


KARNATAKA STATE OPEN UNIVERSITY
MUKTHAGANGOTRI, MYSURU- 570 006.

DEPARTMENT OF STUDIES AND RESEARCH IN MANAGEMENT

M.B.A III Semester

Course-17 E: TOURISM

TOURISM SALES AND MARKETING

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Dear learner,

It gives me immense pleasure to welcome you again to the department of management to study MBA second year in the esteemed university. I hope you have enjoyed the First and Second semester MBA.

I am extremely happy in placing this study material in your hand. The Department Of Studies and Research in Management, Karnataka State Open University is providing you Self Learning Materials (SLM) for all the courses developed by team of experts drawn from conventional universities, B-Schools management institution and professionals.

This study material explains even the most complicated topics in a very simple and user-friendly manner, it starts with the objectives, explanation of concepts followed by Case Study, Notes, Summary, Keywords, Self Assessment Questions and References. It is a sincere attempt to provide more value added information on contemporary issues.

Department has focused on conceptual learning and on avoiding bulky and prolonged description. Every concept has been simplified in the study material, so that the learner can learn easily.

As you know, the Department of Management, Karnataka State Open University is offering three elective or specialize i.e., Finance, Marketing and People Management. Hope you will gain expertise in your field.

The specialization in MBA is due to business complexities and diversities. The MBA is over 100 years old now. Leading management institutes are trying to come up with new and innovative ways to educate the next generation of business leaders. In MBA, an elective facilitates learners to place extra focus on one particular area of interest and tailor their MBA in a different way depending on their backgrounds and future goals.

Tourism - Over the periods, tourism has experienced continuous progress and developing sectors in the world. No doubt it has become the fourth largest industry in the global economy. Tourism has become a booming global industry to shape developing countries like India. Similarly, in developing country like India tourism has become one of the key sectors of the economy contributing to a large proportion of the National Income and creating enormous employment opportunities. It has become the fastest developing service industry in the country with great potentials for its further growth, development and diversification. India is a country known for its lavish treatment to all visitors, no matter where they come from. Its visitor-friendly traditions, varied life styles and cultural legacy and colourful fairs and festivals held abiding attractions for the tourists. Nevertheless, there are pros and cons involved with the growth of tourism industry in the country. The Ministry of Tourism is the nodal agency for the development and promotion of tourism in India and maintains the **"Incredible India"** campaign. Let us discuss the development of tourism industry.

In addition to the study material provided to you, I advise you to go through the books which are suggested in the reference of every unit. Further I also suggest you to make yourself acquainted by reading newspapers and journals.

Moreover, the curriculum designed by the board of studies helps you to prepare for UGC NET, various state commission examinations and UPSC examinations. With these words I welcome you for the wonderful learning experience of business education.

I wish all the best and good luck in your education and successful management career.

Prof. C.Mahadevamurthy

Professor and Chairman

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1.1 OBJECTIVES

After reading this unit you will be able to:

- Know about the sales & classifications of sales person.
- The tasks performed by the sales representatives.
- Understand the Key customers' sales strategies.
- Sales force objectives, volume and size.
- Identify the key issues in recruiting, selecting, training and compensating sales people.
- Discuss supervising salespeople, including directing, motivation and evaluating performance.

1.2 INTRODUCTION

As an industry, tourism has many components comprising overall "travel experience". Along with transportation, it includes such things as accommodations, food and beverage services, shops, entertainment, aesthetics and special events. It is rare for one business to provide the variety of activities or facilities tourists need or desire. This adds the difficulty of maintaining and controlling the quality of the experience. To overcome this hurdle, tourism related businesses, agencies and organizations need to work together to package and promote tourism opportunities in their areas and align their efforts to assure consistency in product quality.

Success or failure within the tourism industry ultimately rests on the ability to sell. Selling and advertising are actually types of promotion which is only a component of marketing.

Successful owners and managers know that they must sell continuously. A few individuals have the specific responsibility for ensuring that payrolls can be met, invoices can be paid, and a fair return on investment can be achieved. These are the professional sales-people. The following classification of sales positions has applications in this industry.

1. Deliverer: positions in which the salesperson's job is predominantly to deliver the project (e.g., restaurant supplies, hotel lines).

2. Order taker: positions in which the salesperson is predominantly inside order taker (e.g., reservations or fast-food person) or outside, order taker (e.g., the restaurant supply person calling on a chef).

about marketing strategy and profitability. The newer view is that salespeople should know how to produce customer satisfaction and company profit. They should know how to analyze sales data, measure market potential, gather market intelligence, develop marketing strategies and plans, and become proficient at the use of sales tactics.

Sales representatives need analytical skills. This becomes especially critical at the higher levels of sales management. Marketers believe that a sales force will be more effective in the long run if members understand marketing as well as selling. The newer concept is basic to the successful use of yield management in the hospitality industry.

1.4 SALES STRATEGIES

Sales successes within the tourism industry are not the result of a hit-and-run sales mentality. Success depends on the development of excellent long-run relationships with clients or accounts. Certain corporate clients and travel intermediaries, such as travel agents, generally serve as key accounts. These companies provide large numbers of customers. Based on the concept of key customers, there are six general sales strategies that must be recognized by members of this industry:

1. Prevent erosion of key accounts: It does little good to attract new customers if key customers are lost. Companies operating on this kind treadmill inevitably have higher than average sales force turnover and experience employee morale problems. Determine reasons why key customers leave and initiate corrective steps. Initiate and carefully manage programs that treat key customers as royalty. A single sales/service accounts. Unless these accounts are provided highly personal service, the risk of loss to a competitor is great.

Harrah's Casinos introduced a loyalty card program known as "Total Rewards." This allowed each Harrah's casino to track the gaming and purchasing activities of their customers. Data collected from this system was fed into an information system called "WINet," which linked all Harrah's properties, allowing the company to collect company-wide customer information. Harrah's discovered that 30 percent of its customers generated 80 percent of company revenues. Use of this information resulted in a \$100 million increase in revenue from key customers in the first two years.

2. Grow key accounts: As Harrah's clearly demonstrated, key accounts usually offer more sales potential than is currently realized Key accounts may split their businesses between several provider companies. In addition to negating probable sales, hotels blocking rooms may have also infuriated good customers who were unable to book reservations and probably

1.5 SALES FORCE OBJECTIVES

Sales objectives are essential for two reasons:

1. Objectives ensure that corporate goals are met. Goals may include revenue, market share, improving corporate image, and many others.
2. Objectives assist sales force members to plan and execute their personal sales programs. Objectives also help to ensure that a sales person's time and company support resources such as personal computers are efficiently utilized.

Although sales objective are custom designed, there are general objectives commonly employed by members of tourism industry as stated below:

1. Sales Volume

Occupancy, passenger miles, and total covers are common measures of sales volume. An emphasis on volume alone inevitably leads to price discounting, attracting undesirable market segments, cost cutting, and employee unhappiness.

a. Sales Volume by Selected Segments

Exclusive resorts, charter flight services, and upper-end cruises tend to operate with the philosophy that if one establishes volume objectives but restricts prospecting to highly selective segments, price and profits will take care of themselves.

Canadian resort operators targeted the meeting and convention market with the result that this segment made up 25 percent of their customer mix, compared with 35 percent for U.S. resorts. This led to questions of whether the differences were the result of the sales techniques employed in the two nations.

b. Sales Volume and Price/Margin Mix

Establish sales volume objectives by product lines to ensure a desired gross profit. This system is the basis for revenue management. Salespeople often criticize the system as restrictive and unrealistic. The fact is, it works, British airways, Hertz, Sheraton Hotels and Royal Caribbean Cruises are representative of the firms who use this system. Whether a revenue management system is in place, establishing objectives by volume and by price/management segments lead to improved revenue.

2. Upselling and second-chance selling

Excellent profit opportunities exist for hospitality companies, particularly hotels and resorts, to upgrade price and profit margins by selling higher priced products such as suites through

1. Territorial-structured sales force

In the simplest sales organization, each sales representative is assigned an exclusive territory in which to represent the company's full line. This sales structure has a number of advantages. First, it results in a clear definition of the salesperson's responsibilities. As the only salesperson working the territory he or she bears the credit or blame for area sales to the extent that personal selling effort makes a difference. Second, territorial responsibility is to increase the sales representative's incentive to cultivate local business and personal ties. These ties contribute to the sales representative's selling effectiveness and personal life. Third, travel expenses are relatively small, as each sales representative travels within a small geographic area.

In designing territories, the company seeks certain territorial characteristics. Territories are easy to administer, their sales potential is easy to estimate they reduce total travel time, and they provide a sufficient and workload and sales potential for each sales representative. These characteristics are achieved through deciding on territory size and shape. Sales persons in restaurant and hotel supply companies are often assigned to a territory. Hotels with international markets often assign their international salespeople to a territory such as Europe or a specific country such as France.

- **Territory Shape**

Territories are formed by combining smaller units, such as counties or states until they add up to a territory of a given sales potential or workload. Territorial design must take into account the location of natural barriers, the compatibility of adjacent areas, the adequacy of transportation and so on. Many companies prefer a certain territory shape because the shape can influence the cost and ease of coverage and the sales representatives' job satisfaction.

2. Market-segment-structured sales force

Separate sales forces can be set up by different industries for the convention/meeting segment, the incentive travel market, and other major segments. For example, associations have different needs than corporations, thus one salesperson may be assigned to the association while another is assigned to the corporate market. In larger properties, associations may be divided between state and national associations.

Advantage of market specialization is that each sales force can become knowledgeable about specific market segments. The major advantage of a market-segment-structured sales force arises when the members of a segment are scattered throughout the country or the world. This vastly increases the travel costs.

1.7 SALES FORCE SIZE

Once the company clarifies its sales force strategy and structure, it is ready to consider sales force size. Sales representatives are one of the company's most expensive assets. After determining the type and number of desired customers, a work-and approach can be used to establish sales force size. This method consists of the following steps:

1. Customers are grouped into size classes according to their annual sales volume.
2. The desirable call frequencies (number of sales calls on an account per year) are established for each class.
3. The number of accounts in each size class is multiplied by the corresponding call frequency to arrive at the total workload for the country in sales calls per year.
4. The average number of calls a sales representative can make per year is determined.
5. The number of sales representatives needed is determined by dividing the total annual calls required by the average calls made by a sales representative.

The size of a sales force is determined by changes in the market, competition and corporate strategies and policies. The sales process will also correctly affect decisions concerning sales force size. The following describes several of the factors that influence the size of a hotel's sales force:

- Corporate/chain sales support: Several major hotel chains have employed a corporate sales force to reach the meeting/convention/conference market. The concept behind this sales force is that individual hotel properties may not be in a position to search out and track this important market and that a sales force representing the chain can recommend and sell all appropriate hotels within the chain, not simply a single property.
- Use of sales reps: Sales reps have traditionally been used by hotels and resorts to serve distant markets, particularly foreign countries. With the growing importance of many foreign markets, several companies are rethinking the use of reps and may substitute salaried sales staff in these markets.
- Team selling: Team selling has proved to be an effective and powerful tactic to reach and retain key customers. Its opportunities and limitations are only beginning to be realized in the hospitality industry. It is uncertain how this may affect the size of a sales force.
- Electronic and telephone sales: An electronic sale is now firmly entrenched as an

- (iii) Telemarketers: Telemarketers, who use the phone to find new leads, qualify them, and sell to them. Telemarketers call up to fifty customers per day compared with the four or five outside salesperson can contact. They can be effective in the following ways: cross-selling the company's other products, upgrading orders, introducing new company products, opening new accounts and reactivating former accounts, giving more attention to neglected accounts and following up and qualifying direct-mail leads.

1.8.2 FIELD SALES FORCE:

The field sales force also includes three types such as,

(i) Commissioned reps:

Hotels, resorts and travel agents commonly use commissioned sales representatives in distant markets where the market potential does not justify employing a salaried sales person. It is important to follow a few simple rules when working with commissioned sales reps.

1. Select markets with care: Distant market is should be selected to match corporate goals and marketing/sales objectives, not simply to have someone represent the company in a location.
2. Visit the market personally: Meet with prospective sales reps. examine their offices, check t references, note their personal appearance, ask for a list of current clients, ask for a credit report and clear the rep through the police and the better business bureau or the equivalent.
3. Include the sales rep as part of the concern's sales force: It is important to visit the office of distant sales reps. occasionally. This requires an adequate budget for travel and may entail considerable effort to convince the GM that such an expenditure of time and money is worthwhile.

(ii) Salaried reps

Sales force members are paid a salary plus benefits. Additional compensation is sometimes available through commissions, bonuses, profit sharing or other financial remuneration. In some nations a sales force by law is paid an additional month's salary at Christmas or New Year's and may qualify for benefits unknown to North American companies, such as a month of paid vacation each year.

(iii) Team sales

A team sale has become a necessity in many industries. The hospitality industry is no

in fast-food outlets; front desk clerks in hotels; airline ticket agents; and travel agency, hotel, car rental, cruise line, tour wholesaler, and airline reservationists. Their primary function is to accept reservations, orders, or inquiries and to process reservations or provide the services purchased.

Although these people do not have the same level or persuasive responsibilities as sales representatives do, they should be well trained in inside sales techniques such as suggestive or up-selling. It is also important to repeat a key point mentioned earlier-the quality of service that is provided by these people, even if their only contact with customers is on the phone, sells future, repeat business.

C. Support Staff: The third category includes sales staff commonly referred to as missionary salespersons or sales engineers. They are employed directly by the sales department. The missionary salesperson's job is to distribute information about, and to describe the features of, new services. They do not, like sales representatives, make sales presentations. Sales engineers are resource people with specific technical knowledge who, when required, accompany sales representatives on sales calls.

The hospitality and travel industry makes much less use of these support people than do other industries, including manufacturers of highly technical products (e.g., pharmaceuticals). The closest thing to missionary salespersons in our industry are the sales representatives who call on travel agencies, trying to convert agents to convince more clients to use their airline, car rental firm, hotel or resort, cruise line, packages or tours, attractions, or other travel services. These sales representatives do not normally close sales, although they often make sales presentations. It is the travel agent's function to close sales with their clients. The characteristics of the successful salesperson are:

- Sales aptitude - the extent of an individual's ability to perform a given sales job, consisting of the following :
 - (i) Mental abilities (overall intelligence, oral communications skills, mental reasoning, mathematical abilities)
 - (ii) Personality traits (empathy, ego drive, sociability)
- Skill levels - skills obtained in personal communications and knowledge of services, obtained through the following :
 - (i) Sales training

or profits generated by each salesperson. Bonuses are payments made when predetermined volumes of sales and profits, or sales quotas, are achieved.

3. Supervising and Controlling: Supervision and control of salespeople, especially those in the field, is more difficult for sales managers than it is for most other managers. Distance from home, offices, extensive travel away from home, high levels of independence, and the continuous stress of peak performance complicate the supervisory function. Salespersons' abuse of expense accounts and above-average alcoholism rates are two fairly common supervisory problems.

The sales manager's supervisory methods and techniques include periodic, face-to-face meetings with individual staff members; telephone and e-mail conversations; sales-call reports and other written correspondence; compensation plan (especially with plans involving commissions and bonuses); sales territories; quotas; expense accounts; and sales management audit. Sales meeting, conventions, or rallies provide another excellent opportunity for training and other communication with the sales force.

Sales quotas are performance targets periodically set for individual sales representatives, branch offices, or regions. They help sales managers motivate, supervise, control, and evaluate sales personnel. Quotas can be based on sales volumes, activities (e.g., total sales calls in a period, calls on new sales prospects), financial results (e.g., gross or net profit negated), travel-expenses-to-sales ratios, or some combination of these.

1.9.2 SALES PLANNING

The heart of sales planning is the sales plan, prepared periodically (usually annually) by the sales manager with information from the sales force.

1. **Preparing Sales Forecasts:** Personal selling objectives are frequently set as forecasts of unit or sales volumes or some other financial target (e.g., gross or net profits) derived from expected sales levels. However, sales forecasts are not the only type of personal selling objectives. Nonfinancial one may be equally important. These may include levels-of-activity objectives, such as numbers of sales calls, new sales.

2. **Developing Sales Department Budgets:** Typically, the sales budget has the following components :

- a. The sales forecast - the dollar and/or unit sales volumes expected in an upcoming period.

- Communicating** : Sales representatives communicate information about the company's products and service.
- Information gathering** : Sales representatives conduct market research and intelligence work and fill in a call report.
- Selling** : Sales representatives know the art of salesmanship approaching presenting, answering objections and closing sales.
- Servicing** : Sales representatives provide various services to the customers consulting on their problems, rendering technical assistance, arranging financing and expediting delivery.
- Targeting** : Sales representatives decide how to allocate their scarce time among prospects and customers.

1.12 CHECK YOUR PROGRESS

1. Narrate the general concepts of the sales strategies in tourism industry.
2. What are the most common methods of structuring a sales force?
3. Discuss the importance of establishing sales objectives and the various kinds of sales force objectives common to the tourism industry.
4. What role does training play in helping someone to develop selling ability?
5. Explain about the types of salespeople handled by a sales manager within their departments.
6. "The sales plan is a key tool in sales management"- Justify this statement.

1.13 ANSWER KEY

1. Refer section 1.4
2. Refer section 1.6
3. Refer section 1.5
4. Refer section 1.9.1
5. Refer section 1.9
6. Refer section 1.9

UNIT-2: EVOLUTION OF TOURISM MARKETING

Structure :

- 2.1 Objectives
- 2.2 Introduction
 - 2.2.1 Marketing Fundamentals
- 2.3 Evolutionary Eras of Marketing
 - 2.3.1 Marketing In Non-service Industries
 - 2.3.2 Service Marketing
- 2.4 Significance Of Marketing In Tourism
 - 2.4.1 Tourism Marketing-the Need
 - 2.4.2 Concept of Tourism Marketing
 - 2.4.3 Basis of Tourism Marketing
- 2.5 Principles of Tourism Marketing
- 2.6 Success Factors of Tourism Marketing
- 2.7 Comparision of Selling And Marketing
- 2.8 Tourism Marketing -a Business Philosophy
- 2.9 Summary
- 2.10 Key Words
- 2.11 Check Your Progress
- 2.12 Answer Key
- 2.13 References

4. Key Role of Marketing Research-Using marketing research to anticipate and identify customer needs and wants is essential for effects marketing.
5. Interdependence of Hospitality and Travel Organizations - There are many opportunities for cooperation in marketing among organizations in our industry.
6. Organization-Wide and Multidepartment Effort - Marketing is not the sole responsibility of one department. To work best, it takes the effort of all departments or divisions.

When you combine these six marketing fundamentals the following definition of marketing emerges:

Marketing is a continuous, sequential process through which management in the hospitality and travel industry plans, researches, implements, controls, and evaluates activates designed to satisfy both customers' needs and wants and their own organization's objectives. To be most effective, marketing requires the efforts of everyone in an organization and can be made more or less effective by the actions of complementary organizations.

The PRICE of marketing is that all organisations must do Planning, Research, Implementations, Control and Evaluation.

2.3 EVOLUTIONARY ERAS OF MARKETING

There are differences between the way marketing evolved in non-service industries and the way it developed in service industries (organizations primarily involved in the provision of personal services), which includes the hospitality and travel industry (Fig 2.1).

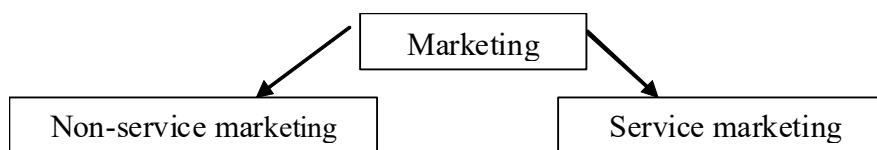


Fig 2.1: Marketing types

2.3.1 MARKETING IN NON-SERVICE INDUSTRIES

Among manufacturing and packaged-goods companies, marketing has evolved during four distinct eras: (1) production, (2) sales, (3) marketing and (4) societal marketing (Fig 2.2). The changes in management thinking about marketing developed during these four eras because of technological advances, productivity improvements, intensified competition, expanding

An organizations-wide change of attitude occurred with the onset of the marketing-company era in the 1960s. "It's everyone's problem if our customers are not satisfied" is a statement that typifies this attitude. Marketing was seen as a long-term, organizational concern. Survival of the company hinged not only on satisfying customer needs in the short term, but also in the long term.

4. Societal-Marketing-Orientation Era: The societal-marketing-orientation era is the final evolutionary era to date. Beginning in the 1970s, organizations started to recognize their social responsibility in addition to their profit and customer-satisfaction objectives. A prime example in the hospitality industry is brewers and distillers that use advertising to fight drunken driving, alcoholism, and under-age drinking.

Some industry observers have suggested that the 1990s witnessed another new era of marketing in which digital technologies were rapidly adopted. Hospitality and travel marketers are now making heavy use of the World Wide Web for providing information and accepting reservations. The use of e-mail for communications is a norm in today's marketing environment. Cellular or mobile phones are helping marketing and sales people stay in touch with their clients and home office. Compact discs (CDs) and digital videodiscs (DVDs) are gaining ground as a digitized alternative to traditional videotapes for marketing presentations. Personal digital assistants (PDAs), such as the Palm Pilot, are quickly replacing traditional business calendars and time management systems.

The digital marketing era is fundamentally changing how travelers get information about hospitality and travel services, and how they book them. Airlines like Northwest are providing e-tickets in this new age of ticketless travel, and on-line travel agencies and services such as Expedia, Travelocity, and Yahoo Travel are booming.

Computer software programs are changing how marketers look at their customers, and they are leading the transition from mass marketing to database marketing. Database management software allows marketers to gather and use information to form closer relationships with individual customers and to customize appeals to them. In hospitality and travel, frequent-traveler clubs and programs are a key strategy in implementing database-marketing programs.

2.3.2 SERVICE MARKETING

The United States is recognized as having the world's first service economy. More people are employed in providing services than they are in manufacturing.

and other packaged goods. A package of cereal serves as a container and visual merchandiser of the product, whereas a hospitality and travel package is a combination of our industry's services. The distribution system for hospitality and travel services is also much different from the physical transportation of products from manufacturers to retailers and then to customers. A travel agent, for example, does not physically pass a hotel or air trip to the customer. The customer must go to the hotel or airport to use the service.

2.4 SIGNIFICANCE OF MARKETING IN TOURISM

Marketing is the key of all benefits in each and every industry, since tourism is an industry of vital national importance as it is the single highest net foreign exchange earning industry in India, but since we have better environment and various types of tourist attraction we have great potential to develop this industry if we are able to market it properly. Hereunder, we will discuss various aspects of tourism marketing:

2.4.1 TOURISM MARKETING-THE NEED

It is now accepted fact that tourism is a catalyst for stimulating economic, social and cultural activities and as an engine of economic development. It is to be noted that money spent by tourists tends to percolate through many levels and has a multiplier effect. Similarly, the development of a tourist circuit results in the development of the hinterland too from which the entire community is benefited.

Thus, tourism acts as a positive force in stimulating economic development, to foster national integration, and to bring people and culture of different nations closer. Significantly, marketing India abroad will require effective marketing and management of tourism needs a change in orientation and implementation of a better defined, better targeted market driven strategy.

Tourism is a service industry. Investments are made in and around a tourist destination in the hope that increasing numbers of tourists will visit it. A product (the attractions and facilities at the destination) is designed and offered to the consumers (tourists) in the hope that they will buy (visit the destination) and derive satisfaction therefore. Only then will the investment be worthwhile. Tourists have to be persuaded to buy the product. But there is competition as other destinations are also trying to persuade them. The "wooing" of the tourist is becoming more intense. And here the marketing concepts provide techniques to do the "wooing" effectively.

both the consumer, and the organisation's objective.

Significantly, through marketing planning, segmentation, and marketing research a tourism marketing mix can be developed to achieve the tourism organization's goals through strategic marketing.

Tourist market may be identified and segmented on the following basis for proper marketing and planning of activities of tourism industry in India.

- Place or origin of tourists.
- Destinations.
- Purposes of tour like holidays, pilgrimage, sightseeing, shopping, etc.
- Economic status and spending tendencies.
- Demographic characteristics like age, sex, occupation and attitudes.
- Preference for staying like camping, luxury hotels, caravans, etc...
- Preferences of travel like air, sea, road or rail.

Each segment of the market differs in terms of needs and expectations. No one organisation can cater to the needs of all the segments. Each organisation has to decide on the particular segment or segments it would cater to. The segment so identified is called the target segment. The identification has to be made on the basis of what the organisation identifies as its objectives and its capabilities.

Having identified the target market all activities will have to be planned and executed keeping this target market in mind. The service being offered, the messages in communication, the media used for communication, the pricing policies, the arrangements to access the service, all have to be consistent with the preferences and behaviour patterns of the target market. For example, if the hotel is targeting on the domestic tourists in the circuit of religious places, there would be little point in advertising in business magazines or providing foreign cuisine in the restaurant. Simple vegetarian thali food would be more satisfying to its patrons.

2.5 PRINCIPLES OF TOURISM MARKETING

Tourism, first of all, is a service. An intangible experience is being sold, not physical goods that can be inspected prior to purchase. Because it is a service, production and consumption take place at the same time. In manufacturing, goods are produced, stored and sold. The inventory process serves as a way of linking these stages of production and consumption. Tourism supply cannot be stored. Unlike a can of food which, if it is not sold one day can be sold the next, airlines seats, hotel rooms, or restaurant seats not sold today lose that particular sale forever. Although the inventory cannot be stored and adjusted to

Marketing is an exchange process. Suppliers of hospitality and travel services trade items of value with their customers. The industry provides services and experiences that customers find valuable when they are away from home. In return, customers make reservations and pay money, which satisfies the industry's financial objectives.

6. **Product Life Cycle:** The product life cycle idea suggests all hospitality and travel services pass through four predictable stages: (1) introduction, (2) growth, (3) maturity, and (4) decline. Marketing approaches need to be modified with each stage. Avoiding a decline is the key to long-term survival. Atlantic City, New Jersey, is a great example of a travel destination that went through one life cycle (from a fashionable to a rather seedy seaside resort) and then got a completely new lease on life as an exciting gambling destination.

7. **Marketing Mix:** Every organization has a marketing mix. It includes the marketing strategy factors (the Ps of marketing) that are used to satisfy the needs of specific customers groups. Traditionally, four such factors are identified. They are product, place, promotion, and price-the 4 Ps. This book adds another 4 Ps that are especially important in hospitality and travel marketing: people, packaging, programming, and partnership.

2.6 SUCCESS FACTORS OF TOURISM MARKETING

Marketing success is based both on marketing strategy factors (the marketing mix) and marketing environment factors. These factors make up the hospitably and travel marketing environment (all the factors to be considered when making marketing decisions).

1. MARKETING STRATEGY FACTORS: As the focus of marketing management decisions, each of the Traditional 4 Ps of Marketing Product, Place, Promotion, Price and additional 4 Ps of Hospitality and Travel Marketing People, Packaging, Programming and Partnership warrant a separate illustration. Here the objective is to introduce and explain them in an integrated way, which also serves as an introduction to market research and planning for marketing strategy and tactics.

- **Product:** Products in travel and tourism are designed for and continuously adapted to match target segments needs, expectations and ability to pay. For example, tour operators provide a range of products within their brochures and large hotels may have upto a dozen separate products ranging from meetings and business class rooms to short break packages for the holiday.

- **Price :** Almost invariably in tourism there is a regular or standard price for a product and one or more discounted or promotional prices reflecting the needs of particular segments

Competition is a dynamic process in the industry. One company will implement a marketing strategy, and then its competitors will react with counter-strategies. One-upmanship seems to be a constant. An airline will introduce a frequent flyer program, and then its competitors will do the same. One hotel company will provide executive floors in its properties, only to be matched a little later by other companies. Salad bars will be added by a fast-food chain, and the same feature will then appear in competitive outlets. "If it works for them, we'll copy it" seems to be the rule.

No one can afford to stand still in our industry. Marketing managers constantly need to keep track of competitors' marketing activities, as well as their own. There has to be enough flexibility to modify an organization's marketing programs to react to competitive moves.

There are three levels of competition in the industry: (1) direct competition, (2) substitute services, and (3) indirect competition. What we have been talking about is the most direct type of competition—organizations with similar services competing to satisfy the needs of the same customer groups. The second level of competition comes from substituting certain services and goods for others. Instead of going on vacation, for example, a family could stay at home, maintain the lawn, swim in the backyard pool, watch movies on cable television, or travel virtually on the World Wide Web. A telephone conference call is a substitute for a meeting at a central location. Home-cooked meals compete with trips to fast-food restaurants.

The third level consists of those companies and nonprofit organizations that are competing against our industry for the customer's dollar. Mortgage payments; grocery medical and dental bills; insurance costs; and home improvement expenses are just some of these indirect competitors. The fight for the individual consumer's disposable income (what is left after taxes) is fierce. Competition for corporate travel and entertainment dollars is no less intense. Companies can spend money in many different ways, including cutting out some of their travel costs. This cutback can be even more devastating than the effects of direct industry competition. Marketing managers must accept the fact that they face both direct and indirect competition. They have to be on top of what competitors are doing and be flexible enough to react to change when the time comes.

2. Legislation and Regulation: Marketing is also affected directly and indirectly by the legislation and regulation of the land. There are specific laws concerning how services and products can be advertised, how contests and sweepstakes must be structured, who can and cannot drink, and much more. Marketing must be performed within the bounds of these laws and regulations, yet these laws are beyond an individual organization's control.

in the lodging industry, because it has made a major commitment to satellite and videoconferencing systems. This is not surprising since in 1957, the corporation became the first chain to have a black-and-white television in every guest room. Computer technology is advancing rapidly in the industry. As a result, airlines, travel agents, and hotels, to name but a few, provide better customer service and enjoy many other advantages that computers offer.

A second aspect is the impact of technology on customers. People are inundated with technological changes. Sophisticated in-home entertainment systems, including VCRs, rented movies, CDs and DVDs, personal computers, and satellite dishes, have become a viable substitute for out-of-home entertainment and travel. A threat on one side, technology is a friend on the other. Advances in home-maintenance-equipment technology have reduced the time required for household chores, making more time available for out-of-home entertainment and travel.

5. Societal and Cultural Environment: There are also two sides to societal and cultural environment. First, an organization must consider how customers will react to marketing activities based on societal and cultural norms. For example, showing X-rated movies might be popular with some as in-flight entertainment, but it is socially unacceptable although popular in France, horsemeat still has not found a place at the North American restaurant table.

Second, customers themselves are affected by changes in society and culture. Economic pressures and social change have combined making it essential and more acceptable for women to work outside the home. The Protestant work ethic is also under siege Hedonistic (pleasure is good for you) vacations are now popular. Club Med's ascent to being the second-largest hotel/resort outside the United States attests to this fact. In addition, more people want to learn useful skills during their vacations and on weekends.

6. Organizational Objectives and Resources: Organizational objectives and resources represent the final uncontrollable factor. Marketing is not the only organizational concern, although it is a key to long-term success and survival. Marketing activities need to be weighed against competing priorities for resources. A new brochure might have to go head-to-head with a site on the Web, a proposed sales force against more reservationists.

A great marketing idea can run contrary to an organization's objectives or policies. Airlines could capitalize on fatal crashes of competitive jets. Countries promoting tourism could cash in on acts of terrorism and civil disturbances in competing destinations. Restaurants and hotels could criticize specific competitive chains in their media campaigns. These negative approaches are seldom followed because they clash with a company's overall policies and

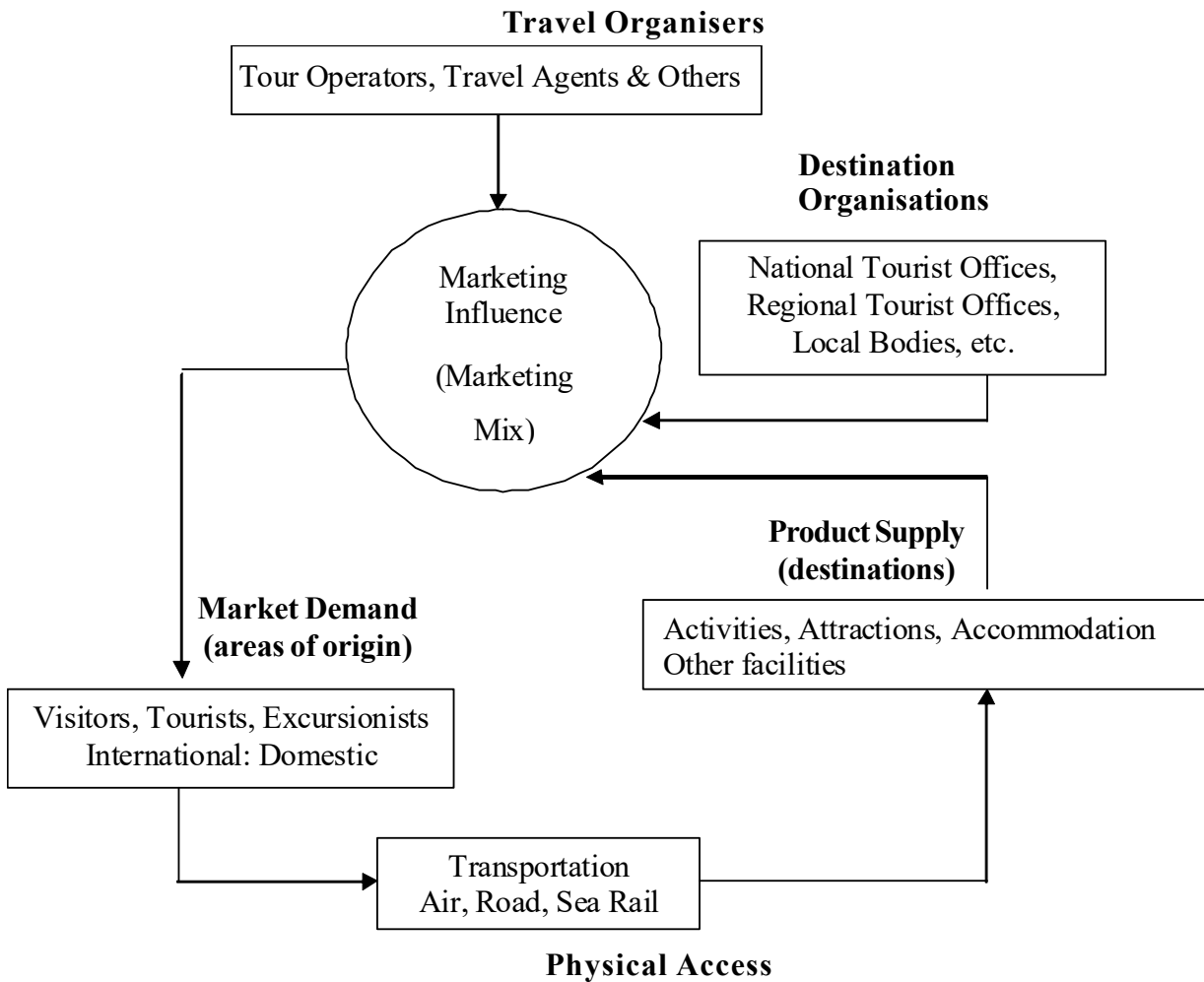
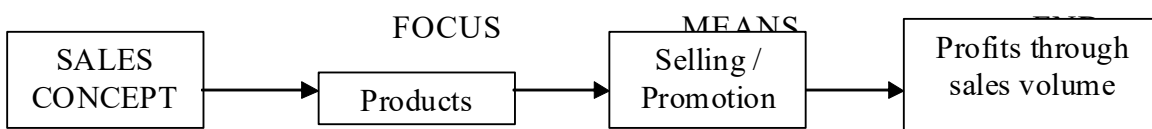


Fig 2.3: The Systematic links between demand and supply and the influence of marketing in tourism. Source: Based on Victor. T.C. Middleton, Marketing in travel and Tourism. Oxford, 1993.

Here the emphasis is on the available services of products. This approach does not take into account the consumer's needs or attitudes etc. Similarly, the selling orientation focuses on the needs of the seller and ignores the needs of the tourists. It is here that the marketing orientation offers a totally different approach where the tourists' needs and wants etc. are taken care of. This has been described by some as an exercise of "putting yourself in the tourist shoes".



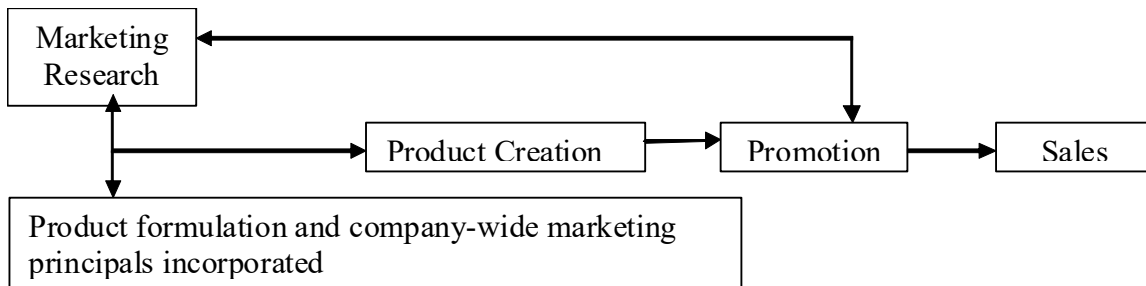


Fig: 2.8 Integrated Organisation

These approaches are governed by market research to provide an understanding of the tourists, market place and the business. The development of products and promotion is based on the feedback from the consumers. This, in a way ensures the success of the products in the markets and the marketing budget is efficiently utilised for customer satisfaction.

A consumer oriented market philosophy brings the organisation not only a good image in the market but also a reputed market standing. In tourism every tourist wants to be treated as a special consumer and any organisation catering to this altitude of the tourist will naturally be ahead of other competitors. At the same time the consumer oriented market philosophy has to go deep into the minds of the decision makers and employees of the organisation. The tasks to be undertaken by the organisation should include:

- 1) Identifying the needs of tourists. This is done through marketing research.
- 2) The market opportunities have to be analysed through market segmentation.
- 3) The needs of the tourists have to be translated into products through product planning and design.
- 4) The value of tourism products and services is determined through a pricing policy.
- 5) The product has to be made available to the customers (tourists) through distribution.
- 6) The tourists have to be informed and motivated through promotion which includes advertising and selling.

Marketing also has a developmental role and today social marketing and socially responsible marketing are emerging as marketing specializations.

2.9 SUMMARY

Marketing is an integrated approach to the whole conduct of profitable business, within an overall corporate culture, focused on long-run customer orientation. Tourism marketing is no different. The most important thing about tourism is that, if practiced correctly, it forces an

2.11 CHECK YOUR PROGRESS

1. Define marketing and its fundamentals.
2. Discuss the differences between the ways of marketing evolved in non- service industries and service industries.
3. Write short notes on tourism marketing needs, concepts and basis.
4. Explain the principles of tourism marketing.
5. Sketch the success factors of tourism marketing.
6. Differentiate marketing with selling in tourism industry.
7. Enumerate the business philosophy of tourism marketing.

2.12 ANSWER KEY

1. Refer 2.2
2. Refer 2.3
3. Refer 2.4
4. Refer 2.5
5. Refer 2.6
6. Refer 2.7
7. Refer 2.8

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3.1 OBJECTIVES

After reading this unit you will be able to:

- Know about the aspects and problems of tourism products.
- Understand the main characteristics of systems in tourism industry.
- Discuss the features of tourism marketing.
- Differentiate between the marketing concepts of travel and hospitality in tourism industry.

3.2 INTRODUCTION

The marketing of tourism is different from other products because tourism is a service product where instead of selling physical goods an intangible experience is sold. The certain aspects of the tourism product are:

- It is not possible to evaluate or demonstrate the tourism product in advance. This is because the services are consumed and felt at the same time.
- The tourist not only buys the product but also feels the product and is involved in it.
- The tourism products cannot be stored.
- The tourist buys the experience and does not own the product.
- The tourism product is a combination of several services.
- In the designing and packaging of a tourism product a number of intermediaries are involved. Bad experience at one level can spoil the entire image of the product or service.
- The demand in tourism is highly elastic and seasonal in nature.

Some of the problems faced by the tourism industry for the purposes of marketing are there because of its own lack of efforts in the area. For example, few in the industry go for market research as the industry is dominated by small business which lacks in both expertise as well as resources for adopting a marketing approach. Most of the time a short term outlook is adopted rather than a long term approach. The presence of too many intermediaries affects quality controls and leads to consumer dissatisfaction. The resource crunch affects the marketing efforts, particularly for making a presence in the international markets. The approach adopted by the organisations is to deal through intermediaries rather than approaching the

systems must have feedback mechanisms. Information must be gathered from customers and others to make decisions about changes in both customer needs and competitive activities. Standing still in our industry is fatal. Marketing research provides a nourishing supply of information to help us adapt and survive. Ramada Inn's history provides a good example. Marketing research carried out in the 1970s showed that the chain had a poor image among lodging customers. Facing the prospect of a declining market, company officials decided that a major facelift was required in Ramada properties and that the chain should be divided into three distinct brands. Likewise, Club Med, Inc., a company long associated with swinging singles, made a complete about-face toward families and couples in the 1980s after doing research and studying future population projections.

4. Competitiveness: Ours is an industry of intense competition. New organizations throw their hats into the ring almost daily. Competitive power and intensity increase as large corporations acquire related firms. Smaller organizations collaborate to improve their competitive positions. They form consortia, referral groups, and marketing cooperatives and make other joint efforts to gain more clout in the marketplace. Change from within the system is as important as change caused by external factors. The 1980s are remembered for the large number of airline mergers that took place, as well as for the joining of airlines, hotels, car rental firms, and others in offering frequent traveler awards. The 1990s saw the true beginning of global competition in the hospitality and travel industry. National boundaries lost importance as organizations formed strategic marketing alliances and partnerships with other organizations both within and outside of the hospitality and travel business. The Star Alliance, One World Alliance, Sky Team Alliance, as well as Northwest Airlines and KLM, are good examples of what is ahead in the era of the global marketplace.

5. Interdependency: Our industry (the macrosystem) includes a variety of interdependent and interrelated businesses and organizations involved in serving the needs of customers who are away from home. Lodging, restaurant, attraction, transportation, travel agency, tour wholesaling, and retail shopping businesses are part of the industry. Other organizations involved are government tourism promotion agencies, convention and visitors bureaus, chambers of commerce, and other destination marketing groups.

Many people have a myopic view of the scope of our industry. A broader perspective is required. Many businesses and organizations, even countries, are interdependent. They complement one another, working together to produce results greater than the sum of their individual efforts. A travel agent may never book a meal for a customer at a Burger King restaurant, but may have made the customer's reservation at the nearby hotel. A full

1. Intangible Nature of the Services: Before you buy products, you can evaluate them in various ways. If you go into a grocery store, you can pick up, feel, shake, smell, and sometimes taste many products. The packaging and contents can be examined closely. In a clothing store, for instance, you can try on merchandise for fit and size. Products such as automobiles and personal computers can be tested before you buy them. You can do so much evaluation because products are tangible. On the other hand, services cannot be tested and evaluated in the same way. They are intangible and you have to experience them to know how they work. Since customers cannot physically evaluate or sample most services, they tend to rely on other people's experiences with these services. This is usually referred to as word-of-mouth information and is of great importance in the hospitality and travel industry. Customers also place great value on the advice of hospitality and travel experts, such as travel agents, who tend to have more previous experience with travel destinations and companies.

2. Production Methods: Products are manufactured, assembled, and physically transported to the point of sale. Most services are produced and consumed in the same location. Passengers have to board airplanes, guests need to stay in hotels, and people must visit restaurants to experience the services they purchase. The fast-food outlet is the closest thing our industry has to a manufactured product, but even then the service is consumed on-site or is picked up by the customer. The fast-food outlet that provides a home-delivery service is one step closer. Most services are not mass-produced.

The manufacturing process can be precisely and comprehensively controlled. Checkers, inspectors, and even robots ensure that rigid production and quality standards are met. Factory workers have the equipment and training to produce exactly the same quality and quantity of goods each time. No customers are around to worry about. Quality control of services is neither as precise nor as easy to achieve because of the human factors that are involved in supplying them. All staff members cannot consistently provide the same levels of service as their colleagues. Variability of service levels is a fact of life. Although standardized service is an admirable target that all organizations should try to achieve, it is unrealistic. A robot cannot yet provide effective personal service, and the ever-present stare of an inspector would surely take something away from a service experience.

Customers are more involved in the production process of services. Manufacturers keep customers out of their factories for safety and proprietary reasons. Service organizations cannot bar people from their factories. If they did, most companies would be bankrupt before long. Hotels, restaurants, airplanes, theme parks, and travel agencies are some of the "factories" in our business. The behavior of one customer can ruin the service experience of others. A

4. Distribution Channels: Trucks, railroad cars, ships, and airplanes physically transport manufactured goods to warehouses and retailers, and directly to customers. Marketing managers in manufacturing have to devise distribution strategies for the most effective movement of products. There is no physical distribution system in our industry. Customers, in fact, have to come to the service factory to buy, rather than vice versa. There are a few exceptions to this rule, including home delivery of pizza and other prepared foods.

There are many intermediaries in the hospitality and travel industry. Travel agents, tour wholesalers and operators, corporate travel managers, incentive travel planners, and convention/meeting planners are examples. The items being purchased, however, are not physically shipped from producers through the intermediaries to customers. They cannot be because they are intangible.

The chain of distribution for most products consists of three distinct locations: a factory, a retail store, and a place of consumption (home or business). There is often only one location involved when hospitality and travel services are bought. For example, customers come to a restaurant (the factory) where food and beverages are merchandised (the retail store), and leave after consuming the food and drinks of their choice (the place of consumption).

Most manufacturers do not own the retail outlets that merchandise their products. The opposite is true in our industry. Chains, franchisors, and other similar groups have direct control over the individual outlets that provide the services.

5. Cost Determination: Fixed and variable costs can be precisely estimated for most manufactured goods. Such goods are physical, known commodities. Services are both variable and intangible. Some customers may require more attention than others, and the nature of the service needed may not always be known exactly. Factory output can be carefully programmed and predicted. Business volumes in our industry cannot.

6. Relationship of Services to Providers: Some services are inseparable from the individuals who provide them, for example; the many restaurants whose chefs or owners have developed unique reputations for their food, personalities, or both, like K-Paul's in New Orleans. Dolly Parton's Dollywood theme park in Tennessee and A J Hackett Bungy in New Zealand are also inseparable. Other examples include tennis camps at resorts hosted by professional stars, shows by famous performers, and tours guided by noted experts in their fields. These individuals are the major attraction. Without them, the services would not have the same appeal.

4. Lack of Data on Competitive Performance: A large amount of sales data on competitive brands is available for most consumer goods. A packaged-goods manufacturer can access years of sales history on competitive products through various research services. This is not the case in most parts of the hospitality and travel industry. Where data are available, the information tends to be on an aggregated, industry-average basis. Unit sales figures for various companies and their brands are nonexistent except for airlines.

5. Impact of Government Regulation and Deregulation: Parts of the North American hospitality and travel industry have been highly regulated by government agencies. Tight government control has tended to limit the marketing flexibility of many organizations including airlines, bus companies, travel agencies, and tour wholesalers. Pricing, distribution channels, routes, and even services provided have required government approval. Most manufacturing businesses have not been as comprehensively controlled. However, a definite move toward the deregulation of parts of the industry in both the United States and Canada occurred in the 1970s, 1980s, and 1990s.

6. Constraints and Opportunities for Nonprofit Marketers: Nonprofit organizations, including government tourism promotion bodies, convention and visitors bureaus, regional tourism promotion associations, and various volunteer groups, play a key role in our industry. They normally have a unique set of marketing constraints imposed upon them. Politics, particularly what is politically acceptable, tends to influence the marketing decisions made by nonprofit organizations—decisions that would be unacceptable or unprofitable for profit-making firms. For example, a state or province may have one tourist attraction or region that draws the vast majority of its visitors. It is usually politically unacceptable for a government tourism promotion agency to feature only that attraction or region in its promotional campaigns. Favoritism is not tolerated, and all regions and attractions must be promoted. The opposite is true in profit-making organizations, where the philosophy is pushing the winners, drop the losers.

3.5 MARKETING DIFFERENCES IN HOSPITALITY AND TRAVEL SERVICES

Hospitality and travel services have specific characteristics that are not found in other services. It is also true that all hospitality and travel services are not the same. They range all the way from companies that offer mass-produced hamburgers to those that prepare individual, foreign tour excursions. There are eight specific differences in hospitality and travel services. Let us look more closely at each of these differences.

What tangible clues or evidence do you think are available to hospitality and travel customers when they are deciding what to buy? How do you form an impression of a hotel, restaurant, or airline without having been a customer? You might have guessed that the evidence falls into four categories:

- i) **Physical environment:** The physical environment can include the types of furniture, carpeting, wall coverings, staff uniforms, and signs that a hotel or restaurant uses. An enormous crystal chandelier hanging over a beautiful Oriental rug on a gleaming hotel-lobby floor is a clue to a top-quality operation.
- ii) **Price:** The price of a service also influences customers' perceptions of quality. High prices are often assumed to indicate luxury and high quality, while low prices reflect lesser luxury and quality.
- iii) **Communications:** Communications about a company's services come from the company itself, through word-of-mouth information, and through expert advisers such as travel agents. Web sites, brochures, and printed advertisements provide customers with tangible evidence, since they picture what the customer can expect.
- iv) **Customers:** The type of customers a service business currently has provides signals to potential new customers. For example, if an 18- to 25-year-old notices that a local restaurant's customers are mostly elderly, she may not see the restaurant as a good place to dine with her friends. Service marketers must manage these four types of evidence to ensure that customers make the right decisions. They have to be sure that all the evidence they provide is consistent and that it is matched by the quality of personal service they provide.

4. Greater Emphasis on Stature and Imagery: A related concept is the stature and image of hospitality and travel organizations. Because the services provided are mainly intangible and customers frequently have emotional reasons, for buying them, organizations put great effort into creating the desired mental associations. In one advertising campaign, Hyatt showed a brightly shining lightbulb among a group of drab green pears. The headline was, "There are hotels, and there is Hyatt." The impression, obviously intended, was that Hyatt hotels are something special and really stand out from other chain properties.

5. More Variety and Types of Distribution Channels: There is no physical distribution system for hospitality and travel services. Instead of a distribution system, our industry has a unique set of travel intermediaries, including travel agents and companies that put together vacation packages (tour wholesalers). Products also have intermediaries, but these

8. More Emphasis on Off-Peak Promotion: Products are promoted most aggressively when there is peak demand. Christmas cards, decorations, and trees in December; garden and pool supplies, suntan oil, and boats in summer; and snow-blowers, cold remedies, and warm clothes in winter are all examples. With few exceptions, there is a need for an entirely different schedule of promotions in our industry. Heavy off-peak promotion is the rule, rather than the exception. There are three reasons for this. First, customers make a large emotional investment in their vacations. These vacations represent precious time away from work and other, everyday responsibilities. Vacations frequently involve major cash outlays. With so much time and money invested, advanced purchase planning is a must and is normally enjoyable. The best time to promote a service is when customers are in this planning stage. To start promoting when their vacation dates arrive is too late.

Second, the capacity to produce is usually fixed. If resorts, hotels, airplanes, ships, and restaurants are full, their capacities cannot be expanded quickly. Factories can run extra shifts and stockpile inventory to cope with above-peak demand. This is impossible in most parts of our industry.

The third reason is that there is more pressure to use available capacity in off peak periods. Christmas-decoration manufacturers can spend January to November producing and storing inventory. Hospitality and travel services inventories cannot be stored for later sale. They must be consumed when they are available for consumption. There are often wide variations in business volumes during a year, or even a month, week, or day. Since peak capacity is fixed, the emphasis has to shift to promoting the off-peak period. The one notable exception is the fast-food industry, where there is a traditional peak of business from April to September. With such a short time between the decision to buy and to purchase, it makes more sense to promote the hardest when demand is at a peak.

3.6 ISSUES AND CHALLENGES FACED BY GLOBAL TOURISM INDUSTRY

The Global tourism industry is facing a certain issues and challenges are as follows:

1. Global Uncertainty: Global Uncertainty remains a major concern. Terror attacks and climatic uncertainties are the most direct example of global uncertainty. However, there are other areas of concern such as geopolitical relations, government travel restrictions and currency exchange rates. The industry needs to take a proactive approach in addressing these issues and their impact.

9. Distribution Channel Management: In 2005, Distribution Channel Management as an issue must be viewed in a much broader context than in the past. Whereas industry has devoted extraordinary efforts to managing electronic channels, a broad-based distribution management strategy now must consider the following challenges. In 2005 it is expected that price sensitivity will continue to drive consumer-buying behaviour in virtually every segment. Pricing structures will need to demonstrate price integrity across all distribution channels not just electronic ones.

10. Airlines in 21st Century: It is important to closely monitor the fundamental changes occurring in the airline industry and their potential impact on the hotel industry, for the viability of the hotel industry depends greatly on airline lift capacity, service and convenience in travel as well as the cost of the airline travel.

11. Environment Balancing: Tourism provides an economic incentive to conserve natural environment and habitats, thereby, helping to maintain bio-diversity. Tourism need to be expanded while promoting and protecting natural resources, local culture and lifestyles.

The World Travel and Tourism Council (WTTC) has established the following three conditions to meet the challenges ahead:

- Governments must recognize Travel and Tourism as a top priority.
- Business must balance economies with people, culture and environment.
- All parties must share the pursuit of long-term growth and prosperity.

3.7 SUMMARY

Marketing of tourism has to be made through a systems approach. That is, the tourism product should be offered to potential tourist in totality combining products of all sectors. At the same time it is also proposed that the tourism-market be appropriately segmented on the preferences of tourists, so that the tourist can avail a right combination of the tourism-products according to their choice and budget. Today's tourists are more selective and demanding and more educated, experienced, independent, conservation-minded, respectful of cultures and insistent on value for money. This paradigm shift within the tourism industry must be taken into consideration when marketing tourism, in order to ensure that the needs and wants of the new tourists are met. Tourism destinations that adopt a modern marketing philosophy "that focuses on the satisfaction of tourist needs and wants while respecting the long-term interests in the community" will benefit not only themselves but consumers, the environment and society.

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4.1 OBJECTIVES

After reading this unit you will be able to:

- Know about the international trade issues & Perspective.
- Explain the needs and advantages of GATT.
- Get a clear picture about the GATT - histories of Round Talks.
- Discuss about the purpose, scope, applications and principles of GATS.
- State the importance of GATS provision and Tourism Services.

4.2 INTRODUCTION

The need for an international regulation in global services trade has long been questioned. This because certain services, such as the hospitality sector and personal services, were generally considered as domestic activities, while sectors like rail transport and telecommunications were viewed as domains of the government. It was also widely considered that social sectors, such as health, education, and insurance, should be regulated by governments. However, finance and marine transport have largely remained open for centuries due to international trade. The advancements in communication technology, the IT revolution, as well as the development of the Internet has changed the ways of conducting global trade. Hibbert (2003) identified the following global trends resulting in increased business opportunities in services trade internationally:

- Information technology coupled with telecommunications has made virtually all services tradable via one mode of supply or the other.
- Information technology has helped in unbundling the production and consumption.
- Both goods and services organizations are outsourcing their non-core products to increase their competitiveness and creating more opportunities.

Services have, in recent times, become the most effervescent segment of international trade. Since 1980, world services trade has grown from 20 per cent to 24 per cent on balance of payment (BoP) basis. Given the continued impetus of global services trade, the need for internationally recognized rules became increasingly imperative.

4.3 GATT (GENERAL AGREEMENT ON TRADE AND TARIFFS)

GATT is an international organisation founded in 1947 by 23 member nations including India. Legally it is an international treaty. Its rules are binding on all 117 member countries

The increase in our share in world trade, say 2 per cent, is essential for us in order to develop our economy speedily and achieve sustained higher rates of economic growth. The prospects under GATT are bright. The final GATT Agreement has duly provided a ten year interval for the member countries to adjust to the new realities of the New World Order. India is called upon to adopt multilateralism in right earnest in order to survive and emerge as a strong global unit. Indian marketers through strategic plans and policies must convert threats into opportunities and weaknesses into strengths to reap all benefits of free market economy under the new World Order of 21st century.

- **If India Remains Outside GATT:** India will lose the Most Favoured Nation (MFN) status, which all GATT members offer one another. Proponents of the accord say that MFN status, which ensures favourable treatment in the administration of tariffs, is particularly useful for developing countries like India, whose economic leverage in world trade is limited. Besides, India cannot access the problem-solving platform of GATT in the event of a trade dispute. It will also have to negotiate terms of trade individually with each of its trading partners, which is quite complicated.
- **Free Trade Areas:** A free trade area provides a mass market for the member countries. There are no trade barriers in the movement of goods and services among member partners. Basically, a free trade area is created for minimising or removing customs duties and also for eliminating other non-tariff trade obstacles prevalent among participating member nations. It also helps better co-operation and effective communication among the members. We have North American Free Trade Association (NAFTA) of U.S.A., Mexico and Canada, European Free Trade Association (EFTA), and the European Economic Area is a combination of 19 countries representing EFTA and EFA. The European Economic Area (EEA) has over 350 million consumers and it is larger than the U.S.A. and Canada. European Community countries act as a free trade area with other members of EFTA and they also continue to function as a common market among themselves.
- **Common Markets:** A common market is a unified economy, i.e., an economic union of a number of politically independent nations, e.g., European Common Market, consisting of 12 European countries (U.K., France, Germany, Spain, Denmark, Belgium, Portugal, Italy, Ireland, Greece, Netherland and Luxemburg. A common market acts as an economic union having free flow of goods, labour, capital and other services from nation to nation. No tariffs and other restrictions within the union are there but they

4.3.2 GATT - HISTORIES OF ROUND TALKS

1947 The birth of GATT: On 30 October 1947, the General Agreement on Tariffs and Trade (GATT) was signed by 23 nations at the Palais des Nations in Geneva. The Agreement contained tariff concessions agreed to during the first multilateral trade negotiations and a set of rules designed to prevent these concessions from being frustrated by restrictive trade measures.

The 23 founding contracting parties were members of the Preparatory Committee established by the United Nations Economic and Social Council in 1946 to draft the charter of the International Trade Organization (ITO). The ITO was envisaged as the final leg of a triad of post-War economic agencies (the other two were the International Monetary Fund and the International Bank for Reconstruction - later the World Bank).

In parallel with this task, the Committee members decided to negotiate tariff concessions among themselves. From April to October 1947, the participants completed some 123 negotiations and established 20 schedules containing the tariff reductions and bindings which became an integral part of GATT. These schedules resulting from the first Round covered some 45,000 tariff concessions and about \$10 billion in trade.

GATT was conceived as an interim measure that put into effect the commercial-policy provisions of the ITO. In November, delegations from 56 countries met in Havana, Cuba, to consider the ITO draft as a whole. After long and difficult negotiations, some 53 countries signed the Final Act authenticating the text of the Havana Charter in March 1948. There was no commitment, however, from governments to ratification and, in the end, the ITO was stillborn, leaving GATT as the only international instrument governing the conduct of world trade.

1948 Entry into force: On 1 January 1948, GATT entered into force. The 23 founding members were: Australia, Belgium, Brazil, Burma, Canada, Ceylon, Chile, China, Cuba, Czechoslovakia, France, India, Lebanon, Luxembourg, Netherlands, New Zealand, Norway, Pakistan, Southern Rhodesia, Syria, South Africa, United Kingdom and the United States. The first Session of the Contracting Parties was held from February to March in Havana, Cuba. The secretariat of the Interim Commission for the ITO, which served as the ad hoc secretariat of GATT, moved from Lake Placid, New York, to Geneva. The Contracting Parties held their second session in Geneva from August to September.

1949 Second Round at Annecy: During the second Round of trade negotiations, held from April to August at Annecy, France, the contracting parties exchanged some 5,000 tariff concessions. At their third Session, they also dealt with the accession of ten more countries.

For the first time, negotiations departed from the product-by-product approach used in the previous Rounds to an across-the-board or linear method of cutting tariffs for industrial goods. The working hypothesis of a 50 per cent target cut in tariff levels was achieved in many areas countervailing. Concessions covered an estimated total value of trade of about \$40 billion. Separate agreements were reached on grains, chemical products and a Code on Anti-Dumping.

1965 A New Chapter: The early 1960s marked the accession to the General Agreement of many newly-independent developing countries. In February, the Contracting Parties, meeting in a special session, adopted the text of Part IV on Trade and Development. The additional chapter to the GATT required developed countries to accord high priority to the reduction of trade barriers to products of developing countries. A Committee on Trade and Development was established to oversee the functioning of the new GATT provisions. In the preceding year, GATT had established the International Trade Centre (ITC) to help developing countries in trade promotion and identification of potential markets. Since 1968, the ITC has been jointly operated by GATT and the UN Conference on Trade and Development (UNCTAD).

1973 The Tokyo Round: The seventh Round was launched by Ministers in September at the Japanese capital. Some 99 countries participated in negotiating a comprehensive body of agreements covering both tariff and non-tariff matters. At the end of the Round in November 1979, participants exchanged tariff reductions and bindings which covered more than \$300 billion of trade. As a result of these cuts, the weighted average tariff on manufactured goods in the world's nine major industrial markets declined from 7.0 to 4.7 per cent. Agreements were reached in the following areas: subsidies and countervailing measures, technical barriers to trade, import licensing procedures, government procurement, customs valuation, a revised anti-dumping code, trade in bovine meat, trade in dairy products and trade in civil aircraft. The first concrete result of the Round was the reduction of import duties and other trade barriers by industrial countries on tropical products exported by developing countries.

On 1st January 1974, the Arrangement Regarding International Trade in Textiles, otherwise known as the Multifibre Arrangement (MFA), entered into force. It superseded the arrangements that had been governing trade in cotton textiles since 1961. The MFA seeks to promote the expansion and progressive liberalization of trade in textile products while at the same time avoiding disruptive effects in individual markets and lines of production. The MFA was extended in 1978, 1982, 1986, 1991 and 1992. MFA members account for most of the world exports of textiles and clothing which in 1986 amounted to US\$128 billion.

YEAR	ROUND TALKS	# OF PARTICIPATING COUNTRIES/REGIONS
1947	The 1st Meeting (Geneva)	23
1949	The 2nd Meeting (Annecy)	38
1951	The 3rd Meeting (Torquay)	26
1956	The 4th Meeting (Geneva)	26
1960-61	Dillon Round	62
1964-67	Kennedy Round	102
1973-79	Tokyo Round	13
1986-94	Uruguay Round	123

Table 4.2 Histories of Round Talks

4.4 GATS AND THE TOURISM INDUSTRY

Tourism today is the world's largest export industry in terms of earnings, occupying an important place in the economy of several countries and is one of the most labour intensive service industries consisting the highest employment investment ratio. India has huge potential for growth and development of the tourism industry due to its boast of Himalayas for mountain tourism, 1500 km coastline, temples, forts, places, monuments, fine arts, more than 200 centuries for wild life tourism and Rajasthan for desert tourism. India exhibits a complex mix of variety of different religions and cultures and its ancient heritage and diversity has always attracted the world. Tourism has the specific capacity of generating trade and investment directly at local level, as tourist and entrepreneur seek new destinations and the industry contribute significantly to agricultural transformation, rural development, community enrichment and social empowerment. Tourism a vital service sector industry, is directly affected by decisions relating to the General Agreement on Trade and Services (GATS).

Tire globalization of the economy has led to increase in business activities and contributed towards the growth of tourism industry. Tourism has emerged as a big industry as indicated by the statistical data provided by the World Tourism Organisation. "International tourist arrivals in the year 2002 have exceeded the 700 million mark for the first time in history, with a 3.1% increase (over) the previous year. By the year 2010, it is predicted that this figure will rise to one billion. The unstoppable growth in tourism has increased 40 times between 1950 and 2000. Despite an economic slowdown, tourism arrivals continue to register a high growth rate at many destinations. Tourism accounts for 3% to 10% of GDP in advanced economies,

7. Financial services (including insurance and banking)
8. Health-related and social services
9. Tourism and travel-related services
10. Recreational, cultural, and sporting services
11. Transport services
12. Other services not included elsewhere

4.4.3 BASIC PRINCIPLES

The following are the basic principles of GATS:

- All services are covered by GATS.
- Most-favoured-nation treatment applies to all services, except the one-off temporary exemptions.
- National treatment applies in the areas where commitments are made.
- Transparency in regulations, inquiry points.
- Regulations have to be objective and reasonable.
- International payments: normally unrestricted.
- Individual countries' commitments: negotiated and bound.
- Progressive liberalization: through further negotiations.

Thus we can conclude that overall the business community stands to gain due to the increased predictability or legal certainty within the services trading environment. Commitments have been made to ensure that there are no arbitrary regulatory.

4.4.4 THE DOHA DEVELOPMENT AGENDA

The Uruguay Round was the first step in a long-term process of services liberalization within a multilateral framework. It created a completely new system of rules and disciplines for future trade liberalization. Subsequent to it, a new round of negotiations was launched in January 2000 to achieve a progressive higher level liberalization of services trade while 'promoting the interests of all participants on a mutually advantageous basis and securing an overall balance of rights and obligations' (WTO 2006).

The Ministerial Conference in Doha, in November 2001, confirmed the Services Negotiating Guidelines of March 2001 and placed them into the timeframe of the Doha Development Agenda. The Hong Kong Ministerial Declaration, in December 2005, provided a new impetus to the talk. The negotiating objectives contained in its services, related sections, were more detailed than those listed in any preceding declaration. Also, considers emphasis

Tourism demand above all depends strongly on the economic conditions in major generating markets. When economies grow, levels of disposable income will usually also rise. A relatively large part of discretionary income will typically be spent on tourism, in particular in the case of emerging economies. A tightening of the economic situation on the other hand, will often result in a decrease or trading down of tourism spending. In the period 1975-2000 tourism increased at an average rate of 4.7 per cent a year and CDP at 3.5 per cent, i.e., tourism grew on average 1.3 times faster than GDP.

Table 4.4: Travel and Tourism Economy Employment/ Demand

Travel and Tourism Economy Employment 2004-2013

Travel and Tourism Economy		Travel and tourism	
(‘000 of jobs created)		Demand 2004-2013	
		(% Annualised Real Growth)	
China	11,493	Angola	9.5
Indonesia	4,192	Mexico	9.5
Mexico	3,914	Turkey	9.2
India	3,845	China	8.9
CIS	2,221	India	8.8
Brazil	1,854	Botswana	8.5
United States	1,559	Laos	8.4
Bangladesh	1,104	Malaysia	8.2
Spain	971	Hong Kong	8.1
Pakistan	968	Vanuatu	7.8

Tourism can continue to deliver its current benefits, and can extend them even more widely, all the time ensuring that it remains sensitive to its potential negative impacts

4.5 GATS PROVISION AND TOURISM SERVICES

The General Agreement on Trade and Services (GATS) came into force with the establishment of the WTO in 1995. The General Agreement of Trade and Services (GATS) is the first multilateral, legally enforceable agreement governing trade and investment in services. There are various obligations under the GATS.

Most Favoured Nation means that companies can always set up tourism businesses signed up to GATS. National Treatment means that foreign businesses must be treated in the same way as domestic businesses. GATS is aimed at deregulating the international markets in tourism to ensure that corporations are provided non-discriminatory rights of entry into markets

WTTC promoted Global Travel and Tourism Summit held in Doha, Qatar in May 2004. India has also been selected to host the Summit next year.

- An important new development is the government's recent decision to treat convention centres as part of core infrastructure, allowing the government to provide critical funding for the large capital investment that may be required. The government has identified Delhi, Mumbai and Goa as the markets to develop these convention centres, which is likely to further fuel demand for hotel rooms.
- Another effort is the decision to substantially upgrade 28 regional airports in smaller towns, slated to be completed by 2006.
- The abolishment of the inland air travel tax of 15%; reduction in excise duty on aviation turbine fuel to 8%; and removal of a number of restrictions on outbound chartered flights, including those relating to frequency and size of aircraft. The provision included allowing Indian charters to land at all airports in the country, and Indian passport holders to travel on inbound charters.
- A significant new development is the arrival of low-cost carriers, pioneered in India by Air Deccan, with other industry players such as Air India (short-haul, all economy flights to the Middle East and South-east Asia) and Indian Airlines readying themselves to enter the low-cost market.

4.5.2 RECENT DEVELOPMENTS

But India's commitment to GATS means there has been a clear redefinition of the government's role in the promotion of tourism. It now wants to act solely as a catalyst in bringing about tourism development. The present state policy is to provide the industry only with infrastructural support. It intends to leave as far as possible the business of running hotels, resorts, amusement parks and transport services to a deregulated private sector. Travel agents, airports and hotels are up for grabs. Developments also continue a pace in the hotel industry, with the sector having seen numerous take-over's and mergers in recent years largely by international hotel chains.

4.6 SUMMARY

The General Agreement on Trade in Services (GATS) is a treaty of the World Trade Organization (WTO) and the first multilateral trade agreement to cover trade in services at the global level. This intergovernmental agreement, which entered into force from 1 January 1995, is regarded as a major achievement of the Uruguay Round of trade negotiations from

4.9 ANSWER KEY

1. Refer section 4.2
2. Refer section 4.2.2
3. Refer section 4.3
4. Refer section 4.3
5. Refer section 4.4

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5.1 OBJECTIVES

After reading this unit you will be able to:

- To understand and predict human actions in the buying role
- Potential customers are subjected to various stimuli
- Consumer's decision to buy a product or service is the result of interplay of many forces
- Motivation acts as a driving force in the flow towards purchase action
- Important variables that determine customer-buyer behavior

5.2 INTRODUCTION TO CONSUMER BEHAVIOR

Consumer behaviour is an important new field of study. It is the attempt to understand and predict human actions in the buying role, It has assumed growing importance under market-oriented or customer-oriented marketing planning and management. Buyers' market for many products and the growth of consumerism and consumer legislation since 1960 have created special interest in buyer behaviour and the formulation of marketing mixes to respond favourably to buyer behaviour in the market place.

Buyer behaviour is defined as "all psychological, social and physical behaviour of potential customers as they become aware of, evaluate, purchase, consume, and tell others about products and services." Each element of this definition is important: (1) Buyer behaviour involves both individual (psychological) processes and group (social) processes, (2) Buyer behaviour is reflected from awareness right through post-purchase evaluation indicating satisfaction or non-satisfaction, from purchases, (3) Buyer behaviour includes communication, purchasing and consumption behaviour, (4) Consumer behaviour is basically social in nature. Hence, social environment plays an important role in shaping buyer behaviour, and (5) Buyer behaviour includes both consumer and business buyer behaviour.

Buyer behaviour includes the acts of individuals directly involved in obtaining and using economic goods and services including sequence of decision processes that precede and determine these acts. Actual purchase is only a part of the decision process. In buyer behaviour we consider not only why, how, and what people buy but other factors such as where, how often, and under what conditions the purchase is made. An understanding of buyer behaviour is essential in marketing planning and programmes. In the final analysis buyer behaviour is one of the most important keys to successful marketing.

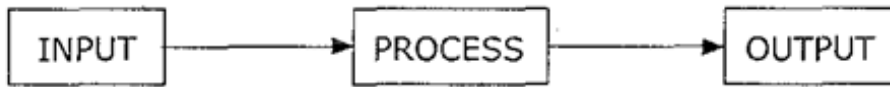
Note: 1. Buyer behaviour is an orderly process whereby the buyer interacts with his or her environment for making a purchase decision on products. (1) Internal or individual factors are psychological factors such as : 1. Motivation, 2. Perception, 3. Learning, 4. Attitudes, and 5. Personality. (2) Socio-cultural factors are: 1. Family, 2. Reference Groups, 3. Social Class, 4. Culture. (3) Environmental factors are: Economics, Technological, Legal and Political Factors. (4) Buyer behaviour is the cornerstone of marketing strategy. Firms must understand buyer behaviour to achieve the objective of customer satisfaction. Buyer's mind is called the black box. Inputs are processed in his mind and buyer's responses become the outputs of the psychological processes. The output in the form of buying a product is the objective of marketer.

5.4 KOTLER'S CONSUMER BUYING BEHAVIOUR MODEL

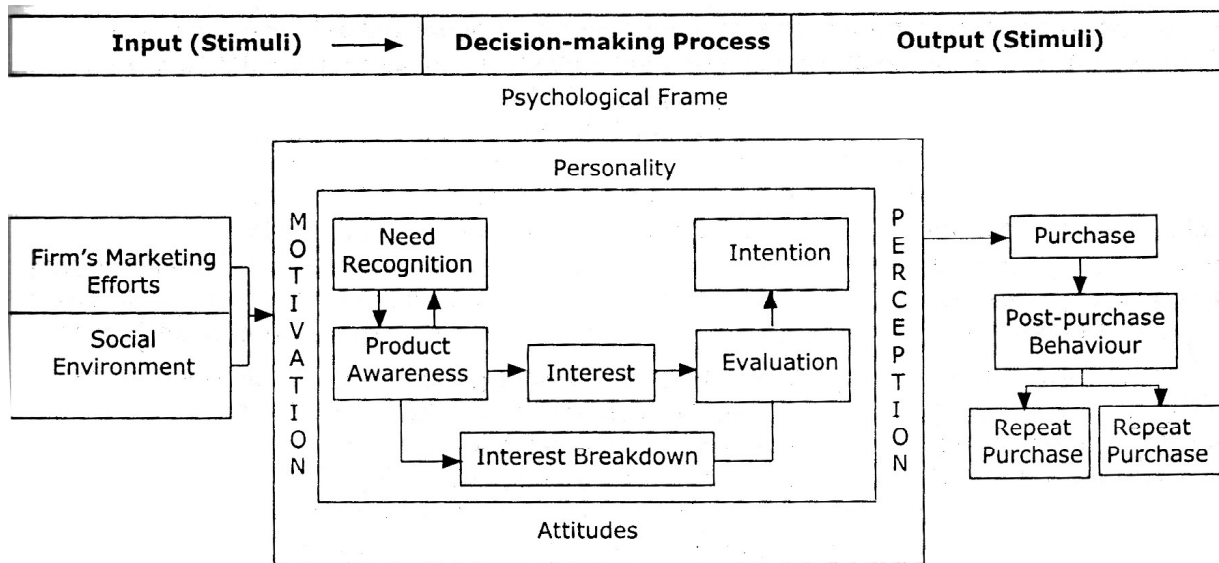
A consumer's decision to buy a product or service is the result of interplay of many forces or stimuli. The starting point is the marketer's stimuli in the form of product offering through some promotional method, available at some outlets at a price. The marketing stimuli for the product includes locating target markets and segmentation of market as per the customer's. The marketing and environmental stimuli enter the buyer's mind through cultural, social, personal, and psychological factors. When the marketing and other stimuli come in contact with buyer, his decision process is initiated. The marketer has to correctly read the buyer's conscious/unconscious behaviour to stimulate positive response. Every person has his/her distinct set of standard of judgements which is reflected in every individual. However, there is some commonality between all of us which make a marketer to classify and analyse the consumer behaviour.

These are known as similarities or universals.

Age grading	food taboos	mourning
athletic sports	funeral rites	music
bodily adornment	games	numerals
calendars	gestures	obstetrics
cleanliness training	gift giving	government
community	organisation	personal names
cooking	greetings	population policy
cooperative labour	hair styles	postnatal care
cosmology	hospitality	pregnancy usages
courtship	housing hygiene	property rights
dancing	inheritance rules	propitiation of supernatural
decorative arts	joking	beings



During the last two decades, numerous models of consumer behaviour depicting the buying process have been developed. All these models treat the consumer as a decision-maker who comes to the market place to solve his consumption problems and to achieve the satisfaction of his needs.

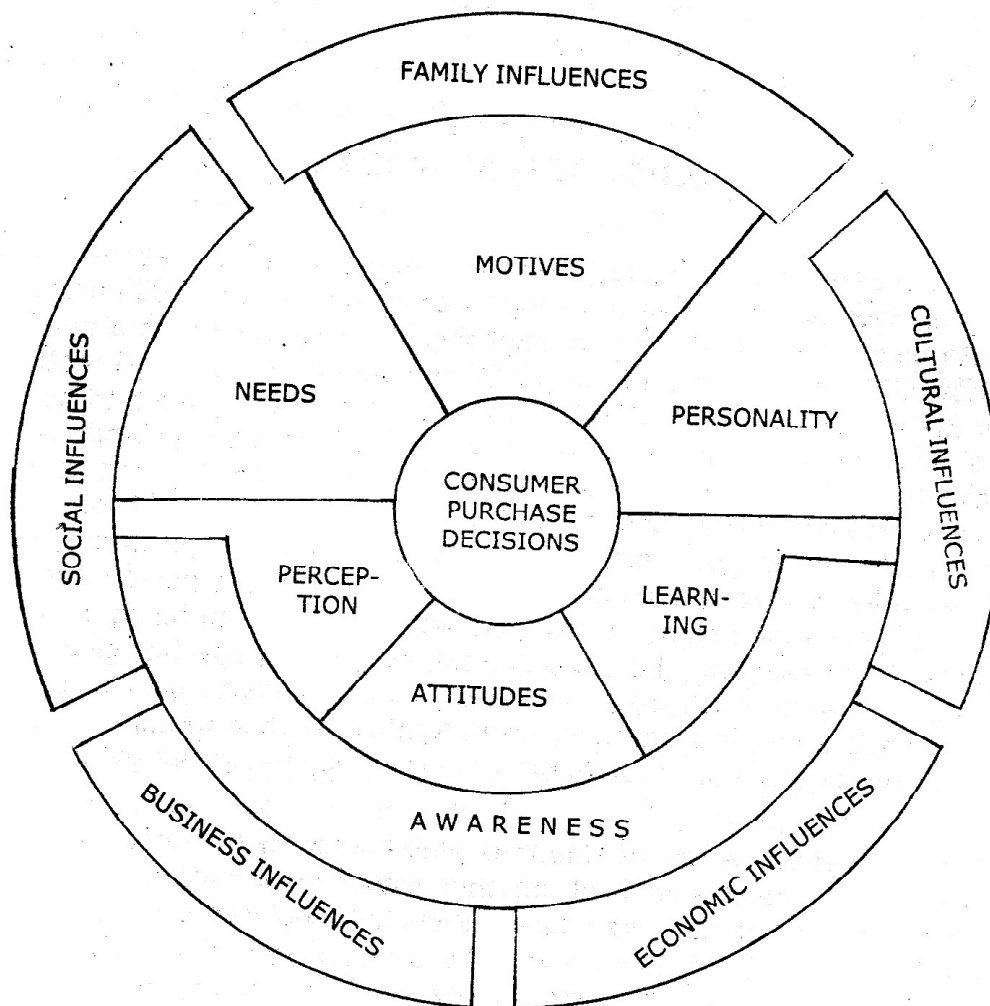


The simple model given in Figure is composed of three stages - 'Input, Process and Output. Input is a stimulus variable, namely, the firm's marketing efforts and the social environment. The firm's marketing efforts are designed to positively expose, inform and influence consumers. These efforts include product/service itself, advertising, price strategies, distribution network, and in fact all marketing functions. For example, when a company introduces tour packages, it may run a series of radio commercials with supporting press advertisements. The social environment serves as a non-commercial source of consumer information and influence which is not under the direct control of the firm. It includes reference groups and individuals, members of the family, social class and castes, culture, and the like. Both these stimulus variable; influence consumers and the buying process.

5.5 KOTLER'S ECONOMIC MODEL (BUYING POWER)

Economic theory of buyer behaviour is unidisciplinary. It assumes that consumers are economic men and they follow the principle of maximisation of utility based on the law of diminishing marginal utility. Consumer behaviour always involves choice. As economic men,

It is the man-made part of man's environment - the sum total of his knowledge beliefs, morals, customs, art, laws, etc. It includes the attitudes and values of a whole society, and affects the ways in which we do things, see things, use things, and judge things. In every society, culture is present - Indian culture, European culture, American culture, etc. A culture includes all parts of a society. For our purpose, we may emphasize five elements of culture: (1) material culture (technology and economics), (2) social



CONSUMER PURCHASE DECISIONS

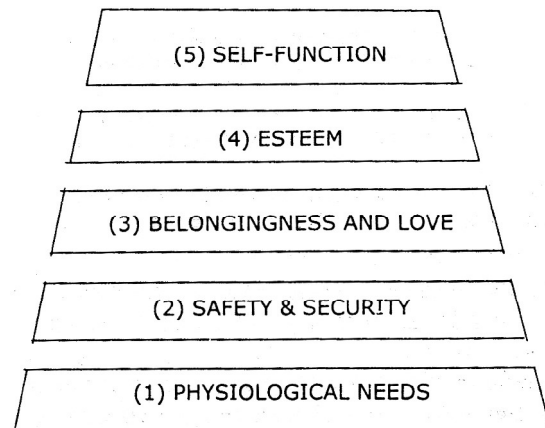
Note: 1. The model describes the present stage of thinking the buyer behaviour field.

2. Buying decision process involves three elements: (3) the individual buyer, (b) his or her environment, (c) the business firm making a market offering in the form of a marketing mix or programme.

3. In trying to influence consumer purchase decisions and to satisfy his needs and wants

unsatisfied) want. Neither satisfied wants nor wants beyond the aspirations of the persons are motivators of human behaviour. All behaviour must be stimulated by drives.

Maslow's Five-level Hierarchy of Needs is well-known in the theory of motivation, Maslow felt that as each need is fulfilled, another higher level need arises and demands priority in its satisfaction. Marketers are interested in physiological needs as they are closely connected to what the product does: food satisfies hunger, medicines heal a sick person, winter clothing keeps the body warm, etc. Safety needs are selling points of insurance, real estate and so on. Advertisements from toothpaste to baby foods and toys promise love and affection. For many people, refrigerator, car and air conditioners are status symbols and satisfy the needs of self-esteem, prestige and status. According to Maslow, man/woman is a perpetually wanting animal and the average human being never reaches a state of complete satisfaction. We should regard individuals as need-satisfying mechanisms who try to fill a set of needs/ rather than only one or another in sequence. Marketers know that we may have multiple buying motives for the same behaviour. Important buying motives (stimulated or aroused needs) are: pride, vanity, fashion, possession, fear, safety and security, love and affection, comfort and convenience, economy, curiosity, social approval, beauty, and sex or romance. Any urge moving or prompting a person to purchase decision is called a buying motive. Motivation research as a part of marketing research tries to answer the "why" of buyer behaviour. It also contributes to product development and advertising creativity. In matured economies, physiological and safety needs of the majority of citizens are largely fulfilled. In these countries higher level wants such as psychological and egoistic wants demand special emphasis. Hence, marketers in such countries should offer marketing mixes to satisfy these higher level wants, e.g., love and belongingness, self-esteem, and self-actualisation (what a man/woman can be, he/she must be, i.e., the desire for self-fulfilment).



The Ladder of Basic Need Hierarchy (Maslow)

Buying Motives: A buying motive is the reason why a person buys a particular product. It is the driving force behind buying behaviour and may be based on physiological or psychological wants. We have rational, emotional, or patronage motives. High quality, low price, long life, performance, ease of use are the examples of rational buying motives. Desire

similar situations. It refers to a change in the behaviour which occurs as a result of practice. Learning is the product of reasoning, thinking, information processing, and, of course, perception. Buying behaviour is critically affected by the learning experiences of buyers.

Psychologists are interested with the formation of needs and tastes. Human beings have innate needs, e.g., hunger or thirst, and learned needs, e.g., fear or guilt. Learning process involves three steps : (1) A drive is a strong internal stimulus which impels action. When it is directed towards a drive-reducing object it becomes a motive. A drive (need) thus motivates a person for action to satisfy the need. The objects are stimuli which satisfy our drives, (2) Cues are weak stimuli. Cues determine when the buyer will respond. We have cues, e.g., a product, an advertisement and such other stimuli relevant to the situation and existing in our environment. (3) The individual has to choose some specific response in order to fulfill the drive or the need which was acting as a strong stimulus. For example, a hunger drive can be satisfied by visiting a shop indicated by an advertisement read in a newspaper (advertisement acting as a cue) and buying the advertised readymade food product. If the experience is satisfactory, this response of satisfaction is reinforced (strengthened) and the relationship between the drive and the drive reducing object, i.e., stimulus as well as advertisement is firmly established. This learning of links between stimulus, cue and response results in habits. It is said that we learn not only these links but also our attitudes and beliefs. In marketing, it means we learn brand loyalty, brand images as well as store patronage. Repeated reinforcement leads to habit formation and the decision process for the individual becomes a routine affair. We learn through trial and error. Changes in our behaviour are brought about by practice or experience.

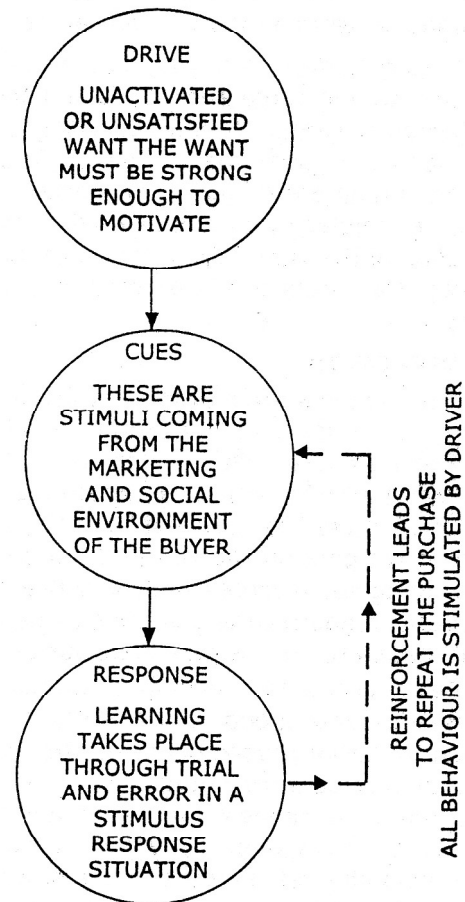


Fig. : Stimulus-Response Model – The Learning Process

Note: 1. Learning refers to changes in behaviour brought about by practice or experience. Almost every thing one does or thinks is learned. 2. Product features such as price, quality, service brand, package, etc., act as cues or hints influencing consumer response. 3. Marketing communications such as advertising, sales promotion also act as cues or guides persuading buyer to purchase the product. 4. Response is decision to purchase.

5. Personality

In general, perception and predisposition (attitudes and beliefs) lead collectively to a consistent response by the individual to his environment. This consistent pattern of behaviour is termed as personality. Personality is a complex psychological concept. Its primary features are self-concept, roles and levels of consciousness. The self-concept refers to how a person sees himself and how he believes others to see him at a particular time. Self-concept has three parts: (1) The idealised self - what you would like to be? (2) The looking glass self - how you think others see you? and (3) Self-self - your own concept of what you are like. Each individual plays many roles - loving father or mother, affectionate wife, friendly co-worker, efficient executive, wise home-manager, and so on. The buying behaviour is influenced by the particular role upon which a buyer is concentrating at a given time, personality traits such as dominance, adventuresomeness, sociability, friendliness, responsibility, aggressiveness, dependence, etc., can indicate how people behave.

The Freudian Psychoanalytic Model: Freud pointed out that human personality has three parts: (1) the id, the source of all mental energy which drives us to action, (2) the superego, the internal representation of what is socially approved - our conscience, (3) the ego, the conscious director of id impulses for finding satisfaction in socially acceptable manner. The id represents our animal or basic impulses, instincts and cravings for immediate and total satisfaction. It points our basic instinctive drives which may be antisocial. The superego or conscience reflects our idealised behaviour pattern. Many a time, there may be a conflict between id and superego. It is usually resolved by the ego. The ego is the intermediary which mediates the dispute. The ego is the rational control centre acting as a mediator between the id and the superego. For example, the id demands the use of consumer credit liberally to satisfy our demand for purchase of costly and durably consumer goods. Our superego will dissuade us from borrowing as credit is considered sinful. Our ego will act as a mediator and evolve a workable compromise solution on the basis of financial condition and ability to pay instalments regularly without creating any strain on the monthly budget. Such a rational approach evolved by the ego satisfies both the id and the superego. Self-image of a consumer is a great motivating force inducing him to buy certain products and to express how he feels about himself. The man or woman behind the steering wheel of a Mercedes-Benz car sees himself or herself as the type who belongs these cars. Promotion messages should protect and enhance the self-image of consumers. Then only they can get orders.

Psychographics (Life Styles)

class consumers shop carefully and read advertisements and compare prices before they buy. They are highly amenable to pre-selling through mass media. Lower class consumers buy usually on impulse and should be influenced by point of purchase materials. They do not care to read much. Hence, the broadcast media like radio are of great importance in communicating with them.

Psychographic or life style analysis combines behavioural reasons both - person centred and situation-centred - for purchasing and consuming goods. The idea of social class is now elaborated further into a new concept called psychographics which can indicate better evaluation of consumer behaviour.

2. Culture

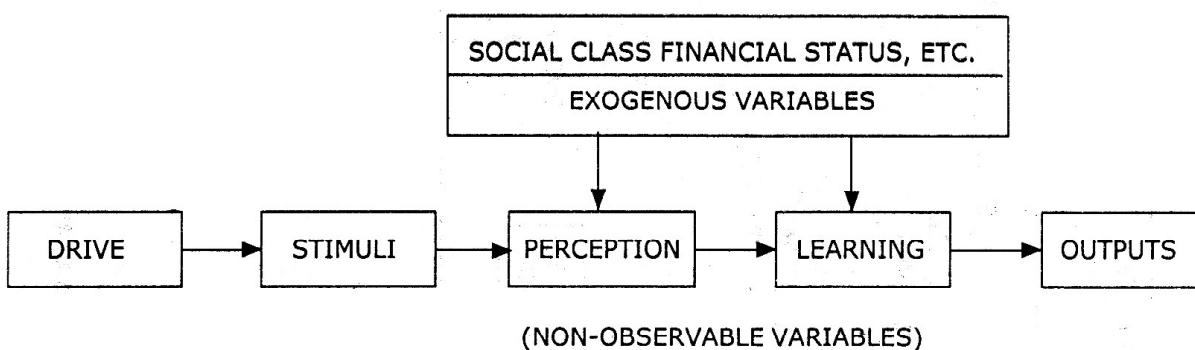
Culture represents an overall social heritage, a distinctive form of environmental adaptation by a whole society of people. It includes a set of learned beliefs, values, attitudes, morals, customs, habits and forms of behaviour that are shared by a society and transmitted from generation to generation within that society. Please note that culture is alive, moving and ever-changing. It reacts to internal and external pressure causing intercultural conflicts. Cultural influence is a force shaping both patterns of consumption and patterns of decision making from infancy. Much of our behaviour is determined by culture. Our cultural institutions (family, schools, temple, language, customs, tradition, etc.) provide guidelines to marketers. Technological advances may influence cultural changes. Education and travel can have considerable influence on culture. Marketing strategies can be developed for each culture separately. Market segmentation can be based on culture as one determinant. Subcultures exist with the dominant culture with its own set values, beliefs, attitude, habits and behaviour patterns. In Indian culture we have some important bases of subculture such as caste, region, religion. Thus, the patterns of behaviour would vary between north and south India, Brahmins and Vaishyas, Muslims and Jains.

BUYING PROCESS

For marketing management the most important behaviour on the part of a prospective buyer or consumer is the process of deciding whether to buy or not to buy. Let us now describe the decision-making process leading to purchase decisions. Buying process represents a problem-solving approach and includes the following five steps: (1) Perceived want, i.e., recognition of an unsatisfied need. (2) Search for relevant information. (3) Evaluation of alternatives. (4) Purchase decision. (5) Post-purchase experience and behaviour, i.e., product use and evaluation. If a buyer has expected level of satisfaction, seller can get repeat orders

price, availability and distinctiveness, (c) product information of a social nature - obtained from friends, acquaintances and reference groups, In this way a number of products or brands located outside the black box (consumer mind) are perceived and considered. Such perception is selective as it is a subjective variable. There may be perceptual bias also. In the process of evaluation a number of brands are eliminated or left out of further consideration. Now only a limited number will receive further consideration - each will have plus minus points - the evoked set or alternative choices of brands.

Choice considerations play the role of connecting links between motives or objectives and tentatively selected brands. Choice considerations provide a structure to motives and the process of learning and experience. These considerations develop into choice criteria acting as rules of thumb for deciding which brand or brands can have good prospects of yielding maximum satisfaction of the need felt and which motivated the buyer to buy the product. The marketer must offer a good marketing mix which is used by the buyer to influence the evoked set (alternative choices of packages / products) and the choice criteria, e.g., a trial run of a washing machine or vacuum cleaner.



Inhibiting or hindering factors may suddenly stop the process of choice. If these restraints are absent the predisposition for a certain brand results in a response output such as attention, comprehension, attitude, buying intention and preferably actual purchase.

Inhibitors may be, e.g., price, inadequate supply of a brand, external variables such as financial status, time pressure, etc.

Feedback of purchase experience is sent to the buyer (black box). It points out to what extent expected satisfaction is converted into actual satisfaction. Satisfaction will lead to repurchase and repeat orders will indicate brand loyalty. The company has interest in this outcome.

5.9 LET US SUM UP (SUMMARY)

Marketer is called upon to study buying behaviour to formulate the strategies of market segmentation and marketing-mix, tailor-made for each target market,

However, there are many problems involved in the study of consumer behaviour.

1. As yet we do not possess an integrated, precisely defined, tested and general acceptable theory of consumer behaviour. Buyer is still a riddle. He is a highly complex person. Buyer behaviour is a complex subject.

2. Important factors influencing buyer behaviour are: (1) Flow of information from rival marketers in the form of salesman's suggestions, advertising and publicity, sales promotion, samples and trials, display in the shop, etc., (2) Socio-cultural environment he interacts in the society in his various roles, (3) Group influence, e.g., family, friends, opinion leaders, peers, etc., (4) Religion and language, and (5) Status influencing buyer behaviour. (6) Environmental factors, e.g., fashion, life-style, competition, inflation, deflation, technological advances, etc.

2. There are many buyer behaviour models : (1) The economic model, (2) The learning model, (3) The psychological model, (4) The sociological model, (5) The systems model from marketer's viewpoint, e.g., The Howard-Sheth model.

3. Marketer also considers various buying motives: emotional and rational motives, patronage motives. He also considers buying habits for convenience goods, shopping goods and speciality goods while offering the marketing-mix to a target market. Consumer-buyer is viewed as an important variable in the marketing sequence, a variable that cannot be readily controlled and that will interpret the product or service not only in terms of physical characteristics, but also in the context of its image according to social, psychological and cultural make-up of that individual consumer (or group of consumer). Human being is the most complex and dynamic variable.

The human mind eludes our understanding. Each of us has almost unlimited wants likes and dislikes which are also changing. Human behaviour is ever-changing and unpredictable. Hence, it is called the dark continent of marketing.

Consumer behaviour analysis is useful in estimating the potential size of a market, in market segmentation, in locating preferred trends in product development, in finding out attributes of alternative communication methods and In formulating the most favoured marketing mix to secure favourable buyer's response in purchase and repurchase of products.

offering in the form of a marketing mix or programme.

- 3. Motivation** : When a person perceives a stimulus, he or she may or may not be moved to respond to such a stimulus. Motivation acts as a driving force in the flow towards purchase action Motivation has a direct cause and effect relationship.
- 4. Attitudes** : Social psychologist defines attitude as an emotionalised predisposition (inclination) to respond positively or negatively to an object or class of objects.
- 5. Culture** : Culture represents an overall social heritage, a distinctive form of environmental adaptation by a whole society of people.

5.13 BOOKS FOR REFERENCE

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5. Hospitality and Travel Marketing - Alistair M. Morrison
6. Marketing Management - Sherlekar

6.1 OBJECTIVES

Objectives of Channels of Distribution

- To ensure availability of products at the point of sale;
- To build channel members' loyalty;
- To stimulate channel members to put greater selling efforts;
- To develop managerial efficiency in channel organisation;
- To identify your organisation at the level;
- To have an efficient and effective distribution system, to make your products and services available:

6.2 INTRODUCTION

A major focus of channels of distribution is delivery. It is only through distribution that public and private goods and services can be made available for use of consumption. Producers of such goods and services are individually capable of generating only the form or structural utility for their products and services. They can organise their production capabilities in such a way that the products they have developed can, in fact, be seen, analysed and sold in the market. The emergence and arrangement of the wide variety of distribution-oriented institutions and agencies, typically called intermediaries because they stand between production on the one hand and consumption on the other, can be explained in the following terms:

- Intermediaries can improve the efficiency of the process.
- Intermediaries help in the proper arrangement of route's of transactions.
- Intermediaries help in the searching process.
- They help in the sorting process.

Definitions

1. "Channel of distribution is a path traced in the direct or indirect transfer of the title to a product as it moves from a producer to ultimate consumers or industrial users."

- EW Cundiff and RS Still

2. "The course taken in the transfer of the title to a commodity constitutes its channel of distribution. It is the route taken by the title to a product in its passage from its first owner, an agricultural producer, or a manufacturer, as the case may be, to the last owner, the ultimate consumer or the business user."

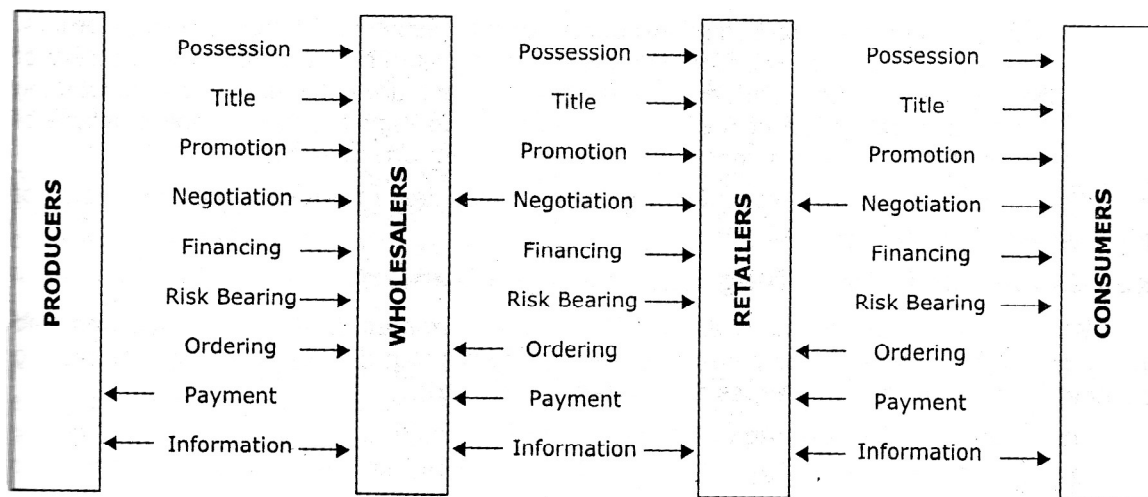
- Beckman and Others

A channel symbolises the path for movement of title, possession and payment for goods and services. Figure 20.1 gives a representation of these marketing flows:

Patterns of Distribution

After a producer has selected the type of channel that makes the most sense for his products, the next step is to determine the level of distribution intensity, which specifies the number of marketing intermediaries that will carry the products.

Depending on a firm's product, objectives and customers, the levels of intensity may differ from case to case. Also, distribution intensity is frequently modified as a product progresses through its life cycle. Marketers have three basic levels of intensity to choose from: Intensive, Selective and Exclusive.



Marketing Flows in a Channel System

Source: Adapted from R.S. Valie, T.S. Grether and R. Cox, "Marketing in the American Economy" (NY, The Ronold Press)

Intensive Distribution: A channel strategy that seeks to make products available in as many appropriate places as possible.

Selective Distribution: A channel strategy that limits availability of production to a few carefully selected outlets in a given market area.

Exclusive Distribution: An extreme case of selective distribution in which only one outlet in a market territory is allowed to carry a product or a product line.

Manufacturing Strategies

There are two popular manufacturing strategies: (1) Flexible; and (2) Focused.

The goal of flexible manufacturing is to increase responsiveness of production to consumer demands. Having the capability to manufacture what is needed reduces the amount of inventory. For this strategy to succeed, a manufacturer must have an efficient marketing channel so that the demand of the product can be fulfilled effectively in time.

The goal of focused manufacturing is the lowest possible per unit cost and fair quality. The basic idea is to adopt leading edge manufacturing technology and utilise it to the maximum capacity. Focused manufacturing requires building significant inventories in anticipation of future sale. The operation trick is to plan manufacturing schedules to keep anticipatory inventories balanced to market demand.

Each of these strategies requires a different type of channel management support. The modern concept of manufacturing seeks to involve employees at all levels of the organisation to effect process improvement and to take initiatives related to customer service. Manufacturers, because of the nature of their brand products, are typically held responsible for performance of the entire marketing channel. Both consumers and trading partners expect manufacturers to maintain a high quality product. It is clear that with emerging manufacturing strategies a premium is placed on gaining and maintaining customer's satisfaction through speed and quality. Quality is somehow based on manufacturers but the speed fully depends upon the channels.

Wholesalers

Wholesale trade is defined as "all establishments or places of business primarily engaged in selling merchandise to retailers; to industrial, commercial, institutional or professional users or to other wholesalers; or acting as agents in buying merchandise for or selling merchandise to such persons or companies.

Wholesaling

Wholesaling is concerned with the activities of those persons or establishments which sell to retailers and other merchants, and/or to industrial, institutional, and commercial users, but who do not sell in significant amounts to ultimate consumers.

In the field of marketing, channels of distribution indicate routes or pathways through which goods and services flow, or move from producers to consumers.

In the channel management, a manufacturer has to make three decisions: (1) Selection of general channel of distribution to be adopted. (2) Number of middlemen at each level and in each market. (3) Selection of a particular middleman for selling 'goods' with or without any exclusive rights of distribution.

Channel System

By convention channel of distribution included only merchant middlemen, agents and brokers. Facilitating agencies such as banks, common carriers, advertising agencies, warehousing companies were excluded from the channel concept as these would not take title to or negotiate the purchase and sale of products.

Under the systems approach the channel is now recognised as a system involving flow of: (1) information, (2) marketing communications (promotion), (3) manpower, (4) capital equipment, and money. It is no longer merely a collection of independent business establishments. It is a system of flows: (1) flow of goods and people, (2) flow of ownership and risk of loss, (3) flow of information, (4) flow of promotion, ordering payment and financing, (5) flow of negotiation and transaction. Ownership, possession and promotion move forward. Ordering and payment move from consumers backward'. Risk of loss, negotiating activity and information move forward as well as backward.

6.5 CHANNELS OF DISTRIBUTION

The most common routes used for bringing the products in the market from producer to consumer are as follows:

1. Manufacturer-Consumer-Channel (Direct Sale): There are three alternatives in direct sale to consumers: (a) Sale through advertising and direct methods (mail order selling), (b) Sale through travelling sales force (house to house canvassing).

This is a shortest channel a product can follow to the market. Business services may be sold directly to business buyers that is B2B. Usually we have numerous and scattered consumers who buy in very small quantities. Hence, this channel is not popular for a wider market.

2. Manufacturer-Retailer-Ultimate Consumer: This channel option is preferable when buyers are large retailers, e.g., a department store, discount house, chain stores, supermarket, big mailorder house or co-operative stores. The wholesaler can be by-passed in this trade route. It is also suitable when products are perishable and speed in distribution is essential. Automobiles, appliances, men's and women's clothing, shoes are sold directly to retailers.

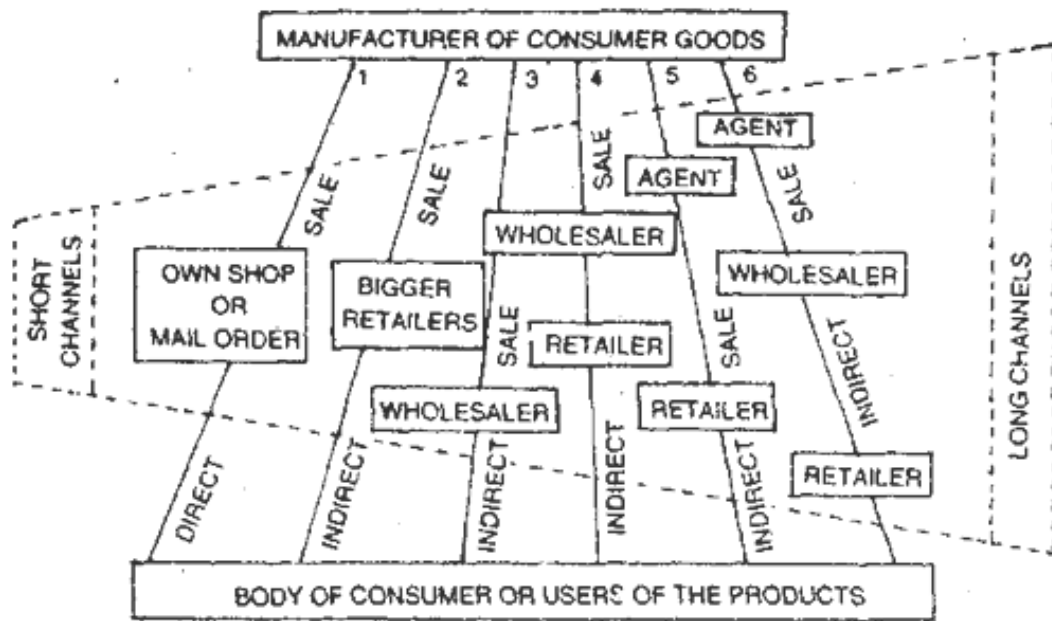


Fig. 6.2 Major Channel Options in Consumer Goods Market

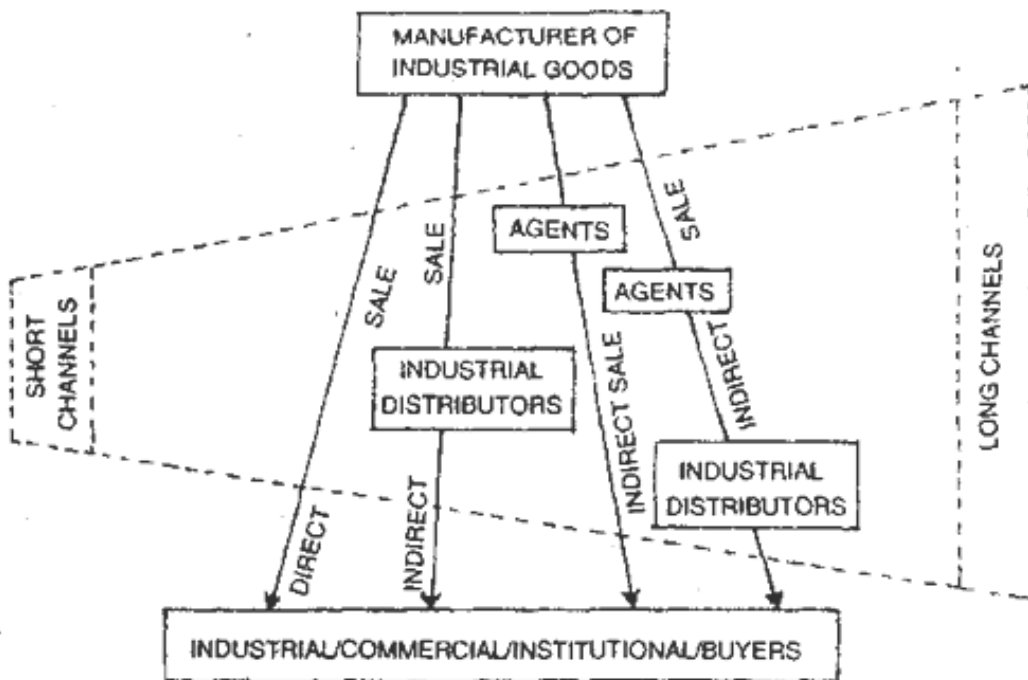


Fig. 6.3

2. A manufacturer may use different channels, at different times, for different products, in different- markets,

If ultimate buyers are numerous, the order is small, order frequency is great and buyers insist on the right to choose from a wide variety of brands/goods, we must have three or even more levels of distribution. Market considerations also govern mass distribution (through multiple channels) or selective/exclusive distribution through few or even one dealer. When service after sale is required, e.g., TV Sets, Refrigerators, etc. selective distribution is profitable.

3. Middlemen: (a) Middlemen who can provide wanted marketing services will be given first preference. Of course, they must be available, (b) The selected middlemen must offer maximum co-operation particularly in promotional services. They must accept marketing policies and programmes of the manufacturers and actively help them in their implementation, (c) The channel generating the largest sales volume at lower unit cost will be given top priority. This will minimise distribution cost.

4. Company: (a) The company's size determines the size of the market, the size of its larger accounts and its ability to get middlemen's co-operation. A big firm may have shorter channel, (b) The company's product mix influences the pattern of channels. The broader the product line, the shorter will be the channel. If the product mix has greater depth or specialisation, the company can favour selective or exclusive dealerships, (c) A company with substantial financial resources need not rely too much on the middlemen and can afford to reduce the levels of distribution. A weaker company has to depend on middlemen to secure financial and warehousing reliefs, (d) New companies rely heavily on middlemen due to lack of experience and ability of management, (e) A company desiring to exercise greater control over channel will prefer a shorter channel as it will facilitate better co-ordination, communication and control, (f) Heavy advertising and sale promotion; can motivate middlemen to handle displays and join enthusiastically in the promotion* campaign and co-operative publicity. In such cases even a longer chain of distribution can,;l be profitable. Thus, quantity and quality of marketing services provided by the company * can influence the channel choice directly.

5. Marketing Environment: Marketing environment can also influence the channel decision.. During recession or depression, shorter and cheaper channel is always preferable. In times of prosperity, we have a wider choice of channel alternatives. Technological inventions also have impact on distribution. The distribution of perishable goods even in distant markets become a reality due to cold storage facilities in transport and warehousing. Hence, this led to expanded role.of intermediaries in the distribution of perishable goods,

wider or extensive distribution. The manufacturer can have greater control over prices and markets and he can get maximum co-operation from middlemen. Exclusive dealer can carry complete stock and offer after-sale-service to the buyers of products.

Legal Aspects

There are three major aspects of exclusive distribution:

- (i) Exclusive Dealing Contracts: They prohibit the dealer from selling products of rivals.
- (ii) Tying Contracts: They compel the dealer to carry full line of a manufacturer.
- (iii) Closed Sales Territory: It limits each dealer to sell only to buyers located within the assigned area.

An exclusive dealing contract is not illegal in all situations. It is not allowed to a monopolist. For a new and small manufacturer, it is permitted. If there is no compulsory limitation on competitive products, exclusive dealing is legal.

Tying contracts are also legal as long as the dealer is not prohibited from selling competitive goods. However, this agreement cannot be made compulsory. Closed sales territories may be illegal because it is an agreement restricting the right of the dealer. It may tend to create monopoly.

4. Franchise Selling: Franchise means a privilege or exceptional right granted to a person. Franchise selling is a term to describe in effect selective or exclusive distribution policies. Franchise selling is any contract under which independent retailers or wholesalers' are organised to act in close co-operation with each other or with manufacturers to distribute given products or services. Franchise selling is a system under which a manufacturer grants to certain dealers the right to sell his product or service, in generally defined areas, in exchange for a promise to promote and sell the product in a specific manner, The franchiser (the parent company) provides equipment, the products or services for sale, and also managerial services to franchisee (the owner of business unit).

Under this system, the owner of the product issues a licensee to independent dealers in certain areas and encourages them to make profit for themselves. The owner retains control over the technique or style with which the goods or services are sold.

The produce brokers offer services of expert middlemen between sellers and buyers. Brokers are experts in grades, qualities, trade terms and contract terms as well as in warehousing and transport problems. They buy and sell specific quantities of specific grades of a commodity on behalf of their masters or employers who undertake all market, credit, transport, and other risks.

In the primary markets, they do business on account of their customers not only in spot goods, ready for immediate delivery, but they also make sales at negotiated prices for forward delivery of specific grades and of definite quantities.

2. Commission Agents: In each primary and central market, individuals, firms or even companies are organised to buy or sell commodities, acting as buying or selling agents of producers, dealers or manufacturers who convert the commodities into consumer goods. They may buy or sell on their own account and at their own risk of loss. In that case, they are called commission merchants or factors. They may receive goods for sale on consignment acting as consignees of their employers. They are important in agricultural markets. The consignment method is used by manufacturers who wish to maintain resale prices of their goods. They may also act as sole agents of their employers. Resident buyers or buying agents are important in central markets for purchases on behalf of distant buyers,

Selling agents sell the entire output of their principals or all of given lines of goods; they also often have full authority to finalise prices, terms and other conditions of sale. We have also manufacturer's agents to sell goods of a number of non-competing producers or manufacturers. They are appointed on a continuing agency basis; they often sell within an exclusive area. But they possess limited authority with regard to prices and terms of sale. All commission agents work for a fee or commission, e.g. 3% to 5% on sales or purchase.

Manufacturer's agents are very helpful, in the three circumstances; (1) for a small manufacturer with a few products and having no sales force, (2) for entering into a new market to be fully developed, (3) for sale of a new line of product which the present sales force is unable to manage or the new market is not within their territory.

3. Dealers: In all primary and central commodity markets, we invariably have merchant dealers. They are great risk-bearers in the physical or spot markets. They are the backbone of our markets, these dealers act as principals, buying and selling commodities on their own account and at their own risk merely for a chance of profit. By selling to them, all producers can be free from risk of loss. They also act as warehouse keepers of the market and to that extent manufacturers are also free from risk of loss to a certain extent. The development of

<i>Merchant Wholesaler</i>	<i>Agent Wholesaler</i>
Merchant wholesaler is employed when the product is standardised, branded, complex or sophisticated.	Agent wholesaler is employed when the product is custom-made, <i>i.e.</i> , made to order or simple, <i>e.g.</i> , handicraft,
Merchant middleman is useful when product is to be sold to many or numerous customers.	Agent wholesaler is preferred when product is to be sold to few customers.
Merchant wholesaler is essential when buyers scattered and they are in many industries.	Agent wholesaler can manage distribution if customers are concentrated and are in a few industries.
Merchant middleman is required when order frequency is considerable and delivery time much shorter, <i>e.g.</i> , 2 days.	Agent wholesaler is suitable when orders are infrequent and delivery time is longer, say, 15 days.
5. Profit margin is larger, <i>e.g.</i> , 10%.	Profit margin is smaller, <i>e.g.</i> , 5%. ' f-5,

Evaluation of Marketing Intermediaries

Marketing intermediaries or middlemen in the distribution network are indispensable because they perform specialised marketing functions such as buying, selling, transporting, warehousing, grading, sorting, financing, risk-taking, and dissemination of marketing intelligence. They create time, place, possession, and information utility.

Marketing intermediaries survive and prosper only as long as they perform one or more of these essential marketing functions at costs which are competitive with other intermediaries and at levels matched to market demands.

sales turnover, and cash sales do not require large stocking of goods. Hence, the wholesaler may not grant credit to such retailers.

FACTORS INDICATING THE TYPE OF WHOLESALE MIDDLEMAN TO BE USED IN A CHANNEL OF DISTRIBUTION

Atotes; 1. Agent wholesaling middleman do not buy outright, do not bear risk of loss, offer few services to the producer or to their customers. He may be a broker or factor, *i.e.*, commission agent.

2. He provides selling/buying services, carries stocks, looks after delivery, offers market information, sometimes grants credit but neither sets the sale price nor the terms of sale.

3. We may have manufacturer's agents working on commission and enjoining exclusive agency also, is wholesaler essential?

6.12 KEY WORDS

Channels	:	Physical distribution of goods and services.
Wholesalers	:	All establishments primarily engaged in selling merchandise to retailers.
Retailers	:	Purchases from wholesalers and sells it to customers

6.13 BOOKS FOR REFERENCE

1. Tourism Marketing - Alistair M Morrison
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3. Tourism Marketing - P.C. Sinha
4. Tourism Marketing & Advertising - V.S. Dhahiya
5. Hospitality and Travel Marketing - Alistair M. Morrison
6. Marketing Management - Sherlekar

7.1 OBJECTIVES

After reading this unit you will be able to:

- To learn about need for environmental analysis.
- Importance of environment analysis.
- Marketing Management and its Environment.
- Technological change and marketing

7.2 INTRODUCTION

Most of successful companies have now realised that marketing presents a never ending series of opportunities and threats. The responsibility for identifying significant changes in the macro-environment falls on company's marketers. The marketing manager's major task is that of trend trackers and opportunity seekers. For example, Tamilnadu is considered a favourite place for many a new car projects because the Tamil Nadu Government has agreed to give a five-year tax holiday for car projects. Modern marketers realize that environmental scanning would provide a continuous link between them and their customers. A marketer has to design his marketing strategies based on the current marketing environment. The political and economic changes in July 1991, resulted in sea changes in the marketing environment through liberalisation. In the field of cellular phone industry, many companies entered India. Rapid technological changes have taken place in the computer hardware/software industry. Increased competition was witnessed in passenger car industry and electronics industry. The above discussion indicates that marketing environment influences and shapes the marketing strategy.

7.3 NEED FOR ENVIRONMENTAL ANALYSIS

Environmental analysis attempts to give an extensive insight as to the current market conditions as well as of impact of external factors that are uncontrollable by the marketers. These variables play an important role in convincing potential customers regarding changes in market trends, market conditions, etc.

7.4 IMPORTANCE OF ENVIRONMENT ANALYSIS

The marketing manager needs to be dynamic to effectively deal with the challenges' of environment. The environment of business is not static. It is changing with fast speed. -The following benefits of environment scanning have been suggested by various authorities:

- It creates an increased general awareness of environmental changes on the part of management,
- It guides with greater effectiveness in matters relating to Government.
- It helps in marketing analysis.
- It suggests improvements in diversification and resource allocations.
- It helps firms to identify and capitalize upon opportunities rather than losing out to competitors.
- It provides a base of 'objective qualitative information' about the business environment that can subsequently be of value in designing the strategies.
- It provides a continuing broad-based education for executives in general, and the strategists in particular.

Marketing management is concerned with matching of the organisation with the demands of the business environment. There is a need for the marketer to monitor the business environment on an on-going basis so that opportunities and threats facing the organisation are identified and subsequently reflected in the firm's strategy.

The environmental conditions faced by an organisation are capable of varying greatly in their complexity and need to be reflected both in the ways in which environment analysis is conducted and in the ways in which strategy is subsequently developed. It is widely recognised that the pace of environmental changes is increasing and this requires the organisation to develop a structured approach to environmental analysis with the results then being fed into the marketing planning process in a greater degree than ever before.

A system is a set of objects, elements or components that are inter-related and interact with one another. These elements operate on inputs such as physical resources, human resources and information to accomplish common (total system) objectives such as productivity and satisfaction.

A system consists of inputs, processor, outputs and feedback. A system is always goal-oriented and aims to achieve certain objective. It has its own environment. It draws inputs from its environment. It offers outputs in the form of products, services, information and ideas to satisfy environment demands. Processor transforms inputs into outputs. It may be a machine, an individual, a computer, a chemical or any other equipment. When the process is designed by the manager, it is termed as a white box. However, in most cases the transformation process is not known in details and it is too complicated. Hence, the processor is called a black box. Outputs are the purpose for which the system exists. It should be noted that the feedback

changes in market conditions and degree of competition, changes in public reactions, technologies, political and legal conditions, economic conditions, labour relations, etc., it is bound to lose opportunities and will have to face unforeseen threats. Unless our enterprise responds positively in time to the dynamic environmental demands, how can it assure its survival and if possible, profitable growth or progress?

Management and organisation are now recognised as living entities just like us. They have mind, heart and soul. They are expected to nurture ethico-moral values, which determine their Public Image. They must have value orientation. Right thought, right speech, acts and behaviour must be in practice.

An organisation does not live in a vacuum. A business enterprise and its environment are mutually interdependent - interacting with one another continuously. It exists in the world of resources, opportunities and limits. It can survive only and thrive only when its environment welcomes its output of goods, services or ideas and is inclined to approve and endorse its activities. Its environment provides resources and lays down limits or constraints on its activities. The enterprise, in turn, is expected to offer goods and services to the people living in its environment so that the needs and desires of those people are duly satisfied and their life styles are maintained as per their aspirations and expectations.

When the enterprise is conducting its producing and marketing activities, it has to ensure that these activities do not create undesirable effects and prejudice the community interests or welfare. For instance, monopolistic combinations killing competition and exploiting consumers cannot be accepted by the environment and public reactions may create a threat of nationalisation. A chemical or paper factory or a refinery under the wider marketing concept cannot create air, food and water pollution. Business units have to adopt socially responsible marketing policies to ensure not only consumer' satisfaction but also community welfare and satisfaction. The environment today demands not merely the quantity of life but also the quality of life. Similarly, unfair trade practices such as price collusion, hoarding, blackmarketing, adulteration, misbranding, etc., may exploit consumers in the market place. Government may be compelled to introduce consumer legislation to protect consumers against marketing malpractices mentioned above. In short, through feedback information the environment (members of society) reacts to goods and services offered by the enterprises, the environment evaluates these and decides the future allocation of resources and constraints to be placed on the affairs of the enterprise.

plans, strategies, programmes, and decisions. The essential point is that the business organisation must constantly monitor its environment.

External partially controllable forces: (a) customers or the market, (b) suppliers, (c) market intermediaries. Internal controllable forces are: (a) Corporate resources - human and non-human resources called 5 M's: men, money, machinery, materials, and management, (b) Marketing mix components such as product, price, distribution and promotion. 'Marketing mix is the heart of a marketing system.

7.5 MARKETING MANAGEMENT AND ITS ENVIRONMENT

Marketing management acts as an important item (sub-system) of the marketing system. The interacting and interdependent groups of items in the marketing system of a business enterprise are: (1) Marketing Management, (2) Articles of exchange, i.e., products/ services entering the market or circle of exchange, (3) Marketing agencies linking producers and consumers, (4) The target market representing the customers, able and willing to buy your products or services, and (5) Environmental forces acting as parameters and constraints within which the marketing system is expected to operate. We are interested in these changing and uncontrollable' variables influencing our marketing plans, policies and programmes.

Marketing management of a business enterprise must operate within the framework of the uncontrollable elements of the market place which constitute the environment of marketing. An enterprise does not live in a vacuum. Marketing strategy in the form of marketing mix is formulated within a framework involving many uncontrollable variables called marketing parameters. These environmental factors must be duly considered in planning any marketing programme. There are eight interrelated environmental forces considerably influencing the marketing management system of a business organisation. They are dynamic as well as uncontrollable forces included in the environment of marketing system of a business enterprise. They are: (1) Demography, (2) Customer needs and desires, (3) Competition, (4) Economic conditions, (5) Social and cultural climate, (6) Science and technology, (7) Legal and Political conditions, and (8) Ecology. The Fig. 3.3, illustrates the marketing management's framework.

The heart of the marketing system of a company is its marketing mix. Marketing management evolves the marketing mix in relation to its external environment. Hence, it must respond in time to changes in the marketing environment and it must adopt intelligent forecasting devices to anticipate the trend and intensity of environmental changes. It has to use internal controllable

occupation, income, geographic concentration and dispersion, urban and rural population, etc. Thus, demography (study of population) offers consumer profile which is very necessary in market segmentation, and determination of target markets. Quantitative aspect of consumer demand is provided by demography, e.g., census of population, whereas qualitative aspect of consumer demand such as personality, attitudes, motivation, perception, etc., is provided by behavioural, analysis. Good demographic analysis combines several factors such as population rate of growth or decrease, income or economic power, life cycle analysis of consumer, occupation, education and geographic segmentation. Both demographic and behavioural analyses enable marketing executives to understand the bases of market segmentation and to determine marketing reaction to a new product or consumer reaction to an advertising campaign.

India sits on a demographic time bomb heading towards the edge of the 20th century.

Every minute marks the birth of 54 babies. Every week a population of Chandigarh is added. Every month two Bhopals are added. Every eight months one Australia is included, thus making demographers and population control strategists squirm.

We need a tough no-nonsense, and practical approach in our Family Planning Program, "One is fun."

Let this be the Mantra of 21st century. Our country must achieve birth rate 22 per 1,000, say, by 2031.

BIMARLT PERFORMANCE

Bimaru is achronym of states	Bihar	MP	Rajasthan	UP	India
Population (in miliion)	86.3	66.1	44	138.1	846.3
Crude Birth rate	32.2	34.4	34.7	36,2	29
Total fertility rate	4.4	4.6	4.6	5.1	3.6
Female literacy rate %	22.9	28.9	20.4	25.3	-39.3

2. Economic Environment: People constitute only one element of a market, The second essential element of a market is purchasing power and willingness to spend. Then oniy we have effective demand. Hence, economic conditions play a significant role in the marketing system. High economic growth assures higher level of employment and income, and this leads to marketing boom in many industries.

controlling physical environment, e.g., anti-pollution laws also influence marketing plans and policies. Then in many countries we have specific legislation to control marketing, e.g., forward markets of commodities and securities. Consumer legislation tries to protect consumer interests. We have also legislation to control and regulate monopoly and unfair trade practices in many countries. Marketing management cannot ignore the legislation regulating competition and protecting consumers. Public policy affects marketing management. Business enterprises may not be allowed to resort to price discrimination, false and misleading advertising, exclusive distributorships and tying agreements, deceptive sales promotion devices, division of markets, exclusion of new competitors and such other unfair trade practices. Marketing policy-making is influenced by government policies and controls throughout the world.

5. Technology: Phenomenal development in science and technology since 1950 has created a tremendous impact on our lives and life-styles, in our consumption as well as in our economic welfare. In most cases the market was the mother of invention. The evolution of global market by 2001 has been due to the wonders of science and technology. Technology is the way things are done, materials and techniques used to achieve business objectives. It is the driving force behind many new product innovations and the development of many markets. The time between idea, invention and commercialisation is now considerably shortened and a technological breakthrough can take place within a few years now. For instance, ideas of frozen foods needed 70 years for their commercialisation. For integrated circuits, commercialisation took place within three years. Many researchers predict technological progress between 1990 and the year 2001 will be 10 times that experienced in the past 15 years. Overwhelming majority of all the material goods we use in daily life today have been developed within 60 to 70 years only. Advances in electronics, telecommunications, computers, biology and plastics have very wide impact on all business and marketing activities all over the world. Without computers much of the progress in biology, electronics, and the development of new man-made materials would not be possible.

7.7 TECHNOLOGICAL CHANGE AND MARKETING

In addition to numerous new products, developments in science and technology have a very wide impact on all marketing activities, including communications (by making available new media or new tools of advertising and selling); distribution (by opening new channels or modifying existing outlets); packaging (by allowing the use of new materials or designs); marketing research (by making feasible new data gathering and analysis techniques); and marketing decision-making (by offering sophisticated procedures and computerised models).

in the battle of competition. The aggressive marketing manager knows that his marketing mix will encourage competition and he must anticipate the nature of this reaction while assessing his own situation. Similarly, he must understand that activities of his rivals are bound to limit the marketing opportunities of his firm sooner or later. Marketing strategies recognise the force of competition in a free market economy and these strategic plans are always based on the anticipated moves of the opponent. You have to outmanoeuvre your opponent and then only your survival is assured in a competitive environment. Competitive conditions within an industry are everchanging and perplex the marketing manager frequently. But changing inter-industry competition can keep a marketing manager sleepless for a long time. Marketing manager of a cotton mill had to face the introduction of synthetic fibres and cotton king was dethroned overnight, in many countries after 1960.

7. Ecology (Nature): Ecology is the science dealing with living things and their environment. All living things are related to other living things and they likewise are related to their physical environment.

Happiness is indivisible, and therefore, one's own happiness is complete only if the whole world is happy. All facts and factors, need to be studied with a view to chalk out the path to that goal of global happiness.

Industrial and computer revolutions have brought us many benefits; mankind now should be able to live in plenty and peace, and welcome facilities for seeking higher life quality. But look at the reality we face. Exploitation of man by man is carried forward to exploitation of NATURE (natural resources) by man-machine organisations. Nature took millions of years to prepare the ground for the emergence of fine human species. Man used up in a trice to get tactical advantages in the competition of nations by nations. The human species is proving to be totally unworthy of the free gifts of nature (air, water, natural resources).

Ecology, economic development and market economy are not inconsistent. They can go together, hand-in-hand. Environmental quality, human health and social well-being need not be sacrificed or unduly injured as a result of the developmental activities. Sustainable development, environmental protection can be integrated to assure a healthy, peaceful and productive life in harmony with Nature, our Earth-Goddess.

In the wider concept of marketing, ecological environment has assumed a unique importance in production and marketing in modern economies. Environmental experts are vigorously advocating the preservation and survival of our entire ecological systems. It is said that pollution is an inevitable, by-product of high-consumption economic systems prevalent in

rather than more sales-volume for its own sake. Today marketing in the firm begins and also ends with the customers. First we have to identify customers, i.e., our markets. Then we develop our marketing programme in the form of the appropriate marketing mix to reach our customers, i.e., our target market. We offer our output of goods and services primarily 'to secure continuous customer satisfaction. Repeat sales are possible only on customer satisfaction. The firm's profits indeed its very survival are linked to the satisfaction of customer needs and wants. Despite this obvious logic, even today many firms are still production or sales oriented and not market-oriented as yet.

7.8 LET US SUM UP (SUMMARY)

The business enterprise is an open adaptive system with its own environment. It does not exist independent of the environment. It has interaction and interdependence with economic, social, political, legal, technological and cultural forces. These environmental variables define the resources, opportunities and threats available to and facing the enterprise. Obviously all of the input factors for processing must come from the external environment. The market place, the place where buying and selling takes place with the help of money and intermediaries, also exists in the external environment. In the market place we have various factors beyond the control of the enterprise. These uncontrollable factors are shaping and influencing the nature and character of customer demand. As these forces continue to develop and change, they determine the new requirements for efficient and effective marketing plans and policies. The main forces operating to create the need for new responses from the firm are; (1) changing customer demand, (2) changing competition, (3) changing technology, (4) changing economic and legal policies of Governments, (5) changing social and cultural trends. These are the universal constraints on any marketing organisation.

The marketing manager has definite control over product, place, price and promotion mixes. But he must work within the limitations imposed by marketing environmental forces, i.e., uncontrollable variables mentioned above. Adaptive firms are affected more by changing environmental considerations. Innovative firms are likely to be less constrained by environmental forces. But it should be clearly understood that no firm irrespective of its size, influence or style of operation can venture to ignore or forget the influence of its external environment. Even a multinational corporation cannot have absolute control over the changing environmental factors.

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5. Hospitality and Travel Marketing - Alistair M. Morrison
6. Marketing Management - Sherlekar

8.1 OBJECTIVES

After reading this unit you will be able to:

- To understand about information system
- Management of change
- Evolution of the marketing information system concept.
- Marketing and Information
- Marketing Information System Design

8.2 INTRODUCTION

Information system is an organised way of sending, receiving and recording messages. It includes both formal flow of information as well as informal flow of information. We have internal as well as external sources of information. Ideally information should be adequate, up-to date, reliable, timely, and understandable. Information is now regarded as a basic resource of the organisation along with other resources such as personnel, money, materials, machines and facilities. Information is a critical or crucial resource both in planning and control, the two vital managerial functions which can assure success of the enterprise.

A system means order, arrangement and purpose. It is not an ad hoc - one shot procedure. Information management system is an organised, ongoing system for providing information to decision makers at all levels of management. Effective planning and control depend on new ways of managing information. A firm's survival, profitability and growth in a competitive and dynamic environment of the global market will be governed by efficient management of information.

In business planning, marketers select, screen, integrate internal and external information in order to manage change, competition and customer relations. Marketing decisions influence internal and external environment. Results are compared with preset goals. Feedback information provides corrective actions and offers further information for revising your decisions.

8.3 INFORMATION MANAGEMENT

Information management has gained a unique importance due to the communication revolution triggered by the developments in electronics and spurred by the launching of space satellites. The world has indeed come to be transformed into a literal global village.

organised on-going information management for meeting turbulence and uncertainty or ambiguity in the environment. The process of mastering change involves the following steps:

(1) Looking ahead to scan the environment. (2) Establishing mega-trends. (3) Determining the direction of change and marking the possible discontinuities. (4) Estimating the magnitude of change. (5) Assessing the short-term and long-term impact of the expected change. (6) Building up optimistic and pessimistic scenarios. (7) Working out the strategy to meet the changes with due provision for meeting, unexpected turbulence and uncertainty in the environment. (8) Preparing contingency plans for various predicted outcome.

Mega challenges to be faced by the business world in India and elsewhere in the global market:

(1) The challenge of survival in the face of fast-changing technology. (2) The challenge of consumerism and ecology for meeting the demands of the people for new products, new services and for minimising environmental degradation. (3) The growing concerns for total quality control, cost effectiveness, internalisation of social costs arising out of industrialisation. (4) The rising expectations for customer-centred leadership style. (5) Concern for customer satisfaction through user-friendly product design and fulfilment of psycho-emotional needs-of the customers. The bottom line of any business activity is now consumer-citizen satisfaction. Marketer must nurture his own constituency of loyal customers on a continuous basis to retain his niche market.

The new telescope created by the fusion of human mind and information technology can be profitably used by marketers to take a long shot' and 'wide angle' view of the environment and evolve strategies to manage the change. Thus, modern information system is the greatest asset of the enlightened and innovative marketers.

Will Indian business management see more information managers guiding and leading their organisations to new pinnacles of glory in the global market by 21st Century?

8.5 EVOLUTION OF THE MARKETING INFORMATION SYSTEM CONCEPT

In 1966 Professor Philip Kotler of northwestern University used the terms marketing nerve center to describe a new unit within marketing to gather and process marketing information. He identified the three types of marketing information that are illustrated in Figure.

- * Marketing intelligence - information that flows into-the firm from the environment.
- * Internal marketing information - information that is gathered within the firm.

target markets, marketing channels, competitors, consumers and other forces for creating, changing and improving the marketing decisions and formulating marketing strategies.

The MIS inputs are provided through internal record system (information on market potential, sales, prices, inventory levels, receivables, payables and so on), marketing intelligence system (every day information about pertinent developments in the marketing environment), marketing research system (design, collection, analysis and reporting of data and findings relevant to a specific marketing situation facing the company) and analysis of information (a co-ordinated collection of data, systems, tools and techniques with supporting software and hardware by which an organisation gathers and interprets) and turns it into a basis for marketing action and tactics.

The term marketing information system has gained prominence in the new era of technological advancement, consumer consciousness and computerized information systems. It may be defined as "a structured, interacting complex of persons, machines and procedures designed to generate an orderly flow of pertinent information, collected from both intra and extra firm sources for use as the basis for decision-making in specified responsibility areas of marketing-management."

Marketing information system includes a set of procedures and methods for the continuous-analysis and presentation of information for marketing decisions.

8.6 LEVELS OF MARKETING MANAGEMENT AND THEIR DIFFERENCES

The main activity of any manager is to decide on different aspects of planning, organizing and controlling. It is also important for him to get the decision implemented, check the result and then to further make decisions to achieve the described targets.

"Since there are various levels of management, it is quite dear that the decisions taken at these levels are different in nature and also in their implications. It is therefore, essential to understand these levels from the point of view of the decisions being taken at each of these levels. Only then can this knowledge help in understanding the information needs at each of the levels.

The marketing levels could be broadly classified as:

(1) Strategic Level (2) Tactical Level

1. The Strategic Level: The marketing department at this level has to make the decision in great deal of uncertainty and the decisions are very much future-oriented. These decisions

other way influence the recipient's response in a given situation. Some information might arise from personal observation; others may be derived from conversation with others and from committee meetings. In general, we can say that information provides relevant details in a time frame about the state of affairs which gives a greater degree of predictability.

The Dimensions of Marketing Information Systems

The information as well as information system could be understood in terms of the quality and quantity they possess. However, it is necessary to realize that the quantity and quality of information needed at various levels of management differs. Thus, it is important to give emphasis not only to generation, storage and retrieval of the relevant information to fill in the existing gaps but attention should also be paid to elimination of irrelevant data.

The value of information, i.e., the benefits could be ascertained by the following:

- (i) **Accessibility** : This refers to the ease and speed with which the particular information could be obtained. Faster and easier access will have more value as compared to and difficult access.
- (ii) **Comprehensiveness** : More complete the information in itself, more valuable becomes. This attribute does not refer to the value of information but refers only to its usefulness.
- (iii) **Accuracy** : The information if free from any error will have more value than otherwise.
- (iv) **Timeliness** : It takes certain time to generate the information and the value of the information depends very much on how it is made available to the user manager.
- (v) **Authenticity** : If the information is being generated from a formal information system it is authentic and could be measurable.
- (vi) **Free from Bias** : The information if free from any bias towards the preconceived conclusion will have more value than otherwise.

8.8 MARKETING INFORMATION SYSTEM DESIGN

It is necessary to understand why particular information is needed by a organisation or a system. It is also necessary for the research designer to have the knowledge of the information source, and how the system works. The required knowledge could be acquired by providing answer to the following questions;

- Information primarily geared to assist marketing decision-making process and control.
- Marketing communication based on relevance with respect to diverse needs of management at different levels.
- Flexibility in information system to incorporate future requirements of marketing managers on need basis.
- Marketing information helps an organisation update itself with the current and future competition, diversification and/or expansion strategic plans because marketing managers are engrossed in finding solutions to ever increasing operational problems.

8.9 LET US SUM UP (SUMMARY)

Information management has gained a unique importance due to the communication revolution triggered by the developments in electronics and spurred by the launching of space satellites. The world has indeed come to be transformed into a literal global village. The primary function of information is to increase the knowledge or reduce the uncertainty of the user. There are many pieces of information, which might be useful and in one or the other way influence the recipient's response in a given situation. Information primarily geared to assist marketing decision-making process and control. Marketing communication based on relevance with respect to diverse needs of management at different levels. Flexibility in information system to incorporate future requirements of marketing managers on need basis. Marketing information helps an organisation update itself with the current and future competition, diversification and/or expansion strategic plans because marketing managers are engrossed in finding solutions to ever increasing operational problems.

8.10 CHECK YOUR PROGRESS

1. Write a short note on Information Management?
2. Explain in brief about Evolution of the Marketing Information system concept?
3. Classify various levels of marketing?
4. Briefly write about Marketing and Information?
5. What is Marketing Information system? Explain.

8.11 ANSWERS TO CHECK YOUR PROGRESS

1. Refer section 8.3
2. Refer section 8.5

BLOCK -3

MARKET SEGMENTATION AND MARKETING MIX

UNIT-9: MARKETING SEGMENTATION

Structure :

- 9.1 Learning Objectives
- 9.1 Introduction
- 9.2 Definition
- 9.3 Need For Segmentation And Targeting
- 9.4 Advantages Of Target Marketing
- 9.5 Effective Segmentation
- 9.6 Sequential Steps In Conducting Segmentation & Targeting & Positioning
- 9.7 Segmentation Bases
- 9.8 Geographic Segmentation
- 9.9 Demographic Segmentation
 - 9.9.1 Age
 - 9.9.2 Psychographic
 - 9.9.3 Behavioral Segmentation
 - 9.9.4 Occasion Segmentation
- 9.10 Market Targeting
- 9.11 Choosing A Marketing Coverage Strategy
- 9.12 Marketing Positioning
 - 9.12.1 Marketing Positioning Strategies
 - 9.12.2 Marketing Segmentation
- 9.13 Summary
- 9.14 Self -assessment Questions
- 9.15 References

Segments, niches, local areas, and individuals.

9.3 DEFINITION

The term market has acquired many meanings over the years. Originally it was physical place where buyers and sellers gathered. Market has passed through stages, mass marketing product-variety marketing, and target marketing, micro-marketing now serves as a tactic to reach multimarket segment. Internet and database marketing have assisted companies to reach small segments with individualized needs. Today's buyers demand specialty in the products and services they purchase. This is certainly true in the services of hospitality and tourism. Packaged tours in which all members of a group must travel, eat, and be entertained go together are being ignored by many traveler segments. So we define segmentation as dividing a market into groups, sub-groups based on consumers, knowledge, attitude, use or response of a product. Ritz Carlton hotel employ a form of micro-marketing by offering a frequent guest list the ultimate form of target marketing, customized marketing Ritz Carlton maintains a guest data base with guest preference information including the type of preferred by guest, hospitality companies can serve highly profitable segments with levels of customer loyalty finding create ways to serve micro markets with customized marketing. The figure shown below shows the some major steps on target marketing. Thus, market segmentation is dividing the market into distinct groups who might require separate products and or marketing mixes. The company identifies different ways to segment the market and develops profiles of the resulting market segments. The second step is market targeting, evaluating each segment's attractiveness and selecting one or more of the market segments. The next step is market position, developing competitive positioning for the products and appropriate marketing mix. Today the concept of market segmentation and target marketing is well accepted in most industrialized nations. Markets in industrialized nations are increasingly fragmented.

Figure:1. Steps in segmentation, targeting, and positioning.

Market segmentation	Market targeting	Market positioning
1. Identify bases for	3. Develop measures	5. Develop positioning
2. Develop profiles of	4. Select the target	6. Develop marketing
Resulting segments	Segment	mix for each target
		Segment.

9.4 THE NEED FOR SEGMENTATION AND TARGETING

The marketing concept puts customer needs at the center of the organization's decision

market behavior/response to specialized marketing efforts.

In segmentation and targeting we are seeking to identify distinct subsets of customers in the total market for a product where any product where any subset might eventually be selected as a market target and for which a distinctive marketing mix will be developed.

It makes sense to subdivide markets as long as the resulting segments are worthwhile serving as distinct market targets with distinct marketing mixes. There are situations where complete segmentation (tailoring the marketing mix to individual customers) is essential. In office construction each customer may be treated as a separate market, but for most consumer product markets such customizing would not be practical.

9.7 THE FOLLOWING REPRESENTS THE SEQUENTIAL STEPS IN CONDUCTING SEGMENTATION, TARGETING AND POSITIONING EXERCISE FOR ANY GIVEN PRODUCT MARKET

1. Select bases for segmentation and identify segments.
2. Evaluate and appraise the market segments resulting from step 1.
3. Select an overall targeting strategy.
4. Select specific target segments in line with step 3.
5. Develop "product positioning" strategies for each target segment.
6. Develop appropriate marketing mixes for each target segment to support positioning strategies.

There is no prescribed way to segment a market. Different segmentation bases should be sought by the marketer. There are, however, a number of relatively common bases used by marketers that are now examined.

9.8 SEGMENTATION BASES IN COMSUMER PRDUCT MARKETS

In international marketing, different countries may be deemed to constitute different market segments. Within a country a market may be segmented into regions that might represent individual salesperson's territories.

Markets consist of buyers who differ in one or more ways. They may differ in their wants, resources, locations, buying attitudes and buying practices. Because buyers have unique needs and wants, each is potentially a separate market. Ideally, a seller might design a separate

their zip code, or they can be more sophisticated studies that will create customer databases that will include other customer data in addition to the geographic information. The customer origin information can be used to show the decay of a customer base over distance, the effect of competition, and placement of media.

Cultural differences across geographic locations can create communication challenges. Success of local and regional tourism depends on creative geographic segmentation. Tourists must have a strong reason to travel hundreds of thousands of miles to visitor destinations. The complaint is often heard that all towns increasingly look alike with chain based lodging, eating, shopping and entertainment. People expect a change.

9.9 DEMOGRAPHIC SEGMENTATION

It consists of dividing the marketing into groups based on demographic variables such as age, race, and nationality. Demographic variables are the most common bases for segmenting customer groups. One reason is that consumer preferences and use rates often vary closely with demographic variable. Another is that demographic variables are easy to measure. Even when market segments are first defined using other bases, such as personality or behavior, demographic characteristics must be known to assess the size of the market and to reach it efficiently. Now we will see how certain factors have been used in market segmentation.

9.9.1 AGE AND LIFE-CYCLE STAGE

Consumer preferences change with age. Some companies offer different products or marketing strategies to penetrate various age and life-cycle segments. For example McDonald's offers Happy Meals that include toys aimed at young children. It also knows that 79 percent of the family decisions to eat out are influenced by children and households. Bata Shoe Company targeted school children with their canvas shoes, casual, and rainwear. American Express focuses much of its marketing attention on the mature market because individuals in this age segment account for 70 percent of tour industry bookings. The entire museum and historic sites industry depends heavily on this market segment. Heritage Tourism has become one of the fastest growing tourism markets in North America. The growth of this market is heavily tied to an ageing population. And the older adults will never enter a nursing home; many will need assisted transportation, shopping, housekeeping, meal preparation, and so on.

Gender

Gender segmentations long been used in marketing, clothing, hair, cosmetics, and

patterns and need. For example the unmarried person living at home will probably have different purchasing patterns to someone of the same age who has left home and recently married. Similarly it is recognized that purchasing patterns of adults often change as they move into retirement. The stages are defined as:

1. Unmarried: here the financial and other responsibilities are low, whilst disposable income is high. Young, unmarried consumers tend to be leisure oriented and rare opinion leaders in fashion.

2. Newly married couples-no children:

This group does not have responsibilities of children. They concentrate expenditure on those items considered necessary for setting up a home and have been labeled "dinkies" meaning 'double income, no kids'

3. Young married couples with youngest child under six: here, expenditure is children-orientated. Although spending is high there is little 'spare' money for luxury items. Much recreational activity takes place in home. Such consumers are eager for information and receptive to new product ideas, but are particularly economy-minded.

9.9.2 PSYCHOGRAPHIC SEGMENTATION:

This divides buyers into different groups based on social class, lifestyle, and personality characteristics. People in the demographic group can have very different psychographic profiles. One of the ski slopes in northern shore of Donner Lake attracts guests representing varying ages and income groups, but all have a common interest in seminars hosted by this comfortable lodge, on topics such as photography, orienteering, and nature.

Social class

The social classes he aimed at the upper-middle and upper class has a strong effect on preferences for cars, clothes, home furnishings, leisure activities, reading habits and retailers. Afternoon tea at the Ritz-Carlton is aimed at the upper-middle and upper classes. A neighborhood pub near a factory targets the working class. The customers of each of these establishments would probably feel uncomfortable in the other establishments.

Lifestyle

This influence of people's lifestyles on the goods and services that they buy segmenting the markets by consumer lifestyles. For example, many bars/watering holes are designed for young singles wanted to meet the opposite sex, singles wanting to meet the same, sex, and

After studying patrons and non-patrons of three types of restaurants-family popular, atmosphere, and gourmet-one researcher concluded there are five major appeal categories for restaurant customers. The relative importance of food quality, menu, variety, and price, atmosphere, and convenience factors across each group was studied. It was found that patrons of family service restaurants sought convenience and menu. Some other, and few other gourmet valued quality. Thus, benefit if a positive outcome received from a product feature. Those product features that create positive outcomes for guests create value. Features that do not offer positive outcome for the guest will have no value.

User status many markets can be segmented into nonusers, former users, potential users, first-time users, and regular users of a product. High-market-share companies such as major airlines are particularly interested in keeping regular users and attracting potential users. Potential users and regular users often require different marketing appeals

Usage rates

Markets can be segmented into light-medium-and heavy-user groups. Heavy users are often a small percentage of the market but account for a high percentage of total buying. A study of seven key international markets found heavy users of fast-food restaurants account for only 20 per cent of the customers but 60 percent of fast-food transactions. Researchers discovered that 4.1 percent of airline travelers account for 70.4 per cent of airline trips, and thus airlines were eager to capture this lucrative market. Clearly marketers are eager to identify heavy users and build a marketing mix to attract them. Many hospitality firms spread their marketing resources evenly across all potential customers. Seasoned marketers identify heavy users and focus marketing strategies toward them. The study concluded, "The source of loyalty is an emotional bond that cannot be bought by point or free stays. Marketers need to find ways to enhance emotional ties between the consumer and the hotel brands. One of the outcomes of loyalty is increased usage of the product".

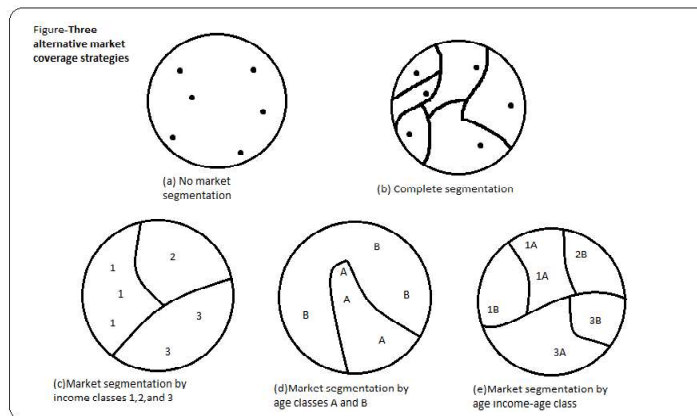
Loyalty status: A market can be segmented on the basis of consumer loyalty. Consumers of hospitality products can be loyal to brands, such as Courtyard by Marriott, or to companies such as Qantas Airlines. Others are only somewhat loyal. They may be loyal to two or three brands or favor one brand but buy others. Still other buyers show no brand loyalty at all. They want variety or simply buy whichever brand is cheapest or most convenient. These people will stop at a Ramada Inn or Holiday Inn see first when looking for a motel, depending on which they see first when looking for a motel. So the study showed that brand extensions are helpful increasing customer loyalty and in promoting repeat buying. Loyal customers are pricing insensitive compared to brand-shifting patrons. In the hospitality and travel industries,

and set competitors against one another. Large buyers, such as an airline with a hub in Dallas that need 50 rooms a night for flight crews, will be able to negotiate a low price. Finally, segment may not be attractive if it contains powerful suppliers who control price or reduce the quality of ordered good and services. Supplier tends to be powerful when they are large and concentrated, when few substitutes exist, or when the supplied product is an important input. In certain areas, restaurants specializing in fresh seafood are limited to a few suppliers.

Company objectives and resources

"All companies must consider their own objectives and resources in relation to available segments. Some attractive segments can be dismissed quickly because they do not mesh with the company's long run objectives. At times they might divert a company's attention and energies away from its main goal or they might be a poor choice from environmental, political or social responsibility viewpoint. For example, in recent years, some hotel chains have decided not to get involved in the gaming business. If a segment fits the company's objectives it must then decide whether it possesses the skills and resources to succeed in that segment. If it lacks the strengths needed to compete successfully in a segment and cannot readily obtain them, it should not enter the segment. A company should enter segments only where it can gain sustainable advantages over competitor.

Figure-2



Selecting market segments

After evaluating different segment, the company must decide which and how many segments to serve. This is a problem of target-market selection. A target market consist of a set of buyers who share common needs or characteristics that the company decided to serve figure-2 shows that a firm can adopt one of three market-coverage strategies: undifferentiated

firm pursues a large share of one or a few small markets. There are many examples of concentrated marketing. Four Seasons Hotels and Rosewood Hotels concentrate on the high-priced hotel room market. Through concentrated marketing, hospitality companies achieve a strong market position in the segments that they serve, thanks to their greater knowledge of those segments' needs. The company also enjoys any operative economies. If the segment is well chosen, the company can earn a high rate of return on investment. At the same time, concentrated marketing involves higher than normal risks. The particular market segment can turn sour. For this reason, many companies prefer to operate in two or more markets.

9.11 CHOOSING A MARKET-COVERAGE STRATEGY

Companies need to consider several factors in choosing a market-coverage strategy. One factor is the company's resources. When the company's resources are limited, concentrated marketing makes the most sense. Another factor is the degree of product homogeneity. Undifferentiated marketing is more suited for homogeneous products. Products that can vary in design, such as restaurants and hotels, are more suited to differentiation or concentration. The product's life-cycle stage must also be considered. When a firm introduces a new product, it may be practical to launch only one version, so undifferentiated or concentrated marketing makes the most sense. For example, early McDonald's had a very limited selection compared with their present menu selection. In the mature stage of the product life cycle, differentiated marketing becomes more feasible. Another factor is market homogeneity. If buyers have the same tastes, buy a product in the same amounts, and react the same way to marketing efforts, undifferentiated markets is appropriate.

Finally, competitors' strategies are important. When competitors use segmentation, undifferentiated marketing can be suicidal. Conversely, when competitors use undifferentiated marketing, a firm can gain an advantage by using differentiated or concentrated marketing.

9.12 MARKET POSITIONING

Once a company has chosen its target market segments, it must decide what positions to occupy in those segments. A product's position is the way the product is defined by consumers on important attributes—the place the product occupies in consumers' minds relative to competing products. Consumers are overloaded with information about products and services. They cannot re-evaluate products every time they make a buying decision. To simplify buying decision, consumers organize product into categories—they "position" products and companies in their minds. Marketers do not want to leave their products' positions to chance. They plan

its prices and products to those of competitors and continuously look for possible improvement. To the extent that it can do better than its competitors, the company has achieved a competitive advantage.

Club Med used a successful bundling strategy of offering all services other than retail purchases to a young market segment that was unfamiliar with tipping, ordering from a menu, selecting wines, and asking a concierge for help in acquiring a tennis lesson. Club Med bundled all these products/services and eliminated the use of many at their resorts. Instead of dollars, pesos, or francs, Club Med's international guest could buy a round of drinks with beads given to them at check-in.

In some cases unbundling of products has also worked as a positioning tactic. Until the early 1970, many destination resorts sold only a bundled product known as the American Plan,(AP) in which all or most of the resort's services such as food and beverage were included. Consumer preferences changes as many guests no longer wanted three daily meals, and a Friday evening formal dance was included in a package. Resort managers who observed this behavior began to differentiate their properties, European plan, by offering a Modified American Plan, (MAP) in which lunch was not included, or a European plan, which did not include meals.

Product differentiation

A hospitality company or a visitor destination must differentiate its products/services from those of competitors. Differentiation can occur by physical attributes, service, personnel, location or image .

Physical attribute differentiation:

Classic hotels such as Waldorf-Astoria in New York, Palmer House in Chicago , Baroda Palace Hotels, and Lalith Mahal Palace in Mysore, India Raffles in Singapore and differentiate themselves on past grandeur. Many Hotels, restaurants, and airlines lack physical differentiation. Motels in particular follow a standard architectural look that provides no differentiation. When this happens, price becomes the primary differentiating factor. Restaurants have developed a network of farmers to provide fresh products produced to the restaurant's standards. Differentiation that excites the consumer and offers something new can lead to excellent public relations opportunities, customer loyalty, and greater profits.

Service differentiation:

Hospitality companies differentiate themselves on service. For example, Sheraton,

The image must be supported by everything that the company says and does. A common mistake made by new owners/operators of a property is to implement new image/positioning strategy before fully understanding the property, the community, and the market.

Thus, while positioning the process of developing competitive positioning for a product and an appropriate marketing mix.

9.13 SUMMARY:

Market is the set of all actual and potential buyers of a product. There are three steps on the target marketing process, they are firstly, market segmentation: it is the process of dividing a market into distinct groups of buyers who might require separate products and / or marketing mixes. Secondly, market targeting: it is the process of evaluating each segment's attractiveness and selecting one or more of the market segments. And thirdly, positioning: it is the process of developing competitive positioning for the product and an appropriate marketing mix.

Choosing bases for segmentation, there is no single way to segment a market .A marketer has to try different segmentation variables, alone and in combination, hoping to find the best way to view the market structure, such as geographic, demographic, psychographic, behavior. Some of requirements for effective segmentation are measurability, accessibility, substantiality, actionability. While evaluating market segments one should keep in mind segment size and growth, segment structural attractiveness, company objectives and resources. Selecting market segments reveals market opportunities available to a firm, and it can select most attractive segment to serve as targets for marketing strategies to achieve desired objectives market -coverage alternatives are undifferentiated marketing strategy, bifurcated marketing, differentiated marketing strategy, concentrated marketing strategy. While choosing a market -coverage Strategy Company must see its resources, degree of product homogeneity, market homogeneity, and competitor's strategies. Finally, market positioning is the way the product is defined by consumers on important attributes-the place the product occupies in consumers' mind relative to competing products. Some of the positioning strategies are specific product attributes, needs products fill or benefits products offer, certain classes of users, against an existing competitor. Choosing and implementing a positioning strategy is the task which consists of three steps: identifying a set of possible competitive advantages on which to build a position, selecting right competitive advantages, and effectively communicating and delivering the chosen position to a carefully selected target market.

UNIT - 10: MARKETING MIX

Strucutre :

- 10.1 Learning Objectives
- 10.2 Introduction
- 10.2 Explaining What is A Product
- 10.3 Core Products
- 10.4 The Augmented Product
- 10.5 Atmosphere-the Physical Environment
- 10.6 Customer Interaction with Service Delivery System
- 10.7 Brand Decisions
- 10.8 New Product Development
- 10.9 Challenges in New Product Development
- 10.10 Summary
- 10.11 Key Terms
- 10.12 Self-Assessment Questions
- 10.13 References

might satisfy a want or need. It includes physical objects, services, places, organizations, and ideas. This definition refers to the planned component of the product that the firm offers. Besides the planned component, the product also includes an unplanned component. This is particularly true in hospitality and travel products, which are often heterogeneous. For example, a consumer entered a restaurant in Dallas and was greeted by the hostess, who presented him with a menu. When he opened his menu, he saw a dead fish stuck to inside.

After receiving this unexpected bonus, the customer decided to leave the restaurant. The restaurant certainly did not plan on having a dead roach (fish) in the menu. The product the customer receives is not always as management plans. Managers of service organizations need to work hard to eliminate unexpected surprises and make sure the guests get what they expect. Hospitality managers need to think about the product in four levels. The core product, the facilitating product, the supporting product, and the augmented product.

Figure-1 product levels

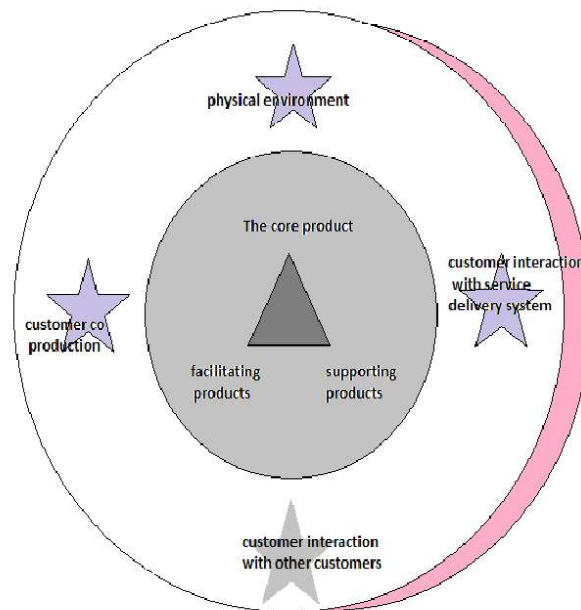


Figure- 1.

10.4 CORE PRODUCTS

The most basic level is core product, which answers the following question : what is the buyer really buying? A four-day holiday in Dublin, Ireland, is not a plan ride, hotel room, taxis, and meals. Depending on the visitor, it might be cultural enrichment, a return to one's roots, safe adventure, or even romance. As all good steakhouses know, "do not sell the steak, sell the sizzle". Marketers must uncover the core benefit to the consumer of every product

Some provide serve-yourself coffee for early morning flight crews in the lobby while joggers find bottles of water. In some hotels tourists get an opportunity to enjoy beautiful views while passing on tracks also side the rivers. So also train ride is complimented by gourmet (foodie) lunches and dinners. Core competency review must be done all organizations continuously review their core competencies to determine if they can develop and deliver quality supporting products. Hospitality and tourism managers cannot possibly be experts in all fields. Most hotels near airports offer van service but owning and operating a van is not generally a core competency of hotel management. In summary, supporting products offer a competitive advantage only if they are properly planned and implements. They must meet or exceed customer expectations to have a positive effect.

10.5 THE AUGMENTED (INCREASE)

Product includes accessibility, atmosphere, customer interaction with the service organization, customer participation, and customer' interaction with each other. These elements combine with the core facilitating and supporting products to provide and augmented product. From the managerial standpoint, the core product provides a focus for the business it is the reason for being. Facilitating products are those that are essential for providing the core product to the target market. Supporting products can help position a product. According services marketing experts, the core, facilitating, and supporting product determine what the customer receive but not how they receive it the delivery of the service affects the customer's perception of the service, illustrated by the room service example earlier. The augmented service offering combines what is offered with how it is delivered.

The augmented products is an important concept because hospitality and travel services require customer coproduction of the service .For most products we feel the customer comes to the service delivery system. For example, guests have to check in at the front desk, get to the room, and understand how to use the television and telephone systems. They also have to interact with other customers and employees. Because guests come to the service, atmosphere is an important part of the product. The augmented product captures the key elements that must be managed when the customer comes to the service factory, that is, the hotel, restaurant, county club, conference center, amusement part, and so on. We now take a look at some of the elements of the augmented product.

10.6 ATMOSPHERE: THE PHYSICAL ENVIRONMENT

Atmosphere is a critical element in services. It can be the customer's reason for choosing

with the product. Signage (signs) can also be used to make customer aware of the existence of supporting products.

The detachment phase is when the customer is through using a product and departs. For example, hotel guests may need a bell person to help with the bags. They will need to settle their account and acquire transportation to the airport. Guests in a roadside motel may need to know directions, road conditions, the hours of check services, and other information. Thinking through these stages helps the management to understand how the customer will interact with the service delivery system, resulting in a product designed to fit the needs of the customer for example, where it is legal some hotels purchase and resell airport departure tax stamps. The guest does not have to wait in line at the airport and the hotel has eliminated one concern for the guests. Managers should think through and then experience the joining, consumption and detachment phases of their guests.

Destination marketers have a special responsibility to carefully plan and help to manage each of these phases tourism promotion organizations sometimes feel their responsibility is solely to bring "heads to beds", in other words to increase the number of visitors. Unfortunately, visitors sometimes have serious problems such as the death of one of the travelers, crimes committed against a visitor, accidents, or other problems. Tourism promotion should include training policies and procedures to assist visitors.

Customer interaction with other customers:

An area that is drawing the interest of hospitality researchers is the interaction of customers with each other. An airline flight on Friday afternoon from Dallas to Houston was sold out with a number of people on standby. Some on standby were construction workers returning home from their jobsites. The airliner's ground crew, in an effort to maximize revenue, put a construction worker in an empty first-class seat. The passenger paying a premium to sit in first class did not appreciate a worker in dirty construction clothes in the next seat. Hospitality organizations must manage the interaction of customers to ensure that some do not negatively affect the experience of others. The issue of customer interaction is a serious problem for hotels and resorts. The independent non tour guest consistently objects to the presence of large group-inclusive tours.(GIT) The problem is magnified if the (GIT) guests represent a different culture, speak a foreign language, or are from an age group years different from that of independent, non-tour guests. The Shangri-La -Hotel of Singapore dealt successfully with this problem by constructing three different hotel properties on the same ground. The tower hotel serves GIT and lesser-revenue, independent, non-tour guests. Ski resorts are facing a

protection it protects the seller's exclusive rights to use the brand name or brand marking. What does the brand stand for in the customer's mind? This is an important question to companies. Brands are increasingly important to tourist destinations even if they are not registered as such. Interestingly, most seem to depict objectives: the Big Apple, New York City, New Zealand; a cowboy, Wyoming; the Beefeater, London; Eiffel Tower, Paris, Scott Davis, author of Brand Asset Management, state. Similarly Taj Palace Hotels, ITC's Welcome Group, and Leela Palace brands have become the most valuable assets and smart companies today realize that capitalizing on their brands is important. A brand is critical component of what a company stands for. The strongest brands in the world own a place in the customer's mind and when it is imbued with project and customers embrace.

If we review the concept of branding, it really about communicating values, mission, and vision of the company to the employees and customer. The following five conditions contribute to the branding decision.

1. The product is easy to identify by brand or trademark.
2. The product is perceived as the best value for the price.
3. Quality and standards are easy to maintain.
4. The demand for the general product class is large enough to support a regional national or international chain. Developing a critical mass to support advertising and administrative overhead is important.
5. There are economies of scale.

The brand equity can be leveraged through cobranding and partnership. For example Hindustan level limited

The role brands:

Brands identify the source or maker of a product and allow consumers-either individuals or organizations to assigning responsibility for its performance to a particular company. Consumers may evaluate the identical product differently depending on how it is branded. They learn about brands through past experience with the product and its marketing program. Finding out which brands satisfy their needs and which do not. As consumers become more complicated, rushed, and time starved, the ability of a brand to simplify decision making and reduce risk is invaluable.

Brand also offers the legal protection for unique features or aspects of the product. It can be protected through registered trademarks, and trade dress, the design of a restaurant or

the brand is integrated into the supporting marketing program and 3 the associations indirectly transferred to the brand by linking that brand to some other entity (e.g., the company, country of origin, channel of distribution or another brand). Brand equity needs to be measured in order to be managed well. Brand audits measure "where the brand has been". And tracking studies measure "where the brand is now" and whether marketing programs are having the intended effects.

Branding strategy for a firm identifies which brand elements a firm chooses to apply across the various products it sells. In a brand extension, a firm uses an established brand name to introduce a new product. Potential extension must be judged by how effectively they leverage existing brand equity to a new product, as well as how effectively the extension, in turn, contributes to the equity of the existing parent brand. Brands can play a number of different roles within the brand portfolio. Brands may expand coverage, provide protection, extend an image, or fulfill a variety of other roles for the firm. Each brand name product must have a well-defined positioning. In that way, brands can maximize coverage and minimize overlap and thus optimize the portfolio. Customer equity is a complimentary concept to brand equity that reflects the sum of lifetime values of all customers for a brand. We can think of brand equity as providing marketers with a strategic "bridge" from their past to their future.

10.8 NEW PRODUCT DEVELOPMENT

There are a variety of types of new products and ways to create them.

Make or buy A company can add new products through acquisition or development. It can buy other companies, it can acquire patents from other companies or it can buy a license or franchise from another company. Swiss food giant Nestle (Milkmaid), increased its presence in North America via its acquisition of such diverse brands. Tata Tea increased its presence in the international market through acquisition of Tetley brand. Coca-Cola acquired Thump up, a soft drink brand owned by Parle, to increase its market share in India. Hindustan Unilever limited (Dove soap), earlier cod liver oil, the Indian subsidiary of Unilever acquired Dollop, Kwality and milk food brands of ice-cream to increase its market share in the ice-cream sector. Vodafone acquired India's third largest telecom operator Hutch to expand its operation in India. Many companies' operation in diverse sectors, such as pharmaceuticals, metal food and beverages, engineering, internet service are growing in international markets by acquiring companies in different countries.

But firms can successfully make only so many acquisitions at some point; there becomes

learn approach based on observation and feedback of early users' experiences and other means.

Marketing mix: marketing strategy can be likened to a recipe. The ingredients are the marketing function. Just as recipes vary according to the dish, so different marketing strategies require differing blends of functional ingredients. If a minor ingredient is miscalculated or forgotten, a recipe may not be successful. The same is true of marketing strategy where all functional ingredients depend on each other for success. E. Jerome McCarthy suggested the idea of the "Four P's": product, price, promotion, place (distribution). These are key elements of marketing. Each element possesses a number of variables whose emphasis can be varied to chosen strategy. Inherent in any marketing strategy is a series of inner-mix variables as well as several intra-functional variables. These functional aspects of the marketing mix include the 4 ps. as well as customer segmentation, targeting and positioning which collectively referred to as the marketing mix. The company reaches its target segments by manipulating 4 P's.

The figure below shows how the marketing mix can be utilized. The mix concept permits management to arrive at a budget for marketing strategy and allows for this budget to be allocated across the mix and within each element of the mix. The marketing mix comprises closely interrelated elements, it is necessary to examine each to be clear about their respective roles.

<p style="text-align: center;">PRICE</p> <p>Price copy</p> <p>psychological pricing</p> <p>price lining</p> <p>Level /value determination</p> <p>Discrimination</p> <p>Discount</p> <p>PRODUCT</p> <p>Design and development</p> <p>Maintenance</p> <p>Branding</p> <p>Packaging</p> <p>Display</p> <p>Brand</p>	<p style="text-align: center;">PROMOTION</p> <p>direct marketing</p> <p>marketing /public relations</p> <p>point-of-sale/packaging</p> <p style="text-align: center;">Advertising</p> <p>Sales promotion</p> <p>personal selling</p> <p style="text-align: center;">PLACE</p> <p>Warehousing</p> <p>Market coverage</p> <p>.....</p> <p>transportation</p> <p>service</p> <p>stockholding</p>
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or a bookcase with built - in files.

Morphological analysis: Start with a problem such as getting something from one place in another via a powered vehicle .Now think of dimensions, such as the type of platform car, chair, sling, bed the medium fir water oil rains and the power source .By listing every possible combination , you can generate many new solutions.

Reverse assumption analysis: List all the normal assumptions about an entity and then reverse them. Instead of assuming that a restaurant has menus, charges for food, and serves food, reverse each assumption. The new restaurant may decide to serve only what the chef bought that morning a d cooked; may provide some food and charge only for how long the person sits at the table; and may design an exotic atmosphere and rent out the space to people who bring their one food and beverages.

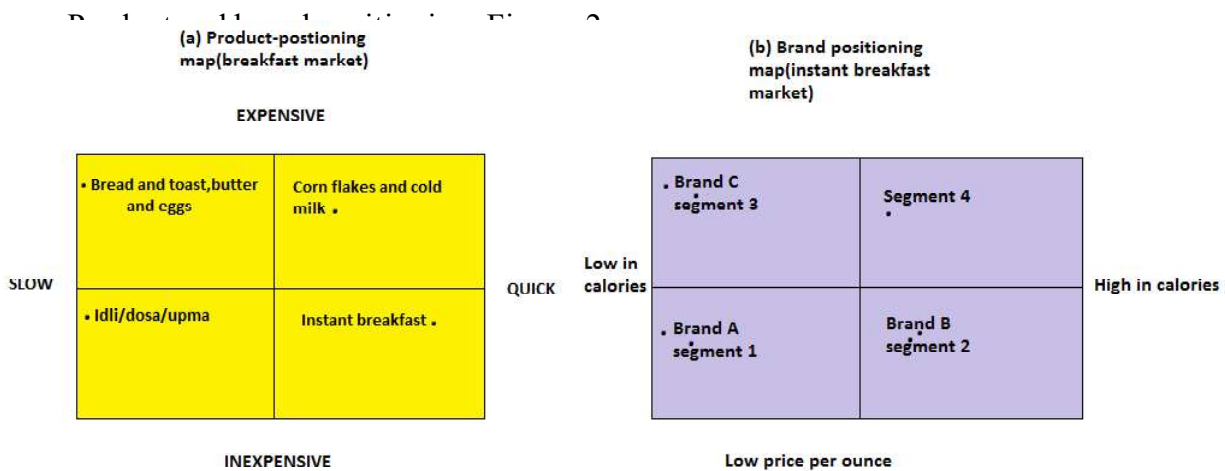
New contexts: Take familiar processes, such as people-helping services, and put them into a new context. Imagine helping dogs and cats instead of people with day care service, stress reduction, psychotherapy, and animal funerals and so on. As another example, instead of sending hotel guests to the from desk to check in, greet them at curbside and use a wireless device to register them.

Mind mapping: Start with a thought, such as a car, write it on a piece of paper, then think of the next thought that comes up (say Mercedes), link it to car, then think of the next association (Germany) , and do this with all associations that come up with each new word. Perhaps a whole new idea will materialize. Increasingly, new -product ideas arise from lateral marketing that combines two product concepts or ideas to create a new offering. Here are some successful examples.

- Gas station stores = gas stations + food
- Cyber cafes = cafeteria + internet
- Cereal bars = cereal + snacking
- Kinder surprise = candy + toy
- Sony Walkman=audio+ portable

Idea screening: In screening ideas, the company must avoid two types of errors. A drop-error occurs when the company dismisses a good idea. It is extremely easy to find fault with other people's idea. Some companies shudder when they look back at ideas them dismissee3d or breathe sighs of relief when they realize how close they came to dropping what eventually

positioning map and product positioning map. The brand positioning map helps the company to decide how much to charge and how calorific to make its drink. Three segment 1-3 are well served by existing brands, unless that brand is inferior or market demand was high enough be shared, as it turns out, the be new brand would be distinctive in the medium -price, medium-calorie market or in the high price, high calorie market. There is also a segment of considers (4). Clustered fairly near the medium price, medium calorie market, suggesting that it may offer the greatest opportunity.



Concept testing: Concept testing means presenting the product concept, symbolically or physically, to target consumer and getting their reactions. The more the tested concepts resemble the final product or experience, the more dependable concept testing is. Concept testing of prototypes can help avoid costly mistakes, but it may be especially challenging with radically different, new-to-the-world products. As an example of concept testing here is the elaboration of concept I in our milk example: our product is a powdered mixture added to milk to make an instant breakfast that gives the person all the day's needed nutrition along with good taste and high convenience. The product comes in three flavors (chocolate, vanilla, strawberry).

After receiving this information, researcher's measure product dimensions by having consumer respond to the following types of questions, yes or no? Or both then proceed after the respondents' answers indicate whether the concept has a broad and strong consumer appeal, what products it competes against, and which consumers are the best targets.

Conjoint analysis: we measure consumer preferences for alternative product concepts with conjoint analysis, a method for deriving the utility values that consumers attach to varying

loyalty process, which is the concern of the established producer. Years ago, new-product marketers used a mass-market approach to launch products, which had two main drawbacks: It called for heavy marketing expenditure, and it wasted many exposures. This drawback led to a second approach heavy-user target marketing? The approach makes sense, provided that heavy users are identifiable and are early adopters. However, even within the heavy-user group, many users are loyal to existing brands. New product marketers now aim at early adopters and use the theory of innovation diffusion and consumer adoption to identify them. The adoption process and adopters of new products move through five stages: awareness, interest, evaluation, trial, adoption. The factors influencing the adoption process are: Readiness to try new products and personal influence. There are five adopter groups that differ in their value orientations and their motives for adopting or resisting the new product.

They are innovators who are technology enthusiasts, early adopters, early majority, late majority, laggards. Each group must be approached with a different type of marketing if the firm wants to move its innovation through the full product life cycle

10.9 SUMMARY

The marketing program combines a number of elements into a workable whole -a viable, strategic plan. The tourism marketing manager must constantly search for the right marketing mix-the right combination of elements that will produce a profit. The marketing mix is composed of every factor that influences the marketing effort, such as Timing, brands, packaging, pricing, channels of distribution, image, product, advertising, selling, public relations, service quality, research, new product development, product life cycle stages etc.

10.10 KEY WORDS

Product: anything that can be offered to a market for attention, acquisition, use, consumption that might satisfy a want or need. It includes physical objects, service, places, organization, and ideas, both tangible and intangibles.

Core product: what the buyer is really buying.

Augmented products: include accessibility, atmosphere, customer participation and interaction with each other.

Brand equity: is the added value endowed on products and services. Reflected in the way consumer think, feel, and act with respect to the brand, as well as in the prices, market share and profitability the brand commands for the firm.

UNIT - 11: ADVERTISING

Structure :

- 11.1 Learning Objectives
- 11.2 Introduction And Definition of Modern Marketing
- 11.3 Key Concepts of Advertising
- 11.4 Advertising Strategy
- 11.5 Marketing And Role of Advertising Within Marketing
 - 11.5.1 Role And Functions of Advertising
- 11.6 The Functions of Advertising
- 11.7 The Key Players
- 11.8 Sample Structure of Advertising Process
- 11.9 Types of Advertising
- 11.10 What Makes An Ad Effective?
- 11.11 The Important Role of Objectives
- 11.12 The Evolution of Advertising
- 11.13 Advertising Ethics
 - 11.13.1 Current Advertising Scene
- 11.14 Integrated Marketing Communication
- 11.15 Summary
- 11.16 Key Words
- 11.17 Self-Assessment Questions
- 11.18 References

- Not only is the message paid for, but the sponsor is identified.
- Most advertising tries to persuade or influence the consumer to do something, although in some cases the point of the message is simply to inform consumers and make them aware of the product or company. In other words, it is strategic communication driven by objectives, and these objectives can be measured to determine whether the advertising was effective.
- Advertising reaches a large audience of potential consumers.
- The message is conveyed through many different kinds of mass media, which are largely non-personal. What that means is that advertising is not directed to a specific person, although this is changing with the introduction of the internet and more interactive media.
- A modern definition, then would be, advertising is paid persuasive communication that uses non-personal mass media--- as well as other forms of interactive communication--to reach broad audiences to connect an identified sponsor with a target audience.

11.3 THE KEY CONCEPTS OF ADVERTISING

In describing advertising we refer to four broad factors; strategy, creative idea, creative execution, and creative media use. Figure 1.1. All demand creative thinking from the advertising professionals who are responsible for their development and implementation. We will refer to these dimensions often, and you will soon understand them as rich concepts that serve as a foundation for the practice of advertising.

These are also the fundamental elements professionals use to analyze the effectiveness of their advertising efforts. In other words, professionals critique the strategy, the creative idea, the execution of their advertising ideas, and the way the message is delivered through appropriate media let us see more specifically what these four elements are:

11.4 ADVERTISING STRATEGY

Strategy is the logic and planning behind the advertisement that gives it direction and focus .Every effective ad implements a sound strategy. The advertiser develops the ad to meet specific objectives, carefully directs it to a certain audience, creates its message to speak to that audiences' most important concerns, and runs it in media (print, broadcast, or the internet, for instance) that will reach its audience most effectively.

Creative idea

The creative concept is the ad's central idea that grabs your attention and sticks in your memory. The "pods unite" campaigning for Volkswagen, (buy a new Beetle and get a free Ipod 2G 15 GB) for example, connects two innovative products in a way that relates to the

company, Secondly exchange refers to the way a company makes and offers something and what a consumer give in return to obtain that product (good, service, or idea). Advertising offers an information exchange in support of the marketing exchange. Thirdly, branding uses advertising to create to special meaning for a product that makes it distinctive in the marketplace. Fourthly, added value means marketing or advertising effort makes the product more valuable, useful, or appealing to a consumer.

11.5.1 ROLES AND FUNCTIONS OF ADVERTISING

as the practice of advertising has evolved it has played many different roles. It started out as a way to identify the maker of goods and that continues to be an important role today. As technology, such as the printing press, made it possible to reach a wider audience, advertising became more focused on providing commercial information along with identification of the product's maker.

Because of the industrialization, which made it possible to produce more goods than the local market could absorb, which was done through two techniques: hard-sell approaches that build an image for a brand and touch consumers; emotions.

An ad trumpeting a special reduced price on a tire is an example of a hard-sell approach; the long-running .Michelin ad campaign that shows a baby sitting inside a tire is soft- sell. (It's selling the tires; durability and reliability without saying that specifically; rather it symbolizes reliability with an image that touches your emotions.). In effect, these two approaches represent the art and science of advertising. But as the proliferation of media made it more difficult for any one message to get people's attention, a need developed for more creative techniques that would make an impact, such as the ads for Megastore. Creativity remains a key factor in evaluating the impact of an advertising idea and is an important characteristic of successful advertising.

In the early 2000s, as the economy slowed down, marketers have become concerned about accountability and the return they are getting on the money they invest in advertising. As a result, advertising professionals find themselves needing to prove that their work is effective-that is delivers the results the marketer has specified for the advertising. This intense emphasis on accountability is the reason that effectiveness is a key theme in this foregoing lesson. In fact, advertising professionals determined or proved that the work was, in fact, effective. In order to better understand how advertising works; let's consider the four role advertising plays in business and in society:

The economic role

Advertising tends to flourish in societies that enjoy some level of economic abundance, in which supply exceeds demand. In these societies, advertising moves from being primarily informational to creating a demand for a particular brand.

Strengths of advertising as a marketing technique

Strengths	Example
Can reach a mass audience	a commercial on the National TV channel Reaches 150 million consumers
Introduces products	Windows 98 was simultaneously introduced In multiple world markets.
Explains important changes	MTN Cellule's ads explain changes in its Technology
Reminds and reinforces	Pepsi-Cola has been advertised continuously Over the last 50 years
Persuades	Nikie campaigns have helped increase sales 300% during the last decade

There are two points of view about the way advertising creates economic impact. In the first, advertising is seen as a vehicle for helping consumers assess value, though price as well as other information-such as quality, location, and reputation. Rather than diminishing the importance of price as a basis for comparison, advocates of this school view the role of advertising as a means to objectively provide price-value information, thereby creating a more rational economy.

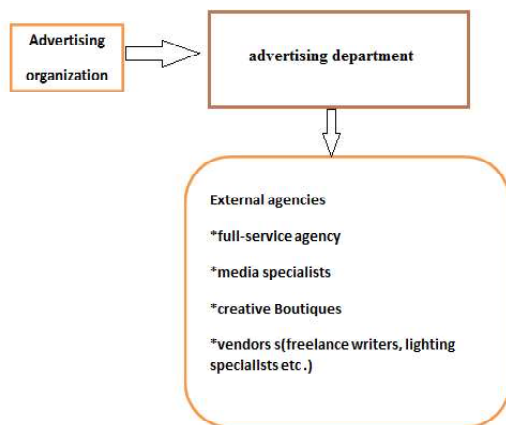
In the second perspective, advertising is seen as so persuasive that it decreases the likelihood that a consumer will switch to an alternative product, regardless of the price charged. In other words, by focusing on other positive attributes, the consumer makes a decision on non-price benefits-such as a psychological appeal. This is presumed to be the way images and emotions can be used to influence consumer decision. Neither of these perspectives on the role of advertising has been verified. It's likely that advertising plays both roles.

The advertiser

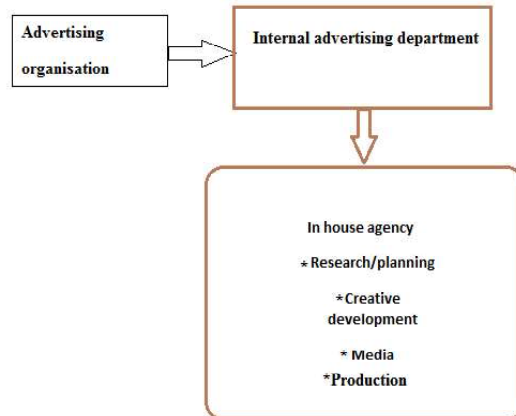
The advertising begins with the advertiser, the person or organization that uses advertising to send out a message about its products. In the "1984" story in the matter of principle box, the apple company was the advertiser and Steve Jobs, the company's CEO made the final decision to run the controversial commercial .The advertiser initiates the advertising effort by identifying a marketing problem that advertising can solve. The VW story is an example of how an advertiser struggles to maintain its position in a changing market, and also how its agency helps as a partner in developing a communication strategy to address the problem. The advertiser also makes the final decisions about the target audience and the size of the advertising budget. This person or organization also approves the advertising plan, which contains details outlining and message and media strategies. Finally, the advertiser hires the advertising agency; in other words, the advertiser becomes the agency's client. As the client, the advertiser is responsible for monitoring the work and paying the bills for the agency's work on its account. That use of the word account is the reason agency people refer to the advertiser as the account and the agency person in charge of that advertiser's business as 'the account manager'.

11.8 SAMPLE STRUCTURES OF THE ADVERTISING PROCESS (figure 1)

Sample structure of the advertising process



when the advertiser doesn't has an
Have an in-house agency



When the advertiser has an in-house agency

The in-house agency

Companies that need closer control over their advertising have their own in-house agencies. Large retailers, for example, find that doing their own advertising provides cost savings as well as the ability to meet deadlines. Some fashion companies, such as the Tata Company, also create their own advertising in-house in order to maintain complete control over the brand image and the fashion statement it makes. An in-house agency performs most, and sometimes all, of the functions of an out-side advertising agency.

The media

The third player in the advertising world is the media. The media player is composed of the channels of communication that carry the message from the advertiser to the audience, and in the case of the internet, it carries the response from the audience back to the advertiser (note that media is plural when it refers to various channels, but singular-medium-when it refers to only one form, such as newspaper-print media).

The development of mass media has been a central factor in the development of advertising because mass media offers a way to reach a widespread audience. We refer to these media as channels of communication or media vehicles but they are also companies, such as your local newspaper or radio station. Some of these media conglomerates are huge, such as Time Warner (New-York) and Viacom (New-York).

Each media vehicle (newspaper, radio or TV station, bill-board Company, etc.) has a department in place that is responsible for selling ad space or time. Each medium tries to assist advertisers in comparing the effectiveness of various media as they try to make the best choice of media to use. Many of the media organizations will assist advertisers in the design and production of advertisements. That's particularly true for local advertisers in the design and production of advertisements. That particularly true for local advertisers using local media, such as retailer preparing an advertisement for the local newspaper.

The primary advantage of advertising's use of mass media is that the costs for time in broadcast media, for space in print media, and for time and space in interactive and support media are spread over the tremendous number of people that these media reach. For example, \$ 2 million may sound like a lot of money for one Super Bowl ad, but when you consider that the advertisers are reaching more than 500 million people, the cost is not so extreme. So one of the big advantages of mass-media advertising is that it can reach a lot of people with a single message in a very cost-efficient form.

target audience/guarantee card, join a book or CD club, or sign up for America Online.

Purchases are not always the product users. In the case of cold cereal, for example, parents may purchase the cereal but kids consume it and definitely influence the purchase. Kellogg might actually have two target audiences for a children's cereal and would, therefore, design one ad for the kids target audience and another for the parent target audience. It is critical, then, that advertiser recognize the various target audiences they are talking to and know as much about them as possible.

11.9 TYPES OF ADVERTISING

Advertising is complex because so many different advertisers try to reach so many different types of audiences. Considering all these different advertising situations, we can identify seven major types of advertising.

- Brand. The most visible type of advertising is national consumer, or brand advertising.
- Brand advertising, such as that for Volkswagen's New Beetle, the Apple Macintosh or Polo focuses on the development of a long-term brand identity and image.
- Retail or local advertising a great deal of advertising focuses on retailers or manufacturers that sell their merchandise in a certain geographical area. In the case of retail advertising, the message announces facts about products that are available in nearby stores. The objectives tend to focus on stimulating store traffic, and creating a distinctive image for the retailer. Local advertising can refer to a retailer, such as foodstuffs or a manufacturer or distributor who offers products in a fairly restricted geographic area.
- Direct-response advertising. Direct-response advertising can use an advertising medium, including direct mail, but the message is different from that of national and retail advertising in that it tries to stimulate a sale directly. The consumer can respond by telephone or mail, and the product is delivered directly to the consumer by mail or some other carrier. Of particular importance in direct-response advertising has been the evolution of the internet as an advertising medium.
- Business-to-business advertising (B2B). Business-to-business advertising is sent from one business to another. For example, it includes messages directed at companies distributing products, as well as industrial purchasers and professionals such as lawyers and physicians. B2B is not directed at general consumers. Advertisers place most business advertising in professional publications or journals. The ad for Inter-land is an example of a typical business-to-business ad.

11.10 WHAT MAKES AN AD EFFECTIVE?

Great ads are effective ads and effective ads are ads that work-they deliver the message the advertiser intended and consumers respond as the advertiser hoped they would. Ultimately, advertisers such as Volkswagen and Apple want consumers to buy and keep buying their goods and services. To get to that point, ads must first communicate a message that motivates consumers to respond in some way.

What are the characteristics of effective ads that impact on consumer response? To move consumers to action, they must gain their attention, which was the purpose of the riveting story in the "1984" commercial. The ad must then hold their interest long enough to convince consumers to change their purchasing behavior and try the product, which sometimes means switching brands, and then stick with the product and buy it again. For a restaurant or car dealer, the real measure of the advertisement's effectiveness is whether the customers come back again. That depends upon their satisfaction with the product, but it also is a function of the power of the advertising to remind customers of the brand and their positive feelings about it.

In general, an ad or campaign works if it creates an impression for a product or brand, influences people to respond in some way, and separates the product or brand from the competition in the mind of the customer. Initially, consumers may be interested in watching an ad for its entertainment value, as happened with "1984" commercial. If the ad is sufficiently entertaining, they may remember it. However, they may also learn that the ad relates to a personal need and provides them with relevant information about how to satisfy that need. The ad may also offer enough incentive for consumers to risk change because it shows how to satisfy their needs without worrying about unexpected consequences, such as dissatisfaction with the product. Further, ads may reinforce product decisions and remind customers of how their needs have been satisfied. These are all different types of effects that an advertising message can achieve and therefore they can be seen as characteristics of effective advertising.

11.11 THE IMPORTANT ROLE OF OBJECTIVES.

The one characteristic that is most important in terms of effectiveness is the idea that advertising is purposeful; it is created to have some effect, some impact on the people who read or see the message. Determining effectiveness, in other words, depends on setting a goal in terms of the impact advertisers hope to create in the minds of the people who read, views, or listen to the ads. We refer to this as advertising's effect, the idea being that effective

media developed as the country's transportation system grew.

The "Modern Advertising Era" is the third stage in the evolution of advertising. The "Agency Era" is the period when the advertising industry grew and organizations specializing in modern professional advertising developed. To compete in a crowded marketplace and build demand for brands the "Creative Era" showcased an emphasis on new creative practices.

In the early 1970s the "Accountability era", which is the beginning of the industry-wide focus on effectiveness, emerged. Clients wanted ads that produced sales so the emphasis was on research and measurement. In the early 1990s, the advertising industry recognized that advertising had to pay its own way and prove its own value.

The advertising time-line-The Era of Advertising

Figure 1.2

Age of print	1441 Johannes Gutenberg creates moveable type
Mid-1400	Print handbills
1472	First Ad in English "pyes of salibury"
1600	News paper emerge
1622	First ad in London's weekly relations news
1655	First use of the term "advertising"
1704	First U.S. newspaper to carry ads
1841	Volney Plamer becomes first ad sales agent(Boston)
1850	George Rowell becomes first ad space wholesaler(Boston) (Age of print)
1850s	First branded items such as Baker's Chocolate appear in stores
1864	J. Walter Thompson forms JWT agency; first account executive
1872	First ward's illustrated mail-order catalog
1879	Procter & Gamble introduces ivory soap
1880	John Powers pioneer copywriting, focuses on news
1888	George Eastman creates first Kodak camera
1890	Earnest Elmo Calkins and Ralph Holder develop image copy

Finally, the tragedy of September 11, 2001, is still very much on the minds of citizens around the world. Advertising has changed in some obvious ways. Immediately following the attacks, the advertising industry rushed to change ads that were seen by the public as insensitive. Also, advertisers ran few ads, as the economy faltered in the wake of the tragedy and the boom, then burst, of the Internet economy. Accountability became even more important in a tight economy and advertisers demanded proof that their advertising was truly effective.

11.13 ADVERTISING ETHICS

Advertising law and regulations can only go so far in ensuring ethical practices by advertising. Ultimately professionals in the industry have to be guided by their own ethical principles.

Ethics is a set of moral principles that guide actions and create a sense of responsible behavior. It's about being able to analyze ethical questions and dilemmas in professional decision making in terms of the concepts of right and wrong to determine one's obligation and responsibility to do the right thing. McDonald's decision, for example, to eliminate its super-sized products is an example of doing the right thing even if it means losing some business opportunities. To help you better understand how ethical applies to advertising decision we follow ethics in business, rather business ethics. Decisions about ethics are made based on laws and regulation on professional codes, but more importantly, as an internal moral compass that senses when something is right or wrong. Advertising agencies have in-house and review procedures and legal staff that monitor the creation of advertising. The industry has a number of bodies that review advertising such as the Advertising Review council (ARC). Finally ethical decision making comes down to a personal sense of what is right and what wrong, to help with these decision professionals consider social responsibility, professional codes and standards, and personal more reasoning.

11.14 CURRENT ADVERTISING SCENE.

Advertising continues to be a dynamic profession that is constantly changing. What are the current issues and trends, and what's ahead for the advertising industry? Above all, what the "the new advertising? The electronic media, social platforms, are changing the media landscape and making more intimate, interactive, and personalized forms of communication much more important to advertisers. It is just the next step in the evolution of advertising, because internet, counted as advertising, it was creative; it got attention; it sold cars-- but it did not look like advertising could be the next step. Net is changing everything everywhere!

to business (B2B), institutional, nonprofit, and public service. Effective ads work on two levels: they engage the mind of the consumer and at the same time deliver a selling message. Effective advertising is purposeful, which means it accomplishes its objectives. Advertising is a dynamic industry that changes as the consumers, technology, and the marketplace change. This chapter discusses three types of changes: the definition of advertising is expanding as technology makes it possible for "new advertising" to be more personal and interactive. Integrated marketing communication is also expanding the scope of advertising by involving it more closely in a mix that uses various marketing communication tools to deliver a consistent message and brand image. Globalization demands that international advertisers consider whether their messages should be standardized across all cultures and localized and adapted to local markets. Localization is more personalized but complicates the consistency problem.

11.16 KEY WORDS

Advertiser: a person or organization that uses advertising to send out a message about its products ex. "1984 story"

Business to business (B2B): This is send from one business to another Eg, it includes messages directed at companies distributing product, as well as industrial purchasers and professional such as lawyer and physicians. It is not direct at general consumers.

IMC: one of the biggest trends affecting advertising is the development of integrated marketing communication approach, which also is expanding the scope of what has been referred to as the new advertising.

Hard-sell: an ad trumpeting a special reduced price on a tire is an example of a hard-sell approach,

Soft -sell: the long-running Michelin and campaign that shows baby sitting inside a tire is soft-sell (It's selling the tires' durability and reliability without saying that specifically, rather is symbolizes reliability with an image that touches your emotions).

11.17 SELF -ASSESSMENT QUESTIONS

1. Explain the five key component of advertising definition (see Para advertiser, media, vendors, in-house agency)
2. Define marketing and explain advertising's role in marketing (see para 11.4)
3. Who are five key players in the world of advertising and what the responsibilities of each (see para 11.6) are

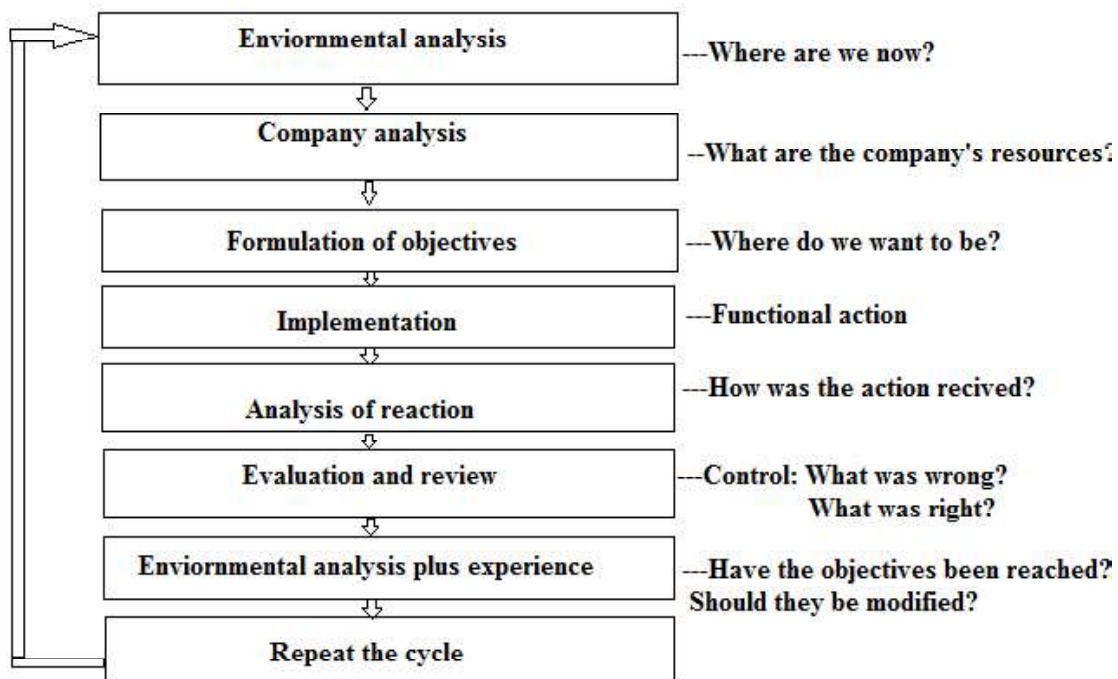
UNIT - 12 MARKETING PLANNING AND CONTROL

Structure :

- 12.1 Learning Objectives
- 12.2 Introduction
- 12.3 Strategic Planning
- 12.4 Planning Hierarchy
- 12.5 A Model for Marketing Planning
- 12.6 Marketing Mix
- 12.7 Marketing Planning as A Tool for Growth
- 12.8 Summary
- 12.9 Key Terms
- 12.10 Self-Assessment Questions
- 12.11 References

strategy has been appropriate and the information that allows corrective action to be taken. A simple view of planning can be remembered through the acronym MOST.

- Mission-the business we are i
- Objectives-what we need to accomplish
- Strategies-in general terms how are we going to do it?
- Tactics-in specific terms how are we going to do it?



A simple planning system

Planning can be confusing because of the many words and titles used in its description. In particular, confusion arises over the meaning of strategy and its use in the terms 'corporate strategy' and 'functional strategy'. It is useful to clarify these terms.

- Planning is the process of decision-making that relates to the future. The term can be used at all levels in company decision-making.
- Corporate planning refers to decision-making at the highest levels of management. It is sometimes referred to as strategic planning or long-range planning. It is not concerned with forecasting sales or marketing mix strategies. Corporate planning asks: 'What business are we really in?'. 'What are our basic objectives?'; 'Are our markets growing or declining?'; 'Do new technologies threaten our products?'. After analysis, strategic plans can be drawn up from the answers to such questions.

12.4 PLANNING HIERARCHY

This can be expanded as follows:

Strategic corporate planning: define organizational mission; establish strategic business units (SBUs) ; anticipate change.



Marketing planning for SBUs: set marketing objectives; develop marketing strategy; make formal marketing plans.



Operational marketing plans: the term 'corporate planning 'has evolved in line with the increasing size of companies and numbers of multi-product, multi-market companies. Takeovers, mergers and multi-national activity have created a complex business environment, so larger companies are indirectly responsible for the direction of several firms who are often involved in unrelated markets. The task is to define corporate mission and develop plans that enable this to be accomplished. The mission should be stated in marketing terms to encourage a wide a view of opportunities.

Objectives are defined and communicated to individual parts of the company whose managers develop their own plans for achieving these objectives. Such a process facilitates a marketing mission rather than a product orientation. Whatever the mission, it should serve to generate a common theme throughout the company and motivate staff towards a common goal.

Audit and swot

Having defined corporate objectives and identified SBUs, the company proceeds to the stages of planning outlined in figure above. The first stage is environmental analysis (sometimes called the external audit) and it is known through the acronym PEST analysis (short for political, economic, socio-cultural and technological analysis). Each of these categories should be investigated in turn. These separate PEST factors have later been broadened. Environmental factors were introduced and the acronym became PESTLE. The most recent is Ecological factors also added. In addition to the external audit, the company performs an internal company analysis. Here the company analyses its own internal strengths and weaknesses and its external opportunities and threat (SWOT). Strengths and weaknesses are listed from an internal company perspective and opportunities and threat from an external macro-environmental viewpoint. Planners can then consider the strengths and opportunities for their SBUs, situate

Setting objectives

Based on marketing research/analysis and knowledge of internal capabilities, the company must decide on objectives, i.e the market position the company will seek. The objectives of a marketing plan must be realistic, attainable and specific so that they can be easily communicated throughout the company. To increase sales; or to increase brand awareness are meaningless. More specific (SMART)

Objectives provide a focus for marketing effort and permit subsequent evaluations of such effort .e. g a SMART objective would be to increase product **W** sales by **X** per cent in market **Y** during period **Z**.

Forecasting

The location of forecasting as a stage in the marketing plan varies according to the type of product (new or existing) and the objectives that have been set (marketing based, e.g. increasing brand awareness,-- or financially based, e.g reducing costs or increasing sales).An existing product can be adapted to a different market, so it is likely here that forecasting will precede the objective-setting stage. If we were c considering an existing product and a known market, analysis would have provided sufficient information to permit the setting of objectives. Specific estimates of buyer intentions (i.e sale forecasting) can then follow.

The total market potential is estimated, and then the information is refined into a company sales forecast. Whatever techniques are used ,the net result is the company's best estimate of its expected participation in a given market during a given period (usually one year) .The sales forecast, combined with marketing objectives, thus becomes the foundation of planning within the company.

Budgeting:

Once the company has forecast sales, it can allocate resources on anticipated revenue. Marketing objectives can influence resource allocation. Proctor & Gamble is known for achieving high market -share through aggressive advertising. The option to inject funds into marketing is important when, for example, the company wishes to transform a question market SBU into a star .In considering costs of production, distribution and marketing, expenditure **C** should not exceed anticipated revenue. Sometimes finance will not allocate a set amount of money to marketing, but will require a certain level of profit.

How money is then apportioned to individual elements of the marketing mix is the responsibility of marketing. One technique for arriving at the optimum profit level is to forecast

Marketing control:

Helps sales force members often wish to protect them and give lower sales estimates than are actually possible.

The company has certain sales objectives. It expects based on the needs of the company.

Management may have access to marketing research information not viewed by the sales force.

Management may have a history of dealing with the sale force and realizes that forecasts are generally too high or too low by X percent.

Management may be willing to provide the marketing/sales department with additional resources. Although control procedures are vital to the success of marketing plans, we should not lose sight of the fact that plans are implemented by people .From an organizational point of view, control should be approached with sensitivity. Senior management is ultimately responsible for marketing plans. Managers are also responsible for control procedures. These should be set up with the human factor as a starting point. Managers should attempt to establish priority of information needs and ascertain. Minimum rather than maximum requirements. This will mean greater, not less efficiency

At a functional level, marketing personnel often see their role as "doing" rather than accounting for their activities. The aims of control are often misunderstood. Often, the word is seen as being synonymous with coercion (use force or threats) and allocation of blame. Clearly, these are not the objectives. Marketing control is essential as it:

- Enables corrections and modifications to be made in response to problems which, if not detected could have serious consequences for the plans.
- Provides information that can be used to review at regular intervals (e.g. biannually) on how effectively objectives have been implemented. Deviations caused by internal or external forces can be identified and corrected.
- Provokes analysis that, in turn, causes opportunities to be identified.
- Acts as a motivating force at all levels of operational activity.

Control, therefore, serves to minimize misdirected marketing effort and is concerned with all marketing activity. As well as being a continuous process that permits "fine tuning" of plans whilst they are being implemented, it involves a review of activity after it has taken place. Usually this is an annual event that allows a company to look objectively at the total

		information relative to competitors.
Strategic planning and tactics:		includes sales, actions, advertising /promotion (action) pricing, product, and resources needed to support strategies and meet objectives.
Desired action	:	list and describe the types of macro-marketing and micro-marketing information needed on a continuing basis.
Environmental factors	:	social, political and economic factors that affect a firm and its marketing program.
Market trends	:	external trends of many types that are likely to affect the marketing in which a corporation operates.

12.10 SELF - ASSESSMENT QUESTIONS

1. A significant proportion of marketing effort is devoted to satisfying the demand of control systems. How would you justify such a claim on a company's financing and human resources.(see Para 12.2)
2. Differentiate between corporate goals and operational, or functional, marketing objectives, how are these planning activities related?(see Para 12.3,a simple planning system)
3. What is the relationship between strategic marketing planning and overall corporate planning? (see 12.6)

12.11 REFERENCES

1. Marketing Made Simple- Geoff Lancaster & Paul Reynolds
2. Tourism Principles, Practices, Philosophies- Charles R.SGoeldner, J.R.Ritchie -
3. Marketing for Hospitality and Tourism- Philip Kotler, John .T.Bowen, James.C.Makens

13.1 OBJECTIVES

After reading this unit you will be able to:

- To understand about tourism events and attractions
- To learn about Event marketing
- Stopover Destinations
- Identifying Target markets
- Classification of Visitors segments

13.2 INTRODUCTION

To attract tourists, destinations must respond to the travel basics of cost, convenience, and timeliness. Like other consumers, tourists weigh costs against the benefits of specific destinations and investment of time, effort and resources against a reasonable return in education, experience, fun, relaxation, and memories. Convenience takes on various meanings in travel decisions: time involved in travel from airport to lodging, language barriers, cleanliness and sanitary concerns, access to interests (beaches, attractions, amenities), and special needs (elderly, disabled, children, dietary, medical care, fax and communication, auto rental). Timeliness embraces factors that introduce risk to travel such as civil disturbances, political instability, currency fluctuations, safety, and sanitary conditions.

13.3 EVENTS

Events and attractions are the two primary strategies used, by tourist destinations to attract visitors. Events may be offered by nearly every community regardless of size. Pukwana, South Dakota, a town of only 287 people, features a Turkey Trot and a lawn mower race, and both have received national publicity.

Organizations commonly responsible for tourism development and promotion are tourism authorities, tourism/visitor bureaus, Chambers of Commerce, convention and visitor bureaus, tourism ministries, and others. These organizations usually have responsibility for planning and organizing events designed to bring visitors to the community. In many cases, local organizations plan events designed for the enjoyment of community members. Sponsors often expect financial assistance from tourism funds, but unfortunately these events may attract few if any outside visitors.

Beyond their economic value, events help to create an identity for a community. Urban newspapers and suburban weeklies often publish a list of events, festivals, and celebrations occurring within a day's driving distance. State and local tourism offices do the same, making sure that travel agents, restaurants, hotels, airports, and train and bus stations have event-based calendars for posting. Nearly every European country now has a 900 number that you can call in the United States to get a listing of forthcoming events. Major U.S. cities have summer programs of scheduled events, and some, such as Milwaukee, have well-established year-round events. Milwaukee's June-September lakefront festivals (Festa Italiana, German Fest, Afro Fest, Polish Fest, and others) attract tourists regionally and nationally.

Wine festivals and wine trails and tours have been popular in Europe for generations. These are now occurring in the wine areas of Australia, New Zealand, and the United States. The Napa Valley of California has over 270 vineyards, each offering a unique visitor experience for the 5 million wine tourists annually. Areas not previously known for wine production such as Texas, Missouri, Virginia, and North Carolina have established festivals and wine trails.

A study by the Washington State Wine Commission showed that 2 million visitors a year visit the 135 wineries in that state, generating \$19 million in visitor income. The Australian Winemakers Association estimated that by 2025 wine tourism revenue would reach \$1.1 billion.

13.4 EVENT MARKETING

Events that attract a desired market and harmoniously fit with a community's culture can provide beneficial results, particularly if the event regularly reoccurs over a period of years. Events that occur only once or that require substantial capital investment for a community may not offer sufficient economic returns. A common reply by event promoters is that the public relations value of the event outweighs cost considerations. This claim must be carefully and objectively analyzed before acceptance. Events must also be examined for the possible effect they may have on the cultural/societal impact upon the host community. "Destinations must choose their events to fit the needs of the locality, since each event draws on its own type of crowd.

A Decision Framework: Event Planning

- What strategic factors relate to this event? To answer this question, one should take into account the following:
- Mission, goals, and objectives of the event-tourism program

- Event critical path
- Nature of event support required
- Media coverage

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13.5 ATTRACTIONS

Attractions may be natural such as Niagara Falls or The Scottish Highlands or man-made such as The Shopping Areas of Buckingham Palace, Hong Kong, or the Vatican.

Many nations have recognized the value of these natural attractions and have created national or state parks to protect them. However, the sheer numbers of visitors wishing to experience attractions threatens the ability of those in charge to protect them.

The long-run success of tourism will depend on man-made attractions to satisfy the desire for travel. Man-made historic attractions such as the pyramids of Egypt and Mexico are also at risk with increased visitor numbers. New attractions are continuously needed. This requires tourism investment.

Tourism investment ranges from relatively low-cost market entry for festivals or events, to multimillion-dollar infrastructure costs of stadiums, transit systems, airports, and convention centers. Regardless of the cost, urban renewal planners seek to build tourism into the heart of their city's revitalization. Boston's Quincy Market, New York's Lincoln Center, and San Francisco's Fisherman's Wharf are examples. The ability to concentrate attractions, facilities, and services in a convenient, accessible location is essential to create a strong destination pull.

In centrally planned economies governments control, plan, and direct tourist development. Tourism is necessary to earn hard currencies for trade and development and serves national purposes. Tourist expansion is highly dependent on public investments, which have proved to be woefully inadequate without private investment and market mechanisms to respond to changing consumer needs and wants. Many nations promote private investment through joint ventures, foreign ownership, and time sharing for individual investors. The Mexican Riviera (Puerto Vallarta, Cancun, Ixtapa) is an example of public-private combinations of successful tourism investments, where state investment in infrastructure works with private investment in tourist amenities, from hotels, restaurants, and golf courses to shopping areas.

transportation; a Rolls-Royce limousine or a helicopter. Each floor features a private reception, and there is a personal butler for each suite. The Jumeriah Beach Hotel has 600 rooms and eighteen restaurants and features a reef a mile off shore for scuba divers. The hotel also features extensive meeting and conference facilities to attract international meetings.

13.6 STOPOVER

Many visitor destinations are in fact only stopover destinations for travelers on their way elsewhere. Singapore has more than twice the number of annual visitors than its resident population, but visitors stay less than three days. Twenty-one percent are in-transit or stopover guests.

Singapore's visitors shop, dine, and stay in 'world-class hotels. Sightseeing and entertainment represent only 3% of their expenditures. Despite short stays, Singapore ranks second in Asia and eleventh in the world in terms of tourism receipts.

Kansas, Nebraska, Arkansas, Missouri, and many other states recognize the value of stopover visitors to their economies. Cities at the edge of large metroplex areas such as Lewisville, Texas, north of Dallas also serve as stopover destinations. Many visitors prefer to stop outside a metroplex at a convenient roadside motel rather than attempt to find lodging in the city center.

The decision to spend one's disposable income on travel vs furniture, a boat, or other purchase alternatives involves important psychological determinants. Table 18-2 lists some of the major psychological determinants of demand for tourism. These determinants can be used as segmentation variables. Demographics and lifestyles are also important segmentation variables.

The growing percentage of retirees in many nations has vastly expanded the tourism business. An increasing percentage of two-career couples has resulted in a trend toward shorter, more frequent vacations. Longer vacations (ten or more nights) have been declining for years in the United States, while shorter vacations (three nights, including weekends) have become increasingly popular. Hotels and airlines have accommodated these trends with low-cost weekend excursion packages. Business travel now includes mixed business and leisure. To capture the trend toward shorter vacations within driving distance of home, new local and regional tourist attractions have been growing, as have family-oriented resorts.

Foreign visitor travel has become an increasingly important segment of the North American travel industry. Since the decline of the U.S. and Canadian dollars, foreign tourism has grown.

Not every tourist is interested in a particular destination. A destination would waste its money trying to attract everyone who travels. Instead of a shotgun approach, destinations must take a rifle approach and sharply define target markets. Many visitors to Myrtle Beach would find Charleston stuffy and boring. Attempts to attract those individuals would result in mutual dissatisfaction.

13.7 IDENTIFYING TARGET MARKETS

A destination can identify its natural target markets in two ways. One is to collect information about its current visitors. Where do they come from? Why do they come? What are their demographic characteristics? How satisfied are they? How many are repeat visitors? How much do they spend? By examining these and other questions, planners can determine which visitors should be targeted.

The second approach is to audit the destination's events and attractions and select segments that might logically have an interest in them. We cannot assume that current visitors reflect all the potentially interested groups. For example, if Kenya promoted only safaris, it would miss groups interested in native culture, flora, or bird species.

Tourist segments are attracted by different features. The local tourist board or council could benefit by asking questions keyed to segmentation variables. These variables, including attractions sought, market areas or locations, customer characteristics, and/or benefits sought, can help to define the best target markets.

After a destination identifies its natural target markets, tourism planners should conduct research to determine where these tourists are found. Which countries contain a large number of citizens who have the means and motivation to enjoy the particular place? For example, Aruba attracts mainly sun-and-fun tourists. The United States, Canada, and certain European countries are good sources. Eastern Europeans have been ruled out because: they lack the purchasing power, but this is changing. Australians are ruled out because they have their own nearby sun-and-fun destinations, even though "Aussies" are frequent travelers. This analysis can uncover many or few natural target markets. If many are identified, the relative potential profit from each should be evaluated. The potential profit of a target tourist segment is the difference between the amount that the tourist segment is likely to spend and the cost of attracting and serving this segment. The promotional cost depends on the budget. The serving cost depends on the infrastructure requirements. Ultimately, potential tourist segments should be ranked and selected in order of their profitability.

SELF-CONTAINED ATTRACTION AND EVENT DESTINATIONS

The historical concept of travel has been to go someplace for a purpose. It can be argued that for many contemporary pleasure travelers, the rear destination is the vehicle of travel such, as a cruise ship, river paddle ship, or a special railroad such as the Orient Express. The fact that this vehicle travels to various ports may be secondary in the minds of the travelers. The pure pleasure of moving about in this special mode of travel is the primary travel purpose. Upon reaching in-transit ports, not all passengers choose to leave a cruise ship.

These "moving destinations" offer a variety of events for passengers of which dining is particularly important. Games, gambling, theater, musicals, participatory murder mysteries, seminars, dances, and a host of other on-board events enhance the pleasure of moving destinations.

As industrialized societies experience enlarged numbers of senior citizens, these relatively passive moving destinations are likely to receive increased demand.

13.8 CLASSIFICATION OF VISITOR SEGMENTS

Several classifications have been used to describe different visitor destination segments. The most commonly used classifications are based on whether the tourist travels with a group or independently. The common terms are o group-inclusive tour (GIT) and independent traveler (IT). National tourism offices, international airlines, and others involved in international travel frequently use these designations.

Here are some classifications describing tourists by their degree of institutionalization and their impact on the destinations:

- Organized mass tourists. This corresponds to the GIT. These people have little or no influence over their travel experience other than to purchase one package or another. They commonly travel in a group, view the destination through the windows of a tour bus, and remain in preselected hotels. Shopping in the local market often

provides their only contact with the native population.

- Individual mass tourists. These people are similar to the previ ous category but have somewhat more control over their itinerary. For instance, they may rent an auto to visit attractions.
- Explorers. These people fall in the IT classification. They plan their own itineraries and make their own reservations. They tend to be very sociable people who enjoy

unspoiled destination. The nature of visitors now changes, with each new group somewhat less adventurous than the preceding group, perhaps older, and certainly more demanding of creative comforts and service. Finally, a destination becomes so familiar that the least adventurous group of psychocentrics finds it acceptable.

13.9 MONITORING THE TOURIST MARKETS

Tourist markets are dynamic, and a marketing information system is part of any well-run tourist organization. Destinations need to closely monitor the relative popularity of their various attractions by determining the number and type of tourists attracted, to each. The popularity of the Metropolitan Museum of Art, Big Ben, or the Colosseum can suddenly or gradually change. Marketing information systems help to identify and predict environmental trends that are responsible for these changes. Information should be collected on the changes in the wants of existing markets, emerging markets, and potential target markets. For example, in the 1990s the Japanese yen appreciated relative to Western currencies. Australia, a popular destination for the Japanese, became even more of a value because of the increased purchasing power of the Japanese tourist. The state of Queensland increased its marketing efforts toward the Japanese to take advantage of the favorable currency exchange.

The Las Vegas Convention and Visitors Authority (LVCVA) conducts an annual tourist profile. Information for this profile is collected through customer surveys on an ongoing basis. Survey results indicate that the majority of visitors spend less than four hours a day gambling. The visitors are coming for entertainment and the nongaming amenities of the mega re-Sorts. This information helped to attract a number of new restaurants, such as Spago, Wolfgang Puck's, Cafe Coyote, and Planet Hollywood. Las Vegas has developed a reputation as a restaurant town. This further enhances its image as a diverse destination rather than just a gaming venue.

One job of a tourist organization is to increase the accessibility of a destination. The LVCVA uses information from its survey to identify emerging markets that can support direct airline flights. Armed with current travel patterns and projected travel patterns based on their surveys, the LVCVA makes presentations to airlines, trying to convince them to start new routes, which will be profitable for the airlines and provide another region of the country with direct air service to Las Vegas. The accessibility of Las Vegas by frequently scheduled and relatively inexpensive airfare is in part responsible for it being one of the top convention centers in The United States. This did not happen by accident; it happened as a result of efforts by the LVCVA.

and advertise in each other's markets. For instance, Illinois targets New York, California, Texas, and Japan. It produces multilingual travel guides, videotapes, and radio segments.

Destinations have formed partnerships with travel, recreational, and communication businesses on joint marketing efforts. They advertise in national magazines and travel publications and work with business-travel pro-motions to link the growing business-leisure segment of the traveling public and they target travel agencies. Many states have located welcome centers along major interstate highways that include unstaffed, two-way video systems to answer questions from a central location or otherwise assist travelers. States also target their own residents with brochures, maps, and, calendar of events.

Finally, effective destination imaging requires congruence between advertising and the destination. Glossy photographs of sunsets, beaches buildings, and events need to have some relationship to what tourists actually experience; otherwise, destinations run the risk of losing tourist good will and generating bad word-of-mouth.

Many tourist destinations have discovered that it is important to show residents interacting with tourists in their advertisements. Thousands : mountain slopes and beaches exist in the world and most look alike in photos. Very few tourists seek a completely secluded vacation site. People are social creatures by nature and consciously or unconsciously seek the company of fellow humans.

Curiosity is another common human trait. We wish to see how others live and to intermingle with them if for only brief periods before retreating to a five-star hotel. A classic success story of reversing a serious decline in tourism occurred in Jamaica. The decline had occurred under a government that seemingly expressed anti-North American viewpoints. Unfortunately, crime increased, visitors were abused, and tourism fell. A new government was installed with different attitudes and the Jamaica Tourist Board was determined to rebuild its tourism base. A U.S. advertising agency was hired to develop, an advertising campaign.

This campaign emphasized local people welcoming visitors. The theme was "Come Back to Jamaica, Come Back to the Way Things Used to Be Television ads were designed for passive and active tourist segments, including families and honeymooners. Tourism once again rebounded and credit must be given to the Jamaica Tourist Board.

DEVELOPING PACKAGES OF ATTRACTIONS AND AMENITIES

An effective way of communicating with potential travelers is by offering packages. Tourist organizations must develop a package of attractions and amenities. Travelers make comparisons

People are social creatures by nature and consciously or unconsciously seek the company of fellow humans.

13.11 CHECK YOUR PROGRESS

1. Define Event Marketing and Explain.
2. Explain different types of Tourism Attractions
3. What is a Stopover? Explain.
4. How Target Markets are identified ?
5. Classify Visitors segments?

13.12 ANSWERS TO CHECK YOUR PROGRESS

1. Refer section 13.4
2. Refer section 13.5
3. Refer section 13.6
4. Refer section 13.7
5. Refer section 13.8

13.13 KEY WORDS

1. **"Moving " destinations"** : Destination is the vehicle of travel such, as a cruise ship, river paddle ship, or a special railroad such as the Orient Express.
2. **Tag-along visitors** : Members of the family are common "tag-along" visitors. The presence of tag-along children has created a subsidy of child care and entertainment.
3. **Grief travel** : Airlines offer special fares for family and friends attending funeral services. This segment will increase in importance as society ages.
4. **Education and religious travel** : This broad category includes students, those on a pilgrimage, missionaries, and a host of others. It may be of limited use in tourism planning unless further segmented.

UNIT - 14: TOURISM DIRECT AND INDIRECT MARKETING

Structure :

- 14.1 Objectives
- 14.2 Introduction
- 14.3 Reasons For Growth Of Direct Marketing
- 14.4 E-mail
- 14.5 Direct Marketing Builds Relationships
- 14.6 Development Of Integrated Direct Marketing
- 14.7 Tourism Indirect Marketing
- 14.8 LET US SUM UP (SUMMARY)
- 14.9 Check Your Progress
- 14.10 Answers To Check Your Progress
- 14.11 Key Words
- 14.12 Books for Reference

gained. Marriott Hotels, Resorts & Suites now claims to have the largest hotel database in the world, due to the Honored Guests Incentive program.

The following examples illustrate ways in which the hospitality and travel industries are using direct marketing. Continental Airlines sent its One Pass members a coupon for a \$198 child's round-trip ticket between any two cities that Continental serves in the contiguous United States. American Express offered its members in Houston a discount coupon to Birraporetti's restaurant. The San Diego Convention and Visitors Bureau placed an advertisement in Travel Weekly, offering a free "Travel Planner's Guide" to interested travel agents and meeting planners.

Ski Limited, which operates the Killington and Mt. Snow resorts in Vermont and Bear Mountain resort in California, has a database that tracks 2.5 million skiers and adds 250,000 skiers a year. The information includes home addresses, level of skiing ability, and past skiing expenditures. Ski Limited uses this information to determine where skiers come from, when they ski, and what level of services they desire at a resort. This allows the company to promote events aimed at certain segments, such as an amateur race for New York City skiers. In one promotion, 90,000 midweek lift ticket discount cards were mailed to skiers who lived at least three car-hours away and normally came to the resort only on weekends. This promotion had a great deal to do with changing ski days so that 50 percent of the company's revenues now come from midweek customers.

14.3 REASONS FOR GROWTH OF DIRECT MARKETING

There are several reasons for the growth of direct marketing. Direct marketing -Allows precision targeting. A manager promoting a dinner featuring a variety of wines can send a mailing to customers who have purchased a bottle of wine in the restaurant costing more than \$50 during the last six months. In a properly targeted and executed direct-marketing program, response rates of 10 percent to 20 percent are achievable. Thus it is possible to get from 50 to 100 sales from a list of 500 qualified names. Normally, one might expect this kind of response after contacting 2,000 potential customers,

Personalization is another advantage of direct marketing. Personalization can be expressed in several ways, for example, by personalizing the offer to fit the needs of the target market. This could be as simple as recognizing an interest that a restaurant's customers have in fine wines. Hotels can also develop unique offers directed at individuals, such as offering a special weekend package in celebration of a client's wedding anniversary.

Direct-marketing efforts may be measured in three ways: (1) the number of inquiries generated, (2) the ratio of conversions or purchases realized from inquiries generated, and (3) communication impact.

Direct-marketing tools are expanding today with the emergence of fax machines and e-mail. Computer-driven communication offers considerable promise as an advertising and sales vehicle. Many companies now communicate directly to key customers through e-mail.

14.4 E-MAIL

Customer databases contain a field for an e-mail address. Thus, just as databases can generate mailing addresses, they can also create e-mailing lists. E-mail received a boost in popularity among direct marketers after the terrorist attacks of September 11, 2001, and the subsequent anthrax scare with regular mail. The spending on e-mail is expected to increase from \$1 billion in 2001 to \$9.4 billion in 2006. One advantage of e-mail is that it is quick and thus a good way to get rid of excess inventory. For example, Holland America sent out 250,000 e-mails on May 14 to try to fill up its spring and summer cruises.

One of the problems with e-mail is the low cost of sending e-mails, which results in users receiving a lot of unwanted e-mails. The average e-mail user receives about 700 unsolicited messages a year, and this figure is expected to increase to 1,400 by 2006.³⁹ The result is that more and more e-mail goes unopened, and gaining permission to send someone an e-mail is becoming more important.

Checklist to make sure e-mails are effective:

- The greeting should be personalized and other persons being sent the same message should not be listed.
- The name of the company sending the message is identified. When an outside supplier is sending the e-mail, their name may be listed. In this case, it is important that the organization sponsoring the e-mail has its name listed before the supplier.
- The subject needs to be relevant to the reader.
- E-mails need to be short. The best e-mails use no more than sixty-five characters per line. Some browsers will break lines longer than this, creating a formatting problem.
- Text message is the preferred format because some browsers cannot accept enhanced HTML messages.

trying to develop new guests. Studies have shown that it costs four to seven times as much to bring in a new customer as it does to maintain an existing one.

Latour Management of Wichita operates four restaurants in Wichita, Kansas. They sent 16,000 postcards to area residences, using a mailing list that profiled current customers in terms of postal code and income. The card offered a free dinner at one of Latour's restaurants if the recipient dined at the other three. The card featured names of each restaurant and a space for a signature by each restaurant certifying that the diner had purchased a meal. When the diner had three signatures, a free meal was available at the fourth restaurant. Diners had to turn in their cards to receive the free meal. Thus Latour could update its database using the address label on the card. Another benefit of the promotion was that it exposed customers of one restaurant to others in the chain. During the first ten days of the campaign, the restaurants signed 500 cards accounting for 1,000 meals.

Mauna Kea resort villas of Hawaii had a very real need to develop relationship marketing with prospective customers. After all, they were selling vacation villas for over \$1 million each. Obviously, advertisements in most media would be inappropriate or too expensive. Mauna Kea developed a three-stage direct-mail program aimed at frequent visitors. During stage 1, a high-quality Japanese lounge jacket and a letter were sent free of charge to each prospect. In stage 2 a beautiful conch shell and another letter were sent. Stage 3 occurred when the guests arrived at Mauna Kea and reached their rooms. A third letter was placed conspicuously next to a free bottle of champagne. The result was a 40 percent lead-generation response.

Hard Rock Cafe and Hotels worked with MBNA, a major issuer of credit cards, to develop a VISA rewards card for Hard Rock. The card gives members 11% cash back on all purchases at Hard Rock and 1% cash back on all other purchases. Customers do not have to pay the \$24.95 membership fee to join Hard Rock's loyalty program if they sign up for the credit card. Hard Rock is able to encode data from their loyalty program on the cards' magnetic strip, allowing Hard Rock to track membership information.

14.6 DEVELOPMENT OF INTEGRATED DIRECT MARKETING

Most direct marketers rely on a single advertising vehicle and a one-shot effort to reach and sell a prospect. A one-time mailing offering a weekend package at a hotel is an example of a single-vehicle, single-stage campaign. A single-vehicle, multiple-stage campaign would involve sending successive mailings to a prospect to trigger purchases. For example, restaurants

Corporate Social Responsibility activities, employer-branding and so on), sustainability (vision, mission, strategy, sense and confidence, ...), long term orientation to customers and quick problem-solutions (Innovative services, flexibility, adaptability,...), chances (absolute and relative market share, selling potentials to lift, capability to be innovative, life cycle of the products and some more), linked processes (organisation, distribution, product planning and production control, strategic human resource management, knowledge management, quality management , a cherish association with the employees (open communication, fairness, trustful, education, advanced trainings and so on), valuable networks (competent suppliers, advisers, co-operations with universities, trainers, coaches and more).

An Example of Good Tourism Indirect Marketing

Let's say that you have a product (a new theme banquet hall with discotheque) and a website for this product where people can easily sign up. Your target market is teenagers and young customers who are using a lot of texting products nowadays, and the people who are still in their 20's and spend at least an hour playing video games or browse social net work sites per day. The most important thing with indirect marketing is to choose your niche and your target market first, and make it focused on exactly the type of people who will interact with you and possibly buy your product. For this market, you choose a couple of websites to target: Myspace, Twitter, and one very niche community, games.net.

Here are some points on how to start using indirect marketing to your advantage:

- Get an indirect marketing tool to work for you.
- Create profiles on as many social networks and social bookmarking sites as you can.
- Find niche networks that are small-to-medium sized for maximum exposure.
- Provide good links or information on those profiles that's seen as a resource to its users.
- Each day, add friends, or vote, or whatever action, as much you can on each of your social networks to draw attention to your profile.
- Don't just use the tool, actively go on to the sites every once and awhile and interact with the people you have added as friends.
- Give some good content on your profiles and update them at least once a month with more content.

Advantages of Indirect Marketing

Indirect marketing refers to marketing strategies that offer potential customers benefits outside of the product or service your company is offering, such as entertainment or expertise

14.9 CHECK YOUR PROGRESS

1. Define Direct Marketing? Explain
2. Explain the reasons for growth of direct marketing?
3. Explain the use of Email in Direct Marketing
4. How Direct Marketing Builds Relationship?
5. Explain Development of Integrated Direct Marketing?
6. Define Indirect Marketing. What are the advantages and disadvantages of Indirect marketing?

14.10 ANSWERS TO CHECK YOUR PROGRESS

1. Refer section 14.2, 14.3
2. Refer section 14.3
3. Refer section 14.4
4. Refer section 14.5
5. Refer section 14.6
6. Refer section 14.7

14.11 KEY WORDS

- 1. B2B (business to business) e-commerce:** Using B2B trading networks, auction sites, spot exchanges, online product catalogs, barter sites, and other online resources to reach new customers, serve current customers more effectively, and obtain buying effectiveness and better prices.
- 2. B2C (business to consumer) e-commerce:** The online selling of goods and services to final consumers.
- 3. C2B (consumer to business) e-commerce:** Online exchanges in which consumers search out sellers, learn about their offers, and initiate purchases, sometimes even driving transaction terms.
- 4. C2C (consumer to consumer) e-commerce:** Online exchanges of goods and information between final consumers.

UNIT - 15: MARKETING TOURIST DESTINATIONS, VISITORS ATTRACTIONS AND HOTEL ACCOMMODATION

Structure :

- 15.1 Objectives
- 15.2 Introduction
- 15.3 International Dimensions of Destination Marketing
- 15.4 Nto Marketing Influence and Control
- 15.5 Destination Promotion - Strategies
- 15.6 Destination Positioning Themes, Images and Concepts
- 15.7 Marketing Facilitation Strategies for An Nto
- 15.8 The Destination Image Strategy
- 15.9 Marketing Visitors Attractions
- 15.10 Let Us Sum Up (Summary)
- 15.11 Check Your Progress
- 15.12 Answers to Check Your Progress
- 15.13 Key Words
- 15.14 Books for Reference

on promotion, and what they can achieve through various forms of facilitation. Facilitation means assisting the component sectors of the travel and tourism industry in their own country and in other countries from which visitors are drawn. Because the marketing process for NTOs is different from that for providers of accommodation, transport or attractions, the process is outlined in some detail, using two figures. The meaning of 'facilitation' is explained.

15.3 INTERNATIONAL DIMENSIONS OF DESTINATION MARKETING

A tourist organisation, as Medlik and Burkart explain it, 'is defined by reference to the interests of a geographical area as a tourist destination, which may be a country, region, or an individual town'. Within this context, 'the term NTOs is used to designate the organisation entrusted by the state with responsibility for tourism matters at the national level. It may be a fully fledged ministry or a directorate general or a department or corporation or board'.

There are many different forms of organisation an NTO may take, although the principle of government support through official recognition and funding is normal even in cases where the NTO is not part of the state administration. The scope of an NTO's marketing function is usually two-fold:

In the first place the tourist organisation can formulate and develop the tourist product or products of the destination; secondly it can promote them in appropriate markets. It can base its approach to development and promotion on market research and thus achieve a close match between the products and the markets. In doing this the tourist organisation is acting on behalf of all interests in tourism and on behalf of the whole destination and is complementary to the development and promotion activities of individual providers of tourist services.

In Britain, established by the Development of Tourism Act of 1969, there are four statutory bodies, each of which meets the definition of NTOs. They are the British Tourist Authority (BTA), the English Tourist Board (ETB), the Scottish Tourist Board (STB), and the Wales Tourist Board (WTB). Although its statutory powers are much wider, BTA has limited its role in practice to responsibility for marketing Britain overseas. The tourist boards for England, Scotland and Wales are each responsible for the development and promotion of tourism in their areas and STB and WTB have some powers to market themselves overseas. There are separate boards under different legislation for Northern Ireland, the Channel Islands and the Isle of Man. In the USA, at federal level, the NTO is the United States Travel and Tourism Administration (USTTA), which is responsible mainly for the promotion of tourism into the USA. Most of the US state governments have formed their own tourist offices, mainly for the promotion of US domestic tourism into their areas. All these national and state NTOs act as

realistic to relate marketing expenditure to parties rather than to individual arrivals. Third, especially for developed destinations, it is obvious that a proportion of leisure visits would continue to be made without NTO expenditure, influenced, for example, by previous visits, recommendations of friends, and of course the marketing efforts of the tourism industry as a whole.

Marketing is only one of the influences

These set out the economic, social, and behavioural factors at work in societies, which collectively determine the volume and types of travel and tourism generated by any particular country. These so-called 'determinants and motivation' of tourism include disposable income per capita, amount of leisure time available, personal mobility, availability of transport systems, the price of travel, and exchange rates. The importance of understanding the external business environment as the basis for marketing strategy has been stressed throughout this book and needs no further emphasis here.

NTO marketing must respond to, but cannot influence the external factors direct. For example, Britain derives about a quarter of its international tourism revenue from American travellers, who are its most important market. But neither the British Government nor the BTA can influence in any way the level of US incomes, the international value of the dollar, or the US overseas deficit on trade, which in the early 1990s was a major influence on that country's economy. Effective NTO marketing begins with an understanding of the determinants influencing its main markets; it aims to work with the opportunities created by favourable events, while limiting the impact of unfavourable ones. For example, if an NTO in the Pacific region had its marketing budget increased by 400 per cent in a year in which, say, the level of air fares with its main markets doubled, the number of tourist arrivals would fall. By contrast, a cut-back in a marketing budget in a year of favourable changes in external factors could be associated with a very large increase in the volume of travel. This point in no way denies the value of destination marketing, but does set it in the context of national and international events over which NTOs have no control.

NTO marketing is only part of the total effort.

Heneghan, in attempting to trace the effectiveness of marketing for the Irish Tourist Board (Bord Failte) in the mid-1970s, calculated that the marketing expenditure by the Board amounted to about 15 per cent of all tourism marketing expenditure for the Republic of Ireland in the USA (Heneghan: 1976). It is difficult to calculate such figures, because records do not exist, but the proportion looks realistic having regard to what is spent by airlines, tour operators,

role in that country, especially for inbound tourism. Neither of these associations are confined to marketing but they do provide a valuable forum for marketing issues and coordination with their NTOs.

15.5 DESTINATION PROMOTION- STRATEGIES

From the previous discussion it can be concluded that there are any destination. The first level, concerned with the destination as a whole and tourism products, is the focus of what NTOs do. The second level covers the marketing activity of the mainly commercial operators promoting their individual products. Within the first level of marketing NTOs have to choose between two alternative strategies. One of these is reaching prospective visitors through expenditure on a promotional mix intended to promote destination awareness and influence prospective customers' attitudes; the other is concerned with exercising influence over the tourism industry.

A promotional strategy

The promotional strategy means implementing promotional programmes to project destination images and key messages to targeted segments of potential visitors, to encourage them to send for product brochures, or call into travel agents in their area. Using a metaphor that has been widely quoted, Burkart and Medlik summarise this strategic choice as creating an 'umbrella campaign', under which, at the second level, the various individual providers of tourist services can market their own components of the overall tourism product.

The second level of marketing thus covers the full range of mainly commercial marketing initiatives, in which 'airlines and other transport operators, hotel groups, and tour operators can market their individual services to a market of potential buyers already aware of and predisposed to the destination...' (Burkart and Medlik: 1981, p. 197).

The decision to invest the greater part of their budgets in promoting destination awareness and images appears to be an obvious and convincing strategy, and it is chosen by most NTOs and regional tourist offices around the world. Following the logic of the strategy, the bulk of NTO marketing expenditure and its organisational structure should reflect promotional campaign priorities. In selecting this strategy, however, it has to be assumed that the budget an NTO has to spend is large enough to implement effectively the promotional campaigns its market segmentation studies identify as necessary. To be effective, such campaigns must be of sufficient weight and impact to create the necessary numbers of potential buyers who are aware of and predisposed to the destination. But if budgets are not adequate for the task, expenditure on an image-creating strategy may in practice be a waste of money on desirable objectives that

small businesses, that would otherwise be unable to participate in marketing on a national or international scale.

15.6 DESTINATION POSITIONING THEMES, IMAGES, AND CONCEPTS

Whatever the main thrust of strategy, be it promotion or facilitation, NTOs always have a vital function to perform for their destinations in choosing the single minded communication propositions (messages and symbols) that serve to identify and position their countries in the minds of prospective visitors, and differentiate them from all others.

BTA's Heritage themes, Scotland's Rainbow and 'Scotland's for me', Wales' Dragon, 'I love New York', Birmingham's Big Heart of England', and Canada's The World Next Door', all serve to brand and identify their destinations with unique labels. To be successful in practice, such labels must:

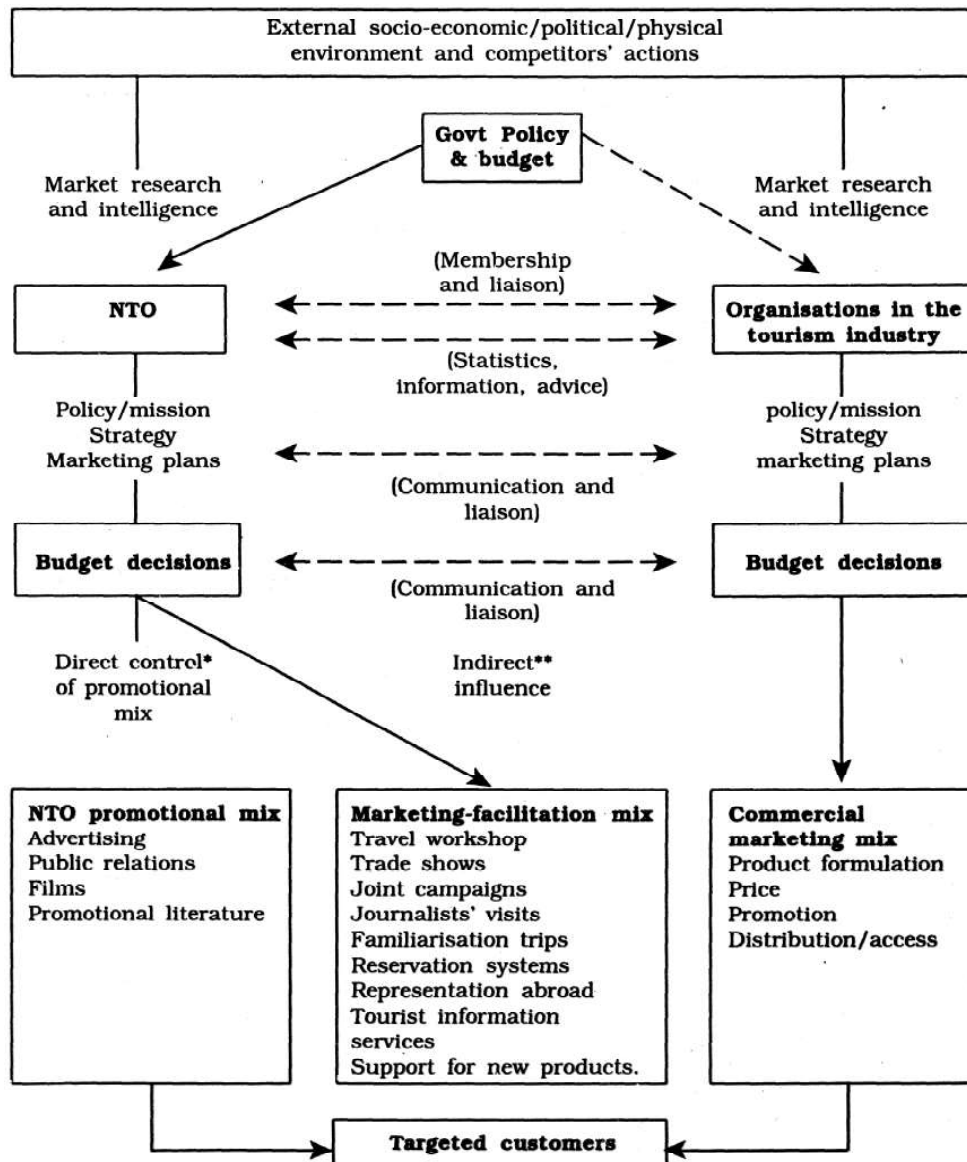
- Be based on genuine product attributes
- Make sense and be understood readily by customers.
- Involve at least the leading players in the commercial sector.
- Be incorporated into the promotional efforts of a country's regions and resorts.
- Be sustained over several years if they are to overcome the communication barriers.
- Be systematically exploited in a range of sales-promotion and customer-servicing techniques designed to reach existing visitors at the destination as well as prospective visitors in countries of origin.

Developing successful images and implementing them effectively requires detailed consumer research and creative flair in relation to a destination's intrinsic visitor attractions. This is usually a role that only an NTO can fulfill, and only an NTO can take on the task of communicating the chosen positioning to the tourism industry. But it should not necessarily have to spend the bulk of its own scarce resources in promoting the image to the general public in markets of origin.

It will often be possible for NTOs to develop co-operative promotional efforts arising out of the facilitation strategy, and draw on the financial support of the travel and tourism industry in mounting any advertising and publicity campaigns judged necessary to support or enhance the destination image. Working within a strategy of facilitation, an NTO will often play a tactical role with its publicity campaigns, e.g. to correct the short-run effects of negative attitudes in markets of origin, arising from news stories about prices or personal security. These tactical efforts should not be confused with highly expensive attempts to use NTO budgets

Government policies relevant to tourism marketing strategy may be summarised as:

- To generate increased tourism revenue.
- To channel demand by season and by area of the country.
- To protect consumers' interests and enhance the quality of the product and the environment.



* Expenditure mainly in the countries or areas of origin from which prospective visitors are drawn.
 ** Expenditure in countries or areas of origin and at the destination.

———— Line of direct responsibility.
 - - - - - Line of liaison and communication.

Figure 15.1: The destination marketing process for NTOs.

that tourism revenue should generate foreign exchange earnings and employment in accordance with national economic policy and environmental objectives.

Government policies relevant to tourism marketing strategy may be summarised as:

- To generate increased tourism revenue.
- To channel demand by season and by area of the country.
- To protect consumers' interests and enhance the quality of the product and the environment.

The first two of these policies tend to be common to most countries. The third, discussed later under facilitation, is less well understood.

The representation of commercial and other organisations on various committees and boards of NTOs is also a common feature of; NTO operation. It is intended to create a productive dialogue between the main organisations in the travel and tourism industry, and the direction of government and NTO policy. Marketing strategy is an important aspect of this dialogue, and the liaison stages are noted in Figure.

Marketing planning

It follows from earlier comments about the limitations of an NTO's budget and its influence on markets that selecting priorities, and turning these into strategies and specific targets for products and segments, is a vitally important exercise. In practice marketing planning for an NTO has two separate functions to discharge. The first is in relation to any promotional campaigns it intends to carry out in its main markets of origin, and the second is in relation to guidelines, facilitation and marketing support for the industry as a whole.

Effective planning for marketing strategy and tactics is impossible without an adequate information base. The marketing planning process for an NTO is no different in principle from any other application of standard techniques. Regrettably, the travel and tourism industry in most countries is still notorious for the paucity of its research information base compared with what is commonly available for most other manufacturing and service industries. It is a criticism of most NTOs that they have spent millions of dollars over recent years on advertising campaigns, while expenditure on basic marketing research into visitor interests, behaviour and attitudes, necessary to achieve the most effective use of the money, has been very limited.

Marketing objectives and targets

To assist British producers in travel and tourism to develop their overseas visitor markets, the British Tourist Authority (BTA), for example, has developed an extensive range of marketing-facilitation techniques over recent years. It distributes regularly a guide, *Marketing Opportunities*, which extended to sixty pages in 1992. It summarises the assistance available under sixteen headings, ranging from advertising and print to travel workshops, with most headings containing more than one option. Most of these marketing services are not free, but they can be obtained at costs that few individual medium-sized or small operators acting on their own could match. For BTA, the income derived from these services achieves funding additional to that available from government sources.

Forms of Facilitation by NTOs

Twelve of the most important facilitation processes used by NTOs are discussed below.

1. Flow of research data

By providing a regular, user-friendly flow of research data to the tourism industry, through digests of statistics, short reports on market trends, and help with research enquiries, an NTO may make valuable inputs to the marketing planning processes of individual businesses in all sectors. Co-operative and syndicated research surveys also provide cost effective ways in which an NTO can stimulate the flow of relevant data. The regular distribution of research summaries is a practical way of maintaining contacts with the industry and exercising influence over marketing strategy at the same time.

2. Representation in markets of origin

By establishing a network of offices in foreign countries generating the bulk of its international visitor flows, an NTO can create and maintain vital travel trade contacts, and act as a point of distribution for the destination's range of tourism products. By manipulating the choice of contacts and its distribution priorities, the NTO can exercise an important influence over the producers it helps, in relation to its chosen marketing objectives. The network of offices may also generate flows of vital marketing intelligence, to be fed into the NTO's information system and used in the marketing planning process.

3. Organisation of workshops and trade shows

Since the 1960s NTOs have been making arrangements whereby groups of suppliers of tourist products may meet with groups of prospective buyers, such as tour operators, travel agents, and other travel organisers, at relatively low cost. Either in the market of origin or at the destination, individual hoteliers, attractions, suppliers of conference facilities, air businesses offering youth products, for example, may be able to make contact and discuss business in

below the price of commissioning a purpose- designed colour brochure in small numbers from a printer.

Many NTOs sell advertising space in their range of brochures, which they promote and distribute overseas. Indeed one of the main purposes of NTO brochures is to provide advertising opportunities to the tourism industry and many brochures produce a surplus of revenue over costs. Assuming the NTO's own literature; distribution processes are efficient, these brochures may be very cost-effective advertising media, through which small and medium-sized businesses can reach otherwise inaccessible international markets. NTOs may also offer direct-mail distribution services for the operator's own printed material.

7. Participation in joint marketing schemes or ventures

Joint schemes or joint ventures are specific marketing projects that an NTO may be willing to support on a joint participation basis of, say, \$100 for every \$300 contributed by partner(s). Usually a sum of money is made available and communicated to the tourism industry- public sector as well as commercial sector-which may submit bids for the money, often in competition with others. Schemes normally required formal application procedures and scrutiny and criteria are applied, e.g. whether or not the products concerned are likely to proceed without some financial support for their marketing, whether they potentially contribute to stated national marketing objectives, say off-season travel; and whether they have adequate backing from their originators and appear likely to succeed. Successful applicants may be granted up to half the cost of their scheme, although many receive less. Equally important, participants in an adopted scheme may draw on the professional expertise of an NTO's marketing department, and the other facilities available for production of print, overseas representation, research advice, and so on.

According to the way in which the criteria for support are drawn up, an NTO can use schemes to influence operators in the tourism industry along lines indicated through its strategic planning process. By monitoring the success of schemes, it also develops its research knowledge of particular products, segments and markets.

8. Information and Reservation Systems

By using new computerised information technology, NTOs may assist sectors of their tourism industry by establishing central reservation systems in support of the brochures of product offers they distribute. Although such systems are primarily designed to facilitate commissionable bookings by retail travel agents, access to the system may also be made available separately to individual customers. Travel agents and other distributors who can

Market research indicates that many visitors to tourism destinations, especially foreign and first-time visitors, are open to suggestion and persuasion from all sources of information, but especially those having the official endorsement and authority of an NTO and its regional bodies.

Associated with this concern for customer satisfaction are forms of consumer protection, such as the requirement that tourism prices should be clearly notified, and the operation of tourism complaint procedures, supplemented in some countries with tourism police. Finally, there is a growing concern in many countries to protect and enhance the quality of tourism products through schemes of accommodation classification and grading designed to increase customers' satisfaction with their experiences. Not normally considered a part of NTO marketing, such schemes make no sense unless they are firmly marketing-led, and designed around the identified needs of the customers an NTO seeks to promote.

Increasingly in the 1990s, NTOs are likely to defined product quality standards in consultation with operators in the travel and tourism industry. These may include minimum levels of equipment to be provided in accommodation, and codes of good practice, e.g. in giving buyers full information in brochures. Adhering to minimum environmental practices is likely to feature in agreed standards in the 1990s in many countries. Once quality standards have been agreed, NTOs may limit inclusions in their brochures and display in tourism information centres to operation who comply. In this context facilitation becomes a quality control tool for marketing purposes.

12. General advisory services for the industry

Although the provision of advice to businesses is a time-consuming process, and it cannot reach more than a fraction of the tourism industry as a whole, access to information can make a very important contribution to the marketing decisions of suppliers with limited market contacts and budgets too small to commit more than a minimum sum to market research. There are many ways in which expensive person-to-person advice can be extended. An NTO may, for example, organise seminars and conferences on marketing topics and disseminate the contributions as widely as possible through its publications. An example is Wales Tourist Board's launch of a distance-learning course in 1987, in conjunction with the national education system, which was designed to give farmers in Wales an opportunity to learn how best to provide, manage, and market farm tourism.

15.8 THE DESTINATION IMAGE STRATEGY

Earlier in this it was explained that many NTOs fund and organise overall destination

a whole, recognising and strengthening industry linkages in the products that destinations provide, and devising themes and images to integrate promotional efforts. By its nature, facilitation is task-orientated and, in terms of securing value for money from promotional expenditure, it is usually easier to prove success through this strategy than through expenditure on image campaigns. The links between marketing and product formulation, which emerge naturally through the facilitation process, help to ensure that tourism development in a country is market-led.

The individual activities described as facilitation in this chapter are not new in the 1990s. But the balance in the use of NTO resources, and the co-ordinated use of the range of techniques to achieve targeted objectives is new; it results from more professional marketing in the sector. The allocation of resources is likely to be most cost-effective if it is integrated around creative images and themes judged relevant to the interests of prospective customers and the special characteristics of the destination's resources.

The principles set out here are broadly applicable to regional and area tourist boards, which have much the same coordinating role and strategic choices in using their resources as NTOs do. Areas boards work mainly on domestic tourism and deal with smaller, mainly local operators, but they are in many ways microcosms of their larger national organisations.

15.9 MARKETING VISITOR ATTRACTIONS

Most managed visitor attractions in the UK and in many other countries are small operations with less than 30,000 visits per annum and less than £50,000 earned revenue. Most are based on a single location and not operated as businesses for profit. Many, however, have over 150,000 visits, and the number of large commercial attractions has increased rapidly since the 1970s. Nevertheless the operators in this sector as a whole present a strong contrast to the large, multi-site commercial corporations that so strongly influence tourism markets for transport and accommodation. This chapter aims to show that the principles of marketing still apply, even in a sector of the tourism industry not distinguished by a customer-orientated culture or by its business-management skills.

As initially outlined, all forms of visitor attractions are important 'elements within the destination's environment, which largely determine consumers' choice and influence prospective buyer's motivation.' This chapter is concerned only with managed attractions based on a wide range of natural or man-made resources, which either naturally or after development have the power to draw or motivate visitors to their locations. There is ample international evidence to prove that the power of resources to motivate visitors is not an absolute but a relative quality.

parks, lakes or heritage coastal areas. Other attractions based on built resources such as castles, museums or cathedrals have been subject to some form of management for decades, although here too the new forms of marketing are very different from traditional forms of information and promotion.

What distinguishes the last part of the twentieth century is the scale of visits by large numbers of people, which increasingly calls for the exercise of sophisticated management techniques at attractions. The techniques may be used simultaneously to protect the resource, to enhance the visitor experience, to promote a site and generate revenue for it in an increasingly competitive market. Associated with this new emphasis on management is a growing understanding of the ways in which visitor attractions can be developed out of resources and structures not originally thought to be of interest to visitors, or created where none existed previously. Examples are the construction of Disney World and EPCOT in Florida, which began with the purchase of some 27,400 acres of low-lying swamp and agricultural land of no obvious visitor attraction in the mid 1960s; the development of canal basin warehouses at Wigon Pier in the North of England in the mid 1980s, an example of industrial dereliction turned into an attraction; and the use of Garden Festivals in the UK to regenerate former heavy industry sites that can no longer sustain their original role.

Within this context of modern professional management, marketing techniques are emerging as the best way to develop and sustain satisfying products, create value for money, influence the volume and seasonably patterns of site visits, and generate sufficient revenue to cover the costs of operation and maintenance of the resource base.

The concept of applying systematic modern business-management techniques at visitor attractions as diverse as museums and national parks is not yet fully accepted in all countries. The idea of charging for access to the primary assets of national heritage of even less widely accepted, although charging is not common in most new purpose-designed attractions. The evidence suggests, however, that the rate of change in management and marketing awareness at visitor attractions has been rapid in the 1980s. This change is supported by the expanding educational provision for travel, tourism and recreation managers, especially in North America and Europe, and one may confidently predict a far wider extension of modern management techniques by the end of the century.

The development of marketing thinking is of course stimulated by the pressures of competition. It is noteworthy in England that over half of all the visitor attractions available in the early 1990s were developed in the previous two decades. New attractions, often dependent

The definition is not restricted to attractions that have an admission price and the trend is in this direction rather than for free provision. The charge for using the attraction may be made at a ticket office, barrier or a car park, or for the use of parts of the site; it may be obligatory or operated on a voluntary basis. Prices may be intended to cover the full resource cost of operating an attraction, or just to cover its current (not capital) expenditure, or simply to make some contribution to costs that are otherwise paid from some other source.

Common characteristics of the visitor attractions are that they are usually small in terms of the number of visitors and the revenue they receive, many are product-rather than market-orientated, and most have very limited marketing knowledge and marketing budgets so small as to limit what they can achieve in practice to improve their revenue performance. Visitor attractions do not generally have an outward looking, proactive corporate culture to guide their decisions.

For Britain, the British Tourist Authority and English Tourist Board had records of 4,840 attractions open to the public in 1990, for which they have actual or estimated visitor number. Over 12 months in 1990 those attractions recorded a total of 337 million visits. Compared with a UK population of just over 57 million, plus some 18 million overseas visitors a year, the importance of attractions is clear. But only just over fifty sites making an admission charge exceeded half a million visits in 1990, many of those being in London and drawing on the large number of overseas visitors. It is unlikely that more than about 150 attractions have the staff resources to employ their own professional marketing managers, although most are engaged in marketing activities to some extent. For the rest, compared with the larger operators dominating transport and hotels, most are still in the cottage industry stage.

There are some obvious and important well managed exceptions to the generalisations above, such as Disney World and Disneyland, and the other major operators in the USA; and Madame Tussauds, Alton Towers, the National Trust, English Heritage, Thorpe Park and Beaulieu, for example, in the UK. But the management philosophies and corporate culture at the bulk of all visitor attractions around the world are usually not strongly orientated towards marketing concepts.

In the 1990s it seems true to say that the attractions sector of the tourism industry is divided into a few that practise modern management techniques, and others that are still far from the philosophies of customer orientation advocated in this book. In the first group

Historically, many attractions, especially those based on collections, were formed and are directed by dedicated enthusiasts and scholars. These enthusiasts usually have always been short of funds and have had to overcome great difficulties in defeating the forces of inertia to establish their collections. As a result, many attractions are located in structures and sites that are barely adequate for the purpose, having only limited facilities for display and interpretation to the general public. At the same time, the management structure of individuals, trusts, local-authority recreation departments and government agencies that control many attractions is not noted for its marketing expertise.

On this evidence, certainly in the UK, the typical site manager is responsible for one site location only, has very limited links with other sites, has never undertaken any form of market research, has had no formal management and marketing training, and has a marketing budget of under £5,000 per annum. Such a manager is likely to be more concerned with the daily problems of financial survival than with expansion and development through marketing initiatives.

There are only a few multiples established in the attractions field in Britain offering unified product standards. But the National Trust and English Heritage (with their equipments in Scotland and Wales), do provide an equivalent to large multi-site groups, marketed with a common image and under central management control. These large groups have some smaller voluntary equivalents among the independent attractions, including, for example, the Treasure Houses of England (historic properties noted later in the chapter), Great Little Trains of Wales (steam railways), and many area co-operative. These groupings are a logical development in the marketing of attractions, both for promotion and distribution purposes, and they are believed to point to a future in which such linkages will become increasingly common.

15.10 LET US SUM UP (SUMMARY)

Both transport and accommodation products perform an enabling rather than a motivating role within the overall tourism product. It is also stressed that much of transport revenue still derives from various forms of business and other non-leisure travel, and from the carriage of freight. Similarly, for hotels and other forms of accommodation, a significant proportion of total sales revenue derives from non-leisure travel and from bars, catering, and functions that are geared to a local community rather than to visitors.

Some managed visitor attractions, such as museums, are also geared to local communities, but most are almost exclusively concerned with leisure travel segments and motivations. One

4) **FAMILIARIZATION TRIPS** : By arranging for parties of selecting foreign travel agents, journalists and tour operators to visits the destination and sample the products available, it can influence the effectiveness with which the travel trade in markets of origin acts in support of the destination and its products.

5. **TRAVEL TRADE MANUALS**: Wide variety of products available in many destinations in a country and a large number of producers, it is usually impossible for all foreign travel agents and tour operators to be serviced individually. Trade manuals helps visitors.

15.14 BOOKS FOR REFERENCE

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3. Tourism Marketing - P.C. Sinha
4. Tourism Marketing & Advertising - V.S. Dhahiya
5. Hospitality and Travel Marketing - Alistair M. Morrison
6. Marketing Management - Sherlekar

16.1 LEARNING OBJECTIVES

After reading this unit you will be able to:

- Understand What is a case study?
- Background of case study
- Various case studies
- How to analyse a case study

16.2 INTRODUCTION

Will Shelton was evaluating information received from the owner of a motel that was for sale in Fort Morgan, Colorado. Will had answered an ad in The Wall Street Journal under the heading "Business for Sale." To Will's surprise, he received a call directly from Hank Bennington, the owner of the Sleep Well Motel of Fort Morgan, Colorado.

During the conversation, Mr. Bennington described his motel and his reason for wanting to sell. He also described the many advantages of living in Colorado and promised to send Will more information on his company. The next day an overnight package of information arrived at Will's home.

16.3 BACKGROUND ON WILL SHELTON

At 44 years of age, Will felt that he had climbed the corporate ladder about as high as he was likely to go. He also had doubts about remaining in a large corporation the rest of his working life. The present position Will held was director of marketing research for a large electronics corporation located in Houston, Texas. Despite the title, Will felt his position was not satisfying. "Marketing research in an industrial company just isn't very exciting or personally rewarding; in fact, it's downright dull." This statement pretty well summarized Will's feelings. Although Will had been trained as an engineer, he discovered that engineering wasn't his primary interest and began to move into marketing. When the position of marketing research director opened in his company, Will applied and was elated when he learned he had received the position. In reviewing this move, Will stated that he believed the fact he had recently completed an MBA during part-time studies had helped him to obtain the position.

In his earlier years, Will had studied and worked in New Mexico. He had learned to ski and also enjoyed hunting and fishing in that state. Will felt the people in that part of the United States were somehow more genuine and that life was better in many ways than his present life

financial sheets in detail. That could come later. For the moment, Will was picturing himself on the slopes of Colorado's beautiful mountains gracefully skimming down the snow.

This case was written by Professor Cathy H. C. Hsu. Hong Kong Polytechnic University.

DISCUSSION questions

1. Discuss the pros and cons of Will Shelton owning and operating the Sleep Well Motel.\
2. Do you believe that Will's marketing/marketing research background will be of great assistance to him La running this motel?
3. Why do you suppose Mr. Bennington said that Will's marketing background would be a real benefit?
4. What kinds of marketing/sales tactics are best suited for a motel such as the Sleep Well Motel?

The cafeteria for employees of I.C.E. (the national electric company of Costa Rica-Institute Costarricense de Electricidad) was experiencing difficulties, and top management felt compelled to see what corrective actions could be taken. Responsibility for correcting the problems had been assigned to Antonio F. Caas Mora, assistant manager for telecommunications.

The problems were two types-. First, no one 'was satisfied with the time required for lunch. The time often extended beyond the allocated half an hour, resulting in loss of productivity. The second, related problem was ' how to change the lunchtime eating habits of the employees. The majority of employees used the main serving line, where they purchased a heavy traditional Latin meal. This required a considerable amount of time and also made the employees sleepy after eating. As a result, afternoon productivity among office personnel declined.

BACKGROUND ON I.C.E. AND THE CAFETERIA

I.C.E. was the largest electric utility and the only telephone company in the nation of Costa Rica. It was owned and operated by the government of Costa Rica. Although I.C.E. had field office locations throughout Costa Rica, the central administrative offices were located in the city of San Jose in a modern fifteen-story building. A total of 4,486 persons were employed by LC.E., and 1,453 of these worked in the central office building. This group used the cafeteria facilities.

The cafeteria had been in operation for five years. It was under the management of an employee cooperative. This cooperative was managed by an elected board of directors

Two cash registers were located at the end of the main serving line, and one at the end of the sandwich line. Information was not recorded concerning the number of employees who used each line nor the average expenditure per person in the sandwich line. However, it was felt that the average lunch expenditure per employee would probably be about two-thirds of the per person expenditure in the main serving line.

WORKING HOURS AND OFFICE RULES

The office hours at I.C.E. extended from 7:30 A.M. to 3:30 P.M., with half an hour for lunch. Employees were expected to arrive on time. This meant that some employees had to rise as early as 5:30 A.M. and few could rise later than 6:30 A.M.

Coffee breaks were not officially permitted, and there were no vending machines in the building. The policy of no coffee breaks had been instituted because many employees spilled coffee or other liquids on reports. It was also felt that a coffee break was unnecessary since half an hour was given for lunch. Workers would occasionally bring a cake or cookies from home and share them with employees in their work area even though this was officially frowned upon.

A system had been devised to prevent all employees from crowding into the cafeteria at one time. The doors of the cafeteria were locked until 11:00 A.M., at which time employees began to arrive on a set schedule by floors. The line closed promptly at 1:30 P.M.

SURVEY RESULTS

Before attempting to make changes to correct the situation in the cafeteria, management felt it would be wise to conduct a survey among the employees. This was done through the use of a written questionnaire, which was given to all persons using the cafeteria on a selected day. The results of this questionnaire follow.

RATE OF FLOW THROUGH SERVING LINE

Main line. After two days of observation, it was found that the average time required for a person to pass through the main serving line from the moment a person picked up a tray until leaving the cash register was slightly in excess of three minutes, with a range of two to four minutes. There was never a break in this line from the moment the cafeteria opened at 11:00 until it closed at 1:30. The line moved steadily, yet a waiting line would form between 12:00 and 12:45, which at times extended well into the hallway in front of the elevator and caused waiting times of twenty minutes before reaching the actual food line.

DOING BUSINESS IN

South Korea may seem to be the promised land for American fast-food chains. Faced with the saturated and highly competitive U.S. market, one would think that the chains would be flocking to South Korea. However, McDonald's has only four stores in the country—one store for every 10.8 million Koreans, as compared with fifty-one stores in Hong Kong (one per every 112,000 residents). Similarly, Wendy's has only thirteen outlets in South Korea, and Burger King has only twelve.

Why have U.S. fast-food restaurants been so slow to enter South Korea? In late 1991, the Wall Street Journal published a ranking of 129 countries based on the risk of doing business in each. The rankings combined each country's rankings on the basis of political risk, financial risk, and economic risk into an overall composite risk score. South Korea fell into the low-risk category with a composite score of 73.5 out of a possible 100. It ranked twenty-seventh on the list, just behind Portugal and ahead of Botswana. The low-risk category, which covered scores from 70 to 84.5, also included the United States, "which ranked ninth with a composite score of 83.5. South Korea's political risk score was 63 out of 100, and it had scores of 47 out of a possible 50 of financial risk and 36.5 out of 50 on economic risk.

Even though South Korea's overall score suggested a low level of risk, analysts point out that it is a tough market. Land prices are especially high. A high-traffic site in Seoul, the capital city, can cost \$7 million to buy or require a \$1 million deposit to rent. The land for a factory may cost more than the factory. Raw material costs are the highest in Asia. Manufacturing wages have gone up 18 percent per year since 1986. Governmental restrictions, such as high tariffs and limits on certain imports, such as cheese and beef, frustrate food chains. Gaining government approval for investment takes time and can be very difficult. Companies also find it difficult to bring additional capital funds into the country. Korean firms, fearing new competition, resist entry and investment by foreign firms. Foreign firms also suspect that the Korean government doesn't really want foreign investment, especially if it will adversely affect domestic producers.

All these factors have resulted in a low level of foreign investment in South Korea. The Korea Development Institute, a government-funded think tank, indicates that the ratio of foreign investment to gross national products is 14.6:1 in Singapore and 1.61:1 in Taiwan but only 0.36:1 in South Korea.

Analysts suggest that U.S. brewers are showing more interest in foreign markets because of the slow growth in the U.S. market. A Coors spokesperson notes that to gain more business in the United States, you have to take it from someone else. In Korea, he notes, the beer market is -growing 15 percent a year, and a company has a chance to earn some of that growth itself. American brewers are well positioned to expand. One industry executive states, "There is a movement toward lightness in all beverages (around the world) and American beers have always been very light compared to European beers."

Prior to the Korean agreement, Coors had only licensed its beer in Canada and Japan and exported it to three other countries. Coors is entering South Korea despite Miller Brewing's recent departure. Miller pulled out of Korea because of high tariffs and the rising value of Korea's currency, the yuan,. Coors won't have an easy time of it, even if its agreement works. The Korean government has licensed only two other brewers. These two national breweries produce several Korean beers and market Carlsberg beer under license. Also, one is licensed to sell one of Coors's toughest competitors-Budweiser.-Like Coors, Ralston Purina has also decided to go against conventional wisdom- It has constructed a \$10 million plant in Korea to produce its Chex breakfast cereal. But unlike Coors and the fast-food companies, Purina has some advantages. First; it will enter a market containing no strong local producer. Second, Purina is .not newcomer to the Korean market-it has been operating in Korea for twenty-five years. Purina began in Korea by producing feed for cows, hogs, poultry, and fish and later moved into cat and dog food. Purina has paid careful attention to the Korean, market's development. It has found that the consumption of breakfast cereal closely follows the consumption of milk throughout the world. When it noted rising income levels and Milk consumption in Korea, it decided that the time was right to dive into cereals.

MAKING IT EASIER

Despite the efforts of the fast-food companies, Coors, and Purina, the Korean government is still concerned about the low level of foreign investment. As a result, the government is slowly changing the rules. It now grants automatic approval for projects valued at less than \$20 million, up from the \$5 million limit. Moreover, foreign companies can now establish wholly owned subsidiaries. The government may also make it easier for foreign companies to bring in additional capital, and it is granting tax breaks to high-tech electronics companies and may offer cheap land to high-tech companies that locate in Korean industrial parks.

However, the government has been slow to offer similar benefits to processed foods or packaged-goods companies, and it has been reluctant to allow foreigners to build modern

unbelievable. The Stouffer will open up on July 1, and a new Sheraton will open up later this year. Radissons are going up left and right. A lot of smaller hotel chains are putting up budget hotels. Right now I would say we are overbuilt until the city gets its convention center expanded so that we can attract larger groups. There is not enough corporate business to go around to supply all of us with a decent occupancy."

- What actions does the Excelsior plan to take within the increasingly competitive environment? "To be competitive, you have to have the product. Once again, that's our first step. We want to bring our overall product of service back up to a competitive level, meaning that we have to renovate and make some other adjustments decor-wise-new rooms, new furniture, and some other things. Those are tangible things."

- Describe the relationship between the management and the hotel owners, "We are a management company. We don't own a nickel here. Our ownership is another company. They have a little different philosophy on how to make money and to provide quality service to the guests. They don't have the same idea regarding bottom-line profits and quality rendered to the guests. Obviously, you have to realize the relation between profit and quality service to the guest. If you put in "turn-down" service, it is costing you money. If you give your employees benefits, it costs you money. Anything you do other than supplying them with one towel and a clean room costs you money. It means that the profit level between what we feel is obtainable provided that we give the guests great service and what our ownership thinks we should make as a hotel is different. They feel we should make a lot more money,"

The general manager was perplexed as to what direction the hotel should take. The building is in need of renovation to maintain its attractiveness and "image." There is pressure from the owners to offer less and make more, which is inconsistent with long-standing image. The biggest threat, though, is coming from the increased competition for the lucrative group business from newer hotels and convention centers. However, the city was beginning to enter a "renaissance" period with the planned expansion of the Convention Center, the completion of the Super Block area, and a push for retail stores and businesses to relocate downtown.

2. What steps in addition to renovation, should the Excelsior be taking to prepare for increased competition?

The board of management of the Armed Services YMCA of Honolulu, Hawaii, was considering the possibility of converting the top two floors of the building into a commercial hotel. The location of the building within the downtown business area near the state capital seemed perfect to satisfy the lodging needs of budget-minded business travelers plus the

booth service and was patronized primarily by YMCA residents and by some nearby office workers who occasionally dropped in for coffee. The kitchen area was old and in need of remodeling.

The barbershop was a conventional men's barbershop and was distinguishable by a small, traditional, red-and-white-striped barber pole. About 90 percent of the customers were walk-ins. Several areas on the first floor had been converted to office space and leased out to tenants. This included the public men's room on the first floor next to the barbershop. The back section of the first floor included facilities traditionally associated with a "Y": a large gymnasium (4,816 square feet), two saunas, an exercise room, a swimming pool, men's and women's locker rooms, and shower areas. The entire second floor had been converted into offices, including space for the YMCA offices or to office space. The second floor also contained the original ceramic like flooring and was quite impressive. The remaining area on the second floor served as airspace above the first-floor gymnasium with a running track around the edge.

The third floor consisted of two wings and a front section facing Hotel Street. The front section was utilized as a day-care center and living quarters for welfare mothers and was deliberately partitioned to prevent passage by male residents. The east wing included a recreational room with pinball machines, a TV viewing area, a lounge, program room, and laundry facilities, along with office space for the resident manager, executive director, and staff. The west wing was devoted to thirty-two individual rooms for residents 'with a communal shower and toilet area.

The fourth and fifth floors also consisted of two wings connected by the front section. This rectangular horseshoe arrangement was typical of buildings built in that era. The center portion of the building above the ground-floor swimming pool was open air. The entire space on the fourth and fifth floors was devoted to individual rooms with a communal shower-toilet area in each wing. Altogether, the building contained 244 individual units for residents: 32 on the third floor, 93 on the fourth, and 119 on the fifth. These were approximately 8 by 10 feet in dimension (or 75 square feet) and did not offer air conditioning, running water, or toilet facilities. During the summer months, the top floors were rather uncomfortable. Rental rates were \$48 a week or \$204 per month.

Approximately 99 percent of all persons utilizing the Physical Fitness Center, including the swimming pool and gym, were civilians. Only 30 percent of the YMCA residents were members of the military. The remaining resident mix consisted of a variety of transients, including

saturation in the United States. That's why McDonald's has been so aggressive in overseas markets."

That's also why Burger King has to be so aggressive in Japan. McDonald's entered the Japanese market twenty-five years ago and now has 2,000 outlets there generating \$2.5 billion in sales-that's half of the entire fast-food burger market in Japan. In addition, McDonald's generates 47 percent of its corporate profits from its 7,000 units overseas; whereas Burger King generates only 19 percent of company sales from its 1,600 units overseas. Worldwide, Burger King ranks fourth behind McDonald's, KFC, and Pizza Hut. With U.S. markets saturated, and the mad cow disease scare slowing sales in Europe, Burger King must find new areas to expand.

In Japan, Burger King will face stiff competition. Not only is McDonald's well entrenched there, KFC also has 1,040 stores in Japan, making it number two in the Japanese fast-food market. Between them, Big Mac and KFC create a formidable barrier to the entry of other firms. These big players have taken most of the good locations, leaving only marginal sites for would-be competitors. Just ask the folks at Wendy's, which made a major push in Japan in the 1980s, but after sixteen years has only sixty-seven outlets. Wendy's is having trouble finding deep-pocket players who want to open fast-food restaurants. Even local officials of Daiei, Inc., which licenses Wendy's in Japan, concede that the entry attempt has been a failure.

Burger King tried to enter the Japanese market once before. It began selling franchises there twenty years ago; franchisees paid an initial franchise fee plus royalties to the parent corporation. However, the royalties were too high and the operation failed. As if all that weren't enough, the number two burger place in Japan is a local competitor, Mos Burger, which has 25 percent of the market.'

In addition to Burger King's previous failure, near saturation of the Japanese market, and stiff foreign and local competition, the company faces another problem in Japan. Burger wars have plagued the entire fast-food industry and almost eliminated profits-reven for McDonald's. Burger King figures that pockets are less full than usual. However, as a result of the The director of the Auckland War Memorial Museum, Stuart Parks, was a worried man. He faced the problem of declining visitor attendance and re

alized that the basic challenge was to reestablish the museum as one of
Auckland's visitor center points.

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2. Hall of Pacific Art portrayed the rich cultural heritage of the Pacific Islands.
3. New Zealand's unique fauna and natural history were featured.
4. The war memorial section contained static displays of New Zealand's military involvement. Dusty models of tanks and aircraft hint of battles fought and valor on the battlefield.
5. Various cultures were contrasted by an extensive decorative art collection.
6. New Zealand's colonial past was reproduced in replica of a nineteenth-century street scene.
7. A maritime collection highlighted the traditional relation between the land, its people, and the oceans surrounding New Zealand's windswept shores.

THE MARKET

With a cosmopolitan population of 750,000, Auckland attracted tourists from other parts of New Zealand, as well as from overseas. As New Zealand's major gateway, the city attracted many international visitors.

COACH TOURS

Numerous local tour bus operators included the museum among Auckland's places of interest. Foreign tourists often used this service. Museum staff involvement was minimal; tourists were left to find their own way around, often relying on the help of the bus driver.

EDUCATIONAL ROLE

School groups began visiting the museum in the 1930s. In 1984, 60,000 children visited the museum as part of classroom studies.

CURRENT PROMOTIONAL METHODS

The museum produced a number of informative brochures. These were made available to tourists at focal points such as hotels, motels, and tourist information centers. Free information booklets had been published by such organizations as the Government Tourist Bureau. These had wide circulation, especially among incoming tourists. Local media often ran articles on exhibitions of special interest.

COMPETITION

The museum council attributed the decline in visitor numbers to increased competition from alternative leisure facilities. The foresight of Auckland's early settlers had provided the

Once Kevin had checked his car in at the body shop and made the necessary arrangements, he had telephoned the Enterprise office. Within, ten, minutes, an Enterprise employee had driven to the repair shop to pick him up. They had returned to the Enterprise office where Kevin had completed the paperwork to rent a Chevy Lumina. He had driven the rental car for twelve days before the repair shop had completed work on his car.

16.6 LET US SUM UP (SUMMARY)

This chapter gives information about various case-studies of Tourism Industry, Each case - study will have have a situation or to analyse and to find a solution the future. The various case-studies are Will Shelton, Sleep well Motel and Coors tries its Hand.

16.7 CHECK YOUR PROGRESS

1. What made Mr. Will to apply for the better position ?
2. What did you understand from the case- study of Sleepwell Motel ?
3. What did you learn from the Coors Tries its Hand Case - study ?
4. Can the use of marketing concepts/strategies be of use in solving the problem with Cafeteria I.C.E.?

16.8 ANSWERS TO CHECK YOUR PROGRESS

1. 16.3
2. 16.4
3. 16.5
4. 16.4

16.9 KEYWORDS

- 1. Corporate ladder** : Career growth in profession
- 2. Motel** : Hotel which is located near by the Highways
- 3. Menu** : Various Dishes arranged in a sequence

16.10 BOOKS FOR REFERENCE

1. Tourism Marketing - Alistair M Morrison
2. Marketing for hospitality and tourism - philip Kotler

