event of unforeseen problems.
- It is not surprising that many select four - or five-star-rated hotels.
 - even though other, equally suitable hotels may be available at lower costs

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Managing Capacity and Demand

- Corporate management is responsible for matching capacity with demand on a long-term basis.
 - unit managers are responsible for matching capacity with fluctuations in short-term demand
- Managers have two major options for matching capacity with demand: *change capacity* or *change demand*.
 - airlines swap small aircraft for larger aircraft on flights that are selling out faster than normal
 - if a larger plane is not available, they can reduce demand by eliminating discounted fares & charging a higher fare

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Involving the Customer in the Service Delivery

- Getting the customer involved in service operations expands the number of people one employee can serve, increasing the capacity of the operation.
- Self-service technologies (SSTs) allow the customer to serve as the company's employee.
- Adoption of SSTs that increase customer satisfaction represents one of the biggest opportunities for the travel and hospitality industry.
 - a common example is a self-service soft drink dispenser in a fast-food restaurant

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Involving the Customer in the Service Delivery

- A more sophisticated SST is an online ordering site for a restaurant.
 - the order is placed automatically in the cooking queue at the proper time so it will be ready at the time the customer requested
- Many convention hotels have self-service food and beverage operations featuring premade sandwiches & salads, enabling the staff to build a buffer inventory.
 - when a meeting breaks and a number of the participants want a meal or snack, these operations have the capacity to serve many people quickly

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Cross-Training Employees

- In a hotel, the demand for all services does not rise and fall in unison.
 - one outlet may experience sudden strong demand while other areas enjoy normal levels
 - a hotel restaurant doing 30-40 covers a night cannot justify more than two service people, though it may have 80 seats
- Having front-desk staff and banquet staff trained in à la carte service means the restaurant manager has a group of employees that can be called on if demand for the restaurant on any particular night exceeds the capacity of two service people.



Part-Time Employees

- Managers can use part-time employees to expand capacity during an unusually busy day, meal period or during busy months of the seasonal business year.
- Summer resorts hire part-time staff to work during the summer period, reducing staff at slower times.
 - and reduce staff further or close during the low season
- Part-time employees can be used on an on-call basis.
 - hotels usually have a list of banquet staff to call for events
- Part-time employees give an organization flexibility to adjust the number of employees to the level required to meet demand.

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Renting or Sharing Extra Facilities and Equipment

- Catering firms often purchase only the amount of equipment they use regularly.
 - when they have a busy period, they rent equipment
- Businesses can rent, share, or even move groups to outside facilities to increase capacity to meet short-term demand.
 - an opportunity to book a Tuesday to Thursday meeting may be lost because function space is booked Wednesday evening, leaving no space for the group's dinner
- A creative solution would be to suggest the group go outside the hotel for a unique dinner experience.

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Schedule Downtime During Periods of Low Demand

- One way to decrease capacity to match the lower demand is to schedule repairs and maintenance during the low season.



Change the Service Delivery System

- Because services are perishable, managing capacity & demand is a key function of hospitality marketing.
- Mother's Day is traditionally a restaurant's busiest day of the year, with peak time from 11 am to 2 pm.
 - this three-hour period presents restaurateurs with one of their greatest sales opportunities
- To take full advantage of this opportunity, restaurant managers must accomplish two things:
 - they must adjust their operating systems to enable the business to operate at maximum capacity
 - remember their goal of creating satisfied customers

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Change the Service Delivery System

- Many restaurants feature Mother's Day buffets, which has numerous benefits:
 - an attractive buffet creates a festive atmosphere
 - it provides an impression of variety and value
 - expedites service by eliminating prepared-to-order food
- Customers provide their own service, with the service staff providing the beverage and check.
 - which frees the staff to wait on more customers.
- This increases turnover of tables, further increasing the restaurant's capacity.

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Change the Service Delivery System

- The buffet also allows the restaurant to create a buffer inventory, although 3 hours' worth of food cannot be kept on a steam table without a reduction in quality and attractiveness.
 - food can be cooked in batches that will last 20-30 minutes
- Facilities can increase capacity by extending hours
 - a hotel coffee shop that is full by 7:30 am may find it useful to open at 6:30 am instead of 7:00 am
 - *Leaps and Bounds*, a children's entertainment center normally closed at night, offers all-night parties for groups of twenty or more

II



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Introduction

- All successful hospitality businesses become capacity constrained.
 - during a citywide convention, a hotel may receive requests for rooms that exceed its capacity
 - the Saturday before Christmas, a restaurant could book more banquets if it had space
 - during a summer holiday a resort could sell more rooms if it had them
- Capacity management allows a business to increase its capacity, but it does not prevent situations where demand exceeds capacity.

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Using Price to Create or Reduce Demand

- Pricing is one method used to manage demand.
 - to create demand, restaurants offer specials on slow days
 - resorts lower prices during the off-season
- Managers must make sure that the market segments attracted by the lower price are their desired targets.
- When demand exceeds capacity, managers raise prices to lower demand.
 - on New Year's Eve, many restaurants & nightclubs offer set menus & packages that exceed a normal average check
- They realize that even with higher prices, demand remains sufficient to fill to capacity.

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Using Reservations

- Hotels and restaurants often use reservations to monitor demand.
 - when it appears demand will exceed capacity, managers can save capacity for the more profitable segments
 - reservations can also limit demand by allowing managers to refuse further reservations when capacity meets demand
- While reservations in restaurants can help manage demand, they can also decrease capacity.
 - this is why high-volume mid-priced restaurants do not usually take reservations
 - estimated times of customer arrival/departure may not fit precisely, resulting in empty tables for 20 minutes or more

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Using Reservations

- In high-priced restaurants, guests expect to reserve a table and have it ready when they arrive.
- Customers of mid-priced restaurants have different expectations.
 - allowing popular restaurants to increase capacity by having customers queue & wait for an available table
- Queues allow managers to inventory demand for short periods of time and fill every table immediately when it becomes available.
 - eliminating dead time



Using Reservations

- To maximize capacity, some restaurants accept reservations for seating at designated times.
 - when customers call, they are made aware of the seating times and informed the table is theirs for up to 2 hours
 - after 2 hours, another party will be waiting to use the table
- Seatings increases capacity by ensuring the restaurant will have three turns, and by shifting demand.
 - as the 8 o'clock seating fills, managers can shift demand to 6 or 10, depending on the customer's preference

