TRT3701

Hospitality Management

Learning unit 7:
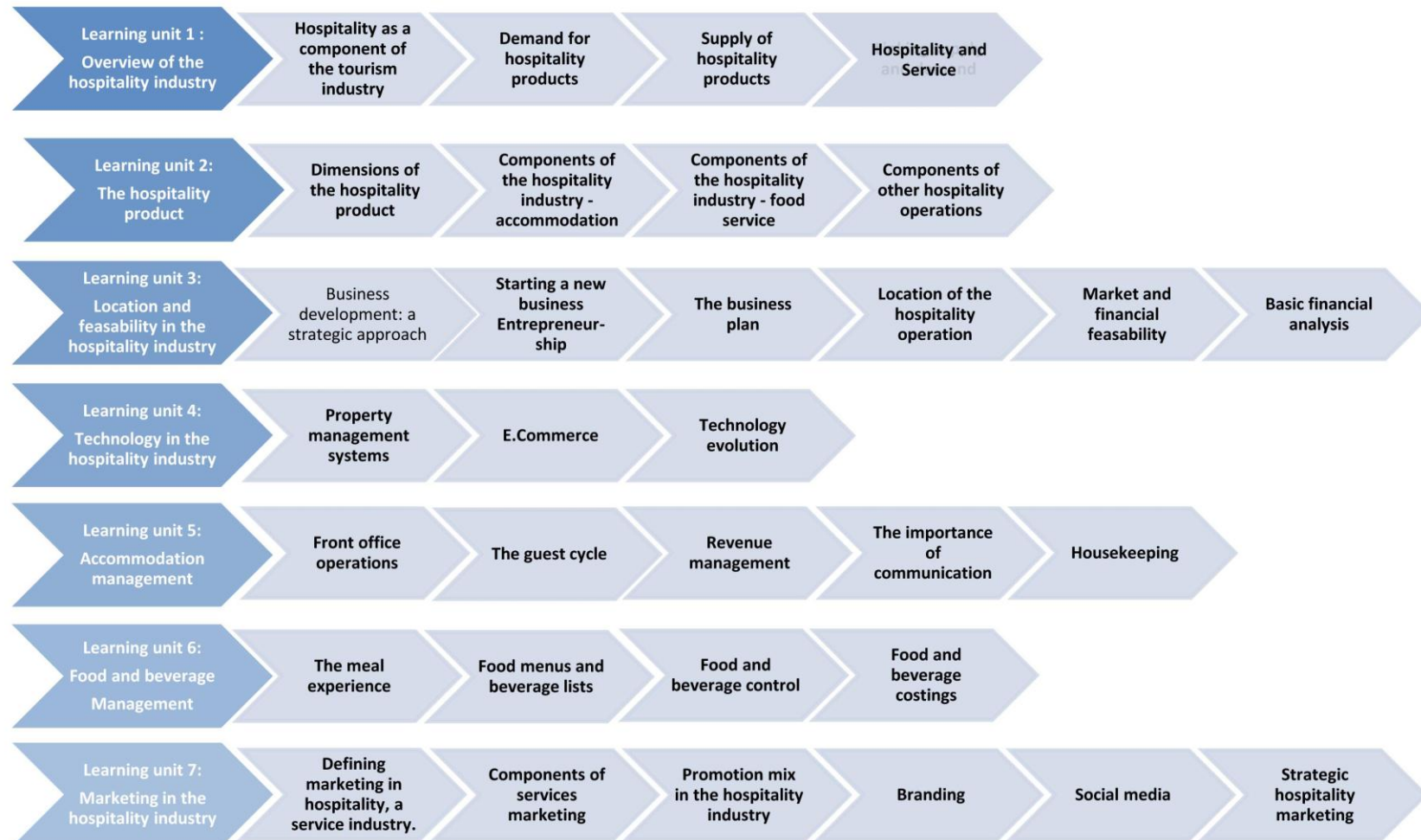
Marketing in the hospitality industry

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LEARNING OUTCOMES

Once you have completed this study unit, you should be able to

- discuss marketing in the hospitality industry (a service industry)

- outline the components of the services marketing mix

- review the promotion mix of the hospitality industry

- discuss branding in the hospitality industry

- apply the strategic marketing process to the hospitality industry

7.1   INTRODUCTION

The primary objectives of all businesses are to sustain itself, grow and make a profit (Cant, Strydom, Jooste & Du Plessis 2007:3). In order to reach these objectives, businesses must build profitable and valuable exchange relationships with customers/guests (Kotler & Armstrong 2006). Building profitable and valuable exchange relationships with customers/guests are primarily done through marketing. The South African Institute of Marketing Management (IMM) defines marketing as "the management process responsible for identifying, anticipating, and satisfying customer requirements profitably, to meet organisational objectives" (George 2007:4). In simple terms, marketing is a process in which a hospitality organisation will do everything in its power to promote and create awareness of its products and services among a selected group of people (their target market). The process of marketing is about anticipating the demand, recognising the demand, stimulating the demand and finally satisfying the demand. It is about understanding what can be sold, to whom it can be sold, and when, where and in what quantities it can be sold (Middleton 1994).

The hospitality industry differs from manufacturing industries and is classified as a service industry. According to Bennett (1995), hospitality marketing **differs** from traditional product marketing in the following ways:

- Hospitality products have a strong **service** element, in that they are intangible, inseparable, heterogeneous and perishable (These concepts are explained in more detail in section 7.2).

- The hospitality product is an **amalgam of several products and services** offered, such as accommodation, food service and entertainment.

- The **demand** for hospitality products is **highly elastic and seasonal**, and it is influenced by subjective factors such as taste, preferences, attitudes, fashion and price.

The traditional approach to marketing in the hospitality industry revolved around the aspects of product, price, place and promotion (the four Ps of the marketing mix [4Ps]). This process emphasised standardised products, direct channels of distribution, franchising, pricing techniques and discounting, mass marketing techniques and traditional marketing practices. However, the constantly changing hospitality environment demanded that this process change. Marketing in the hospitality industry has been adapted from the basic principles of marketing to include not only **product (service), price, place** and **promotion**, but also **people, processes** and **physical evidence**. This is popularly known as the seven Ps (7Ps) of services marketing. This marketing process places more emphasis on customised products, individualised marketing techniques and e-marketing practices. The 7Ps of services marketing will be discussed in more detail in the next section.

Activity

In this section, the definition of marketing given was formulated by the South African Institute of Marketing Management (IMM). It is important to know that there are many more definitions of marketing.

1. Visit Google Scholar and search the words "definition of marketing management".

2. Read through the various definitions of marketing management and identifythe slight differences between each of the definitions.

3. Write your own definition of marketing management and explain it to a friend who is not familiar with marketing theory.

4. Identify the key components of the definition and see how it aligns with the IMM definition.

7.2   THE COMPONENTS OF MARKETING

Hospitality products can be improved and enhanced through real marketing. This process comprises the different elements of the services marketing mix, also known as the 7Ps of services marketing. The elements of the services marketing mix are illustrated in figure 7.1.
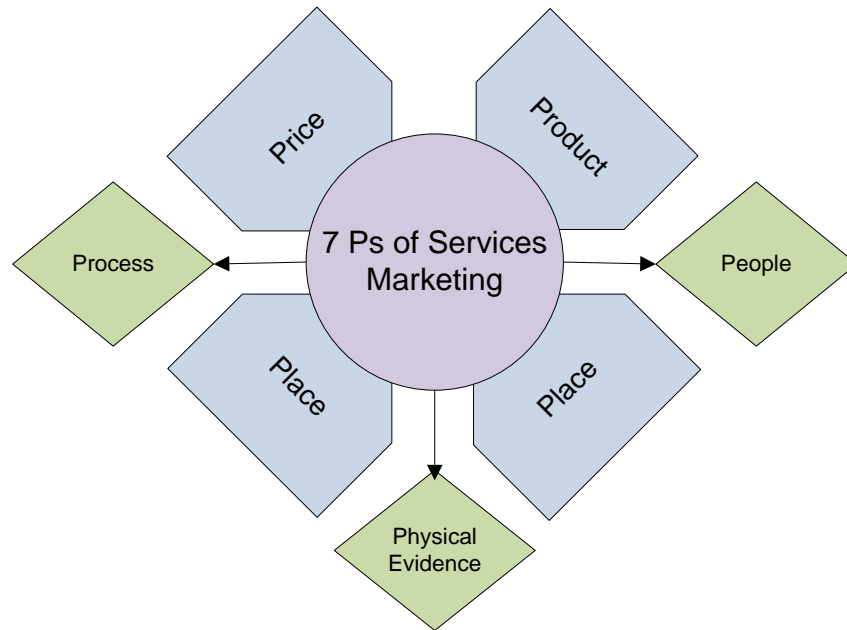
Figure 7.1: The 7Ps of services marketing

Source: adapted from Lovelock (2011)

Let's have a more detailed look at each of the different elements of the marketing mix as it applies to the hospitality industry.

7.2.1 Product (or service)

The product represents both the tangible and intangible components which are offered to the customer or guest to satisfy his or her needs. In the hospitality industry many products, for example a restaurant meal, also include a service component. This service component may include items such as a set table upon arrival and a table cleared upon departure by a busboy, the food and beverages which are prepared by a chef or barman and brought to the customer by the waiter. Services are **intangible, heterogeneous** and **perishable**, and their production and consumption are **inseparable**.

Customisation is a common term used in marketing where services are adapted to cater for specific needs of customers. However, there is room for customising a service, but

too much customisation may compromise the standard delivery of the service and adversely affect its quality. It is also important for the hospitality operator to identify the right group of people who will be interested in the following components of the product:

- facilities (crucial to the product's physical structures)

- service (an inseparable component)

- atmosphere (the ambience created by the hospitality operator)

- decor (refers to the interior finish and style of the premises)

- the final performance (the ability of staff to deliver and ensure total customer satisfaction)

Tip

In this section, we see that services are intangible, heterogeneous and perishable, and that the production and consumption of a service are inseparable.

These four concepts are fundamental to all services and were covered in detail in your marketing management module. Can you remember what you learnt? Do you have a good understanding of these four concepts? Let's have a quick look at each concept:

Intangible. This refers to the psychological impact of things unseen or untouched, but experienced by individuals. Manufactured products such as a car or a chair are easy to see and feel, and in some cases can even be smelled and heard. Services, however, do not have a physical presence. For example, a hotel doorman might greet a guest in a friendly manner and give information to the guest, such as where to park and where to find the reception, which is a form of service, but this service cannot be seen or touched.

Heterogeneous. This means that no two service encounters will ever be exactly the same. Although one cellphone may be identical to another cellphone, services are delivered by people, to people, and are therefore never exact replicas.

Perishable. This means that a service cannot be stored or kept. If a seat on a flight is empty, it cannot be stored and reused on another flight. That service is lost forever. Lost opportunities can never be regained.

Inseparable. The production of the service and the consumption of the service happen at the same time. A service cannot be offered if a person is not there to consume it, therefore physical presence is an important element. For example, a potential guest can make a hotel reservation through the internet, but will have to leave his/her home and go to the hotel to enjoy and experience the hospitality of the hotel.

7.2.2 Price

Pricing services is more difficult than pricing goods. Pricing a manufactured product is a relatively easy process, simply taking into account the raw material costs, necessary overheads and then adding an adequate profit margin. However, when pricing a service, not only does the cost of the physical components need to be calculated (e.g. the commodities to prepare a menu item served in a restaurant) but also the intangible ones (e.g. the ambience, the staff members, the band etc). In addition to calculating the basic cost of a service, hospitality managers need to keep the target market satisfied, as well as the image of their brand, in mind. Prices must be appropriate to the target market. This means that prices must be in line with what the target market is willing and able to pay.

Example

- John is on his way home after a long day at the office. Nikki, his wife, phones him and asks him to bring home dinner. Eskom is load shedding in their area where they live and they have no electricity to prepare supper. John decides to stop at a popular fast-food restaurant to buy two burgers and some french fries. He is willing to pay around R25,00 to R30,00 per meal.

- Jason and Sarah are celebrating their fourth wedding anniversary. Jason decides to take Sarah to a fine dining restaurant where they will have starters, a main meal, as well as dessert. They will also order two bottles of good red wine. Jason is willing to pay around R250,00 to R300,00 per meal.

Activity

Visit the website listed below and read more about pricing products and services in the hospitality industry. This article provides specific information about the different pricing methods used by hoteliers and restaurateurs.

http://www.hospitalitynet.org/news/4051689.html

7.2.3 Place

The delivery of a service is inseparable from the production of the service; services cannot be stored or transported. Therefore the location of the service product is very important. Service providers have to give special thought to where the service should be provided. Hospitality organisations need to position themselves in the areas which are most suitable to the product and service that they wish to offer and where their target market will be able to access them easily. Therefore, a physical hub/location is essential for the delivery of hospitality products and services.

Example

- A fine dining restaurant which employs one of the country's finest chefs, and is fairly expensive to visit, is better located in a busy, upscale part of town than on the outskirts in a poor neighbourhood. It stands to reason that mostly wealthy people will be able to eat in this restaurant and that accessibility to this target market will be better in the upscale part of town than in a poor neighbourhood.

- A holiday resort which promotes itself as a great breakaway spot where tired families can rest and spend quality time together is better situated in a quiet countryside away from the hustle bustle of a city.

The importance of the location of a hospitality organisation was discussed in detail in section 3.6 of learning unit 3. Please refer back to this section and make sure that you understand the importance of business location in the context of the marketing mix.

7.2.4 People

People refer to all people directly or indirectly involved in the consumption/ delivery of a service, for example contact personnel, other employees and consumers (Continuum Learning 2013). People are a defining factor in a service industry, since a service is inseparable from the person providing it. For example, a restaurant is known as much for its food as for the service provided by its staff. Managers in the hospitality industry must focus on effectively managing contact employees to ensure that their attitudes and behaviours are conducive to the delivery of service quality and that they strive for service excellence.. Employees tend to be variable in their performance (being more friendly when they are having a good day, being unfriendly and unhelpful when they are having a bad day) which leads to heterogeneity in the performance of services. The customer's perceptions of the quality of a service influences customer satisfaction and, in turn, purchase intentions (willingness to buy) (Continuum Learning 2013).

Understanding your guests or customers and their needs is probably one of the most important aspects of any marketing campaign. These are people who have been

identified by the hospitality operator, based on their specific needs or demands, who are attracted to the product and who will pay for the product and service (McManus 1998). At Sun City, for example, there are different target markets for the different product offerings: the Palace Hotel (five-star) for foreign visitors and business people and the Cabanas (three-star) for local visitors and families.

According to Bennett (1995), the customer base can be defined as the final user of the product (guest/customer) and the organisational users of the product (travel agent/tour operator).

7.2.5 Process

Process is defined as the procedures, mechanisms and flow of activities through which services are delivered (Continuum Learning 2013). Services are done for or with customers, and generally involve a certain sequence of steps and activities. The sequence or combination of these steps amounts to a service process. The service delivery process is very important since it is the only way in which hospitality organisations can ensure that the same standard of service (consistency) is repeatedly delivered to the customers and it is also the only way in which customers can evaluate the quality of the service (Continuum Learning 2013).

Example

Let's look at the service process of travelling economy class versus travelling first class on a cruise ship.

Passengers on a cruise ship who travel economy class have to queue when they arrive at the harbour in order to obtain their boarding passes. Boarding passes are processed on a first-come, first-served basis and passengers are then ushered through security check. There are generally far fewer first-class passengers and they are greeted by the captain as they arrive at the harbour and are handed their boarding passes which have already been processed. They are then escorted to security check and usually have a dedicated queue for first-class passengers only. Economy class passengers have their luggage delivered to their cabin doors between two and six hours after leaving the port. First-class passengers have stewards who unpack their luggage for them before they leave port, or within the first two hours of setting sail.

Looking at this example, it is easy to see that the service process for economy and first-class passengers differs significantly.

7.2.6 Physical evidence

Physical evidence refers to the environment and everything that is related to the environment in which the service is delivered and within which the customer and contact employees interact (Lovelock & Wirtz 2011). The physical evidence of a service includes all the tangible representations of service which help to communicate and perform the service (Continuum Learning 2013). Since services are intangible in nature, most service providers strive to incorporate certain tangible elements into their offering to enhance customer experience. For example, in the hotel industry the design, furnishing, lighting, layout and decoration of the hotel, as well as the appearance and behaviour of the employees, will influence customer perceptions and experiences.

7.2.7 Promotion

The last P in the services marketing mix stands for promotion. Since most services are fairly easy to replicate, it is crucial that businesses differentiate their service offering from that of competitors. Take for example a low-cost airline, has flights from Johannesburg to Cape Town. Currently, South Africa has several airlines offering the same service. These airlines must promote themselves in such a way as to differentiate their service offering in the mind of the consumer. Promotion is essentially the way in which a hospitality operator communicates or presents its products and services to current and potential customers. Promotion and the promotion mix in the hospitality industry are discussed in more detail in the next section.

Activity Can you name all the low-cost airlines currently operating in South Africa? By using a search engine, such as Google, visit the official web page of each of the low-cost airlines you can think of. How do these airlines differentiate themselves from each other? Can you identify the different types of promotion that these airlines use?

Activity

Read the article entitled "Top Ten Things Luxury Guests Absolutely Want" by Aruna Dhir by visiting the following websites:

http://www.hospitalitynet.org/news/global/154000320/4060166.html (Part 1)

http://www.hospitalitynet.org/column/global/154000392/4060190.html (Part 2)

Once you have read through the article, link each of the ten things that are discussed by Dhir to one of the 7Ps of services marketing that are discussed in this section.

7.3 PROMOTION MIX IN THE HOSPITALITY INDUSTRY

As mentioned in section 7.2.7, promotion is one of the 7Ps of the marketing mix. In essence, promotion simply means communicating with current and potential customers / guests about a specific product or service (Kotler & Armstrong 2006:247). In order to be successful, an organisation must combine all its communication efforts with consumers into a consistent and coordinated communications programme, which is popularly known as a promotion mix. A promotion mix is formally defined as "... an integrated programme of promotion mix elements designed to present an organisation and its products to prospective customers; to communicate need-satisfying attributes of products; to facilitate sales; and thus contribute to long-term profit performance" (Boyd in Strydom 2004).

Each organisation in the hospitality industry has a unique promotion mix which consists of a specific blend of advertising, sales promotion, public relations, personal selling and direct-marketing tools. Each of these tools is classified as "below the line", "above the line" or through the line" advertising (Kotler & Armstrong 2006:327; Smith & Taylor 2004:23). Advertising that is paid for is known as "above the line". Advertising communication that is not paid for (e.g. sales promotions and public relations) is known as "below the line". Any communication that involves the staff of the organisation (e.g. personal selling) is known as "through the line" advertising. (Smith & Taylor 2004:23).

The hospitality industry's promotion mix comprises five different promotion mix elements: **public relations, direct marketing, advertising, sales promotion** and **personal selling**. Each organisation in the hospitality industry employs a unique combination of marketing mix elements in order to achieve its marketing objectives (Kotler, Bowen & Makens 2010; Kotler & Armstrong 2006).
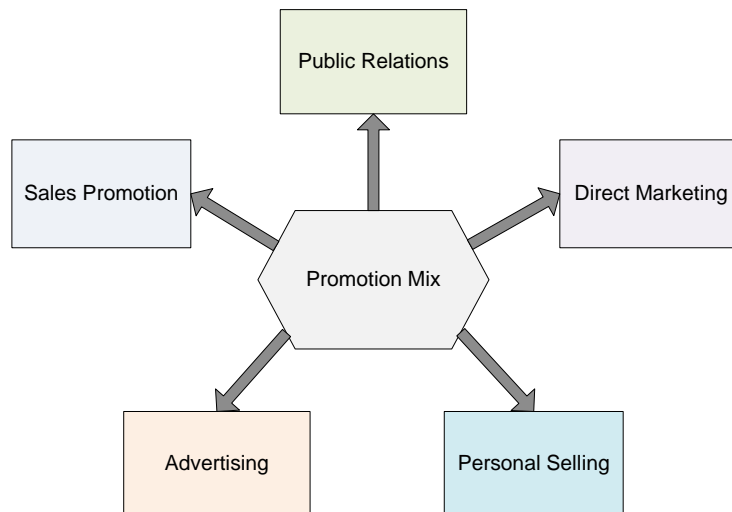
Figure 7.2: The promotion mix

Source: adapted from Kotler and Armstrong (2006)

7.3.1 Advertising

The first element in the promotion mix is advertising. Advertising is defined as a paid form of non-personal presentation and promotion of ideas, goods or services by an identified marketer, which is transmitted through a variety of media, including television, radio, print, the internet, public transport and outside displays (Cant et al 2007; Kotler et al 2010; Strydom 2004:142).

It is said that advertising is the most powerful component of the promotional mix because it is paid for and therefore allows the company to control the advertising message. In South Africa, the hospitality industry makes use of a variety of different media to communicate advertising messages. Some of the most popular ways include the following:

- magazine advertising
- direct mail advertising
- radio advertising
- out-of-home advertising

Activity

Think of the popular hotel chain Tsogo Sun. Do an internet search in order to answer the following questions:

1. Which popular hotels form part of Tsogo Sun?

2. Which advertising channels do they make use of to advertise their various hotels?

3. Have you encountered any of their advertising messages in your daily routine?

7.3.2 Personal selling

Personal selling is one of the most common forms of selling in any industry, especially in the hospitality industry. Personal selling is the most effective tool at certain stages of the buying process and is defined as "... personal, face-to-face presentation of a product or idea by the firm's sales force to the potential consumer for the purpose of making sales and building customer relationships" (Kotler et al 2010:375; Kotler & Armstrong 2006:442; Strydom 2004:150). Meeting your customer face to face allows the customer to form an opinion of your product based on the first impression created by the salesperson. The advantages of personal selling are as follows:

- it creates a personal impression

- it provides direct contact with your client

- it provides an opportunity to sell the product or service extensively

- it answers any questions your client may have

With the current technology used in the hospitality industry, personal selling is used to a very limited extent to get a guest/ or customer to the establishment. However, once the customer is on the premises, the sales person can make use of his or her personal selling technique. In a hotel, for example, the reception staff can promote and sell laundry services or beauty facilities. At a restaurant, after-dinner drinks and cigars can be promoted and sold.

7.3.3 Sales promotion

The third promotion mix element is sales promotion. Sales promotion is a set of short-term incentive tools to encourage and increase the sales of a product or service (Kotler & Armstrong 2006:443; Cant et al 2007:462). These short-term incentive tools include coupons, free trials, tie-in promotions, contests, cents-off deals and premiums (Kotler et al 2010:376; Cant et al 2007:462). Sales promotions are short-lived with the main focus

on "buy now" instead of building long-term customer brand loyalty (Kotler & Armstrong 2006:443).

The South African hospitality industry makes use of different sales promotion incentive tools to market products and services. Some of the most popular tools include:

- discounts (e.g. reduced prices at hotels during low season)
- tie-in promotions (e.g. buying a packaged deal such as a Kulula flight ticket, Avis car rental and Southern Sun/Tsogo Sun hotel stay)
- patronage awards (e.g. for regular or frequent visits to a restaurant)

Activity

Think of at least two examples of discounts, tie-in promotions and patronage awards used by companies in the tourism industry.

Activity feedback

Were you able to think of relevant industry examples in the previous activity? Do your examples include a variety of different businesses in the industry? Here are some examples to help you.

Discounts:

1. Spur Family Cards offering various discounts on family/kids' meals (E.g. Kids eat free on Wednesdays)
2. Mid-week, winter (low season) half-price stay in any Garden Court Hotel in the Western Cape

Tie-in promotions:

1. Atterbury Theatre and Primi Piatti offering dinner and a show
2. Pretoria Zoo and Blue Crane Cafe offering entrance to the zoo and a coffee and muffin

Patronage awards:

1. Seattle Coffee Co Loyalty Cards (buy 9 coffees and get the 10th free)
2. Adventure Zone (do 4 skydives and get the 5th jump for half price)

7.3.4 Public relations

Public relations (PR) is the fourth promotion mix element and is defined as building good relations with the company's various publics by obtaining favourable publicity, building up a good corporate image, and handling or heading off unfavourable rumours, stories and events (Kotler et al 2010:376; Cant et al 2007:462). Public relations communications include news stories, features, sponsorships and events and are generally more believable to consumers than advertisements (Kotler & Armstrong 2006:476).

In South Africa, many organisations in the hospitality industry make use of public relations through press releases, editorials and staged events, such as Robertson's Wine Valley Festival hosted by Kloofzicht Lodge.

Example

Gold Reef City creates positive PR through its corporate social investment programme which focuses on the performing arts. They support the 4Change Foundation which is an NGO that groups together young performers in the field of arts and entertainment through an initiative themed "Making Change Real". The purpose of "Making Change Real" is to bring across a positive message of change which is facilitated through dancing, acting, singing, poetry and rapping to an audience of peers, parents and celebrity judges. Gold Reef City sponsored the venue – The Lyric Theatre – where nine schools competed in a challenge to stage a 35-minute musical production with the assistance of industry professionals.

The publicity that Gold Reef City got through sponsoring the venue for this event is an example of positive PR since it creates a positive image of the company in the minds of consumers (Gold Reef City 2012).

Activity

Peruse* a Sunday newspaper for any press releases or editorials featuring any organisation in the hospitality industry.

What do you think of the press release or editorial? Is it generally more believable than a paid advertisement? Do you think that it is a favourable communication about the organisation? Do you think that it adds or detracts from the image of the organisation?

* Peruse means to read thoroughly and carefully.

7.3.5 Direct marketing

The last element in the promotion mix is direct marketing. Direct marketing is the purposeful direct contact between chosen individual consumers and the company to obtain an immediate response and build long-term relationships by using catalogues, direct mail, telemarketing, mail order, direct-response advertising or e-communications (Kotler et al 2010:375). The different forms of direct marketing all share four distinctive characteristics (Kotler & Armstrong 2006:443):

1. They are non-public.

2. They are directed at a specific person.

3. They are immediate and customised: messages can be prepared quickly and tailored individually.

4. They are interactive in that they allow for dialogue between marketer and consumer.

The hospitality industry makes use of direct marketing in various ways. Some of the direct marketing tools that are currently used include the following:

- direct mail (e.g. Protea Hotels sends direct mail to all guests who are part of the Protea Hotel Loyalty programme, offering them discounted packages and special rates)

- catalogues (e.g. Moon and Sixpence wedding venue sends out a catalogue of all their bridal packages to potential brides from a visitors list of the Johannesburg Bridal Expo)

- e-mail (e.g. Leriba Lodge sends an e-mail whenever they have a special promotion running to all previous guests who have agreed to be on their mailing list)

- SMS (e.g. Jenny's Jumbo Cupcakes sends SMSs to notify all their clients when they have new sweet treats on the menu)

These five promotion elements combine to form the promotion mix. Each organisation must adjust the promotion mix according to its marketing objectives and individual situation. Therefore, some organisations' promotion may consist of only one and some of a combination of all five of these elements (George 2007:244).

It is important to remember that communication with potential consumers is more than the mere combination of promotion mix elements, but rather the whole product or service, its unique features and benefits, its price and availability as well as its brand positioning. This means that although the promotion mix is an organisation's primary

communication activity, the entire marketing mix must be managed and coordinated in order to communicate the desired message and build the correct image of the organisation in the minds of consumers (Kotler & Armstrong 2006:327; Kotler et al 2010:358).

Building the desired image in the mind of the consumer through brand building is discussed in the next section.

Activity

In section 7.2.7, one of the activities required you to visit the different web pages of the low-cost airlines operating in South Africa. You were asked to identify the different types of promotion that these airlines use to differentiate themselves from one another.

In this section, we looked specifically at the different types of promotion available to companies. Can you answer this activity better now that you have worked through this section?

7.4   BRANDING

The concept of branding is centuries old and can be traced to pottery and stonemasonry in ancient Greece and Rome (Keller 2008:43). Initially, branding was used to be able to identify products created by specific craftsmen; later, branding was used with every product to enable consumers to tell one product from another (Keller 2008:43). Kotler and Armstrong (2006:243) define branding as "a name, term, sign, symbol, or design, or a combination of these intended to identify the goods or services of one seller or group of sellers and to differentiate them from those of competitors".

Branding not only identifies products or services from one another but also differentiates them (Kotler & Keller 2009:361). The different components of a brand are known as brand identities and consist of the brand name, the trademark, the brand mark and the logo, which are all devices that can be trademarked to identify and differentiate a brand (Keller 2008; Keller 2003:175). Table 7.1 gives more detail of each type of brand identity as it applies to the hospitality industry and gives some examples as illustration.

Table 7.1: Brand identities

Brand identity	Description	Example
Brand name	A brand name is the portion of a brand that can be expressed verbally, which could include letters, words or numbers.	Tsogo Sun Hotels, Spur, Mugg & Bean, Marriot Hotels, City Lodge Hotels and Protea Hotels.
Brand mark	A brand mark is a recognisable portion of a brand, but cannot be expressed verbally. The brand mark is the visual brand identity which consists of a design or symbol.	
Logo	A logo is a unique symbol or brand name written in a distinctive type style that represents a specific company. Logos can be purely graphic (symbols/icons) or comprise the name of the organisation (a logotype or word written in a distinctive font).	
Trademark	A trademark is a name, symbol, motto or emblem that identifies a product, service or firm and has been legally registered as the property of that company. Competitors may not use similar marks to sell or advertise their products and services. A brand name, brand mark or logo may also be a trademark if it has been registered legally.	Brand name: Tsogo Sun Brand mark: Logo: TSOGO SUN Everything under one Sun

Source: adapted from Kotler and Keller (2009:361); Keller (2008); Keller (2003:175); Cant et al (2007:214); George (2007:191-194); Danesi (2008); *Small business dictionary* (2008)

In essence, a brand is an organisation's promise to deliver a specific set of features, benefits and services to customers/guests (Kotler 2003:240). Each brand communicates a unique message to consumers upon which they form their opinions, beliefs and perceptions about the organisation.

Activity

Complete the table below. You may use the internet to help you find relevant examples.

Brand identity	Examples: Food services sector	Examples: Accommodation sector
Brand name		
Brand mark		
Logo		
Trademark		

Brands offer various benefits to both customers/guests and organisations.

Benefits to the buyer include the following:

- helps identify the product and facilitates repeat purchasing
- reduces the time needed to make a purchase decision
- helps buyer evaluate the quality of the service
- reduces the perceived purchase risk
- buyer may derive a psychological reward (such as status or prestige) from owning a product of a certain brand

Benefits to the organisation include the following:

- differentiates product or service offering from that of competitors
- helps segment the market by creating individual images for each segment
- reduces price comparisons between similar products
- established brands make it much easier and less expensive to introduce new products or services for the same organisation

- facilitates promotional efforts of the organisation

- may increase the possible profit margin by allowing the organisation to charge a premium price for its product or service

Source: adapted from Kotler and Keller (2009); Shankar, Carpenter, Farley and Hamilton (2012)

In order for an organisation to derive the maximum benefit from a brand, it needs to focus on building a strong or reputable brand which is able to attract attention, is memorable, and helps to communicate the positioning of the product or service and distinguish it from competing brands (Hoffman 2003:261). Often brands have become the primary drivers of growth and are seen as valuable commodities by organisations (Clifton & Simmons 2003:27). Coca-Cola, for example, is the world's most valuable brand and in 2012, valued at $77 839 billion (Interbrand 2013). In the food services industry, McDonald's was rated as the most valuable brand (seventh overall) valued at $40 062 billion. The accommodation industry does not yet have a hotel listed in the top 100 brands, mostly because the industry hasn't yet incorporated the idea of "branded experience" into their strategy. However, experience purveyor*, Disney, does have a spot in the Top 100, valued at $27 197 billion, and has successfully branched into the hotel sector (Abraham 2013; Interbrand 2013).

The value of a brand related to the brand's ability to attract future customers reliably is known as **brand equity** (Solomon & Stuart 1997:348). Brand equity is the marketing and financial value associated with a brand's strength in the market (Pride & Ferrell 2003:299). Aaker (Kapferer 2008) defines brand equity as a set of five categories of brand assets (and liabilities) linked to a brand that adds to or subtracts from the value provided by a product or service to an organisation, its customers, or both. These categories of brand assets are

- brand loyalty

- brand awareness

- perceived quality

- brand associations

- other proprietary assets (e.g. patents, trademarks and channel relationships)

As a measurable asset, brand equity has the ability to increase cash flow to the organisation and create a competitive advantage (Kapferer 2008). The equity of each brand is reflected in the price premiums that customers are willing to pay for a particular product or service as well as the loyalty or commitment that consumers have towards a brand.

* Purveyor is a person or business that supplies a particular service or commodity

According to Middleton (1994), the significance of branding can best be summarised by the following five factors:

1. *Globalisation*. Hospitality operators with well-known brands can enter new, emerging markets. Good examples are the Hilton, Hyatt and Sheraton groups of hotels in South Africa.

2. *Recognition*. The recognition of brands is transferred into customer loyalty and repeat business. With a consistent structure of product and service delivery, it can be translated into huge profits and growth for the hospitality operators.

3. *New entrants.* More entrants to the hospitality environment can confuse customers and guests.

4. *Impacts on the marketing mix.* Branding impacts on the marketing mix of a product in order to fully capitalise on the brand.

5. *Attraction*. When customers or guests are satisfied with a hospitality product, only curiosity will attract them to other brands. Obtaining customer brand loyalty is difficult, but crucial for the success of the operator (Middleton 1994).

Branding has also led to the development of worldwide marketing strategies, due to their power over the unbranded opposition. Branded products require huge investments to sustain their competitive advantage over a long period of time and they need constant attention to ensure that service and product standards are maintained (McManus 1998:29).

Activity

Visit the Interbrand website at www.interbrand.com and take a look at the top 100 brands for this year.

What brands are related to the hospitality industry? Which companies are part of the food services sector? Are there any companies that form part of the accommodation sector?

7.5   SOCIAL MEDIA

Do you have a Facebook account or maybe a LinkedIn account? I am sure you have accessed various forms of social media before. Take a moment to think about which social media you use. Are you an active member or just an observer? Now consider how social media is used in hospitality. Can you think of any examples?

Social Media can be defined as a means of communication via mobile and web-based technologies, applications, tools, software, websites and blogs that allow people to interact by creating and sharing information and ideas online in a virtual environment. Social media us used to conduct research, share information and pictures and for making real-time bookings; based on other's recommendations and reviews. There are numerous forms of social media available and many more being developed every day. Some of the most popular social media sites include, Facebook, Twitter, YouTube, mySpace and LinkedIn.

Example

Trip Advisor is probably one of the best examples of hospitality related social media platforms today. It is a travel website that provides people with to collect information for their holidays and travels, and includes all the elements of the tourism product such as airlines, accommodation and recreational services. It allows people to post personal reviews and travel-related information on the website (BLOGS) and gives other travellers and businesses the opportunity to interact with this information by commenting and engaging in the online content. People also read the online reviews and consumer-generated-content (CGC) posted by others to assist them in their decision making process. People base their decisions on what other travellers have said about a hotel or airline or even an attraction. If there are recent positive comments then the likelihood of booking that operator will be high. However, if there are complaints or negative feedback listed on the website, the chances of someone using that service will be slim. It is therefore important that as a hospitality provider that you regularly visit your site to provide regular honest feedback. Visit the website to discover what Trip Advisor is all about: http://www.tripadvisor.com.

Activity

The hospitality industry is an active user of social media and there are many great examples of operators that are utilising this form of communication to give them a competitive advantage. Make a list of five hospitality related social media and describe the main purpose of each.

Activity feedback Did you struggle with this activity? Were you able to identify some examples of social media related to hospitality? Some other examples include:

Wayn.com, Expedia, Cape Town Tourism, Nightsbridge.

Social media is no longer limited to just people's computer or to having a website and sending an email newsletter; but is now more than ever accessible via mobile technologies (such as Smart phones) using a variety of tools and applications. Since more and more people are going on line and referring to these sources for advice in their decision making; all of these platforms play a key role in hospitality – both from the demand side (the guest or customer) and the supply side (the hotel or restaurant for example). One of primary functions of social media is connecting people and exchanging information. It also plays a key role in marketing, messaging, and customer interaction (Lim 2010).

Let us have a closer look at some of the fundamentals of social media (Gretzel & Yoo 2008; Lim 2010; Noone McGuire & Rohlfs 2011):

- Social media is user-driven, community-oriented, is relatively easy to use   and consists of real-time authentic content.

- Consumer-generated content (CGC), especially online travel reviews written by customers or guests during or after their hospitality experiences, are accessible at the touch of a button. This authentic real time information must not be underestimated as it is used to inform travel-related decisions – both by other customers and guests and also hospitality providers.

- Social platforms don't only allow a once off form of communication, but create many opportunities for continuous interaction between the customer and service provider before, during and after the hospitality experience.

- Since the power over information is now far more in the customer's hands than in that of the hospitality provider; customers and guests play a very active role in communications and decision making;

- Social media can be more economical to use to promote one's business than previous print media. It must however be used and managed correctly.

- Social media provides hospitality operators with opportunities to support and expand revenue management systems.

Case Study

Protea Hotels was established in 1984 with four hotels. It has grown significantly and today boasts the largest number of hotels in Africa, with properties in South Africa, Tanzania, Malawi, Nigeria, Namibia and Zambia. Protea Hotels is responsible for the management and marketing activities of all the Protea and African Pride properties. This well known hotel group has integrated various social media platforms which are represented on their website: http://www.proteahotels.com. Protea Hotels not only allows guests to make online bookings for its properties but it is continually establishing conversations by creating opportunities for engagement and interaction with their customers through Facebook, Twitter, Pinterest and You Tube.

Visit Protea Hotels on You tube to discover some of the wonderful campaigns and promotions that have been produced by using videos. Watch the dynamic videos about the Protea Hotel Fire and Ice Melrose Arch – which just make you want to be a guest at this fine hotel. You can also learn to make a gourmet burger with a chef from the Protea Hotel Fire & Ice Cape Town. Take note of the Protea Hotels Get Cosy Campaign where they used Facebook to create awareness of their hotels and collect blankets to donate to various beneficiaries in their communities.

By watching each of these videos you will notice that Protea Hotels has incorporated a variety of the elements of hospitality, including accommodation, food and beverage and community engagement.

Why don't you take a moment to investigate how this hotel group is using Facebook and Twitter to market, promote and distribute its properties.

Activity

ZapTravel, Tourwrist and Triposo are some of the "new kids on the block" in social media. These companies are offering technologies that are changing the travel and hospitality environment. Visit their websites to find out more.

The online world is continuously evolving. All hospitality operators – from hotels to restaurants to event organisers – must keep up to date with these changes to ensure they offer good customer service by meeting their needs and exceeding their expectations.

7.6   STRATEGIC HOSPITALITY MARKETING

In the introduction of this study unit, we defined **marketing** as "the management process responsible for identifying, anticipating, and satisfying customer requirements profitably, to meet organisational objectives" (George 2007:4). Marketing in South Africa is thus seen as a **process**. The process of marketing is illustrated schematically in figure 7.3.
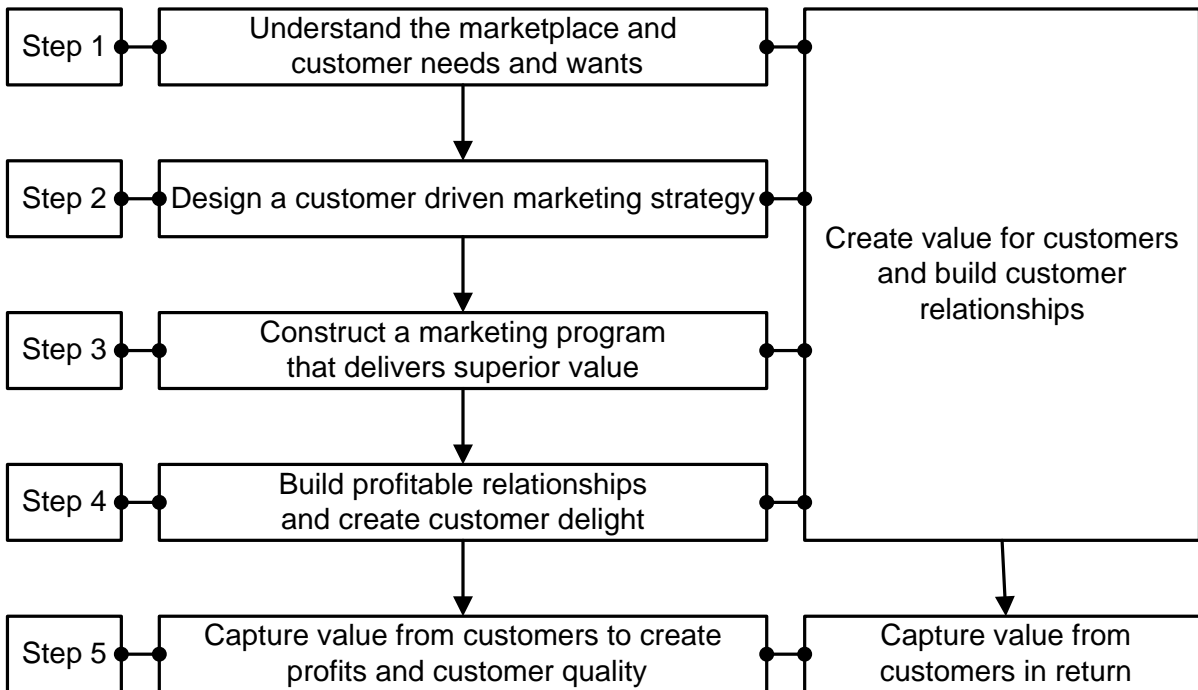
Step 1	Understand the marketplace and customer needs and wants	
Step 2	Design a customer driven marketing strategy	Create value for customers and build customer relationships
Step 3	Construct a marketing program that delivers superior value	
Step 4	Build profitable relationships and create customer delight	
Step 5	Capture value from customers to create profits and customer quality	Capture value from customers in return

Figure 7.3: The strategic marketing process

Source: adapted from Kotler and Armstrong (2006:5)

From figure 7.3 it is easy to see that in the first four steps of the strategic marketing process, organisations work towards creating value for customers and building strong relationship with their clients. In the last step, organisations obtain the rewards of creating superior customer value in the form of sales, profits and long-term customer equity. The strategic marketing process can be applied to any organisation in the hospitality industry. Let's take a more detailed look at each of the steps in this process:

- **Step 1: Understand the marketplace and customer/guest needs and wants.** First and foremost, hospitality organisations must understand their marketplace. This is done by researching customer /guest needs and wants and differentiating between different target markets (Kotler & Armstrong 2006).

- **Step 2: Design a customer driven marketing strategy.** Once the organisation knows what their target market wants and needs, they must design a customer-driven marketing strategy. This strategy is based on two fundamental questions:

    1. Which customers/guests will be served? (market segmentation and targeting)

    2. How best can the targeted customers/guests be served? (differentiation and positioning)

A marketing strategy entails deciding on a particular segment of the market to target and then differentiating the organisation within the hospitality industry by positioning its products and services in such a way that it will cater to the specific target market (Kotler & Armstrong 2006; Winer 2007).

- **Step 3: Construct a marketing programme that delivers superior value.** Having formulated a marketing strategy, a marketing programme must then be developed. A marketing programme consists of the seven services marketing mix elements (7Ps) which transforms the marketing strategy into action plans which create value for customers (Kotler et al 2010; Kotler & Armstrong 2006).

- **Step 4: Build profitable relationships and create customer delight.** Next value-laden profitable relationships must be built with target customers. Hospitality organisations must work closely with all their marketing partners, both inside the company and throughout the entire marketing system in order to build profitable relationships.

- **Step 5: Capture value from customers to create profits and customer quality.** Unlike the first four steps, which focus on creating value for customers, the final step involves capturing value from customers/guests in return. Organisations that successfully create and deliver superior customer value have satisfied customers who will purchase the hospitality products and services again (repeat customers) and who will pass on positive word-of-mouth reports about the organisation. The result is increased long-term customer equity for the hospitality organisation (and industry), which is necessary for the survival, growth and profitability of the organisation (Kotler et al 2010; Kotler & Keller 2009).

Activity

Read through the above five steps in the strategic marketing process again.

Explain this process to a family member or friend who has no knowledge of marketing management. Use the strategic marketing process figure (Figure 7.3) to help you explain the process. This will also help you be more aware of the steps that need to be followed and what is required.

Were you able to explain this process in simple terms that your family member or friend could understand? It is important that you are able to communicate what you learn in this module effectively. This will ensure that can answer the examination questions well by explaining concepts and processes in a clear and understandable way.

Activity

Visit the following website and read the article "How to market your hospitality business better using photo and video" on the internet:

http://www.bighospitality.co.uk/Trends-Reports/How-to-market-your-hospitality-business-better-using-photo-and-video

Source: Ruddick (2013)

Watch this!

Take some time to watch the following adverts on YouTube:

- Restaurant – Nando's

http://www.youtube.com/watch?v=2FNAsYXx_1k

- Hotel – Park Inn Hotel

http://www.youtube.com/watch?v=ThUBLtxGyWw

- Travel website – Mr & Mrs Smith Hotels

http://www.youtube.com/user/MrandMrsSmithHotels?v=dVO1gUtuf-o

Career clip

Take some time to watch the following presentation entitled "Selling yourself in an interview":

http://www.youtube.com/watch?v=KFeGt_vHd1k

This clip is not specific to interviewing for a job in the tourism industry, but will give you some good background knowledge about handling an interview and how to market yourself as the best possible candidate for the job.

7.7 CONCLUSION

This learning unit gave a very brief overview of marketing in the hospitality industry. It highlighted the components of the marketing mix, that included the 7Ps of services marketing. The learning unit reviewed the promotion mix that include, advertising, personal selling, direct marketing, public relations and sales promotion. The role of branding in the hospitality industry was also discussed. The dimensions of a product and the different sales techniques were elaborated on. Lastly the strategic approach to marketing was applied to the hospitality industry.

7.8 KEY TERMS

Marketing management

Services marketing

Marketing mix (7Ps)

Promotion mix

Branding

Strategic marketing process

7.9   SELF-ASSESSMENT QUESTIONS

1. The hospitality industry differs from manufacturing industries and is classified as a service industry. Describe the ways in which hospitality marketing differs from traditional product marketing and substantiate your answer by means of a practical example.

2. Fully discuss the 7Ps of services marketing as it applies to the Spur restaurant franchise.

3. Define each element in the promotion mix and give a relevant example of each element as it applies to the One&Only hotel at the V&A Waterfront in Cape Town.

4. Branding is defined as "a name, term, sign, symbol, or design, or a combination of these intended to identify the goods or services of one seller or group of sellers and to differentiate them from those of competitors". Describe the different components of a brand and give relevant examples in a hospitality context.

5. Describe the benefits of branding to customers / guests and hospitality organisations.

6. Summarise the significance of branding according to Middleton (1994).

7. Illustrate the steps in the strategic marketing process by means of a diagram and then explain each step in a short paragraph.

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