

Chapter 1: Introduction: Marketing for Hospitality and Tourism

Chapter Objectives

1. Understand the relationships between the world's hospitality and travel industry.
2. Define marketing and outline the steps in the marketing process.
3. Explain the relationships between customer value and satisfaction.
4. Understand why the marketing concept calls for a customer orientation.
5. Understand the concept of the lifetime value of a customer and be able to relate it to customer loyalty and retention.

Teaching Suggestions

The following explanations and suggestions are outlined based on the Chapter Objectives.

- 1. Understand the relationships between the world's hospitality and travel industry.**

The hospitality industry is one of the world's largest industries. The hospitality and travel industry combine to form the foundation for tourism. Discuss the interrelatedness between the hospitality and travel industry. Inspire class discussion by asking: What types of hospitality operations do people visit when they are traveling? What happens to the hospitality industry if travel declines?
- 2. Define marketing and outline the steps in the marketing process.**

Ask students to define marketing (most will bring up advertising and sales). Lead them towards the full definition of marketing by bringing up other aspects of marketing and discussing what they all have in common (finding, retaining and growing profitable customers). Marketing is making business decisions with the customer in mind. It evolves from creating a customer service attitude among all employees. Thus, all managers need to understand marketing. It is not a function that can be left up to a few people in the marketing department.

Describe how each of the steps in the marketing process is supported by the different aspects of marketing. Explain to the students that the marketing mix is composed of the marketing variables managers can control. Companies must work to understand consumers, create value and build relationships. This process in creating customer value should, in turn, result in sales, profit and long-term customer equity.

3. Explain the relationships between customer value and satisfaction.

Encourage students to discuss products or services that they feel have value. Find out if they were satisfied by purchasing these products or services. Explain how their perceptions of value contributed to their satisfaction. Value is the consumer's estimate of the product's overall capacity to satisfy their needs. Customer value is the difference between the benefits that the customer gains from owning and/or using a product and the costs of obtaining the product. Costs can be both monetary and nonmonetary

4. Understand why the marketing concept calls for a customer orientation.

Discuss the different management philosophies and the drawbacks that can occur when customer orientation is not the focus of the company. Discussing the success and failure of companies adopting the different marketing management philosophies can help students realize how many business decisions are actually marketing decisions and how these decisions affect the overall business operation.

5. Understand the concept of the lifetime value of a customer and be able to relate it to customer loyalty and retention.

Good customer relationship management creates customer delight. In turn, delighted customers remain loyal and talk favorably to others about the company and its products. Marketing management involves capturing value in return, in the form of current and future sales, market share, and profits. By creating superior customer value, the firm creates highly satisfied customers who stay loyal and buy more.

Companies are realizing that losing a customer means losing more than a single sale. It means losing the entire stream of purchases that the customer would make over a lifetime of patronage. The benefits of customer loyalty come from continued patronage of loyal customers, reduced marketing costs, decreased price sensitivity of loyal customers, and partnership activities of loyal customers. The lifetime value of a customer is the stream of profits a customer will create over the life of their relationship with a business.

Chapter Outline

- I. Introduction: Marketing in the Hospitality Industry
 - A. Customer orientation. The purpose of a business is to create and maintain profitable customers. Customer satisfaction leading to profit is the central goal of hospitality marketing. [Slide 1-4]
- II. What Is Hospitality Marketing? Marketing is the art and science of finding, retaining, and growing profitable customers. [Slide 1-5]

III. Importance of Marketing

- A. The entrance of corporate giants into the hospitality market and the marketing skills these companies have brought to the industry have increased the importance of marketing within the industry.
- B. Analysts predict that the hotel industry will consolidate in much the same way as the airline industry has, with five or six major chains dominating the market. Such consolidation will create a market that is highly competitive. The firms that survive this consolidation will be the ones that understand their customers.
- C. In response to growing competitive pressures, hotel chains are relying on the expertise of the marketing director.

IV. Travel Industry Marketing [Slide 1-7]

- A. Successful hospitality marketing is highly dependent on the entire travel industry.
- B. Government or quasi-government agencies play an important role in travel industry marketing through legislation aimed at enhancing the industry and through promotion of regions, states, and nations.
- C. Few industries are as interdependent as the travel and hospitality industries.

V. Marketing Process. The marketing process is a five-step model of the marketing process. In the first four steps, companies work to understand consumers, create customer value, and build strong customer relationships. In the final step, companies reap the rewards of creating superior customer value. By creating value for customers, they in turn capture value from customers in the form of sales, profits, and long-term customer equity. [Slide 1-8]

- A. Understand customers [Slide 1-9]
 - 1. Needs. Human beings have many complex needs. These include basic physical needs for food, clothing, warmth, and safety; social needs for belonging, affection, fun, and relaxation; esteem needs for prestige, recognition, and fame; and individual needs for knowledge and self-expression.
 - 2. Wants. Wants are how people communicate their needs.
 - 3. Demands. People have almost unlimited wants but limited resources. They choose products that produce the most satisfaction for their money. When backed by buying power, wants become demand. [Slide 1-10]
 - 4. Market offerings. Some combination of tangible products, services, information, or experiences that are offered to the market. [Slide 1-11]
 - 5. Value, expectations, and satisfaction [Slide 1-12]

- a. Customer value is the difference between the benefits that the customer gains from owning and/or using a product and the costs of obtaining the product.
 - b. Customer expectations are based on past buying experiences, the opinions of friends, and market information.
 - c. Satisfaction. Satisfaction with a product is determined by how well the product meets the customer's expectations for that product.
6. Exchange and relationships [Slide 1-13]
- a. Exchange. Exchange is the act of obtaining a desired object from someone by offering something in return.
 - b. Relationship marketing. Relationship marketing focuses on building a relationship with a company's profitable customers. Most companies are finding that they earn a higher return from resources invested in getting repeat sales from current customers than from money spent to attract new customers.
 - c. Designing customer-driven marketing strategy. Marketing management is the art and science of choosing target markets and building profitable relationships with them.
 - i. Selecting customers to serve. The company must select those market segments it wishes to serve.
 - ii. Choosing a value proposition. The company must also decide how it will serve targeted customers—how it will differentiate and position itself in the marketplace. A company's value proposition is the set of benefits or values it promises to deliver to consumers to satisfy their needs.

VI. Five Marketing Management Philosophies [Slide 1-14]

- A. Production concept. The production concept holds that customers will favor products that are available and highly affordable, and therefore management should focus on production and distribution efficiency.
- B. Product concept. The product concept holds that customers prefer existing products and product forms, and the job of management is to develop good versions of these products.
- C. Selling concept. The selling concept holds that consumers will not buy enough of the organization's products unless the organization undertakes a large selling and promotion effort.
- D. Marketing concept. The marketing concept holds that achieving organizational goals depends on determining the needs and wants of target markets and delivering the de-sired satisfaction more effectively and efficiently than competitors.