





A felsőfokú oktatás minőségének és
hozzáférhetőségének együttes javítása a
Pannon Egyetemen

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Chapter 1 - Introduction, definition of tourism marketing

1. Content of marketing

We can say that marketing suggests an iceberg. If we are watching TV or reading magazines or using the web, we see various types of advertising. And to tell the truth we hate most of them. So regarding the marketing activity of the companies in our everyday lives we become familiar with the communication tools of the companies. But without the other tools – below the blue line – communication couldn't work, the communication tools mean only the tip of the iceberg.

Now I want to show you some definition but don't worry you don't have to learn them word for word. But you have to know the most important key terms of these definitions.

***In a narrow sense** marketing is a corporate activity to analyze the market in order to satisfy customer needs, determine the products and services to be sold, inform customers of the products and services, set the price, manage sales and influence consumers.*

Marketing doesn't mean isolated activities we have to imagine it as a process. And the marketing activity of a company consists of market research, product creation, pricing, promotion and selling etc.

***In a broader sense** marketing is defined as a corporate philosophy which concentrates on the needs of consumers. In that sense, instead of being only one of the functional areas of the company, marketing is a view, an attitude of the senior management, coordinating the departments of an organization.*

This definition means that marketing should be a holistic philosophy of the company, it isn't enough if only the marketing department deals with the marketing activity. Each of the departments and employees have to know the marketing strategy and the centre of their work has to be the consumer.

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company, marketing is a view, an attitude of the senior management, coordinating the departments of an organization.

It means that the toolbox of marketing can be used by any type of organisation. For example our university carries out strong marketing activity – we are constantly developing our educational programs, our lecturers and our promotional activity is strong too – we organise competitions for high school students, open days at the university, take part in educational fairs both in Hungary and abroad. Additionally, this spring we will be part of an election process in Hungary – the political parties began their marketing activities at the beginning of this year.

Definition of tourism marketing

Marketing is a continuous, sequential process through which management in tourism plans, researchers, implements, controls, and evaluates activities designed to satisfy both customers' needs and wants and their own organisation's objectives. To be effective marketing requires the efforts of everyone in an organisation and can be made more or less effective by the actions of complementary organisations.” (Morrison, A.M. 2013)

You don't have to learn these definitions word by word but you have to be able to reformulate them with your own words, ..

Tools of the marketing, the marketing-mix of tourism

Marketing-mix strategy is choosing and implementing the best possible course of action to attain the organization's long-term objectives and gain a competitive edge. The marketing-mix, more popularly referred to as the 8Ps of marketing is a set of controllable and interrelated variables that a company assembles to satisfy a target group better than its competitors. The tourism product unlike a car or a computer that consists of a combination of tangible and intangible items and the potential customers “buy” the product before “acquiring” the product. That's why in tourism we talk about 8Ps, while the classic marketing theory deals with 4Ps.

These 8Ps vary by the different researchers, the table below shows the most well-known theories.

<i>Middleton</i>	<i>Morrison</i>	<i>Lewis/Chambers/ Chacko</i>
Product	Product	Product
Place	Place	Distribution
Sales promotion	Sales promotion	Communication
		Presentation
Price	Price	- price
People	People	- employees, consumers
Physical evidence	(Product)	- situation, physical evidence, atmosphere
Processes	Programming	
	Packaging	
	Partnership	

2. The process of the tourism marketing



Source: own compilation

The first step is to determine where we are. We have to collect information about the environment surrounding our business, about our company I mean internal information and about our customers, about their consumer behaviour, so about everything we are involved in. The tools to do these tasks are research and SWOT analysis, we will talk about later this semester. The next step is to formulate where we want to go. We have to set ourselves objectives which are based on our mission, vision and aims, and after that we have to create business and marketing plans as a tool to realize the third step.

The next task is to ensure the access of our objectives –effective management and appropriate budget are the most important things at this level.

The last one is the phase of monitoring and evaluation and with the help of these activities we will find out whether we have reached our objectives.

The production orientation

This orientation is the oldest of business concepts . It holds that consumers will prefer products that are widely available and inexpensive. Managers focusing on this concept concentrate on achieving high production efficiency, low costs, and mass distribution. They assume that consumers are primarily interested in product availability and low prices. This orientation makes sense in developing countries, where consumers are more interested in obtaining the product than in its features.

What do you think is a typical concept for companies nowadays? It was typical for companies in early times of marketing, at the beginning of the marketing history.

The product concept

This orientation holds that consumers will favour those products that offer the best quality, performance, or innovative features. Managers focusing on this concept concentrate on making superior products and improving them over time. They assume that buyers admire well-made products and can appraise quality and performance. However, these managers are sometimes caught up in a love affair with their product and do not realize what the market needs.

Management might commit the “better-mousetrap” fallacy, believing that a better mousetrap will lead people to beat a path to its door.

The sales orientation

This is another common business orientation. It holds that consumers and businesses, if left alone, will ordinarily not buy enough of the selling company’s products. The organization must, therefore, undertake an aggressive selling and promotion effort. This concept assumes that consumers typically demonstrate consumer inertia or resistance and must be coaxed into buying. It also assumes that the company has a whole battery of effective selling and promotional tools to stimulate more buying. Most firms practice the selling concept when they have overcapacity. *Their aim is to sell what they make rather than make what the market wants.*

The marketing concept

This is a business philosophy that challenges the above three business orientations. Its central tenets crystallized in the 1950s. It holds that the key to achieving its organizational goals (goals of the selling company) consist of the company being more effective than competitors in creating, delivering, and communicating customer value to its selected target customers. The marketing concept rests on four pillars: target market, customer needs, integrated marketing and profitability.

The societal marketing

This concept holds that the organization’s task is to determine the needs, wants, and interests of target markets and to deliver the desired satisfactions more effectively and efficiently than competitors (this is the original Marketing Concept). Additionally, it holds that this all must be done in a way that preserves or enhances the consumers’ and the society’s well-being.

These concepts are those which take into account the business environment and try to cut down on the negative effects of the companies’ activities and support different social, natural, environmental problems in the county or world.

The sustainable approach

It focuses on the satisfaction of visitor needs and wants while respecting the long term interests of the community.

Tourism/tourist experience

Researchers, academics and professionals have defined the tourist experience in multiply ways, but what most of them agree on is the priority of consumer perspective.

The tourist experience has been defined also as “the culmination of a given experience” formed by tourists “when they are visiting and spending time in a given tourists location” (Graefe & Vaske 1987). The tourist experience is “an example of hedonic consumption” (Go, 2005: 81), which “the tourist is seeking” (Volo, 2005: 205).

Based on various definitions the thesis defines tourist experience as:

- having a *personal character*,
- *multidimensional construct* consisting of external and internal fparties, which can exist only if
- the consumer is *able and ready to be involved* in the experience.

Co-creation experience

The production or service company create a value proposal. The value comes off during consumption.

Co-creation involves tourists’ active involvement and interaction with the supplier in every aspect, from product design to product consumption.

Starwood Hotels chain was the first to appear in the 3D virtual world of Second Life and created the so - called Virtual aloft. Here the members of the online community designed the hotel rooms, which were later built.

Service

„Services are the application of specialized competences (knowledge and skills) through deeds, processes, and performances for the benefit of another entity or the entity itself.” (Vargo and Lush, 2004:2). The result of each economic activity is a service – what is important for the customer is the impact made by the service.

Service-dominant logic

An approach that highlights the relationships and interactions between the participants of marketing.

The consumer is interested not in the products/services but in their effect: he/she appreciates not the product attributes themselves but the consumer experience and the value perceived in the form of change

Opposite: product dominant logic

The products and services themselves are not end products but only items that carry the information needed to create the effect important for the customer.

The following table shows the differences between product and service dominant logic by the most important aspects.

	<i>Product dominant logic</i>	<i>Service dominant logic</i>
Primary unit of exchange	People exchange for goods. These goods serve primarily as operand resources.	People exchange to acquire the benefits of specialized competences (knowledge and skills), or services. Knowledge and skills are operand resources.
Role of goods	Goods are operand resources and end products.	Goods are transmitters of operand resources (embedded knowledge).
Role of customer	The customer is the recipient of goods. The customer is an operand resource.	The customer is a co-producer of service (operand resource). Marketing is a process of doing things in interaction with the customer.
Determination and meaning of value	(Exchange) value is determined by the producer with the design and pricing of the product.	Value is perceived and determined by the consumer on the basis of “value in use.” Firms can only make value propositions.
Firm – customer interaction	Customers are acted on to create transactions with resources.	Customers are active participants in relational exchanges and coproduction. It is a long-lasting relationship, the antecedent and the impact are equally important.

Source: own compilation

Example: Marriott

In Marriott hotels the business guests are able to ask and order services during the events with the help of Meeting Services Application. Business travellers can indicate their needs and wants to the hotel staff without standing up, e.g. they are able to ask to change the temperature or start the coffee break earlier. This example shows the service orientation which means an added value for the customers during their consumption. (<http://www.marriott.com/meeting-event-hotels/event-management-services.mi>)

Task 1

The group has to create a tourism enterprise (accommodation, catering outlet, travel agency, event organiser company, etc.). Creative thinking is an advantage, but the idea must be realistic. In the first task the following points have to be discussed:

- the exact location of the enterprise (Later you have to analyse the competitors as well, so you must choose a real location.)
- the name of the company (Be creative and make it unique.)
- the main scope of activity (You do not have to go into particulars for now. You are going to discuss the product in detail later.)
- the main target groups (Now you do not have to analyse them in detail, just give the main idea.)
- defining the price level (You do not need to list all the prices, just decide what the price level will be – e.g. economy, midscale, luxury, etc.)
- deciding about the design, image (You have to describe the concept. You may use photos found on the Internet to illustrate your ideas or you can even create your own design if you can use such software.)
- labour demand (You have to think about how many employees your company needs. Be realistic, consider the opening hours, the tasks to be carried out and do not forget that employees need time off.)

KEY TERMS

definitions of marketing

tourism marketing

marketing tools of tourism

process of marketing

production concept

marketing concept

tourism experience

co-creation

service

service-dominant logic (S-D)

consumer / traveller / guest

Questions to consider

Marketing can be defined in many ways. In your own words, describe marketing to someone who is not familiar with this term.

Introduce the process of marketing, characterise each of the steps.

What does the service-dominant logic mean?

Give examples you have found of hospitality companies being socially responsible. Include in your discussion how being socially responsible helps the company.

Chapter 2 - Product

Definition of service

„We define services as the application of specialized competences (knowledge and skills) through deeds, processes, and performances for the benefit of another entity or the entity itself...” (Vargo, Lusch, 2004)

The American Marketing Association defines services marketing as an organisational function and a set of processes for identifying or creating, communicating, and delivering value to customers and for managing customer relationship in a way that benefit the organisation and stake-holders.

The first term we are talking about is the definition of service. It is only a short repetition because if I know well you covered this last semester. Tourism is a sort of service.

If we are talking about tourism product than we are talking about services. That's why we have to know the definition of services. The first definition stems from the researchers who created the service-dominant logic, Vargo and Lush.

I think that the other definition is much more understandable which states that ... The essential / main point is in both definitions that service provision is a process among two or more participants, and the result of this process is the customers' expected value.

Characteristics of services

Services have 4 characteristics which differentiate them from other / physical products. Do you remember these? These characteristics are important because they have a lot of consequences / effects on marketing activity.

Intangibility: Unlike physical products, services (intangible products) cannot be seen, tasted, felt, heard or smelled before they are purchased.

Perishability means that we can't keep tourism services in stock. If I don't sell a hotel room for today I can't take it back into my store and sell it tomorrow. This hotel room is available only for

today, if I don't sell it today it will be a loss for me. But If I have a mobile phone and I can't sell it today it's possible to sell it tomorrow.

Variability: We can explain it in three dimension. It can mean the variability of people who provide services. In this filed it is very difficult to standardize – it's possible, but difficult – e.g. in a hotel we can create standards for „how to pick up the phone and begin the conversation” but the intonation can't be standardized. In tourism services are variable because of the other tourists. When we provide the service a lot of tourists are present and they effect each other, the perception of the service. The third one is that in casess of tourism the company size is very variable. Most of the enterprises are small or medium sized but we can mention a lot of worldwide tourism companies or travel concerns.

Inseparability: it means that in cases of services the „production” happens together with the consumption. So the provision and consumption of services are parallel processes. This characteristics has an effect on customer management, quality management, complaint management etc.

Tourism product

A tourism product is a mix of products and services that might satisfy the tourists' needs and wants. E.g. in case of a restaurant the physical parts are the building of the r., the design tools, the meals and the service parts serve the different courses made by the chef, music services the atmosphere etc.

Special characteristics of tourism services

Short service period: The travellers get in touch with the service provider only for the time of their stay, so there is only a short time available to communicate and provide the service. We have to solve the emerging problems immediately.

Highly emotional and irrational component of the customer's decision: Because of the short time-span of the relationship/intangibility of the tourism product it is impossible to make a rational decision – the collection of information is limited and the tourist is only able to consider his/her impressions.

Important role of external traits: Due to the lack of realistic information the customer judges by looks or information coming from the players of the tourism industry.

Role of prestige and image: Since the customers have difficulty evaluating the environment surrounding them, they use already existing stereotypes in their minds. Prestige – looking for things worth having in everyday life. Image – looking for well-known brands.

Diversity of distribution channels: The customer can buy the same product from several retailers but, depending on the distribution channels or system, it might come at different prices or in different packages.

Dependence on other parties and parties in providing the tourism product: The visitor consumes tourism services as part of a journey, so the common experience creation depends on the context of the consumption, meaning: a. services consumed together with other services, b. other visitors consuming the same service at the same time.

It's easy to reproduce tourism services: In case of most tourism services it is impossible to copyright the process – so the complex product can easily be copied.

Levels of tourism products

The most basic level is core product, which answers the following question: What is the buyer really buying? A 4 day holiday in Dublin depending on the visitor might be cultural enrichment, or a return to one's roots or safe adventure or even romance.

The level of facilitating products are services and mainly goods that must be present to enable the guest to use the core product. This is the physical appearance of the core product.

The level of supporting product means extra services offered to add value to the core product and help differentiate it from the competition. The distinction between facilitating and supporting depends on the tourism product and the market segment.

In case of a tourism product P. Kotler created a new, additional product level. The augmented product includes accessibility, atmosphere, customer interaction with the service organisation, customer participation and customers' interaction with each other.

If a product is not *accessible*, it has no value. Two barriers to accessibility are hours of operation and lack of knowledge. E.g. in cases of a business hotel with a swimming pool that opens at 7 am

doesn't mean value because the business man has to start the work at 8 am. Or a receptionist without appropriate knowledge about tourism services of the city doesn't mean value for the guests of the hotel.

Atmosphere is a critical element in services. It can be the consumers' reason for choosing the service provider. It is important because of the intangibility of tourism products. Customer interaction: there are 3 phases we have to know in detail: joining, consumption, detachment phase.

The *customer participates* in the delivery of most hospitality and travel products. There are three phases to this involvement: joining, consumption, and detachment.

Customer interaction: An area that is drawing the interest of hospitality researchers is the interaction of customers with each other. Hospitality organizations must manage the interaction of customers to ensure that some do not negatively affect the experience of others.

Packaging

In most cases tourism products appear in the form of package, which means a complex mix of basic and additional services (e.g. insurance, optional programmes)

- according the type of products and the target groups' needs and wants
- classification based on the content of the package: all inclusive, fly and drive, fly and cruise, event packages, special package

Benefits of packaging for the customers

To create packages is good for both consumers and travel agencies. The first benefit is convenience. It's much more convenient for the traveller if the travel agency organises the tour because this organising process is a very long and time-consuming activity. Everybody knows that with the development of digital technologies anybody can reach and book travel services but the supply is so wide that it takes too long to find the right travel services.

Service providers buy the components of packages on large scale at lower prices and that's why they can offer their packages cheaper as if somebody organises a holiday for oneself. A small part of this discount the travel agencies give to the traveller.

If somebody buys a package, they pay the whole amount in advance knowing they need no more money except for additional things, e.g. meals, outings, souvenirs etc.

In most cases travel agencies work together as stable partners and know their role. If I organise a trip for myself my decision can be based only on available information on different platforms but I haven't any experience or knowledge before travelling.

Benefits of packaging for organisers and service providers

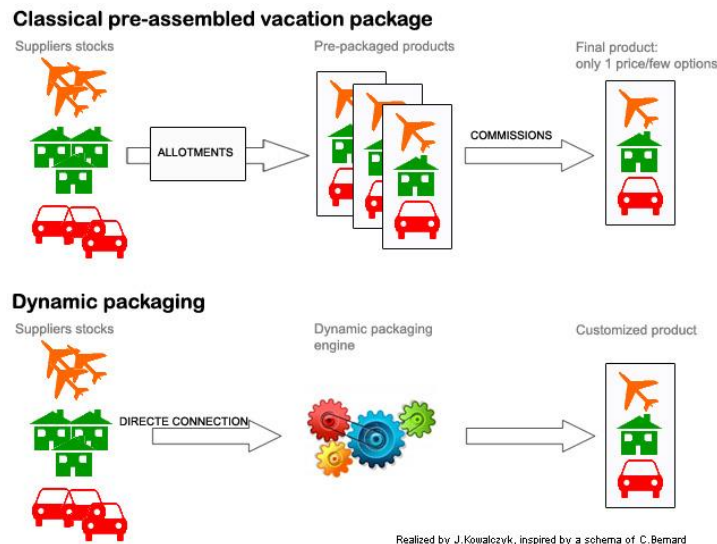
Selling in packages is very useful for service providers because in this way a certain part of its capacity is booked in advance, and can help to improve the operating rate.

Travel agencies make life easier for potential travellers.

With the help of packaging we can sell more services because as a service provider we aren't part of a package, it's optional if the tourist buys our service or not.

Both [tourism service providers](#) and [attractions](#) realised the advantages of packageing their own services and events, the previous links show examples of this.

Dynamic packaging



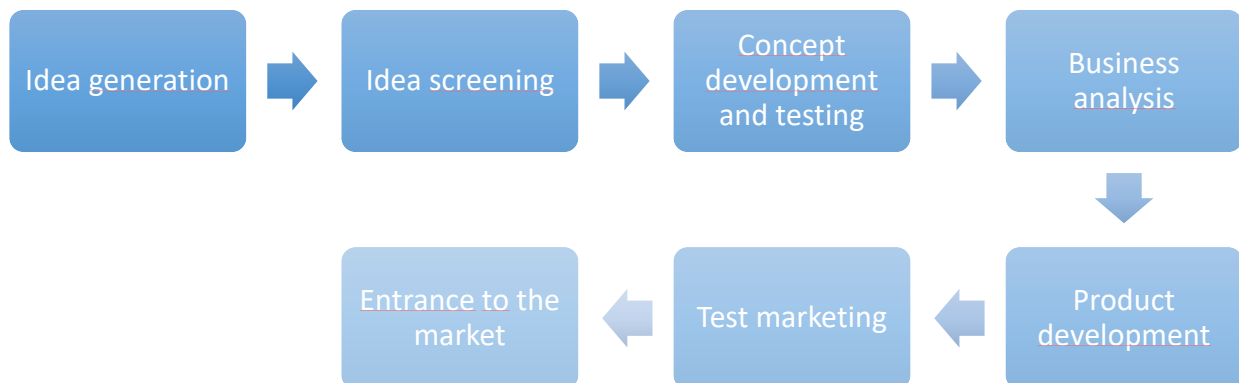
Nowadays tourists are experienced, there are a part of travellers who travel a lot so they need tailor-made services and packages. Dynamic packaging came into existence which enables the customers to build their own package. A very good example is Expedia which offers a wide range of services for the potential tourist to choose from. Beside dynamic packaging Expedia offers traditional packages as well so every type of visitor can find the perfect package.

Tourism product as a destination

The most complex level, but it's important because of the experience, it means that this is the unit which can offer a complex experience to travellers. Usually we say that competition is the scene of the competition. In the most cases the marketing activity of a destination is coordinated by a [DMO](#) , but it can be organised by a profit-oriented organisation ([viamichelin](#)) as well.

Product development process

To create successful new products, a company must understand its consumers, markets, and competitors and develop products that deliver superior value to customers. It must carry out strong new-product planning and set up a systematic, customer-driven new-product development process for finding and developing new products. Product development is a long process and can be very expensive but it's worth it because it helps the company to work in a profitable way.



Source: own compilation

Idea Generation: New-product development starts with idea generation—the systematic search for new-product ideas. The purpose of idea generation is to create a large number of ideas.

Idea Screening: The purpose of screening is to spot good ideas and drop poor ones as quickly as possible. Product development costs rise greatly in later stages, so the company wants to proceed only with ideas that will turn into profitable products. The idea or concept screening stage is the appropriate time to carefully review the question of product line compatibility.

Concept Development and Testing: Surviving ideas must now be developed into product concepts. It is important to distinguish between a product idea, a product concept, and a product image. A product idea envisions a possible product that company managers might offer to the market. A product concept is a detailed version of the idea stated in meaningful consumer terms. A product image is the way that consumers picture an actual or potential product.

Business Analysis: Business analysis involves a review of the sales, costs, and profit projections to determine whether they satisfy the company's objectives.

Product Development: If the product concept passes the business test, it moves into product development and into a proto type. One problem with developing a prototype is that it is often limited to the core product. Many of the intangible aspects of the product, such as the performance of the employees, cannot be included.

Test Marketing: The product and marketing program are introduced into realistic market settings. Market testing allows the marketer to gain experience in marketing the product, to find potential problems, and to learn where more information is needed before the company goes to the great expense of full introduction.

Commercialization: If the company goes ahead with commercialization, it will face high costs.

Some product development examples in the field of tourism

- physical elements
 - [Wizz Air](#) has a young, single type Airbus fleet from the A320 family including A320s and an A321ceo. Wizz Air took delivery of its first A321ceo aircraft in November 2015 and will take over 20 more through 2018.
 - [KLM innovation for children in 2014 - Bluey](#)
 - [Sleep under the stars with all the comfort of a hotel room](#)
- human elements
 - [KLM](#) offers 24/7 service in Chinese on Sina Weibo and WeChat
- technology innovation
 - Now, you'll always have time for that [Starbucks](#) run, [video](#)
 - using your smartphone as your hotel room key – first (in 2014) in [Starwood](#) hotels
- new product line
 - Easyjet founder Sir Stelios Haji-Ioannou has set his sights on discount grocers with the opening of a trial [easyFoodstore](#) shop in North London.

Branding

In marketing activity of companies it's all about creating differences between products. And branding helps. Brands are more than just names and symbols. They are a key element in the company's relationship with consumers. Brands represents consumers' perceptions and feelings about a product and its performance is everything that the product means to the consumers. In the final analysis, brands exist in the heads of consumers. Brands are powerful assets that must be carefully developed and managed. Some analysts see brands as the major enduring asset of a company, outlasting the company's specific products and facilities.

A powerful brand has high brand equity. Brand equity is the added value endowed on products and services. Brands vary in the amount of power and value they hold in the market place. Ad agency Young and Rubicam's Brand Asset Valuator measures brand strength along four consumer perception dimensions: differentiation (what makes the brand stand out), relevance

(how consumers feel it meets their needs), knowledge (how much consumers know about the brand), and esteem (how highly consumers regard and respect the brand).

A brand is the company's promise to deliver a specific set of features, benefits, services, and experiences consistently to buyers. The brand promise must be simple and honest. They can position brands at any of three levels:

- At the lowest level they can position the brand on product attributes. However, attributes are the least desirable level for brand positioning. Competitors can easily copy attributes.
- A brand can be better positioned by associating its name with a desirable benefit.
- The strongest brands go beyond attribute or benefit positioning - they are positioned on strong beliefs and values. Successful brands engage customers on a deep, emotional level.

[In this exclusive interview](#) with Thomson Reuters, InterContinental Hotel Group CEO, Richard Solomons explains how they continue to increase their customer base through building brand equity. Solomons emphasizes the importance of having brands that fundamentally stand for something and really understanding your customer.

[This video](#) explains the building blocks of Hilton brand.

Task 2

Work out the product offer of the business. Make the products experience-centred and consumer-oriented so that it fits the requirements of modern marketing.

Discuss the following points:

- define the basic service,
- elaborate on additional services,
- when working out the services, use the concept of product levels (core product, facilitating product, supporting product, augmented product),
- elaborate on programme packages, service combinations (without prices).

KEY TERMS

service	product development
service characteristics	process of product development
tourism service characteristics	branding
product levels	brand equity
package	brand positioning
dynamic packaging	

Questions to consider

Illustrate how a hotel, restaurant, or theatre can deal with intangibility, inseparability, variability, and perishability of the service it provides. Give specific examples.

Describe the special characteristics of tourism services.

Use a product from the hospitality and travel industry to explain the following terms (provide an example in your explanation): core product, facilitating product, supporting product, and augmented product.

What does the term 'dynamic packaging' mean?

As a hotel or restaurant manager, how would you gain new-product ideas?

Chapter 3 Consumer behaviour in tourism I.

Consumer behaviour

- ... determined by the customers' social and cultural background, it's a reaction to the marketing stimuli,
- ... activities during the purchase and consumption of services, where the aim is to reach satisfaction.

Consumer behaviour issues:

- decision-making process,
- determinants of decision-making,
- satisfaction, returning visitors,
- travel career, etc.

The decision-making process

By considering the decision as a process we can reveal the steps through which the customer/traveller ends up consuming. The figure below shows the seven stages of this process. This model emphasises that the buying process starts long before and continues long after the actual purchase. This model shows a buying process of a classic travel package, if we are talking about limited or routine buying (e.g. last –minute offer, return to the last year visited hotel), the process isn't as long, and we can't find seven stages.

- Routine buying process: Process typical of recurring travels. Since travel/consumption occurs regularly the customer does not need to search for information and rank alternatives.
- Limited buying process: The customer already possesses personal experiences, which facilitate decision-making, but new circumstances, not experienced in previous travels, emerge, making further search for information becomes necessary.

1. Need recognition

At the root of the purchase we find the customers' needs and desires. Need recognition occurs when the buyer recognizes a problem or need triggered by internal stimuli and/or external stimuli.

2. Search for information

The recognition of need leads to search for information:

- internal search (search takes place internally when previous experiences and knowledge are used as the basis)
- external search (analysis of information concerning mode of travel and destinations)

Information search is the amount of information needed in the buying process and depends on:

- the strength of the drive,
- the amount of information you start with,
- the ease of obtaining the information,
- the value placed on the additional information, and
- the satisfaction from searching.

Sources of information:

- personal sources—family and friends
- commercial sources—advertising, Internet
- public sources—mass media, consumer organizations
- experiential sources—handling, examining, using the product

The Internet is an important source nowadays, and each type of information source is present on the web, which means that the Internet is only a media type.

	Personal	Commercial	Public	Experiential
Sources of information	<ul style="list-style-type: none"> Family Friends Neighbours Acquaintances 	<ul style="list-style-type: none"> Advertising Salespeople Web sites Dealers Packaging Display 	<ul style="list-style-type: none"> Mass media Consumer-rating organizations Internet searches 	<ul style="list-style-type: none"> Personal handling, examining, and use of brand
Role of information	Legitimize Evaluate	Inform	Inform	Evaluate

This table shows the importance of the different information sources.

Trends in information search:

- becoming more complex – learn about more things from several sources,
- searching and screening are important – ranking and validity are essential because of the vast amount of information,
- the role of internal search is increasing – the frequent traveller knows a lot about the world.

3. Evaluation of alternatives

Evaluation of alternatives is how the consumer processes information to arrive at brand choices.

- aspects of evaluation: product features relevant to the customer (e.g. characteristics of the product, risk, expected value)
- evaluation of services occurs within the context of the holiday, in an integrated fashion
- the aspects of evaluation can be both personal and general

4. Purchase decision

The purchase decision is the act by the consumer to buy the most preferred brand. The purchase decision can be affected by:

- attitudes of others
- unexpected situational factors

The core decision: to travel or not to travel, and after that the following:

- primary decisions: destination, date, type of travel, etc.
- secondary decisions: service provider(s)

- technical decisions: booking, payment, terms

5. The post-purchase decision

The post-purchase decision is the satisfaction or dissatisfaction the consumer feels about the purchase. The traveller is exposed to a number of further effects in the time between booking and travel, therefore,

- ... he/she continuously revises his/her previous decision,
- ... he/she prepares for the journey, which will change the experience content.

6. Travel

During travel consumption occurs along with further local purchases (abridged decision-making process).

7. Post-travel evaluation

During and following travel (based on memories) the traveller evaluates the travel and formulates his/her satisfaction. Like the entire journey and the whole experience, satisfaction is equally a pastiche.

Touristic products need not be „replaced” or thrown away, because they pass ... memories become important: objects, photos and habits help register the touristic experience and lay the foundations to forming new needs.

The key element of this stage is the relationship between consumer's expectations and product's perceived performance.

The larger the gap between expectation and performance, the greater the consumer's dissatisfaction. Customer satisfaction is the key to building profitable relationships with consumers—to keeping and growing consumers and reaping their customer lifetime value.

KEY TERMS

consumer behaviour

expectations

decision-making process

satisfaction

routine-buying process

memories

limited-buying process

information sources

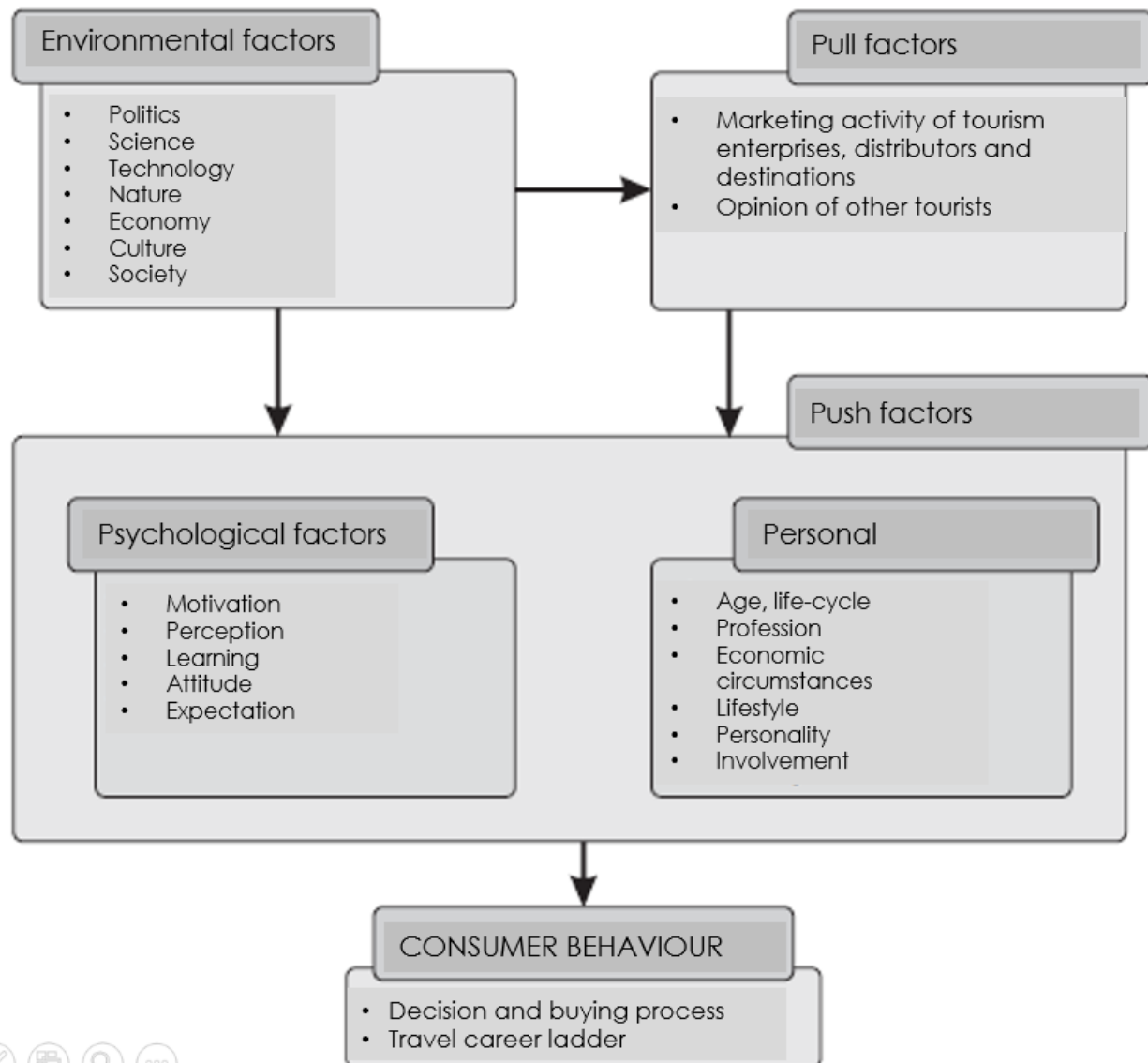
Questions to consider

Apply the seven stages in the decision process to your selection for your next vacation.

Along the stages of the decision-making process collect information about the travelling habits of Hungarian people.

Chapter 4 - Consumer behaviour in tourism II.

Consumer purchases are strongly influenced by a wide range of determinants. These parties and the connections among them are shown in the following chart.



Source: own compilation

Grouping these factors we can distinguish two main groups of determinants:

- push factors: Actual characteristics of everyday life constitute the personal context. Slowly changing needs and attitudes create the psychological factors.
- pull factors: Commercial context is defined by the supply and communication of the tourism sector. Pull factors react to push factors.

Pull factors

Political determinants:

- entry conditions determine the accessibility of a country: outbound permits and fees, inbound permits and needs (visa), transit permits (transit visa)
- political sympathy influences the willingness to travel to a country or destination: country preference (e.g. Arab/Israeli), value selection (e.g. Myanmar - dictatorship)

Economic factors:

- income determines the amount of money available for travel: total income, disposable income, discretionary income

Spatial relations:

- Residence on itself (country, region, settlement) determines the accessibility of the receiving destination.
- Indirectly, residence is an intermediary of economic, social and cultural factors.

Cultural context:

- Culture and subculture comprises the basic values, perceptions, wants and behaviours that a person learns continuously in a society.
- Subculture: a group of people within a culture that distinguish themselves from the larger culture to which they belong → nationalities, religions, sexes

Consumption trends and fashion:

- These factors influence life-style choices.
- E.g. healthy lifestyle

Tourism supply

- Visualizes the solutions that tourism offers to the customers' problems.

- Customers evaluate the actual supply of destinations in the context of general consumer trends and tourism supply.

Destination characteristics

- Experience supply (attractions, events, programs) suggests and offers concrete solutions to the push needs.
- The climate influences the nature and the temporal inequality (seasonality) of demand for the destination (primary decisions – date of travel), e.g. waterside holiday, ski tourism.
- Transportation – the degree to which the destination is discovered – influences the nature and duration of holiday.
- Hospitality influences customer satisfaction, memories and through these, the image of destination (verbal and non-verbal communication).
- Accessibility: mode (air, road, train transport) and cost (time and money) of access to the destination determines whether the destination is listed among the possible alternatives.

Product integration

- Simplicity of buying process is determined by product integration – to what extent is the destination's supply „oven-ready“?
 - in the supply of tour operators
 - in the activity of local and regional DMOs
 - in travel guides
 - through tourism community portals

Push parties

Social structure

- Lifestyle stage influences the emergence of needs and evaluation.
 - Young adult with children
 - Family with young children (Full nest)
 - Middle-aged couples without dependent children (Empty nest)
 - Elderly/seniors

- Age influences consumer behaviour loosely, its direct explanatory force is weak (→ individualisation). Theory of generations: childhood circumstances, fashion, trends influence consumer behaviour.
- Qualification and profession affect individual interest, influencing the emergence of needs and the evaluation of alternatives. Scale/degree of qualification influences travel competencies (search for information, purchase/booking).
- Gender creates differences in interest and consumption, and, as a result, in the evaluation of alternatives. Hedonic decision-making process is rather typical of woman.
- Reference groups affect the emergence of the individual's wants (identity / status). This is particularly true for tourism (role of the opinion leaders).
 - Peer group
 - Aspirational group
 - Own family

Psychological parties

- Motivation: A motive is a need that is sufficiently pressing to direct the person to seek satisfaction. Motivation research refers to qualitative research designed to probe consumers' hidden, subconscious motivations.
- Perception is the process by which people select, organize, and interpret information to form a meaningful picture of the world from three perceptual processes:
 - Selective attention is the tendency for people to screen out most of the information to which they are exposed.
 - Selective distortion is the tendency for people to interpret information in a way that will support what they already believe.
 - Selective retention is the tendency to remember good points made about a brand they favor and to forget good points about competing brands.
- Learning is the changes in an individual's behavior arising from experience and occurs through interplay of:
 - Drives
 - Stimuli

- Cues
 - Responses
 - Reinforcement
-
- Beliefs and Attitudes
 - Belief is a descriptive thought that a person has about something based on: knowledge, opinion, faith
 - Attitudes describe a person's relatively consistent evaluations, feelings, and tendencies toward an object or idea.

Task 3-4

Before business start-up we have to collect information, data about the potential customers. The first step is using secondary information which are collected by other market participants.

Search information about your potential guests, tourists. Using secondary information sources (e.g. professional magazines, newspapers, research institutes and any other literature) describe the buying behaviour, consuming habits of your future customers. You can use scientific sources as well, if you find any. In all cases it's important to indicate the source of the applied literature.

As a summary of your work emphasize / point out the effects of the collected information on your business.

KEY TERMS

influencing factors

push factors

pull factors

environmental factors

psychological factors

personal situation

perception

attitude

Questions to consider

Explain why marketers study buyer behaviour and discuss characteristics affecting consumer behaviour. Which characteristics do you think would have the greatest impact on your decision to select

- a restaurant to celebrate a special occasion, such as a birthday or anniversary?
- a travel package to Europe for a family with small children?
- a romantic trip for an elderly couple to celebrate their wedding anniversary?

Chapter 5 - Segmentation

Market segmentation: The main goal is to divide the heterogeneous market into homogenous groups.

Market segment: A well definable group of the market, described by one or more common attributes.

Target market: the market segment which is chosen by the company to reach it with the marketing activity.

The aim of the segmentation is to separate the persons and organisations who/which buys and consumes in the same way. *Basis*: investigation of consumer behaviour based on the methods of marketing research. **Grouping characteristics**: these characteristics are suitable for creating segments. **Describing characteristics**: with the help of these characteristics we are able to typify the created segments.

1. Segmentation characteristics

Geographic segmentation

- dividing the market into different geographic units(country-group, country, region, area etc)
- the most often used segmentation in tourism marketing
- consumer segmentation model
- it can be used easily and the target markets are easily measurable
- it's easy to reach the chosen target markets created by geographical fparties

Demographic segmentation

- preferences and the characteristics of product usage are related to demographic fparties
- easily measurable characteristics
- important to use as describing fparties
 - gender

- age and life-cycle stage
- income
- profession
- level of qualification
- religion
- race
- nationality
- sexual orientation

Life cycle and age: e.g. Instagram vs. Pinterest

- Family friendly accommodation– e.g. Kolping Hotel in Alsópáhok – pays attention to both adults’ expectations and kids’ needs and wants.

Gender

- applied for a long time
- e.g. Glamour vs. Men’s World
- it’s possible to use in tourism as one-dimensional segmentation (see examples), but usually it works as part of multidimensional segmentation
- Ellis Hotel (Atlanta) – comfortable slippers, curling irons, hair straighteners, soft lighting etc.
- Rudas Thermal Bath (Budapest)
- a-STYLE Shinsaibashi
- Leonardo Hotels

Religion and ethnic identity

- these factors essentially affect the way of life and the value preferences of the consumers
- a religious person never gives up her/his habits – these are important during holidays too
- [Keshet](#) – Kosher Tours
- [kosher lift/elevator](#) (video)

Sexual orientation

- „pink tourism” gets even more publicity among tourism professionals
- Berlin – ITB 2016 – Berlin Gay Travel Guide, Gay and Lesbian Travel (LGBT Travel)
- [IGLTA](#)
- [ITB – Gay and Lesbian Travel](#)

Income

- classic type of segmentation in tourism, because the level of income is important in relation to all types of tourism services
- it can be misleading in the segmentation process(e.g. lifestyle)
- [ACCOR](#)
- restaurant – discounts at lunch time, at the weekend
- [Starbucks](#) (6:12)

Qualification and profession

- influence to a high degree interests, lifestyle and consumer behaviour etc.
- People with higher qualification prefer the high culture toward mass culture
- [Veszprém Fest](#) – annual event, with world-famous singers which targets highly qualified people with high disposable income from all over the country

Psychographic segmentation

- [based](#) on personality traits, lifestyle and social class – investigates the subjective reason of the activity
- [Demographics explain “who” your buyer is, while psychographics explain “why” they buy.](#)
- disadvantage: no standardized methodology
- it contains difficult, measurable fparties
- it provides a layered, deeper picture than other grouping characteristics
- [MAMIL](#), [OPAL](#)

Behavioural segmentation

- buyers are divided into groups based on their knowledge, attitudes and use or response to a product
- advantages: objective, the bases are perceptible facts
- and perceptible behavioural types connect more directly to future consumption
- user status, usage rate, reason of usage, loyalty status, benefits sought

Product-based segmentation

- this method classifies the customers based on one of the products'/services' characteristics – e.g. incentive tours, sky holidays, luxury holidays
- it's a frequent-use segmentation in tourism
- applied mainly as part of multidimensional segmentation

Special tourism segmentation

- These are related to the characteristics of the tourism sector or tourism services:
 - aim/goal of travel
 - size of the group travelling together
 - length of stay – [capsule hotel](#) at the airport
 - type of transport
 - distribution channels

2. Segmentation methods

One-dimensional segmentation is insufficient to understand the modern traveller. Two- or three-dimensional segmentation: The most frequently used technique. It results usually in 6-12 segments. Profiling (multidimensional): It assumes a quantitative database about the customers. It results in a great number of lifestyle segments.

Segmentation– Targeting– Positioning

- targeting
 - concentration on one segment – [Kilroy](#)
 - product specialization – [Bakony-Balaton Geopark](#)
 - market specialization – [Kolping Hotel](#)
 - „pairing” strategy– Vista Travel Agency – city tours, crew liners, gastro tours, language learning holidays, [McDonald's](#)
 - „whole market” strategy – [Budapest Spring Festival](#)
- positioning
 - determination of distinctive characteristics – which are important for the buyer too
 - individual offers, and its communication to the potential customer
 - basis can be: product attribute, symbolic factors (image, snobbism), economic efficiency, consumer group, selling place

Task 5

Segment the market of your company based on 2-4 dimensions. Define and rank the target markets based on these characteristics.

KEY TERMS

market segmentation

market segment

target market

grouping characteristics

describing characteristics

geographic segmentation

demographic segmentation

psychographic segmentation

behavioural segmentation

product-based segmentation

special tourism segmentation

dimensions of segmentation

Questions to consider

Explain the process of market segmentation, market targeting and market positioning.

Some tourism enterprises want to develop a business with something for everybody. Why is this idea dangerous policy?

Chapter 6 Place / Distribution

Why do we need distribution channels? Here you can see a lot of reasons for it, let's see them step by step. In tourism there is no physical product and there are huge geographical distances. That's why we need intermediaries and different organisations who know these services in a remote destination can help the customers to choose among them. Certainly the development of the internet has made it much easier but a new problem has arisen: the volume of the information sources have increased so much that nowadays it's a challenge for the potential traveller to choose the appropriate services (information dump). The other reason for existence of intermediaries is that they are professionals, they have professional knowledge about tourism service providers, they check these service providers regularly and it means more reliable information than the opinion of different social media platforms.

Basically we can distinguish between two types of sales activity. The first one is the direct sales which means that there is no intermediary channel and the service provider sells its product directly to the customer. Direct sales means that the service provider and the potential customer get in touch/come into contact with each other without any third party. It's possible in two ways: online and offline. In case of tourism services online direct booking is an increasingly important way of sales because of the high commission fees.

If we are talking about distribution systems it means that we can find intermediaries between the service provider and the customer. It has both online and offline versions. Among the offline distributors you can't see tour wholesalers because in Hungary they aren't typical, but you will learn about them in the 'Tour Operation' module.

Direct sale

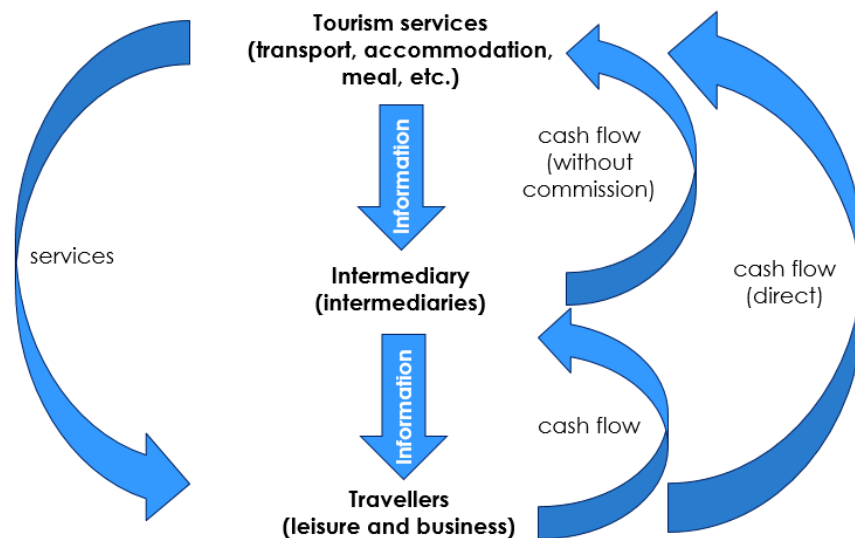
As mentioned earlier direct sales means a direct sales connection between the service provider and the potential visitor without using distribution channels of other parties.

Among the advantages of direct sales we have to mention that in this case the chance of information distortion is lower than in a distribution chain, because the service provider is the

person who knows its service best. If we are in direct connection with our customers it's much easier to know the needs and wants of our customers. In this way it's easy to build a personal customer database, which is a very important part of efficient marketing activity. And last but not least in this case we do not have to pay commission to the distribution channel which affects the company's profitability.

The last aspect among the advantages can appear as a disadvantage, because if we operate our own booking system it means a lot of costs for us: an personal booking engine, wages of the sales person or staff and other additional cost as communication cost etc.. in other cases communication cost appear through distribution channels.

In this figure you can see the main flows existing in the distribution channel system. As you see information and money flow among these parties but the most important thing is the booking and the money-flow. When referring to information flow does it mean that we are talking about a communication channel? Both in real life and the students mix these two kinds of channels (distribution and communication).



Source: own compilation

Indirect sale / Distribution system

Costs are incurred by the parties of the distribution system/intermediaries; it's possible to increase the selling points, as it appears as a cost just as in cases of a booking (this is the commission); to sell through e.g. tour operator means that it can increase the value of my service because TO sells my product in a package which means a bigger added value for the customer.

Channel members are hardly or not verifiable because the service provider isn't there when it sells the product and in most cases the sales person doesn't know the service as well as the service provider itself.

Tour operator (offline)

- „producers”
- Purchases large quantities very early
- Benefits for the service provider: value improvement, no risk of sales
- Disadvantages for the service provider: lower income, no possibility of customization
- Always a channel member (e.g. [Neckerman](#), [Thomas Cook](#))
- Specialised tour operators: working according to orders (e.g.. incentive-, conference organiser)
- [JTB](#), [Tensi](#), [Morton's Travel](#), [Diamond Congress Ltd.](#)

Travel agent (offline)

- Retail function
- At the end of supply chain
- Connection with varied tour operators (e.g. also GDS)
- Disadvantages: limited knowledge about the product
- Special: service agencies, consortium, alliances – their main task is qualification ([Association of Hungarian Hotels and Restaurants](#))
- [How Can Travel Agents Become Attractive Again?](#)

Global Distribution System (GDS) (online)

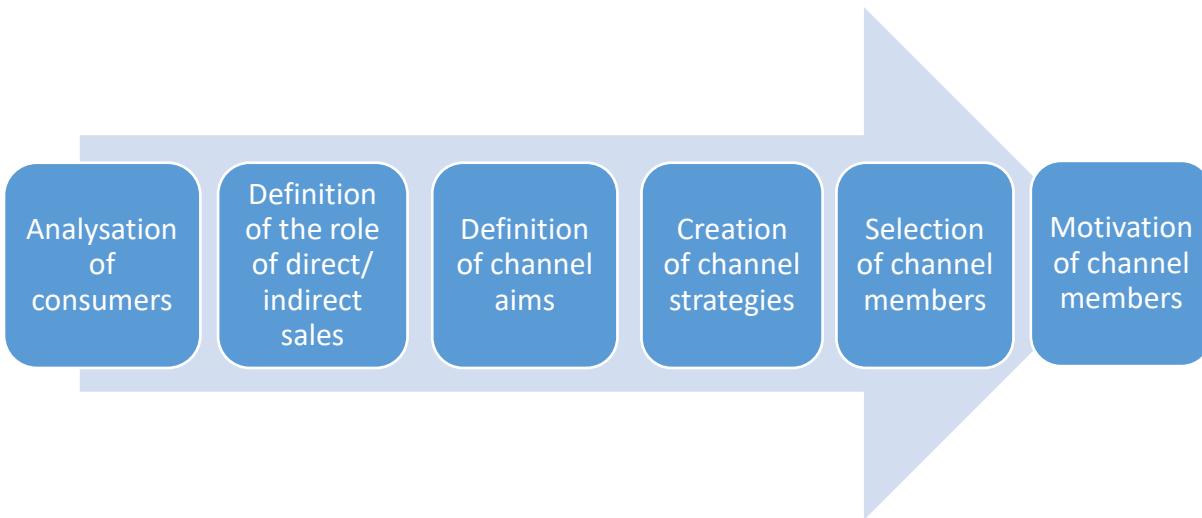
- Worldwide information and reservation system
- Originally for reserving flight tickets, accommodation and car hire
- Non-public - data retrieval, reservation, payment method, confirmation
- Accessible from all points of the world, the service provider can upload all information
- [Amadeus](#), [Sabre](#), [Travelport](#) – Galileo, Apollo, Worldspan

Online travel agency (online)

- Online version of the traditional travel agencies
- In many cases the mediation of the rooms is the main focus
- Most dynamic and the fastest-growing type of distribution channels
- In Hungary there is no real OTA– invia.hu
- [Expedia](#), [Priceline](#)
- Comparative websites– [Trivago](#) (video), [Skyscanner](#), [TripAdvisor](#), [Hipmunk](#)
- Billboard Effect - [Direct Bookers from OTAs? Yes, please!](#)
- [The key to succes in case of Booking.com](#)
- Speciality: community intermediaries([Airbnb](#), [Uber](#))

Finally we can determine that in most cases that direct and indirect distribution are present together, most of the enterprises can take advantage of distribution in this way. Using both types of distribution is the best way to run the business profitably.

Channel-projecting mixture



Source: own compilation

Information about consumers

- How detailed information do they need,
- Which paying method do they prefer,
- Do they need immediate confirmation,
- Do they need personal contact,
- Do they buy travel services in one or more places

Proportion of direct and indirect sales

- Characteristics of target group
- Factors of the market
- Size and type of the service provider

Indirect: how long should the sales channel be?

Channel goals:

- Sales goal: 15% of the rooms through GDS
- Profit goal: 50% of the profit through TO
- Service goal: GDS for immediate conformation

Channel strategy: market coverage

- Intense distribution: many selling points
- Selective distribution: relatively few selling points
- Exclusive distribution: very few, only 1-2 selling points

Selection of channel members: two-way process

- Location, factors of mediation, costs
- [Price/rate parity](#): the consumers should pay the same amount independently from the location of purchase/distribution channel – [current status](#)

Motivation of channel members:

- They are also consumers, their work should be supported: visiting intermediaries , [study tour](#), competitions of sale
- Direct selling is rarely sufficient
- There is no generally accepted combination of intermediaries
- It is worth paying attention to the price parity
- The sales channels need to be evaluated and controled continuously and also need to be open to any changes
- [OTAs vs. Direct: Creating a healthy mix](#)

Task 6

You have to plan the distribution channels for your company. You must think of direct and indirect channels even if they are only useful for the company in a medium or long term.

- Define the ratio of direct and indirect sales and the channel goals to be reached by each channel.
- Define the market coverage (intense/selective/exclusive distribution).
- Choose specific sales partners and explain why you chose these intermediaries.

KEY TERMS

direct sales

indirect sales

distribution system

tour operator

travel agent

GDS

online travel agency

channel-projecting mixture

channel strategy

channel goals

price/rate parity

Questions to consider

What are the advantages and disadvantages of direct and indirect distribution for travellers and for tourism enterprises?

Typify the different offline and offline distribution system's members.

How is it possible to create a healthy mix of distribution channels in hotels?

Chapter 7 - Price

The PRICE „...is the value expressed in money (or other compensation), that is paid by the customer for the product or service.” (Rekettye, 2011, 23). In other words it is the amount of money for which ownership can be obtained over a product or service

Special factors affecting the price

- Exchange rates, tax rates (accommodation services - 18%, hospitality – 5-18-27%)
- Branding is a long process – long return time – especially in case of independent hotels
- Fast changing, dynamic sector – dramatic changes affecting global consumption – e.g.: Turkey, Tunisia
- The prices of several services are not revealed for the consumer

Importance of price

- The only element of the marketing mix that is capable of making profit
- Can be changed in a flexible way
- Issues regarding pricing
 - being too cost-oriented
 - infrequent review
 - ignoring the other elements of the marketing mix
 - the lack of price differentiation
 - setting too high or too low prices

Setting the prices

Strategic decision, steps of pricing:

1. Selecting the pricing objective
2. Determining demand

3. Estimating costs
4. Analysing competitors
5. Selecting a pricing method
6. Selecting the final price

1. Selecting the pricing objective

- *survival*: in short term, in case of oversupply, intense competition, rapidly changing consumer needs, e.g. [coupons](#)
- *maximum current profit*: not a long-term thinking. Neglecting the other elements of the marketing mix. e.g.: Ryanair
- *maximum market share*: fast and slow market penetration with low prices – [Crocus Hotel starting price](#)
- *maximum market skimming*: fast and slow skimming of the market with high prices
- [product-quality leadership](#): high quality must be matched with a high price

2. Determining the demand

- Connection between the demand and the price
- Prestige consumption
- Price sensitivity: e.g. restaurant
 - Higher price for less informed guests
 - Uniqueness lowers price sensitivity
 - Lower price sensitivity when the guests themselves do not pay for consumption (business products)

In table not hardly but minimal

Price elasticity of demand	Description	Example
Inelastic	Demand hardly changes if the price is slightly modified	Individual business travellers
Elastic	Demand changes notably with the change of the price	Leisure travellers interested in hotel coupons

Source: own compilation

3. Estimating costs

- Upper limit: demand – lower limit: costs
- Ways of categorising costs:
 - by nature:
 - material cost – e.g. towel
 - personal cost – e.g. wage
 - depreciation – e.g. amortization
 - by complexity: elementary (e.g. insurance), compound (e.g. energy)
 - by accountability: direct (e.g. laundry), indirect (e.g. bookkeeper)
 - by volume:
 - fixed: the cost occurs independently from the volume of the service or the number of guests (e.g. overhead costs, wages, rental fees, insurances),
 - semi-variable: a semi-variable cost is a cost that contains both fixed and variable cost elements. The fixed element of the cost will be incurred repeatedly over time, while the variable element will only be incurred as a function of activity volume,

- variable: the costs occurs only when the service is sold (e.g. laundry, food, drink, minibar, creams, oils)

4. *Analysing competitors*

This step is necessary, unless there in a monopoly.

Similar service	Similar price must be set eg. to similar restaurants in the centre of the same city
Lower level service	Only lower price can be set eg. two similar hotel in the city centre, but one is 4-star, the other is 3-star
Higher level service	Higher price can be set eg. a tour operator that could include an exclusive service in its package

Source: own compilation

5. *Selecting a pricing method*

- Mark-up pricing: The most basic pricing method. $(\text{fixed costs} + \text{variable costs}) * \text{mark-up}$, Quick, simple, mark-up has to be set carefully. [restaurants](#), smaller accommodation providers, tour operators – package calculation
- Target-return pricing: to achieve return (ROI) for sure, based on these, breakeven point can be calculated easily – shows the minimum pricing, larger accommodation providers, baths
- Perceived-value pricing: based on the consumers' value judgement, price can be derived from the customer's perceived value, strong relation with the other elements of the marketing mix, which try to enhance the customer's perceived value, must be based on market research in order to define the perceived value, new packages of accommodation

providers, restaurant – seasonal dishes, tour operator – new destination, [„pay-what-you-like” restaurants](#)

- Value pricing: setting a lower price for a high quality offer, effectiveness – lower price – high quality, permanent low price \neq discount, budget hotels (Ibis Budget), travel agency providing discount travel (Alfa Fly), High-quality fast food restaurant (Nordsee), Mix of a full-service and a low-cost airline (Air Berlin)
- Going-rate pricing: based on competitors, if: it is difficult to measure costs, there's a lack of knowledge of market circumstances, lack of experience, the reaction of competitors cannot be predicted, competitors' prices reflect the market prices, smaller restaurants, other accommodation providers, beaches, museums, galleries
- Auction-type pricing: competitors bid for a job, the bid must be lower than the competitors', but not below the costs, the profit and the probability of winning must be estimated

6. *Selecting the final price – price change strategies*

Psychological pricing

- prestige pricing – manifestation of customers' financial condition and position
- Palazzo Margherita, Szegedi Szabadtéri Játékok, Veszprém Fest
- prices ending in an odd number or 9
- pricing policy – revenue department

Quantity discount

- applied by several service providers
- discount must not exceed the point where it is still worthy (breakeven)
- e.g. hotel– [more nights](#), more rooms, (frequent guest programmes), travel agency, [bath](#), [restaurant](#)

Discount based on the day of purchase

- Differentiation based on the day of purchase + seasonal discounts too
- the earlier you book, the cheaper it is

- airline, travel agency, seasonal prices at any service provider
- Seasons may vary

Price discrimination, revenue management

- Different prices for different segments e.g. MÁV (Hungarian Railways)
- Conditions:
 - the market must be segmentable and the segments must show different intensities of demand,
 - members in the lower-price segment must not be able to resell the product to the higher-price segment,
 - competitors must not be able to undersell the firm in the higher-price segment,
 - the cost of segmenting and policing the market must not exceed the extra revenue derived from price discrimination,
 - the practice must not breed customer resentment and ill will,
 - the particular form of price discrimination must not be illegal.

Task 7

Plan the pricing strategy for your company. You must price each of your products, services and packages. The prices have to fit the other elements of the marketing-mix (e.g. high service quality with low prices are dissonant or inconsistent), the needs and wants of the customers, the competitors, etc. Please, explain the prices you have created.

KEY TERMS

price	target-return pricing
pricing strategy	perceived-value pricing
pricing objectives	value pricing
price sensitivity	going-rate pricing
cost types	auction type pricing
mark-up pricing	price discrimination

Questions to consider

Convince one of your colleagues of the importance of hotel pricing.

What are the objectives of pricing?

Introduce the demand factors influencing price calculation.

Collect examples of different pricing techniques.

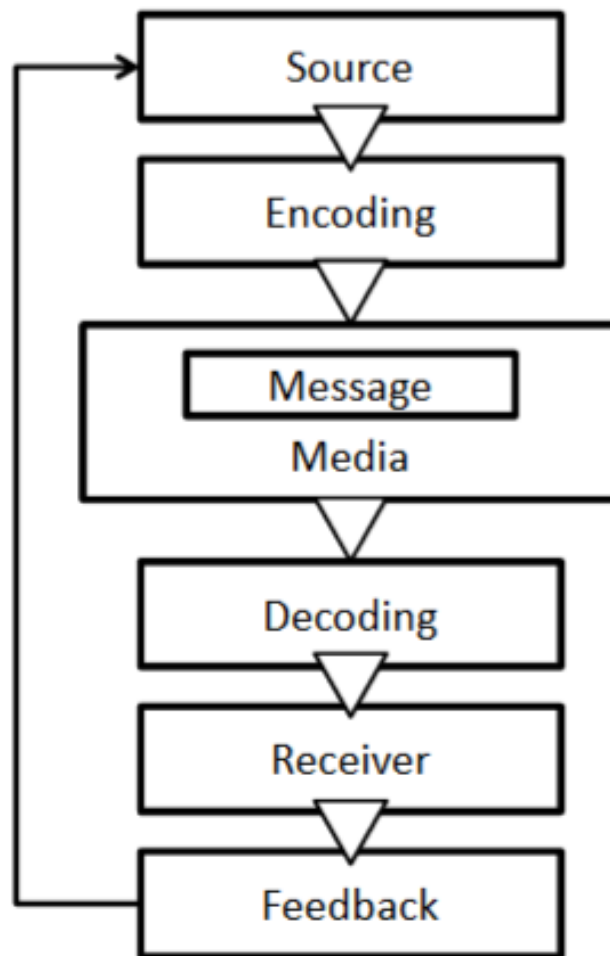
What does price discrimination mean?

Chapter 8 - Promotion - Advertising

1. Promotion

It is not simply information delivery or announcement but a way of persuading and influencing consumers and boosting sales in the long run.

Communication is a dynamic process that begins with the conceptualisation of ideas by the sender who then transmits the message through a channel to the receiver, who in turn gives the feedback in the form of some message or signal within the given time frame. Thus, there are seven major elements of communication process:



Source: own compilation

Sender: The sender or the communicator is the person who initiates the conversation and has conceptualized the idea that he intends to convey to others.

Encoding: The sender begins with the encoding process wherein he uses certain words or non-verbal methods such as symbols, signs, body gestures, etc. to translate the information into a message. The sender's knowledge, skills, perception, background, competencies, etc. has a great impact on the success of the message.

Message: Once the encoding is finished, the sender gets the message that he intends to convey. The message can be written, oral, symbolic or non-verbal such as body gestures, silence, sighs, sounds, etc. or any other signal that triggers the response of a receiver.

Communication Channel: The Sender chooses the medium through which he wants to convey his message to the recipient. It must be selected carefully in order to make the message effective and correctly interpreted by the recipient. The choice of medium depends on the interpersonal relationships between the sender and the receiver and also on the urgency of the message being sent. Oral, virtual, written, sound, gesture, etc. are some of the commonly used communication mediums.

Receiver: The receiver is the person for whom the message is intended or targeted. He tries to comprehend it in the best possible manner such that the communication objective is attained. The degree to which the receiver decodes the message depends on his knowledge of the subject matter, experience, trust and relationship with the sender.

Decoding: Here, the receiver interprets the sender's message and tries to understand it in the best possible manner. Effective communication occurs only if the receiver understands the message in exactly the same way as it was intended by the sender.

Feedback: The Feedback is the final step of the process that ensures the receiver has received the message and interpreted it correctly as it was intended by the sender. It increases the effectiveness of the communication as it permits the sender to know the efficacy of his message. The response of the receiver can be verbal or non-verbal.

The *Noise* shows the barriers in communications. There are chances when the message sent by the sender is not received by the recipient.

Types of communication

- Verbal communication
 - oral – voice and video, face-to-face conversations
 - written – slogans, brochures
- Non-verbal communication
 - product, price, distribution channels
 - media
 - partners
 - activity, behaviour

Elements of the communication/promotional-mix:

- Advertising
- Point of sales promotion / Sales promotion
- Public relations
- Personal sales

Elements of the communications mix are to be applied in line with each other as well as with other tools of marketing (product, price, sales).

2. Advertising

Advertising is any paid form of non-personal presentation and promotion of ideas, goods, or services by an identified sponsor.

Advertisers include not only business firms but also museums, charitable organizations, and government agencies that direct messages to target publics. Ads are a cost-effective way of disseminating messages, whether for building brand preference for Intel computer chips or for educating people about the dangers of drugs. So objects of advertising can be:

- product or service,
- idea,
- event
- problem,
- etc.

Advantages of advertising

- low cost of reaching individual consumers
- infinitely repeatable
- messages can be dramatized, room for utmost creativity
- reaches consumers in times and places where no other tool can
- power of image creation
- inability to „force” consumers
- useful in establishing the long-term image of a product

Disadvantages of advertising

- unable to close the selling process
- too many commercials trying to grab consumers' attention
- consumers tend to consciously ignore commercials
- rarely provokes immediate reaction
- measuring consumer reaction and efficiency is difficult

- relatively high share of „waste”

In developing an *advertising program*, successful firms start by identifying the target market and buyer motives. Then they can make five critical decisions, known as the 5M-s:

- Mission: What are the advertising objectives?
- Money: How much can be spent?
- Message: What message should be sent?
- Media: What media should be used?
- Measurement: How should the results be evaluated?

Mission

There are three main streams of objectives for promotional goal setting:

- marketing goals (achievement of sales of the product to consumers),
- corporate goals (issues relating to market share or volumes of sales, profitability and revenue),
- communication goals (relating to the image, reputation and attitudes of stakeholders towards the organisation).

Advertising objectives can be classified according to whether their aim is to inform, persuade, or remind.

Money

After determining advertising objectives, a company can establish an advertising budget for each product. The role of advertising is to affect demand for a tourism product. The company wants to spend the amount needed to achieve the sales goal. Four commonly used methods for setting the promotional budget are the following:

1. Affordable method: many companies set the promotion budget at what management thinks the firm can afford. However, this method ignores the role of promotion as an

investment and the immediate impact of promotion on sales volume; it also leads to an uncertain annual budget, making long-range planning difficult.

2. Percentage-of-sale method: many firms set promotion expenditures at a specified percentage of sales (either current or anticipated) or of the sales price. Supporters say this method links promotion expenditures to the movement of corporate sales over the business cycle; encourages management to consider the interrelationship of promotion cost, selling price, and unit profit; and encourages stability when competing firms spend approximately the same percentage. On the other hand, this method views sales as the determiner of promotion rather than as the result, and it provides no logical basis for choosing the specific percentage.
3. Competitive-parity method: some companies set their promotion budget to achieve share-of-voice parity with competitors. Although proponents say that competitors' expenditures represent the collective wisdom of the industry and that maintaining competitive parity prevents promotion wars, neither argument is valid. There are no grounds for believing that competitors know better what should be spent on promotion. Company reputations, resources, opportunities, and objectives differ so much that promotion budgets are hardly a guide. Furthermore, there is no evidence that competitive parity discourages promotional wars.
4. Objective-and-task method: developing the promotion budget by (1) defining specific objectives, (2) determining the tasks that must be performed to achieve these objectives, and (3) estimating the costs of performing these tasks. The sum of these costs is the proposed promotion budget. This method has the advantage of requiring management to spell out assumptions about the relationship among dollars spent, exposure levels, trial rates, and regular usage.

Management should consider these five factors when setting the advertising budget:

- Product life cycle stage: New products typically receive large budgets to build awareness and to gain consumer trial. Established brands are usually supported with lower budgets as a ratio to sales.
- Market share and consumer base: High-market-share brands usually require less advertising expenditure as a percentage of sales to maintain their share. To build shares by increasing market size requires larger advertising expenditures. On a cost-per-impression basis, it is less expensive to reach consumers of a widely used brand than to reach consumers of low-share brands.
- Competition and clutter: In a market with a large number of competitors and high advertising spending, a brand must advertise more widely to be heard. Even simple clutter from advertisements that are not directly competitive to the brand creates a need for stronger advertising.
- Advertising frequency: The number of repetitions needed to put across the brand's message to consumers has an important impact on the advertising budget.
- Product substitutability: Brands in a commodity class (cigarettes, beer, soft drinks) require strong advertising to establish a differential image. Advertising is also important when a brand offers unique benefits or features.

Message

In preparing an ad campaign, the advertiser usually prepares a copy strategy statement describing the objective, content, support, and tone of the desired ad. Creative specialists must also find a cohesive blend of style, tone, words, and format for executing the message. Any message can be presented in a number of execution styles: slice of life, lifestyle, fantasy, mood or image, musical, personality symbol, technical expertise, scientific evidence, and testimonial.

In cases of a printed commercial it has four elements:

- image/illustration: The most important point of advertising is to grab the attention and encourage potential customers to read on. To increase efficiency these below should be kept in mind: content is more important than design; design should not be artificially

outstanding; product may do just as well as image-story; elements of imaging should reflect other media contents; simplicity, unambiguity; best topics: „cute baby, cute puppy and sex”.

- headline/heading/title/slogan: consumers usually only read this (attention grabbing), but it is not the same as the slogan following the company name. Identifying slogan is part of the logo, constant, is situated at the end of the ads and isn't an essential part of an ad. Attention grabbing slogan is part of the commercial, varies by campaign, is situated at the beginning of the commercial and is inseparable part of an ad.
- text: suggestions to increase efficiency: personal style; unambiguous phrases, short sentences; avoid unusual, foreign and old-fashioned words; goal is to provide information, not write a thesis; avoid superlatives; include product price; catchy first few (very important) sentences.
- signature: determines the advertiser; content: company logo, company name, identifying slogan.

The arrangement of these elements is important – direction of eye movement: top-down.

Media

Media selection involves finding the most cost-effective media to deliver the desired amount of exposure to the target audience. What do we mean by the desired amount of exposure? Presumably, the advertiser is seeking a certain response from the target audience — for example, a certain level of product trial. The rate of product trial will depend, among other things, on the level of audience brand awareness. The effect of exposure on audience awareness depends on the exposures' reach, frequency, and impact:

- *Reach (R)*: the number of different persons or households that are exposed to a particular media schedule at least once during a specified time period.
- *Frequency (F)*: the number of times within the specified time period that an average person or household is exposed to the message.

- Given cost constraints, media planners usually select the media that will expose the product to the largest target audience for the lowest possible cost. The process of measuring this ratio is called efficiency – or *cost per thousand (CPM)*. To calculate the CPM, two figures are needed: the costs of the unit (e.g., time on TV or space in a magazine) and the estimated target audience. The cost of the unit is divided by the target audience's gross impressions to determine the advertising dollars needed to expose the product to 1,000 members of the target.

Before choosing the media types of our campaign we have to consider the questions below:

1. Who is our target audience?
2. What is the principal task?
3. When does the commercial have to appear?
4. Where does the commercial have to appear?
5. What should the frequency of the commercial be?
7. + adjustment to a given budget
8. + special needs, creative ideas
9. + competitors

The following table shows the advantages and disadvantages of each media type.

Medium	Advantages	Limitations
Newspapers	Flexibility; timeliness; good local market coverage; broad acceptance; high believability	Short life; poor reproduction quality; small "pass-along" audience
Television	Combines sight, sound, and motion; appealing to the senses; high attention; high reach	High absolute cost; high clutter; fleeting exposure; less audience selectivity
Direct mail	Audience selectivity; flexibility; no ad competition within the same medium; personalization	Relatively high cost; "junk mail" image
Radio	Mass use; high geographic and demographic selectivity; low cost	Audio presentation only; lower attention than television; nonstandardized rate structures; fleeting exposure
Magazines	High geographic and demographic selectivity; credibility and prestige; high-quality reproduction; long life; good pass-along readership	Long ad purchase lead time; some waste circulation; no guarantee of position
Outdoor	Flexibility; high repeat exposure; low cost; low competition	Limited audience selectivity; creative limitations
Yellow Pages	Excellent local coverage; high believability; wide reach; low cost	High competition; long ad purchase lead time; creative limitations
Newsletters	Very high selectivity; full control; interactive opportunities; relative low costs	Costs could run away
Brochures	Flexibility; full control; can dramatize messages	Overproduction could lead to runaway costs
Telephone	Many users; opportunity to give a personal touch	Relative high cost unless volunteers are used
Internet	High selectivity; interactive possibilities; relatively low cost	Relatively new media with a low number of users in some countries

Source: Kotler et al., 2014

Measurement

Good planning and control of advertising depends on measures of advertising effectiveness. Yet the amount of fundamental research on advertising effectiveness is appallingly small. Advertisers should try to measure the communication effect of an ad—that is, the potential effect on awareness, knowledge, or preference—as well as the ad's sales effect:

- *Communication-effect research* seeks to determine whether an ad is communicating effectively. Called *copy testing*, it can be done before an ad is placed (pretesting) and after it is placed (post testing). Advertisers also need to post-test the overall impact of a completed campaign.
- *Sales-effect research* is complex because sales are influenced by many factors beyond advertising, such as product features, price, and availability, as well as competitors' actions. The sales impact is easiest to measure in direct-marketing situations and hardest to measure in brand or corporate-image-building advertising.

It is necessary to

- avoid catastrophic outcomes,
- investigate new approaches,
- evaluate alternative ways of communication,
- see whether the commercial reaches its goals,
- perfect the commercial.

Preliminary testing

It is possible in any phase: phase of conceptualising (concept), phase of phrasing the content (strategy), design (sketch), execution (completion).

What do we measure?

- Noticing – will consumers see? Will they realize it is a commercial?
- Understanding – will consumers understand the message?

- Reacting – how will consumers react to what they see? Shall we reach our goal?

Ex post testing

Most often measured factors:

- number of consumers reached
- communication effects: recognition, remembering, liking, preference, consumption (conversion)
- turnover and market share, profit increase

Task 8

Plan the advertising program of a printed advertisement for your tourism enterprise, run along the 5M methodology.

KEY TERMS

promotional-mix	identifying slogan
communication process	attention grabbing slogan
advertising	reach
advertising program	frequency
affordable method	cost per thousand
percentage of sales method	media types
competitive parity method	preliminary testing
objective and task method	ex post testing

Questions to consider

Explain the difference between promotion and advertising.

Introduce the 5 Ms of an advertising program. The percentage of sales method is one of the most common ways of setting a promotional budget. What are some advantages and disadvantages of this method?

Why is important to measure the effects of an advertisement? When is this possible?

Chapter 9 - Promotion – Public Relations

Public relations (PR) is a not paid and an impersonal element of communication between the company and the consumers, the aim of which is to publish positive information about the company and its products.

Typical channels:

daily papers
professional journals
magazines
radio

TV

Typical forms

news
interviews
coverage

Advantages:

- low cost
- effective
- the consumer does not consider it to be a commercial message
- believable
- increases prestige
- unique opportunities for dramatizing the message

Disadvantages:

- the timing of PR activity is difficult – media executive person/staff
- it is difficult to maintain continuously
- it is difficult to control the contents of PR messages

The audience of PR

- audience: all of those who get in connection with the company
- continuous communication with all groups! - being continuously present in their minds
- internal and external PR (the audience of PR):

- *employees, shareholders/owners /investors*, trade unions, consumers/ potential consumers, tourism service providers and competitors, professional associations and chambers, local communities, governmental organisations, tourism schools, media
- *tools of internal PR*: internal newsletter, notice board, annual reports, financial reports, meetings, trainings, philosophy of motivation, company events ([employee of the year](#))

Role of public relation

- the consumers are highly dependent on others' opinion
- the aim is to make it positive
- areas:
 - maintaining positive public presence
 - dealing with negative propaganda
 - enhancing the effectiveness of other elements of the promotional mix

Planned PR activities

1. Press release

Short article, aim is to raise attention, it has to be informative.

Parts of a press release are:

- stating the core information (max. 3 lines)
- unfolding the core information (7 lines)
- adding the background information (1 page)

2. Press conference

Meeting, where a previously prepared presentation is given to the journalists. Rarely, in important cases.

- key role before opening or new product
- often with a reception

- special form: media breakfast
- Qatar Airways GCEO at ITB Berlin 2018 Press Conference ([video](#))

3. *PR-films*

These films mustn't be long, 2-5 minutes. The objectives are to promote investments, encourage internal PR or these can be image films, educational films, video newsletters, supporting movies.

- typical hotel image film: 5-7 minutes, static demonstration – art'otel amsterdam, Aria hotel Budapest
- Interesting example: Fonyód image film
- CNN short films about Hungary

4. *Ceremonies, events*

- special occasions with a high importance (e.g. laying the foundation stone)
- excellent opportunity for building the future, e.g. hotel: pre-opening, official opening, media opening, grand opening
- attending events (e.g. trade shows, conferences)

5. *Study tours*

Only if its targeted at journalists! But in this case it can be very effective.

- typical:
 - new destination
 - new accommodation
 - [Turkish tour operators and journalists in Serbia](#)
 - [Press trips in Luxembourg](#)

6. *Marketing research*

Publishing research findings is a special tool, enhances the credibility of the company for the consumers.

- e.g.: examining satisfaction with the service and publishing the results
- [Tripadvisor](#)

7. Awards

Using awards of professional organisations can be an effective communication tool.

- [World Luxury Restaurant Awards](#)
- [World Luxury Hotel Awards](#)
- [EDEN](#)
- [Top 25 destinations - Tripadvisor](#)

Non-planned PR activities

Unexpected events may come – we must be prepared for these as well!

1. *Dealing with negative propaganda*

Companies must react to negative events, neither silence nor aggressive rejection is suitable.

Cornerstones of suitable reaction:

- always tell the truth
- if we try to conceal something, the media will be even more eager to deal with it
- the media must be provided with all the facts
- in order to prevent gossip, we must be accurate and complete

2. *Media interviews*

Media may contact companies at any time because they are interested in their opinion for an article. It may be planned as well. Things to do:

- getting to know as much about the interview as possible,
- gathering all the information, „prepared answers” as well,
- answering in short with facts,
- pleasing appearance,
- getting in touch before the interview, if possible.

Task 9

You have just won a tourism award and would like to publicize your achievements. Write a press release for the local newspaper in an attempt to get them to run a story relating to your win.

KEY TERMS

public relation	ceremonies, events
internal PR	special news
external PR	study tour
press release	PR film
press conference	planned PR activity
awards	non-planned PR activity

Questions to consider

Give some examples of how a hospitality organisation might be able to gain publicity.

Is publicity free?

Introduce the grouping of PR techniques based on its role.

Compare and contrast publicity with advertising. What are the benefits and drawbacks of each?

Chapter 10 - Promotion – Personal Sales

Personal selling is a personalized form of communication in which a seller presents the features and benefits of a product to a buyer for the purpose of making a sale. The high degree of personalization that personal selling involves usually comes at a much greater cost per contact than mass communication techniques. Marketers must decide whether this added expense can be justified, or whether marketing objectives can be achieved by communicating with potential customers in groups. Some tourism and hospitality organizations favour personal selling far more than others, as for them the potential benefits outweigh the extra costs. An important benefit to personal selling is the opportunity to inform or dispel any stereotypes and helps build relationships that advertisements cannot.

Roles of personal selling

1. *Gathering marketing intelligence*

The salesperson must be alert to trends in the industry and to what the competitor is doing. Competitive knowledge is important when the salesperson faces questions involving product comparisons, and information on competitor's promotions can be very useful for the marketing department. Data collected by the salesperson is often reported electronically to the company's head office, where managers can retrieve the information and use it appropriately at a later date.

2. *Locating and maintaining customers*

Salespeople who locate new customers play a key role in a company's growth. Salespeople can identify qualified buyers (those most likely to purchase travel services), key decision-makers (those who have the final say in travel decisions), and the steps involved in making travel decisions. This important information can be gathered effectively through inquiries by salespeople and from sales calls to an organization.

3. *Promoting to the travel trade*

Many organizations find personal selling to be the most effective communication tool in promoting to key travel decision-makers and influencers in the travel trade, such as corporate travel managers, convention or meeting planners, tour operators and retail travel agents. The purchasing power of these groups is impressive, which justifies the added expense of personal selling. At ITB Berlin, the travel industry's leading trade show, 10,000 exhibiting companies from 187 countries and regions met with 120,000 trade visitors in 2016.

4. *Generating sales at point of purchase*

Personal selling can significantly increase the likelihood of purchase and the amount spent by customers at the point of purchase. Reservations staff at hotels and car rental desks have a great opportunity to up-sell (sell upgraded accommodations or cars), and staff in restaurants and travel agencies can have a major influence on the purchase decision of the customer. Increased sales are a result of proper training of service and reservations staff in personal selling techniques.

5. *Using relationship marketing*

Sales representatives provide various services to customers: consulting on their problems, rendering technical assistance, arranging finance and expediting delivery. These representatives are very important for building relationships with customers and maintaining their loyalty. Careful attention to individual needs and requirements is a powerful form of marketing for tourism and hospitality organizations. Key customers really appreciate the personal attention they receive from professional sales representatives and reservations staff. This appreciation normally results in increased sales and repeated use, and the focus is on creating and keeping long-term customers. This is just one part of a process that has become known as 'customer relationship management' (CRM).

6. Providing detailed and up-to-date information to the travel trade

Personal selling allows an organization to pass on detailed information to the travel trade and provides an opportunity to deal immediately with a prospect's concerns and questions. This is especially important for an organization that relies on travel trade intermediaries for part or all of its business. Tour operators, for example, should have regular contact with travel agents in order to update them on changes in the marketing environment.

Objectives of personal selling

Although sales objectives are custom-designed for specific situations, there are general objectives that are commonly employed throughout the tourism and hospitality industry.

1. Sales volume

Occupancy, passenger seats or miles, and total covers (restaurant seats) are common measures of sales volume within the industry. An emphasis on volume alone, however, leads to price discounting, the attraction of undesirable market segments, cost cutting and employee dissatisfaction. Some sectors, such as exclusive resorts, unique adventure holidays, and upper-end cruises, restrict prospecting to highly selective segments, believing that price and profits will take care of themselves. Others may establish sales volume objectives by product lines to ensure a desired gross profit. This system is the basis for yield management.

2. Cross-selling, up-selling and second-chance selling

Cross-selling occurs when a seller offers a buyer the opportunity to purchase allied products that go beyond the obvious core products. Cross-selling is now integral to virtually every segment of the travel industry, travel insurance being one of the most profitable cross-sells in the industry. Good opportunities exist for tourism companies, such as hotels and resorts, to upgrade price and profit margins by selling higher-priced products such as suites through up-selling. A related concept is second-chance selling, in which a salesperson may contact a client who has already

booked an event such as a three-day meeting. The salesperson may try to sell additional services such as airport limousine pick-up, or try to upgrade rooms or food and beverage services.

3. Market share

Some sectors of the tourism industry are more concerned with market share than others. Airlines, cruise lines, major fast-food chains, and rental car companies, for example, are often more focused on market share than are restaurants, hotels and resorts. As a consequence, salespeople are sometimes required to measure market share or market penetration and are held accountable for a predetermined level of either or both.

4. Product-specific objectives

Occasionally, a sales force will be charged with the specific responsibility of improving sales volume for specific product lines. This objective may be associated with up-selling and second-chance selling, but may also be part of the regular sales duties of the sales force. Such objectives might be to sell more hotel suites, holiday packages to Mexico, honeymoon packages or more premium car rentals. A common approach used to encourage the sale of specific products is to set objectives for them and to reward performance with bonuses or other incentives.

The sales process

The sales process consists of the following seven steps.

1. Prospecting and qualifying

Prospecting is the process of searching for new accounts. It has been said that there are three truisms about prospecting: most salespeople don't like to prospect; most salespeople do not know how to prospect; and most companies are inept at teaching or training salespeople to prospect. There are two key elements to successful prospecting. The first is to determine positioning strategy, i.e. to whom you should prospect. The second is implementing a process to find and ultimately contact those prospects on a one-to-one basis.

2. *Preplanning*

A successful sales call, made either by telephone or in the field, requires careful preplanning and preparation. There are two elements to preplanning a sales call: the pre-approach and the approach. In the pre-approach stage, a salesperson needs to learn as much as possible about the prospect in order to be able to establish a rapport during the sales call and to have the foundation on which to build the sales presentation itself. The approach then follows and involves all the activities that lead to the sales presentation. These include arranging the appointments with prospects, establishing rapport and confidence at the start of a sales call, and checking preliminary details prior to the sales presentation. Sales representatives have three principal objectives in their approaches: to build rapport with the prospect, to capture a person's full attention and to generate interest in the product.

3. *Presentation and demonstration*

The salesperson now tells the product 'story' to the buyer, often following the AIDA formula of gaining attention, holding interest, arousing desire and inspiring action. Companies have developed three different styles of sales presentation. The oldest is the canned approach, which uses memorized sales talk that covers the main points. The formulated approach identifies the buyer's needs and buying styles early on and then uses an approach formulated for this type of buyer. It is not canned but follows a general plan. The need/satisfaction approach starts with a search for the customer's real needs by encouraging the customer to do most of the talking. This approach calls for good listening and problem-solving skills. According to experts, there are certain words that make listeners take notice, such as discover, money, guaranteed, love, proven, safe, own, best, good, easy, health, new, results, save and free.

4. *Negotiation*

Much of selling to the travel trade involves negotiation skills. For meeting planners and hotel groups, for example, the two parties need to reach an agreement on the price and other terms of the sale. The hotel salesperson will be seeking to win the order without making deep concessions

that will damage profitability. Although price is the most frequently negotiated issue, other factors may be taken into account, and numerous bargaining tools exist. Sales force members should be taught to negotiate using services or bundled services as the primary negotiating tool rather than price. For the hotel salesperson, negotiations should begin with rack rates, and price concessions should be given only when absolutely essential. Other negotiating tools, such as upgrades, airport pick-up, champagne in rooms, etc., should be employed. A hotel might package these amenities into bundles of services and brand them with names such as the Prestige Package, in order to entice buyers into making a booking.

5. Handling objections and questions

When most sales presentations are complete, prospects ask questions and raise one or more objections. Objections come in all forms, even through body language. Resistance can be psychological (e.g. preference for an established hotel) or logical (e.g. price). There are several effective ways to handle objections. One is to restate the objection and to prove diplomatically that it is not as important as it seems. Another is the 'agree and neutralize' tactic or the 'yes, but' approach. In this approach, sales representatives initially agree that a problem exists, but go on to show that the problem is not relevant or accurate. No matter which approach is used, objection must be met head on.

6. Closing the sale

Closing means getting a sales prospect to agree with the objectives of the sales call, which normally implies making a definite purchase or reservation. Closing the sale can be the most important stage of the sales process, but many salespeople are not comfortable about asking for the order or do not recognize the opportune moment to wrap things up. A sales call without a close is unsuccessful, and every salesperson must ask for the business or at least some commitment to continue the dialogue. Knowing when and how to close are the keys to success. As with objections, this again requires careful attention to the prospect's words and body language. Closing techniques include actually asking for the order, offering to help the secretary

write up the order, asking whether the buyer wants A or B, asking how the buyer would like to pay, or by indicating what the buyer will lose if the order is not placed immediately.

7. Following up after closing

A salesperson's work is not finished until all the required steps and arrangements are made to deliver the promised services. In some cases, such as the organization of major association conventions or the planning of incentive travel trips, this 'delivery' work is extensive. However, the follow-up is essential if the salesperson wants to ensure customer satisfaction and repeat business. 'Follow up or foul-up' is the slogan of many successful salespeople. It is often advisable to give buyers some kind of reassurance that they have made the right decision. This reduces the buyers' level of cognitive dissonance – a state of mind that many customers experience after making a purchase, in which they are unsure whether they have made a good or bad decision. An important part of post-sale activity also involves immediate follow-up after prospects or their clients have actually used the services. Many travel agents use this effectively by telephoning clients soon after their trips to find out what they liked and did not like.

Sales management

Sales management is the management of the sales force and personal selling efforts to achieve desired sales objectives. A sales manager has five key roles to play: recruiting salespeople, training them, motivating and rewarding them, sales planning, and sales performance evaluation.

1. Recruiting salespeople

A sales manager's first job is to hire competent people to fill available positions. In tourism and hospitality, it is uncommon for field sales representatives to be hired without sales experience. The more established practice is for entry-level people to be order takers, who are eventually promoted to sales representative positions. Hiring salespeople from competitors and related outside organizations is also common. Research has shown that no one set of physical characteristics, mental abilities, and personality traits predict sales success in every situation.

Salespeople's success depends more on the actual tasks assigned to them and the environment in which they operate. Most customers say they want salespeople to be honest, reliable, knowledgeable and helpful. Companies should look for these traits when selecting candidates. Another approach is to look for traits common to the most successful salespeople in the company. A study of super-achievers found that super-sales performers exhibited the following traits: they were risk-taking, had a powerful sense of mission, had a problem-solving bent, cared about the customer and engaged in careful planning.

2. Training salespeople

Sales training programmes are very important to the continuation of success in personal selling. Increasingly, sales training takes place online. The cruise sector is no exception, with Carnival's training, for example, including completing a five-chapter online course for each of the three levels of training. Besides basic cruise knowledge and general travel know-how, topics in these types of courses include the anatomy of a cruise ship, pre- and post-cruise experiences, and cruise marketing and selling. Other training programmes concentrate on the individual cruise lines, finding cruise deals and different types and lengths of cruises.

3. Motivating and rewarding salespeople

The majority of salespeople require encouragement and special incentives to work at their best. This is especially true of field selling, as the nature of the job makes it open to frequent frustration: sales reps usually work alone, their hours are irregular and they are often away from home. Even without these factors, most people operate below capacity in the absence of special incentives, such as financial gain or social recognition. Sales managers, therefore, need to understand motivation theories and to provide financial and nonmonetary incentives to keep sales-force motivation at its peak. Financial incentives include salary and commissions, as well as fringe benefits such as paid vacations, insurance programmes and medical programmes. Often bonuses are given when predetermined volumes of sales and profits, or sales quotas, are achieved. In the tourism industry, free travel is a very important fringe benefit, especially for travel agency and airline staff. Nonmonetary compensation and motivators are

reward/recognition programmes and job advancement opportunities. Sales promotions can also be used to motivate a sales force. However, they tend to work best in achieving short-term objectives and are not advisable over the long term. Sales managers at hotels, for example, can win incentive trips or reward points by meeting predetermined targets.

4. Sales planning

The heart of sales planning is the sales plan itself, usually prepared annually and containing a detailed description of personal selling objectives, sales activities and the sales budget. These selling objectives are frequently set as forecasts of unit or sales volumes or some other financial target derived from expected sales levels. This sales forecast is very useful to others outside the sales department and is a key planning tool for the entire organization. Expected sales levels influence the allocation of personnel and financial resources in many other departments. But the selling objectives may also be nonfinancial, such as the number of sales calls, new sales prospects converted to customers or the number of enquiries answered successfully. The sales department budgets are another aspect of the sales plan. Typically these will include the sales forecast, the selling expense budget, the sales administration budget, and the advertising and promotion budget. Given the relatively high cost of personal selling, this budget plays a key role in planning and controlling the sales effort. Finally, the sales plan will include the assignment of sales territories and quotas. Sales quotas are performance targets set periodically for individual sales representatives, branch offices, or regions. They help sales managers motivate, supervise, control, and evaluate sales personnel. The sales manager is likely to use a combination of past territory performance and market indices to allocate quotas for each territory.

5. Evaluating sales performance

The final function of sales management is the measurement and evaluation of sales performance. 'Sales analysis' is the term used most frequently for the evaluation of performance. This analysis can be done by considering total sales volume or by looking at sales by territory or customer groups. One of the most important methods of evaluation is to judge actual results against sales forecasts and budgets.

Task 10

Conduct an interview with a salesperson for a hospitality or tourism organisation. Ask the salesperson about the job. Find out what a typical day is like, and what they like and dislike about the job. Ask how they feel technology will affect the sales department in the future. You may of course ask questions that are of additional interest to you. Write up your findings in a report.

KEY TERMS

personal selling

salespeople

up-selling

cross-selling

second-chance selling

sales process

prospecting

canned approach

formulated approach

need/satisfaction approach

closing techniques

sales management

Questions to consider

Why is it important to use personal selling when you are running a tourism business?

What are the objectives of personal selling in tourism?

Which do you think is the most important step in the sales process? Explain your answer.

What are the key roles the sales manager has to play?

Chapter 11 - Promotion – Sales Promotion

Sales promotion and merchandising are parts of marketing communications other than advertising, PR, personal selling, and sales literature. They are techniques primarily designed to stimulate consumer purchasing and dealer and sales-force effectiveness in the short-term, through temporary incentives and displays. Traditionally such techniques have been known as 'below-the-line' marketing.

The definition stresses the short-term, non-regular, incentive nature of sales promotion and the fact that it extends beyond consumers to distribution networks and the sales force. Much of sales promotion in practice takes place at points of sale, and the term merchandising is often used specifically to mean sales promotion at the point of sale.

1. Point of sales promotion and sales promotion

Advantages of sales promotion: It

- combines certain advantages of advertising and personal sales which enables immediate purchase in great mass,
- provides the possibility of fast customer feedback,
- expands communication opportunities with consumers,
- provides for flexible and precise timing,
- is efficient.

Disadvantages of sales promotion:

- advantages are only for the short run,
- unable to generate long-term company or brand loyalty,
- cannot be used on its own in the long term, only together with the other elements of the promotional - mix.

Main targets for sales promotion

Tactical techniques designed to stimulate sales to customers have three main targets:

- individual buyers or customer segments in their homes or place of work,
- distribution networks (points of sale), including 'in-house',
- sales force.

When do we apply incentives?

When there is (expected) capacity under-utilization, but the decision must be made in light of the most recent booking info.

When do we not apply incentives?

When (expected) capacity utilization rate is appropriate. Do not discount full house!

The main targets for sales promotion

Tactical techniques designed to stimulate sales to customers have two main targets:

- consumers: to try new services, products or promote off-season purchase
- tour agents / distributors: to prefer a certain service to others; to acquire new clients; to sell certain (e.g. more expensive) product

Individual buyers

All sales promotion is designed to achieve additional short-run purchases by customers that a business believes would not occur without specific marketing action. Aimed directly at buyers, the objective is to provide specific incentives or inducements to buy particular products at particular times. Much of sales promotion is restricted to chosen segments to avoid the dilution of total sales revenue that occurs if unnecessary incentives are offered to all customers, many of whom intended to purchase without the added incentive.

Distribution networks

If an organization receives a large proportion of its sales revenue through third party distributors, such as travel agents, achieving customer sales objectives will require their active participation. Distributors are bombarded daily by operators wishing them to provide extra display space for their products and other forms of support. Any special effort therefore usually requires special incentives and if they are not provided, sales targets are unlikely to be achieved.

2. Techniques used in travel and tourism

Sweepstakes

Definition: the visitor is entitled to participate in the drawing of valuable prize(s).

Advantage

- relatively low cost per sale,
- attractive prize for the customer

Disadvantage

- no immediate reward (some prefer this)

Extra content

Definition: Traveller receives a more valuable service (more days/more services/higher level) for the listed price.

Advantage

- low real cost, full capacity utilization,
- instant reward for the customer

Disadvantage

- complementary revenues given up

Discount

Definition: Reduction of the service price for a well-defined period of time (booking/utilization)

Advantage

- better than loss making,
- loss can be reduced by complementary revenues,
- immediate reward for the customer

Disadvantage

- costly (decreases revenue)

Which is better for the service provider: extra service or discount? The disadvantage of discount is that customers may easily get used to lower prices and expect these to return later. Furthermore, discounts also damage brand image because of the communication function of the price. If we can choose (customer expectations, discounts by competitors), extra service is strategically more preferable!

Coupon

Definition: The holder of the coupon is entitled to receive a discount or extra service(s).

Advantage

- can be targeted,
- immediate feedback,
- „tangible” offer

Disadvantage

- some dislike coupons

Loyalty program

Definition: Discount based on the quantity purchased, rewards returning guests.

Advantage

- actual cost reduction transferred to the consumer,
- supports the building and maintenance of brand loyalty

Disadvantage

- leaves one-time guests unaffected

Extra (incentive) fee

Definition: intermediary is rewarded with (higher) fee after certain chosen products or higher sales volume

Advantage

- economics of scale (efficient intermediaries),
- the intermediary mobilizes its marketing tools

Disadvantage

- does not address consumers directly

Not the same as the 'override' fee, which the service provider pays to an interim wholesaler (or another intermediary, so that is not reduce the fee of the final agent.

Bonus

Definition: rewards intermediary/agent when it reaches the predefined sales volume

Advantage

- personal motivation,
- can be combined with other incentives

Disadvantage

- does not address consumer directly

Travel fairs

The aims are the following:

- earlier: B2C – sales to travellers: brand building, personal sales
- today mainly B2B – professional networking: brand building, presentation of a new product, collecting information, wholesales

Travel fairs are the most complex communication tools, because all elements of the promotional-mix can appear when the company takes part in a fair:

- advertising participation in invitation leaflets, newspapers + handouts (advertisement)
- staff of the stand encourage on the spot purchase (personal sales)
- design of the stand attracts attention (point-of-sale promotion)

- special offers (sales promotion)
- presence on the market (public relation)

Intermediaries of special offers

Certain intermediaries specialize in publishing special offers: last minute travel agent, discount tour operator, deal-of-the-day agent.

Task 11

Collect three examples of a hospitality or travel company's sales promotion. What do you think is the objective of the sales promotion? Do you think it will accomplish its objective?

KEY TERMS

sales promotion

coupon

point of sales promotion

loyalty program

sweepstakes

extra fee

extra content

bonus

discount

travel fairs

Questions to consider

Define the role of sales promotion in the promotional mix for tourism and hospitality.

Discuss the effectiveness of sales promotion as a communication tool for tourism and hospitality organisations.

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