
UNIT 1 INTRODUCTION TO MARKETING

Structure

- 1.0 Objectives
- 1.1 Introduction
- 1.2 Definition of Marketing
- 1.3 Need and Importance of Marketing
- 1.4 Nature of Marketing
- 1.5 Core Concepts of Marketing
- 1.6 Marketing Philosophies
- 1.7 Let Us Sum Up
- 1.8 Clues to Check Your Progress
- 1.9 Further Readings
- 1.10 Activities

1.0 OBJECTIVES

This unit discusses the growth and history of travel and tourism. After reading this unit learner will be able to:

- Interpret the concept of marketing and explain its importance
- recognize the nature of marketing
- explain the core concept of marketing
- compare various marketing concepts and philosophies
- explain and interpret marketing mix elements

1.1 INTRODUCTION

Tourism as a business activity has an enormous impact on society as it is one of the fastest emerging economic activity in the recent past. According to World Travel and Tourism Council the travel & tourism sector experienced a growth of 3.5%, which was greater than the global economic growth rate. According the United Nations World Tourism Organization (UNWTO), the international tourist arrivals reached 1.5 billion in 2019 and was expected to grow at a rate of 3-4 % in next few years. However, the recent pandemic of COVID – 19

across the world, has challenged various destinations, organizations and the entire travel and tourism industry to find innovative ways to survive, rebuild and face the uncertain economic and business environment. Marketing will play an important role in addressing these challenges. Among various business functions, marketing is considered to be an important function as the activities related to this helps in generation of revenue and profit. A legendary management guru, Peter Drucker, once said that there are two important functions of any organization – marketing and innovation. In case a firm is able to do it well, the sustainability of the firm is ensured. In other words without revenue and profits in the long run, all other functions of business become irrelevant. In this light, the entire course will delve into various important aspects and issues related to marketing, highlighting examples from the tourism and hospitality industry.

At the end of this unit, you will be able to understand the various dimensions of marketing, its application in the hospitality and tourism business, and also the challenges that are faced by marketers. A thorough understanding of this subject will help a marketer to take appropriate decisions which are in the interest of the organization. We begin this unit with understanding of fundamentals and core concepts of the marketing.

1.2 DEFINITION OF MARKETING

Tourism is primarily a service-based industry where the major products offered by this sector include experiences and hospitality. The overall travel experience is linked to various components including accommodation, food & beverages, entertainment, shopping, events and other activities in which a tourist is engaged while visiting a destination. At a destination, a tourist interacts with multiple organizations as it is difficult for any one organization to provide all these services. Therefore maintaining the quality of the experience is very challenging in context of tourism. Therefore tourism marketing can be viewed as the process of exchange between *tourists* and *organizations*. In terms of tourists, marketing is concerned with understanding and identification of tourist needs, how they make choices and how do they assess their experience post consumption. In terms of organization, marketing is concerned with developing products and services, determining the price of the offering, how to communicate with the potential customers and also deciding how to reach the customers.

One of the leading institutions that influence marketing thought and practice worldwide, American Marketing Association (AMA) defines, “*Marketing is the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large.*” Philip Kotler, a legendary marketing defined marketing as “*a societal process by which individuals and groups obtain what they need and want through creating, offering and freely exchanging products and services of value with others*”. Kotler and Keller (2009) proposed the shortest definition of marketing as “*meeting needs profitably*”. Recently Park and Shin (2017) proposed that “*Marketing is exchanging value to satisfy stakeholder needs profitably and ethically.*”

Let us critically examine the above mentioned definitions, and understand the underpinnings of the definition.

- (a) **Marketing is an organization function:** As defined by AMA, marketing is an activity and a set of processes. In other words, marketing involves decision making by a set of institutions and people involved in the process of marketing. It also reflects that marketing is linked to other business functions and cannot be viewed in isolation.
- (b) **Marketing is about value:** A lot of emphasis has been laid on the term “value”. The definition of AMA talks about creating, communicating and delivering value. In 20th century, the foundation of marketing was built upon the exchange paradigm, whereas this new definition of marketing lays emphasis on value. In simple words, a tourist will only buy a product or a service, only if perceive perceived benefits exceeds the perceived costs.
- (c) **Marketing is about managing relationships:** One of the key aspects of marketing is to build relationship with customers, suppliers and other stakeholders. The techniques and concepts related to relationship marketing are used to maintain relations as it helps to win customer loyalty.

While we have defined and understood the definition of marketing, let us also clarify that what is NOT marketing. Since many of the travel and tourism companies are small and medium scale enterprises, their management tend to make wrong assumptions of marketing. As a future tourism professional, it is important for your to appreciate this difference, as it will help you to understand the principles of marketing effectively.

1. **Marketing is not merely Advertising** – Many of the tourism marketers assume that advertising or promotion of product or service is marketing. Though advertising is an important aspect of marketing, advertising in itself is not marketing. For example, Incredible India campaign of Ministry of Tourism, Government of India played a vital role in positioning India at international level, however, there are many other aspects of marketing process that are equally important. For example, creating meaningful tourism experiences at affordable prices which meet the expectations of the tourists is equally important for tourist satisfaction and loyalty.
2. **Marketing is not merely Selling** – Another common mistake that is made by many professionals is that they assume that marketing is all about selling. In reality, selling is just one of the components of marketing process and in itself is not marketing. Sales are a result of good marketing. For example, many small hoteliers may simply focus on selling rooms to the tourists, without creating the brand equity through advertising or promotion for the hotel. On the contrary, consider the example of OYO rooms, a company which understood the customer and hotelier needs and created a value proposition for them without investing in building hotels. In fact, management Guru, Peter Drucker once said that the job of marketing is to make selling superfluous. In other words, if marketing has good and effective, there is no need for selling. Effective marketing is about understanding customer needs and then creating tourism products or services that meets their expectations and offer them value. In such a scenario, the customer is ready to buy and there is no need to push the product or service to the consumers.
3. **Marketing is not about Tele calling / telemarketing** – Today lot of travel companies think that marketing is all about connecting with customers through telephone or emails. Merely depending upon telemarketing can be very counter-productive for the travel companies as the customers might feel irritated. Tele marketing is one of the ways to reach customers and therefore is just one of the components of marketing, which is also known as direct marketing.

Effective marketing requires critical understanding of the marketing process and poor implementation can result in marketing blunders which can have detrimental effect on the long term profitability and brand equity of the travel firms. Since it is challenging to assess the return of marketing investment, many critics argue that it is not a wise idea to invest in

marketing. The problem is not in investing in marketing, but how does a firm invest, is of utmost importance. Therefore marketing decisions have to be wise and for that to happen, it is important to understand the fundamentals of marketing.

1.3 NEED AND IMPORTANCE OF MARKETING

Marketing is indispensable for any travel and tourism organization be it airlines, hotels, travel agencies, event management companies, destinations, attractions, souvenir shops, experiences and communities. The process of marketing starts much before the product or a service is made available for the consumption of the consumers. Tourism marketing is a cyclical process which begins with understanding the needs of the tourists, creation of products and services that offer value, serving them to satisfy their needs and winning their loyalty. As a managerial process, tourism marketing involves planning, organizing, directing and controlling the marketing activities. The iterative process through the constructive feedback helps to improve the marketing process.

Let us now understand the need and importance of marketing

- (a) **Marketing facilitates exchange of products and services** – Let us consider an example of a travel company which has developed a wonderful community based rural experience product in Uttarakhand. It is only through an effective marketing campaign that the travel agency will be able to attract tourists' to experience the product. Marketing through the process of advertising and promotion brings together the buyers and sellers on a common platform and facilitates exchange. In case of goods like souvenirs, marketing facilitates transportation, warehousing and display of products in a retail outlet.

- (b) **Marketing helps in understand tourist needs** – One of the primary jobs of the marketing is to understand the needs of the tourists'. As discussed earlier, the process of marketing starts even before the product or **service is conceptualized** and developed. Proper understanding of tourist needs helps the travel company to develop their offering that meets the expectations of the customers. Further, the marketing process focuses on developing the continuous feedback mechanism, wherein the

information flows from the market to the producers which helps the company to ensure that products or services remain relevant to the target market

- (c) **Marketing connects**– In present competitive global business environment there is a dire need to build relationship with the customers. Experts believe that loyal customers helps in building long term profitability Marketing plays a vital role in building customer relationship management in order to win the customer loyalty, which ensures long term profitability and sustainability.
- (d) **Marketing helps in generating new business ideas** –Marketers are always in the search of new business, product or service ideas. Through the marketing research process and feedback mechanism, marketers get access to new ideas that can be translated into business opportunities. For example, Zomato is a service innovation where the company leverages online platform to facilitate the sales of existing small and medium size restaurants.
- (e) **Marketing enhances reputation** – Marketing helps a firm to build the brand and corporate image. For example, the Incredible India campaign by Ministry of Tourism, Government of India helped to enhance the destination image of India among the international tourists.
- (f) **Marketing leads to Growth**– Marketing is a key to long term growth of any travel company or even for the destinations. Destinations invest in marketing in order to attract more tourists which then contribute to the local economy at the destination. Similarly travel companies invest in marketing in order to attract more customers, leading to higher sales and long term profitability of the company. Through effective marketing strategy, customers can be convinced to buy or experience the product / service.
- (g) **Marketing ensures sustainability**– A business is always considered as a going concern. Effective marketing helps the company to constantly innovate, grow and generate profits that are enough for long term sustainability of firm. Through effective marketing strategy, destination planners can encourage tourists to be more responsible and also play a critical role in building sustainability of the destinations.
- (h) **Marketing helps in economic development** – Effective marketing activity creates the demand for products and services. For the tourism industry, the marketing activity encourages people to travel beyond their regional and national boundaries. This helps the local economies of various destinations, as tourists contribute by spending money

on travel, accommodation, food and other services that they avail while travelling. Marketing creates demand of products and services and thereby sustains the supply side of the tourism economy. As marketing has become a specialized function requiring specific skills, a number of job opportunities have also been created. For example, with the emergence of social media tourism marketing a number of specialized skill people have got gainful employment.

Check Your Progress - 1

Q1. How do you define marketing?

.....
.....
.....

Q2. What is NOT marketing?

.....
.....
.....

Q3. Why marketing is considered an important business function?

.....
.....
.....

1.4 NATURE OF MARKETING

The concept of marketing existed ever since commerce existed. However it is only during the 20th century that specialist ‘*marketer*’ and the concept of ‘*marketing*’ has emerged. During the 1950’s, there was a greater debate about the scientific status of marketing. During 1960s, marketing thinkers like Philp Kotler created a new perspective about marketing, where he argued that marketing can even be applied to non-business organizations. During the 1970’s the marketing thought and practice was viewed as a ‘process’ rather than ‘combination of activities’. During 1980’s, marketing was viewed as a strategic function with an increased focus on consumer segmentation. During 1990’s , emphasis was laid on building marketing orientation, relationship orientation and building competitive advantage. In the first decade of 21st century, societal marketing became more prevalent and marketing was viewed as a form

of constructive engagement, keeping in view the emergence of digital technologies. More emphasis was laid on “customer-driven marketing”. In the last few years, a new perspective known as service dominant logic theory by Vargo & Lusch is influencing the marketing thought. According to this, service is the fundamental basis of exchange and that marketing has to create a balance between customers, firms and society.

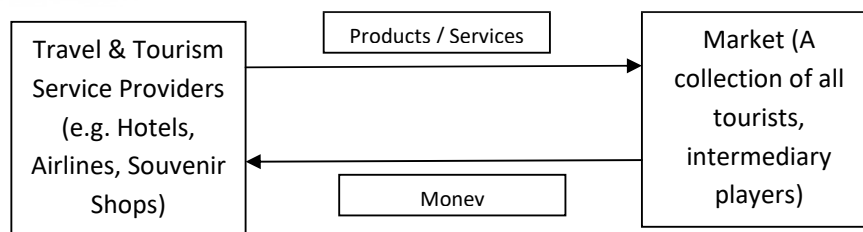
The nature of marketing can be described both as a science and an art. Since marketing has its own principles and scientific practices, many experts view marketing as a science. As marketing deals with customers and customers are human beings, it is also viewed as art, as effective marketing decisions are based on proper training and experience of the marketer. The following points will help you to understand the nature of marketing

- (a) **Marketing is customer-oriented** – At the core of any marketing decision lies the customer. A customer oriented approach will always help a marketer to build products or services that meet the expectations of the customers. For example, a company by the name of Planet- Abled provided accessible travel solutions for people with different disabilities.
- (b) **Marketing is specialized & interdependent business function** – Marketing is specialized business function, which requires that the marketer should be professionally qualified who understand the principles and processes of marketing. Further it is an interdependent function, which means that marketing has to work in synergy and coordination with HR, Finance, Production and other functions of the business. The top management has to be full involved in the marketing process as it has a direct impact on the profitability of the firm.
- (c) **Marketing is goal oriented** – All marketing activities should be goal oriented. In other words, a marketer should be clear about the intended goals and objectives before making any marketing decision. Marketers should focus on return on marketing investment before making any major marketing decisions to avoid any criticism. For example, if the goal of destination marketing is to increase the number of tourist at the destination, all the advertising and promotional activity should focus on highlighting the tourist attractions of the destination and should create pull factors towards the destination.
- (d) **Marketing is process of exchange** – One can view marketing as an exchange process (See Figure 1.1) . Marketing basically provides the following utilities for the consumer – form utility (transforming raw material into valuable products),

time utility (making the service available when the customer wants it), place utility (having the product where the customer wants it), possession utility (right to use or consume a product). While travelling to a particular destination, a tourist needs multiple services which are to required en-route and at the destination. Form utility is related to assortment and bundling of additional services for making the travel experience better. Possession utility can be viewed in terms of booking and payment related decisions. A travel agency has to make decisions regarding how the reservations are to be done; what should be the payment schedule; and how the transactions are to be completed. Time utility is created by scheduling the transportation and other services according to the convenience of the customers. In terms of place utility, a tourist has to travel to a destination to avail the service; however all the pre-travel bookings can be done at the convenience of the customers. For example Yatra.com or OYO rooms through their mobile apps can ensure that the services are offered at their desktops and mobile phones.

- (e) **Marketing is innovative & dynamic** – The needs and wants of customers are constantly evolving and changing. It is therefore important for a marketer to understand that dynamic market forces proactively, and accordingly adapt to the new marketing strategies. For example, COVID-19 pandemic has changed the landscape of the tourism and hospitality industry. All the global players will have to relook into the old marketing practices and come up with innovative ways to rebuilding the destinations and business.

Figure 1.1 Marketing as an Exchange Process



1.5 CORE CONCEPTS OF MARKETING

To understand marketing function better, we need to understand the following core set of concepts.

- i). **Needs, Want & Demand** – Need corresponds to basic necessity and the felt gap between the existing and desired state. For example, if a tourist is hungry, he needs food while travelling; if a tourist wishes to travel, she needs access to transportation. When an unsatisfied need reaches a particular threshold level it causes discomfort and thus increases the propensity to act. Needs can be both physical and psychological. Maslow five level hierarchy need theory can be used to explain travel behaviour. This framework divides human needs into five categories – physical, safety, love, self esteem, and self-actualization. A tourist will look for a minimum acceptable level of accommodation and food while travelling. Similarly in terms of safety need, a tourist will look for a destination which is safe to travel and will avoid places where there is conflict or terrorism activity. Recently during COVID – 19, all the airline passengers were looking for safety precautions while travelling just to minimize the health risks. Need for love and belongingness can be reflected in form of the level of acceptance by the host society. The entire concept of sharing economy e.g. AirBnB is based on the premise that tourists look for building human connections while travelling to a particular destination and therefore prefers to stay with local hosts instead of staying in a hotel. Esteem needs in context of tourism will correspond to need for respect, self-esteem and self-confidence. Lot of youngsters today go for trekking on mountains or undertake adventure activities like paragliding to fulfill their esteem needs. Many travel to international destinations to enhance their status by sharing their pictures on various social media platforms. Finally self-actualization needs correspond to need for personal growth and development. For example, a tourist might travel to newer destinations out of curiosity or might experiment with new modes of routes of travel. A tourist might travel to destinations (e.g. spiritual or religious places) to experience inner peace and harmony. Tourism marketers can trigger the needs by portraying an impressive desired state. For example, travel companies use social media platforms or social media influencers (e.g. Curly Tales on Instagram) to highlight new destinations or new activities. Similarly when an individual urge to travel increases once she sees travel pictures of her friends doing paragliding at Bir Billing (HP).

These unfulfilled needs become *wants* when they are directed at any specific object. In other words, want is an expression of need in a specific form. For example, a tourist might satisfy the transportation need by travelling by air instead of bus. *Wants* are shaped by society, personality of an individual and the culture where she belongs to. For example, when hungry, a tourist from South India will search for Masala Dosa whereas a tourist from Italy will search for Pizza. Tourism service providers understand this and therefore a variety of options are generally offered by them while serving tourists.

Finally when wants are backed by an ability to pay, it results in demand. It decides if a buyer has enough money to make a purchase. For example, a tourist will prefer to stay in an affordable hotel (e.g. Hotel Ginger) if it matches his budget. Similarly a tourist who has enough money will prefer to stay in a five star property (e.g. Hotel Taj). Needs pre-exist and marketers at best can influence the wants. Marketers can create awareness that a need exists (for example, NASA opened up International Space Station to tourists calling them 'private astronauts' and pricing it at \$52 million per person). Marketers through their strategies create the demand for the product.

- ii). Markets** – The term 'market' and 'marketing' may sound similar but these two are different concepts. Market refers to a place where potential buyers and sellers can meet to exchange goods and services. Traditionally a market used to be a physical place (e.g. office of a travel agent), however, with the advancement of technology the concept of market has now move to virtual space and hence 'market place' is now known as 'market space'. For example OYO rooms can be known as 'market space'. In fact, the world have moved even further and the concept of 'meta markets' has emerged. Meta-markets offer all the complimentary products and services of the industry. For example, Yatra.com offers services related to accommodation, transportation, activities at a destination, guiding services and anything that a tourist might need while travelling.

- iii). Customer Value** – The needs of customers are satisfied by using products and services offered by the companies. In order to have satisfied customers, firms should make a value proposition to customers, which is the basis of their decisions. Customer

perceived value is the difference between total customer benefits and total customer costs.

- iv). Products & Services** – Anything that can be offered to a market to satisfy a need or want is called as a product. Similarly, any activities or benefits (which are intangible) offered for sale is called as services. For example a tourist staying in a hotel avails both service (e.g. room) and product (e.g. food) while travelling to a particular destination. It is important to understand that customers do not buy products or services; rather they buy the benefits of the products. Tourism companies should find the benefits tourists are looking for and build their offers accordingly. For example while travelling to Switzerland, a newly-wed couple might be looking for different benefits as compared to a couple who plans to celebrate their Golden jubilee year at the same destination. An intelligent marketer will understand this and accordingly customize the offering which offers them value.
- v). Customer Satisfaction**– Satisfaction reflects person’s judgment of products perceived performance with respect to the expectations. If the performance exceeds expectations, a customer feels satisfied and vice-versa. Customer satisfaction is the end result of customer experiences. Long term profitability of any organization depends upon customer satisfaction, as it has been empirically proved that satisfied customers are loyal customers. As a tourism marketer, you can create structured loyalty programmes which help in customer retention resulting in more business in the long run. On the other hand, unsatisfied customers can prove detrimental for the business as they can create negative word-of-mouth for the company.
- vi). Segmentation, Targeting and Positioning** – The focus of marketing is to have satisfied customers. As a marketer, it is important to understand that it is difficult to satisfy all customers and therefore as a marketer it becomes critical to choose a group of customers which can be served the best. This process is known as targeting and segmentation. According to marketing experts, segmentation is one of the most important strategic aspects of marketing. Once the company identifies the customer segment to serve, effective marketing decisions can be taken. For example, various travel agencies across the world are focusing on senior citizens by designing packages and experiences around this group. Similarly, companies like Wow Club or The

Wanders Girls have created travel packages and experiences exclusively for women travelers. Recently companies like Karyashala, Workation X and Alt Life in Himachal Pradesh have focused on working travelers where travelling and working goes together. Similarly, positioning is about creating the desired image in the minds of the customers and how the brand is different from competitors. For example, Kerala has positioned itself as an Ayurvedic destination of the world. Rishikesh is known as Yoga capital of the world. You will learn more about the various bases of segmentation and positioning strategies in the subsequent units.

- vii). Relationship Marketing** – The basic unit of any marketing exchange is transaction. Traditionally marketers believed in transactional marketing with the focus that every time they can search for a new customer. However, there is enough research evidence that a serving a loyal customer cost $1/5^{\text{th}}$ of the cost of acquiring a new customer. This belief and empirical finding has led to the emergence of relationship marketing. Relationship marketing lays emphasis on building mutually satisfying relationships with customers in order to win customer loyalty. For example Radisson Hotels run a loyalty programme called Radisson Rewards, Taj Hotels run a loyalty programme by the name Taj InnerCircle. Most of the airlines run the Frequent Flyer Programme to win the loyalty of the passengers.
- viii). Competition** – In a market, a firm generally does not have the privilege to serve alone. There are many other firms offering similar product or service. Tourism industry is highly competitive in that sense. Destinations are competing with each other. Travel agencies and tour operators are competing with each other. Hotels are competing with each other. As a marketer it is important to understand the dynamics of competition, in order to devise appropriate marketing strategies. In subsequent units, we will learn more about competitive strategies.

Marketing Channels – While defining marketing, we discussed that marketing is not only about creating value but also about delivering value. Marketers have to create distribution channel to create place utility by linking sellers to buyers and ensuring that the product or service reaches the end user. For example, travel agents play a role of a distributor by selling airline tickets. An airline can also sell the tickets directly through their own websites or can sell through other channels like Yatra.com. In

hospitality space, OYO rooms emerged as a distribution platform where the hotels and potential customers came together to make the transactions. Marketers have to make channel decisions so as to ensure that the product or service reaches the customer as and when required.

Check Your Progress - 2

Q1. What is the nature of marketing?

.....
.....
.....

Q2. What is the difference between Need, Want and Demand?

.....
.....
.....

Q3. What is relationship marketing?

.....
.....
.....

1.6 MARKETING PHILOSOPHIES

The firms marketing activities are influenced by six competing marketing philosophies. Firms can use any of these philosophy to guide their marketing efforts in terms of identifying and fulfilling the customer needs. There are six alternative concepts are – production concept, product concept, selling concept, marketing concept, societal marketing concept and holistic marketing concept.

- 1. Production Concept** – The production concept focuses on internal production or service capabilities of the firm rather than the needs and desires of the customers. If a marketer believes in this philosophy, they will always focus on firm capabilities rather than customer expectations. For example a restaurant will offer the cuisine based on the skills of the Chef or on basis of the raw material available, rather than the desires of the tourist visiting their restaurant. The managers will ask, “What services are most convenient for the firm to offer?” The underlying assumption of this concept is that customers will buy whatever is made available to them at affordable prices. A hotel

which believes in this philosophy will create cheaper accommodation options (like budget hotels / hostels) without focusing much the needs of the customers. Though there is nothing wrong in focusing on internal capabilities but ignoring customer needs may not be a wise marketing strategy.

- 2. Product Concept** – The underlying assumption of product concept is that customers prefer innovative products or services which have improved features and places greater emphasis on quality. Marketers who believe in this philosophy will keep on adding product features without realizing that whether customers perceive any value in it or not. For example, a hotel which believes in this philosophy will offer multiple experience facilities to create high end property. However, many of these services might be of limited value to the customers. For example many of the business travelers who stay in the hotel for few hours of the day look for limited experience options.
- 3. Selling Concept** – This orientation is based on the idea that customers will not buy unless they are pushed to buy the product or service by employing aggressive sales techniques. Even the intermediaries will not push the product unless they are aggressively told to do so. A hotel which believes in this concept will employ aggressive sales techniques like offering discounts or appointing commission agents to sell the rooms, without being too worried about the long term implications on the brand equity. Many of the shops dealing with souvenirs at tourist destinations follow this philosophy and push their products assuming that the probability of a tourist visiting the shop is very low. However, in present times when tourists can share reviews on various social media platforms, this strategy can prove to be detrimental in the long run. This philosophy also does not lay emphasis on understanding customer needs and want and therefore despite having excellent sales team, they are unable to convince the customers to buy their product or service.
- 4. Marketing Concept** – This philosophy has its foundation on ‘customer orientation’ where the underlying assumption is to understand the customer needs. According to this philosophy customers buy products or services that fulfill their needs. For example some travel to a destination to learn more about culture. Other may visit the same destination for experiencing natural beauty. Still others may visit to buy local handicrafts or souvenirs. Though all of them are travelling to the same destination, yet they have different needs to visit the destination. This concept is based upon three important pillars – customer satisfaction, integrate firm activities to satisfy customer

needs, and, achieve sustained profitability by satisfying customer needs. According to this philosophy, customer is at the core of all the marketing activity, and hence customer need satisfaction is the key in achieving long term profitability. A hotel which believes in this philosophy will develop relationship marketing program for customers, will be interested in customer feedback and will continuously upgrade its services meeting the expectations of the customers.

5. Societal Marketing Concept – This concept is a refinement of marketing concept, which is based on the principle that first exists not only to satisfy customer needs and wants, but also to preserve or enhance individuals or society long term interests. Marketers who believe in this philosophy will lay greater emphasis on social responsibility of business. For example, a hotel which believes in this philosophy will adopt green practices like linen reuse program, local and organic food, recycling programme. Marketers who believe in this philosophy will also encourage the implementation of practices promoted by sustainable or responsible tourism. In simple terms, this philosophy calls upon marketers to balance the three considerations while developing their marketing strategy – company profits, consumer needs and wants, and society interest.

6. Holistic Marketing Concept – This is one of the most modern marketing philosophy which is based on designing marketing strategies which are interlined and interdependent so as to achieve synergy in marketing efforts. This philosophy recognizes the fact that in present competitive era, the scope and complexities of marketing activities have increased and thus a holistic approach is required to be effective. Holistic marketing is based upon four components

- i). **Internal Marketing** – In service business like tourism and hospitality, people play a very important role in delivering the service. Internal marketing assumes that everyone in an organization should embrace marketing principles. According to this view, marketing is no longer the responsibility of single department, but all the departments should play their role in building the brand of the firm. For example, a Chef and his staff working in kitchen should understand customer needs in order serve the customers well. Similarly the staff working in housekeeping department should also embrace marketing principles in order to ensure that the rooms are prepared in line with the expectations of the customers. Internal marketing calls for alignment across all

departments so that every employee understands and supports the marketing effort.

ii). **Relationship Marketing** – As discussed earlier in section 1.5, one of the primary goals of marketing is to build enduring relationship with people and organizations associated with the firm. According to holistic marketing concept, there are four constituents for relationship marketing – customers, employees, marketing partners and financial community. This calls for building an effective marketing network with the key stakeholders for long term profitability. Marketers should build an effective customer and partner relationship management programme for delivering high value to final customers. For example a tour operator should develop strong relations with various suppliers including hotels, taxi operators, transport companies, other local suppliers to provide great experience to the tourists.

iii). **Integrated Marketing** – According to this concept, all the marketing activities should be designed and implemented in a way to create synergy between them. The objective should be to provide a unified and seamless customer experience. For example, a travel agency should ensure customer satisfaction right from enquiry from a client to post trip experience. Similarly all the external and internal marketing communication should be integrated. Each of the selected communication strategy should reinforce and complement each other. For example communication through advertising, sales promotion, websites, social media, public relations, events should be synergistically planned and implemented in such a way that they are aligned to the common marketing goal. For example, a hotel should ensure that their reviews on online platforms like Trip Advisor should be aligned to their communication on websites and their official social media platforms. Tourists today believe in user generated content on social media platform rather than direct communication by marketers. Similarly, if a hotel is selling rooms through multiple channels e.g. direct selling, through travel agents, through online aggregators there should be synergy in terms of availability and prices so as to ensure long term Any communication emerging out of a company should aim at developing the corporate image and reputation.

iv) **Performance Marketing** – According to this dimension, marketers should have a proper understanding of financial and non-financial returns to business and society. Marketers are

under tremendous pressure to justify the financial returns of their marketing expenditure. For example, if a business intends to hire celebrity in their advertising campaign, a marketer should assess the impact of celebrity endorsement on sales and long term profitability. In addition to financial impact, a marketer should also consider ethical, environmental , legal and social impacts of their marketing efforts. For example McDonalds has adopted various strategies to minimize the environmental impacts of their business across the value chain. They have adopted sustainable packaging and recycling process to reduce litter generated from their business. Similarly Hilton Hotels has adopted innovative water stewardship strategies to reduce their water consumption by 50% by 2030. To achieve this they have started adopting smart irrigation system and grey water (water generated from waste bath, sink and washing water) recycling practices. It is believed that travel and tourism industry is carbon intensive and contributes to 8-10 percent of global greenhouse gas emissions. Unless the travel and tourism sector adopt eco-friendly practices, it will always be under criticism. Marketers in the travel and tourism industry should adopt legal practices of the country where they intend to serve. For example, Uber, has been under criticism for law violations in various countries in Europe. Tourism industry is also criticized for negative social-cultural impacts like creating conflict between host and guests, loss of cultural character and human relationships. Marketers in tourism industry should devise marketing strategies that does not create negative impact because of their commercial impacts. For example, a travel agency should educate their customers about local customs and traditions of the destination, they intend to visit.

Check Your Progress - 3

Q1. What is the difference between production and product marketing concept?

.....
.....
.....

Q2. What is customer orientation and its link to marketing concept?

.....
.....
.....

Q3. What are the four major components of holistic marketing concept?

1.7 LET US SUM UP

Marketing is an important business function that determines the long term sustainability and profitability of the firm. Marketing is all about creating, communicating and delivering value to the customers. Marketing helps a firm to boost sales, helps understanding customer needs, enhances reputation, and overall economic development. Marketing is considered to be both an art and a science, and is an interdependent and specialized business function. The innovative and dynamic nature of marketing makes it a challenging job, which is to be handled by professionally qualified marketer. The core concepts of marketing include needs, want & demand; customer value; customer satisfaction; customer loyalty; relationship marketing and segmentation, targeting & positioning. A marketer can devise marketing strategy by following any of the six marketing concepts & philosophies which includes – production, product, selling, marketing, social and holistic marketing concept.

1.8 CLUES TO CHECK YOUR PROGRESS

Check Your Progress - 1

1. See section 1.2
2. See section 1.2
3. See section 1.3

Check Your Progress - 2

1. See section 1.4
2. See section 1.5 (i)
3. See section 1.5 (vii)

Check Your Progress - 3

1. See section 1.6 (1&2)

2. See section 1.6 (4)
3. See section 1.6 (6)

1.9 FURTHER READINGS

- Chaudhary, M (2012). Tourism Marketing. Oxford Higher Education.
- Kotler, Bowen, Makens & Baloglu (2016), Marketing for Hospitality and Tourism, 7th Edition, Pearson
- Kotler, Keller, Koshy & Jha (2015), Marketing Management – A South Asian Perspective, 14th Edition, Pearson

Websites

- <https://www.ama.org/the-definition-of-marketing-what-is-marketing/>

1.10 ACTIVITIES

ACTIVITY – 1

Identify any one organization in travel or hospitality industry and identify their customer value proposition. Create a list of reasons, why will a customer buy their product or service?

ACTIVITY - 2

Visit any hotel / travel agency and discuss with the manager / owner about the importance and relevance of marketing.

UNIT 2 MARKETING MIX

Structure

- 2.0 Objectives
- 2.1 Introduction
- 2.2 Elements of Marketing Mix
- 2.3 Product
- 2.4 Price
- 2.5 Promotion
- 2.6 Place
- 2.7 People
- 2.8 Process
- 2.9 Physical Evidence
- 2.10 The 8th P of Marketing Mix
- 2.11 Let us Sum Up
- 2.12 Clues to Check your Progress
- 2.13 Further Reading
- 2.14 Activities

1.0 OBJECTIVES

This unit discusses about the concept of marketing mix and the various elements of marketing mix. After reading this unit learner will be able to:

- Interpret the concept of marketing mix
- recognize the various elements of marketing mix
- explain the 8P's of marketing mix
- understand each element of marketing mix

2.1 INTRODUCTION

In the previous unit, we discussed about the concept, need, importance and core concepts of tourism marketing. In order to achieve the marketing goals and objectives, a tourism marketer has to make decisions on the controllable factors. These factors have been

popularly known as “marketing mix”. This term was first coined by Prof Neil H Borden of Harvard Business School during his presidential address at American Marketing Association in 1953 and later in 1962, he published an article “The Concept of Marketing Mix”. In the article, he argues that a marketer is an artist, a decider who is constantly engaged in creatively mixing the marketing procedures and policies for ensuring long term profitability of an enterprise. He proposed twelve elements of marketing mix which included – product planning, pricing, branding, channels of distribution, personnel selling, advertising, promotions, packaging, display, servicing, physical handling and fact finding and analysis. In 1960, Edmund Jerome McCarthy in his book proposed 4P’s conceptual framework for marketing decision making which used four elements of marketing mix – product, price, place and promotion. These factors are controllable variables that a marketer manages to satisfy the needs and wants of the consumers. With the growth of services, Booms and Bitner in 1981 proposed a model of 7P’s which is also known as extended marketing mix which is relevant in context of services. They added three additional P’s to the original 4P’s which are – people, process and physical evidence. Keeping in view the complexities of marketing, Kotler and Keller four additional P’s to the traditional marketing mix exemplifying the holistic marketing perspective. These included – people, processes, programs and performance. In this unit, we will discuss each of these P’s in context of tourism marketing.

2.2 ELEMENTS OF MARKETING MIX

According to Philip Kotler, marketing mix is “set of marketing tools that the firm uses to pursue its marketing objectives in the target market”. The classical framework of marketing mix includes 4P’s of marketing which are

- **Product** – It includes all the decisions and activities related to product or service which offers benefits to enable the total spectrum of the tourist experience.
- **Price** – It includes all the decisions and activities related to the price to be charged for the product or the service.
- **Place** – It includes all the decisions and activities related to the distribution of the product or the service.
- **Promotion** – It includes all the decisions and activities related to promotion of the product or the service.

As discussed earlier, in context of services (travel & tourism), three additional P's have been added, which are as follows

- **People** – It includes all the decisions and activities related to human factors who participate in the service delivery process and the interactions between the customers and service providers.
- **Process** – It includes all the decisions and activities related to the procedures and mechanisms adopted by the service provider by which the service is delivered.
- **Physical Evidence**– It includes all the decisions and activities related to the environment and space where the service occurs.

In addition to these 7 P's, as discussed above, Kotler and Keller added the following P's which form part of the modern marketing realities

- **Programs** – It includes all the decisions related consumer directed activities which are not encompassed into the traditional marketing mix. Keeping in view the digitalization of the marketing processes, it includes all the online and offline activities which are directed towards consumers.
- **Performance** – This P captures the range of all the possible outcomes of marketing activities. This includes both financial and non-financial implications of marketing programs and decisions.

In the subsequent sections, we will now discuss each of these elements of marketing mix with the related decisions

2.3 PRODUCT

In the first unit, while discussing the definition of marketing we laid emphasis on creation of value. Product decisions play an important role in value creation by making an offer to the customers for satisfying their needs and want. A product can be a tangible in form of goods (e.g. meal in a restaurant) or intangible in form of a service (e.g. hotel room) or a combination of both (e.g. airline travel). A marketer has to make a number of product related decisions which includes – product assortment or variety, quality, design, features, brand name, packaging, services, warranties & guarantees, returns, logo & trademark and all related decisions.

For example, a marketer of a travel agency has to make the following decisions

- **Product assortment or variety** – Should the travel agency focus on inbound tourism, outbound tourism or both. Further in case a travel agency decides to focus on inbound tourism, will it focus on all forms of tourism or will it focus on special interest tourism (e.g. adventure tourism, farm tourism, medical tourism etc.). Similarly in case of a hotel, the marketing manager has to decide, whether they will focus on upscale hotels or budget hotels or alternate forms of accommodation. For example IHCL operates under four different brands Taj, Vivanta by Taj, Gateway and Ginger catering to luxury, upper upscale, upscale and economy segment respectively. Decisions related to product assortment or variety helps the firm to create appropriate value for the target market.
- **Product Design & Quality** – Once a marketer decides the product assortment or variety to be offered, the next decision that is to be taken is about the features and quality of the product, as it is an important competitive issue. For customers' point of view, a product or a process which is reliable, and that performs its intended function is perceived to be a quality product. Marketer people generally take consumer-based or product-based approach to understand quality. Higher quality of product means enhanced features, better performance, and other improvements that may lead to increased cost. While planning for quality a marketer should pay emphasis on the following eight dimensions – performance, features, reliability, conformance, durability, serviceability, aesthetics, and perceived quality. For example, AirBnB a leading accommodation service provider offers Airbnb Plus, which is a selection of highest quality homes where the hosts have a track record of paying attention to details while hosting the guests. Similarly, Indian Railways started semi high speed trains under the brand name – Vande Bharat which are designed to offer special comforts and features (e.g. free meal) to the passengers while also reducing the travel time between the destinations. After the recent pandemic – COVID 19 lot of service providers added new features to assure the customers of safety standards. For example, Indigo airlines assured all the passengers that all the ground and in-flight staff will be wearing PPE Kits and all their aircrafts will be cleaned using the disinfectants that are approved by WHO.
- **Brand Name** – Marketers create brands for product recognition by creating a unique name, symbol or design which is exclusive for the product. Strong brand identity

helps in differentiating a product from other products and acts as a bridge between your product and the consumer. Linked to brand strategy is the concept of building brand equity which helps a company to build reputation and win customer trust and loyalty in the long run. Brand building has to take place with long term vision and plans. A strong brand positioning helps to create a distinct image in the minds of the consumer. For example, in 2002, Ministry of Tourism, Government of India officially branded India as “Incredible India”. Since then, this promotional campaign has created a powerful impact about the changing perceptions of India among the inbound tourists. A number of states have also created their own positioning statement around the Incredible India campaign like – Kerala (God’s Own Country), Madhya Pradesh (The Heart of Incredible India), West Bengal (The Sweetest Part of India). Similarly at the international level, many countries have established their own unique identity like Malaysia (Truly Asia), Australia (There is Nothing like Australia). While establishing brand positioning, the marketer should ensure that customer understand what the brand offers and why a customer should select their brand. Many new age companies have created strong travel and hospitality brands like Uber, AirBnb, OYO rooms, TripAdvisor, Expedia, Cleartrip, Yatra. Many travel bloggers have created their own personal brands over social media and have started acting like travel influencers. Some of the popular travel influencers in India include Shivya Nath, Ajay Sood and Siddharta Joshi. Effective branding strategy can result in building a strong brand equity, which is defined as the added value endowed to the products and services. For example, many hotel properties go in for a franchise mode for running the hotels with an objective to leverage the brand equity. Inter Continental Hotels Group manages approximately 4500 hotels across the world, similarly Indian brand Treebo founded in 2015 created a chain of 250 plus hotels with over 6000 rooms. Some hotel chains create multiple brands catering to different target markets. For example Radisson Hotel group manages a portfolio of brands including Park Inn, Country Inn & Suites, Park Plaza, Radisson Blu, Radisson RED and Radisson Collection.

- **Warranty & Guarantee** – Since most of the travel and hospitality products are under the service category, customers look for assurance of the service quality from the service provider. This is known as service guarantee and the benefits of offering this is higher customer satisfaction by establishing strong service standards and reducing the perceived customer risk. For example, Domino’s a leading Pizza chain promises

that the pizza shall be delivered within 30 minutes of placing the order or else no money will be charged from the customer. Alaska Airlines offer a 20 minute baggage guarantee which states that in case the bags shall reach the baggage claim area within 20 minutes of arrival of the flight or customers will get a \$25 discount code for the future flights.

Check Your Progress - 1

Q1. What are the various elements of marketing mix?

.....
.....
.....

Q2. What is extended marketing mix?

.....
.....
.....

Q3. What are the various product decisions related to Marketing Mix?

.....
.....
.....

2.4 PRICE

Price is considered as one of the most important elements of marketing mix as decisions related to pricing can directly affect the revenues of the organization. Pricing has many components and it is not just a tag on the product or service. With increased competition and easy access of information among consumers, pricing decisions have become very challenging. For example, a person who wishes to travel from New Delhi to Mumbai can easily compare the prices of various flights across various platforms and then make a decision. Many websites like Trivago have come up that facilitates price comparison of hotels across various platforms, thereby empowering the consumers. The pricing environment has become challenging because the service providers are ready to offer the product or the service at the desired price level. For example Priceline.com offers an option to the customers to buy products at their desired price point. A marketer has to make a number of pricing decisions including – price of the product or service, discounts or

allowances, credit terms, payment period and related decision. Making effective decisions on pricing can significant impact the perceived value of the offering. While making pricing decisions, a marketer should account for multiple factors including the company, competitors, customers and the overall marketing environment.

While establishing the price of the product the firm should first select the pricing objective which can be either of the following – survival, maximize profit, maximize market share, maximize market skimming or product quality leadership. For example, many hotels are willing to offer special discounts during the off-season just to ensure survival during that period. With decline in tourism activity during COVID – 19 many destinations like Japan and Sicily started offering special offers and are even willing to pay the part of your trip just to ensure that the tourists come back to their destinations. In case a company intends to maximize the profits, it will establish the price in accordance with the cost structure and the minimum margin they expect. In case the objective to establish product – quality leadership, a firm will establish price accordingly. For example, Burj Al Arab offers the most expensive hotel rooms in the world which has an average price tag of \$25,000 and above.

Further the marketer should have an understanding of demand patterns for their offering. Many tourist destinations and travel products are seasonal in nature. For example, a hotel room will always be priced higher during the weekends as compared to the weekdays. In case a hotel is dealing with business customers, this pricing strategy could be reverse. A marketer should understand the price elasticity of demand. In other words, a marketer should answer the question – will the demand for the product change with the change in prices. For example, a tourist who is interested to go to a beach destination may find Goa expensive during December and may choose some other destination to fulfill their needs.

While establishing the tour cost, the travel agency must take into account the direct and indirect cost, fixed and variable cost, mark up, profit margins, competitive pricing, special offers and discounting strategies. In case of international tourists, a travel agent has also to consider the fluctuations due to foreign exchange.

In the subsequent units, we shall be discussing in detail about these cost components as well as various pricing strategies which are available to a marketer. Some of these strategies include – cost oriented pricing, market – oriented pricing, product – line pricing, competition – oriented pricing.

Another important dimension which is linked to the pricing decision is determining the level of discounts and allowances which are to be offered to the trade partners and customers. Various forms of price discounts and allowances are possible like quantity

discount, functional discount, seasonal discount and allowances. The travel and hospitality companies use promotional pricing and differentiated pricing strategy to stimulate demand. For example, travel portals like Goibibo offers many discount coupons enabling customers to book their flights and hotels at discounted prices. Yatra.com offers cash back for booking round trip flights. Make My Trip (MMT) even offers low interest financing and longer payment terms through their MMT Pay Later scheme.

While dealing with intermediaries like travel partners, franchisees, dealers the company has to take decisions related to credit terms. Even while dealing with big customers, hotels and airlines have to offer credit facility to them.

2.5 PROMOTION

While defining marketing, in addition to creating value by developing products and services, communicating value to the potential customers is equally important. To effectively reach and influence the target markets, a tourism marketer has to creatively develop the integrated marketing communication strategy. A marketer has to decide on what to communicate, how and when to communicate so that there is synergistic effect of their communication. In the first unit, while discussing the holistic marketing concept, we laid emphasis on integrated marketing communication through which the firms can attempt to inform, persuade, and remind consumers – directly or indirectly – about their products and services. With the advent of technology, internet and social media the way firms and consumers communicate has profoundly changed. In the changing and challenging communication environment, a marketer has to creatively design the marketing communication channel. A marketer has multiple options of reaching out to consumers by developing an appropriate marketing communication mix. The marketing communication mix consists of the following modes of communication

- **Advertising** – This is a paid form of non-personal communication. There are various ways through which advertising can be done – print media (newspapers, magazines), broadcast media (radio and television), social media (YouTube, Facebook, Instagram), electronic media (CD- ROM, videotape), and display media (boards placed at airports, hotels and other areas)
- **Sales Promotion** – This is paid form of communication activity wherein short-term incentives are made to encourage the trial or purchase of the product. For example, various travel apps like Golbibo has a scheme of Refer and Earn option. Even the

potential customers who are new to the platform are given incentives to try their service. In addition to the consumer promotions, another way to induce purchase is through the trade promotions. For example, many destinations across the world organize the FamTrips for the travel agents and other intermediaries which are free of cost. The objective is to invite these people to the destination and make them familiar with the surroundings at the destination. They can subsequently motivate their clients to visit the destination.

- **Events and Experiences** – The role of events in tourism is well researched and documented. A number of popular events like ITB Berlin, International Tourism and Travel Show (Canada), SATTE (New Delhi), World Travel Market (London) are great places for the travel, tourism and hospitality companies to create special firm and brand related interactions with the customers and intermediaries.
- **Public Relations and Publicity** – The objective of public relations and publicity is to promote or protect the company's image among the various stakeholders. For example many hotels encourage their employees by rewarding them with the best performing employees. In order to reach to the target audience, many travel and tourism companies hire social media influencers to visit a particular destination / restaurant or any other attraction and share it on their social media channels. With the increase in electronic word of mouth (eWOM) and tourists having an option to share reviews on various platforms like Trip Advisor, there is always a risk that negative reviews might affect the reputation and credibility of the brand. Here the tourism marketers have to be proactive and engage with the dissatisfied customers and ensure that the negative reviews are addressed to.
- **Direct Marketing** – This is another way through which a marketer can reach out to the consumers through the use of emails, telephone and similar channels where in a direct communication with the potential customer is established. For example, a travel agency dealing with honeymoon packages can directly contact all the potential couples expected to get married in the forthcoming season.
- **Interactive Marketing** – With the proliferation of social media, firms can organize various online activities to engage the potential customers. For example British Airways organized a Safety Video campaign in 2017 and 2018. Intercontinental hotels launched the stories of the Intercontinental Life podcast to engage with the customers.

- **Word of Mouth Marketing** – Satisfied customers can act as brand ambassadors by sharing their positive experiences within their network. This can be oral, written or electronic way of reaching out to other customers.

While developing the effective communication strategy, the marketer should identify the target audience, determine the communication objective, design the communication in consultation with the experts, select the communication channel and establish the budget. We shall be discussing all these elements in detail in subsequent units. Further while deciding on the marketing communication mix marketer should understand their product market, what is the readiness of the buyer to consumer the offering and also the product life cycle stage.

Check Your Progress - 2

Q1. What are the various pricing decisions taken by a marketer?

.....

Q2. What is the relevance of promotion in marketing mix?

.....

Q3. What do you understand by marketing communication mix?

.....

2.6 PLACE

As product decisions correspond to creating value, promotion decisions correspond to communicating value; successful value creation needs successful value delivery. Since travel experiences are highly dependent upon a network of suppliers, companies in this industry should manage this complex channel system and value network. Place decisions are related to marketing channels where a set of interdependent organizations (e.g. airlines, hotel, taxi, travel agents, guides etc) come together to make a product or service available to the tourists for consumption. While a marketer is planning the overall marketing strategy, channel decisions can significantly influence the marketing effectiveness. The primary objective of

the marketing channels is not only to serve the market, but they also have to play a significant role in developing the market.

Today most of the companies engage in multichannel marketing and employ the hybrid channel strategy, where two or more channels are used to reach to the target customers. For example, Go Air sells the tickets directly through their airport counters, through their websites, through travel agents, through third party vendors like Clear Trip and other portals. Similarly lots of hotels opt to sell their inventory through travel agents, hotel sales aggregators, directly through front office and through their own websites. For companies who prefer to adopt hybrid channel strategy, they have to ensure that there is proper channel integration.

In travel and tourism industry, a firm should understand the needs and wants of the customers and then try to create value of their offering by designing their supply chain backwards. The value is offered by creating a system of partnerships and alliances with all the potential suppliers, for creating value for the customers. For example, a travel agent who is booking a package for a family should ensure proper tie-ups with airlines, local transportation companies, hotels and alternate accommodation companies, tourist guides, souvenir shops and other local suppliers to ensure that the overall experience of the tourist is as per the expectations.

While making channel design decisions, a firm should analyze customer needs and wants, establish channel objectives and state their service output levels and associated costs. Marketers must adapt their channel objectives keeping in view the larger market environment. For example, during the COVID 19 crisis, many hotels conformed to the government regulations and offered their rooms for quarantine as per the directions of the government. Marketers should identify major channel alternatives ranging from sales force, agents and other intermediaries, direct mail, telemarketing and internet. A marketer has to make decisions related to types of intermediaries, number of intermediaries and the responsibility of the channel members. While evaluating the different channel, a firm should compare the cost with their respective value addition. It is important to understand that a firm relying on intermediaries has to build partnerships and relationships with the dealers and distributors. A firm should view its intermediaries as end customers and should constantly invest in their training and motivation.

In light of e-commerce and usage of websites & mobile apps for transaction, companies need keep understand the complexities and challenges of this new medium for enhancing customer experience. The non-store retailing has been growing and innovative

channels like e-commerce, internet retailing, automatic vending has gained prominence. Companies are relying on technology based platforms to reach out to consumers. There are many companies like OYO rooms which are pure-click companies which rely on online platforms to reach out to their customers. In such cases a firm should keep the following points under consideration while designing their channel (a) ease of interaction on online platform (b) delivery of service, and (c) ability to address the problem when they occur. For example, in case of a failed transaction on the online platform, the firm should resolve the problem in a pre-specified time and refund the money to the customer. Also the online platforms should ensure that the commitment and bookings made through the online platforms are respected and honored at the time of delivery of the services. Integrating the transaction of money with the online interface is another challenge that the companies face and they should ensure trust and privacy.

A detailed discussion on all the channel related decision shall be discussed in the subsequent units.

2.7 PEOPLE

As discussed in sector 2.2 in case of service, the extended marketing mix has three additional P's which includes people, process and physical evidence. Since employees of the organization play an important role of delivery of services, considering all the human factors who participate in the service delivery is important. The interactions between employees and customers; employees and employees play a vital role in the perceived service quality. The concept of "Service Profit Chain" by Professor Heskett and his team propagates the idea that there is relationship between customer loyalty and employee loyalty. Similarly there is a link between customer satisfaction and employee satisfaction. They argued that value is created by satisfied, loyal and productive employees. In this context, a marketer has to ensure that the people working for the company understand the marketing objective. The service marketing triangle established the link between company, employees and customers. While the communication between company and customers (promotion as discussed above) is referred to 'external marketing'; the communication between company and employees is referred to as 'internal marketing'. Internal marketing is about enabling all the employees of the organization with the marketing processes. This builds marketing orientation among all the

employees so that they are able to deliver the services as per expectations of the customers. The communication between the employees and customers is referred to as 'interactive marketing'. Properly trained staff and employees then result in satisfied consumers. For example a hotel cannot build its strong image without good staff in front office, housekeeping and restaurants. A well groomed and trained staff will listen to the customer and address to their concerns, special requests and complaints. The marketer should work in close coordination with the HR team to ensure that the staff recruited by the company matches the brand expectations. Further the marketing team in collaboration with the HR department should organize training programs on regular intervals.

Check Your Progress - 3

Q1. What is a marketing channel?

.....
.....
.....

Q2. What are the major marketing channel decisions?

.....
.....
.....

Q3. What is internal marketing? Discuss the role of people in customer satisfaction

.....
.....

2.8 PROCESS

The next P of the extended marketing mix corresponds to process which pertains to the procedures, mechanisms and flow of activities by which the service is delivered. The processes are directly concerned with consistent creation and delivery of customer value. In context of services, the quality of experience is directly linked with the interaction points in the service delivery process. Various process related decisions pertain to enquiry or booking related information, interactions at point of purchase, delivery and after sales service. Marketers can utilize the concept of service blueprint while visualizing the organizational

processes. A marketer should try to simplify the process of acquisition, consumption and delivery of the services. Managers should explicitly define the service mechanisms and process flow in such a manner that it enhances the overall customer experience. For example, many hotels across the world are using digital solutions such as mobile check-ins or keyless entry so that the customer does not have to spend enough time at the front desk. Many airlines have introduced the concept of web check-in or self check-in at the airports with an objective to minimize the waiting time at the airport. For example, Indian Railways through its IRCTC app has made travel bookings easier where the customer need not visit the railway station for booking their train tickets. Further the passenger need not carry the physical copy of the ticket while travelling and the digital format is accepted by the service provider. The processes should be aligned with the best practices and the service design should diagnose all the service failure points. Further the marketer has to make a decision between standardization and customization. In travel and tourism sector, many tourist expect customized experiences which may force the service provider to align the processes as per the expectations of the customer without compromising on the service quality.

2.9 PHYSICAL EVIDENCE

The last P of the extended marketing mix corresponds to physical evidence. This corresponds to the environment where the service occurs. All the tangible commodities and artifacts that facilitate the service performance are considered as part of physical evidence. Decisions related to facilities, spatial layout, signage, interior design, ambient condition and artifacts are to be taken by the service provider. In other words all the non-human elements of the service encounter are classified as physical evidence. For example the lobby of the hotel is considered as the first contact point for the customers. Most of the hotels invest heavily on the facility exterior which includes exterior design, signage, parking area, landscape and the surrounding environment. Similarly the hotel has to work on facility interiors which include interior design, equipments, layout and air quality / temperature. All other tangibles like websites, business stationary, billing statements employee dress and brochures also communicate quality to the potential customers.

2.10 THE EIGHT P OF MARKETING MIX

Though there is a universal consensus on the 7P's of marketing, there is generally a debate about the 8th P of marketing mix. In section 2.2 we have discussed about programs and performance that can be considered as addition P to marketing mix. Some experts believe that partnerships should be considered as the 8th P of service marketing mix. While others consider productivity & quality as the additional P. Though all of them are important, we will consider performance as the 8th P of marketing. Performance marketing also corresponds to productivity as it is the easiest way to tie marketing costs with the results. This is more relevant in present times when online or digital marketing is viewed as the future. It is all about improving the processes & systems for reducing the cost to serve the customer and result in quicker cycle or service time. The staff has to be enabled by refocusing on the human resources while optimizing the marketing communication. It helps in continual improvement and is a result driven approach for building brand equity in the long run.

The last P of the extended marketing mix corresponds to physical evidence. This corresponds to the environment where the service occurs. All the tangible commodities and artifacts that facilitate the service performance are considered as part of physical evidence. Decisions related to facilities, spatial layout, signage, interior design, ambient condition and artifacts are to be taken by the service provider. In other words all the non-human elements of the service encounter are classified as physical evidence. For example the lobby of the hotel is considered as the first contact point for the customers. Most of the hotels invest heavily on the facility exterior which includes exterior design, signage, parking area, landscape and the surrounding environment. Similarly the hotel has to work on facility interiors which include interior design, equipments, layout and air quality / temperature. All other tangibles like websites, business stationary, billing statements employee dress and brochures also communicate quality to the potential customers.

Check Your Progress - 4

Q1. What is a 8th P of marketing mix?

.....
.....
.....

Q2. What is the relevance of physical evidence in marketing mix?

2.11 LET US SUM UP

Marketing mix is the set of marketing tools and activities that the firm uses to pursue its marketing objectives. The classical framework of marketing mix includes 4P's of marketing which are product, price, promotion and place. In context of services, the traditional marketing mix was extended with three additional P's. These are people, process and physical evidence. In the modern marketing where technology has changed the entire marketing scenario, the 8th P of marketing mix is also discussed among practitioners. The 8th P that we discuss here is performance marketing. Collectively a marketer to make marketing decisions on all these elements of marketing mix in order to achieve the marketing objectives.

2.12 CLUES TO CHECK YOUR PROGRESS

Check Your Progress - 1

1. See section 2.2
2. See section 2.2
3. See section 2.3

Check Your Progress - 2

1. See section 2.4
2. See section 2.5
3. See section 2.5

Check Your Progress - 3

1. See section 2.6
2. See section 2.6
3. See section 2.7

Check Your Progress - 4

1. See section 2.10
2. See section 2.9

2.13 FURTHER READINGS

- Chaudhary, M (2012). Tourism Marketing. Oxford Higher Education.
- Kotler, Bowen, Makens & Baloglu (2016), Marketing for Hospitality and Tourism, 7th Edition, Pearson
- Kotler, Keller, Koshy & Jha (2015), Marketing Management – A South Asian Perspective, 14th Edition, Pearson

Websites

- <https://www.ama.org/the-definition-of-marketing-what-is-marketing/>

2.14 ACTIVITIES

ACTIVITY – 1

Visit the website of any two hotel chains or a travel agency (one national and one international) and compare their marketing mix elements

ACTIVITY - 2

Identify a local travel and tourism business. Visit them and interact with the marketing manager to understand their marketing mix elements

UNIT-3 MARKETING TOURISM SERVICES

Structure

- 3.0 Objectives
- 3.1 Introduction
- 3.2 Evolution of Service Marketing
- 3.3 Goods Vs Service
- 3.4 Characteristics of Services
- 3.5 Classification of Services
- 3.6 Service Quality
- 3.7 Strategies of Service Marketing
- 3.8 Lets Sum Up
- 3.9 Clues to Check your Progress
- 3.10 Further Reading
- 3.11 Activities

3.0 OBJECTIVES

This unit discusses about the concept of services and how marketing of services need special attention. After reading this unit learner will be able to:

- Understand the characteristics of service
- Recognize the difference between goods and services
- Analyze how services can be classified
- Explain the concept of service quality and its relevance
- Evaluate various strategies for effective marketing of services

3.1 INTRODUCTION

In the 21st century, services have contributed significantly in the functioning of economies around the world and the world today is dominated by services sector. As per the

India Economic Survey 2019, services accounted for 54.3% in the total gross value added of the country which was provisionally estimated at Rs. 172 lac crores (at current basic prices). Tourism, travel and hospitality sector is indeed of the major services sectors in the country. As per Tourism Satellite Account of India for the year 2015-16, the Tourism Direct Gross Value Added is estimated at approximately Rs. 3.46 lac crores which is approximately 2.78 percent of total GVA of the economy. Today, organizations across sectors have realized that the success of any company does not merely depend upon the quality of products but also on the quality of services offered along with the products.

Initially the development of services marketing focused on services industries. However, today providing a service is no longer an option but a necessity. With globalization and access to information, today customers are more aware and therefore demand high levels of services along with quality products. Organizations therefore need to adapt to changing customer expectations and devise marketing strategies in order to deliver quality services to the customers.

3.2 EVOLUTION OF SERVICES MARKETING

As a marketing student, it is important to understand the difference between goods and services. We will first examine this difference from the taxation perspective as per Central Goods and Services Tax (Amendment) Act 2018 and then look at how marketing experts have defined services.

According to Section 2(52) of CGST Act, “*Goods means every kind of movable property other than money and securities but includes actionable claims, growing crops, grass and things attached to or forming part of the land which are agreed to be severed before supply or under a contract of supply.*” On the other hand, Section 2(102) of CGST Act defines services as, “*anything other than goods, money and securities but includes activities relating to the use of money or its conversion by cash or by any other mode, from one form, currency or denomination, to another form, currency or denomination for which a separate consideration is charged*”.

For marketing perspective, the concept of service has evolved since 1960 when the interest in consumer behaviour grew among marketers. Raymond Fisk, Stephen Brown and Mary

Bitner in their article published in Journal of Retailing in 1993, while tracking the evolution of services marketing describe three stages – Crawling Out Stage (pre-1980s), Scrying About (1980-85) and Walking Erect stage (1986 – present). In the first stage, many of the marketers believed that there is no difference between goods and services and therefore the legitimacy of services marketing was always under question. In 1963, W J Regan published an article “The Service Revolution” in Journal of Marketing where he cited the American Marketing Association definition of service as, “*activities, benefits, or satisfactions which are offered for sale, or provided in connection with the sale of goods.*” However, the services were viewed in connection with the sale of goods. In 1964, Robert Judd in his published article, “The Case for Redefining Services” published in Journal of Marketing proposed a new definition of marketed services as, “*a market transaction by an enterprise or an entrepreneur where the object of market transaction is other than the transfer of ownership (and title, if any) of a tangible commodity.*”

In 1969, Eugene M Johnson in his PhD dissertation, submitted to Washington University, for the first time raised the question – “Are Goods and Services Different?” which launched the debate between goods vs. services. In 1977, G Lynn Shostack published her article, “Breaking Free from Product Marketing” published in Journal of Marketing for the first time called upon that new concepts are needed if service marketing is to succeed. She argued that marketing entities, are combination of discrete elements, which can be tangible or intangible. Certain marketing entities are service dominated (e.g. airlines, teaching) whereas some are product dominated (e.g. soft drink, coffee, automobiles) and finally some are in between (e.g. restaurants, fast food outlets). According to her article, service is rendered, experienced and cannot be stored in shelf, touched, tasted or tried for size. We will see how these points get reflected in characteristic of services in subsequent section. Another two thought leaders who influenced the development of services marketing included Evert Gummesson and Christian Gronos, both of them defended their doctoral thesis in the area of marketing of services. According to Gummesson, service is, “*something which can be bought and sold but which you cannot drop on your foot.*” Philip Kotler in 1987, defined service as, “*any act or performance that one party can offer to another that is essentially intangible and does not result in ownership of anything. Its production may or may not be tied to a physical product.*”

In 1990, Gronross defined service as *"an activity or series of activities of more or less intangible nature that normally, but not necessarily, take place in interactions between the customer and service employees and/or systems of the service provider, which are provided as solutions to customer problems."*

In 2000, Zeithmal and Bitner defined services as, *"deeds, processes, and performances."* In 2004, a new dominant logic for marketing was proposed by Stephen Vargo and Robert Lusch wherein they argued that service provision rather than goods is fundamental to economic exchange. In 2008, they propose *"service-dominant logic"* and differentiate between the plural term "services" and singular term "service". According to them, 'services' reflects a special type of output – intangible product, whereas, 'service' reflects the process of using one's resources for the benefit of another entity. The premise of service-dominant logic is that *all economies are service economies* and postulate that *all businesses are service business*.

Check Your Progress - 1

Q1. What is the definition of services?

.....
.....
.....

Q2. What is the key premise of service dominant logic?

.....
.....
.....

Q3. Why is it important to understand services marketing

.....
.....
.....

3.3 GOODS VS. SERVICES

Even though the contemporary thought indicates that all businesses are service business, yet it is important to understand the traditional difference between goods and services. These differences are

Table 3.1 Difference between Goods and Services

Products	Services
Products can be owned and resold to some other person	Services cannot be owned neither can be transferred to other people.
Products can be returned or exchanged after purchase	Services cannot be returned once they are delivered
Products are tangible, i.e. customers can see and touch it, before purchasing.	Services are intangible, thus marketers are dependent on tangible products to promote it. For example in a Hotel, the location, interiors, landscapes etc. of the Hotel property contribute in enhancing the customer experience.
It is difficult to customize products as per user requirements	However, services may vary and can be customized for different customers.
Product quality can be measured easily.	It is difficult to measure the quality of a service

Let us now understand these differences by discussing in detail the characteristics of services

3.4 CHARACTERISTICS OF SERVICES

The rationale that marketing of services is different from marketing of goods was basically on the basis of certain characteristics of services which have been consistently cited by experts in the field. In 1985, Valarie Zeithamal, A Parasuraman, & Leonard Berry based on detailed review of existing studies stressed upon the following characteristics, which are popularly known as IHIP (intangibility, heterogeneity, inseparability and perishability) characteristics.

1. **Intangibility** – Since all services are performances, they cannot be touched, seen, felt or tasted in the same manner as goods. Intangibility is one of the major distinction between goods and services. For example, a passenger flight experience on a plane, visit to a museum, adventure sports on a beach or mountain are all intangible in nature. Majority of travel and tourism services are intangible in nature. All these are intangible experiences and hence can only be recalled and relished once they have taken place. Due to intangibility of services, marketers are unable to protect their service design through patents. For example, if a company opens up a theme restaurant based on Punjabi culture (e.g. Haveli in Jalandhar, Punjab), their competitors can also open up similar service set up by introducing minor variations. Due to intangibility, marketers find it difficult to communicate the quality of services to the target consumers.
2. **Inseparability** –The services involves simultaneous production and consumption. Services are sold first, then produced and consumed simultaneously. On the other hand, goods are first produced, then sold and then consumed. For example, a tourist has to book his hotel room first and then only he gets access to the services of the hotel where the hotel staff and guest co-create the experiences while being present at the hotel. On the other hand, a souvenir at a destination is produced first, then sold by the shopkeeper and the tourist might use it later after reaching home. Due to inseparability, there has to be intimate contact of the buyer with the production process. For example, the services of a tour guide can only be used when the tourist visits the monument or the place of interest. Due to inseparability, centralized mass production of services is difficult. Also the presence of other consumers who may be involved in the production process might affect the experience of the customer. For example, during COVID-19 outbreak, most of the airlines, transportation companies and restaurants faced tremendous difficulty in managing multiple customers simultaneously.
3. **Heterogeneity** – The performance of services are subject to high level of variation, and the quality and essence of a service may vary from producer to producer, consumer to consumer and from time to time. Variability in experiences and service quality is caused by number of reasons including location, time, season, environment,

events and service providers. For example, quality of experience at the theme park may vary during peak season and off-season. Similarly, a guest in a hotel interacts with front office employees, house-keeping staff and other employees in the hotel. All of them may not be consistent in their behaviour leading to poor experience. Even the same employee may be inconsistent in his or her behaviour over different period of time. Since the involvement of people in case of services is high, such variability is bound to happen and therefore poses great challenges to the marketer of services. Due to heterogeneity, standardization and quality control becomes very challenging for the marketer.

4. **Perishability** – This means that services cannot be saved or stored for future consumption. If an airline seats are not purchased or hotel rooms are not booked for a particular day, it cannot be reclaimed for use during the next day. If a service is not sold when produced / available, then it disappears and the opportunity to sell is lost forever. Due to this nature of services, marketers find it difficult to synchronize the demand and supply. For example during summer vacations (May – June), most of the hotels in hill stations like Mussorie or Shimla face over demand and during the off-season (October – November) face the issue of excess demand with limited number of tourists travelling to such destinations.

Also, since Services are people based products, thus they cannot be standardized. For example – A customer might have a very good time at a particular restaurant today, but tomorrow or a week later it may differ because there is some event and time taken to serve the food is much more than expected; or the place is so crowded that the customer is not able enjoy or the food quality/taste is not the same as before. Hence, the experience of a dinner at the same restaurant would differ than before.

Table 3.2 summarizes the list of characteristics and the corresponding marketing strategies available to the marketer

Table 3.2 Characteristic of Services and Corresponding Marketing Strategies

S.No.	Characteristic of Service	Marketing Challenge	Marketing Strategy
1	Intangibility	<ol style="list-style-type: none"> 1. Services cannot be stored 2. Service design cannot be protected through patents 3. Difficult to communicate / promote the quality of services 4. Price Setting is difficult 	<ol style="list-style-type: none"> 1. Focus on Tangible Cues 2. Rely on Personal Sources for Communication 3. Encourage Word-of-Mouth 4. Building strong corporate image 5. Engage in post-purchase communication
2	Inseparability	<ol style="list-style-type: none"> 1. Involvement of consumers in production process 2. Presence of other consumers in production – consumption process. 3. Difficulty to mass produce it a remote / different location 	<ol style="list-style-type: none"> 1. Employee selection and training of employees 2. Manage and educate the consumers 3. Use multiple locations
3	Heterogeneity	<ol style="list-style-type: none"> 1. Standardization of service is difficult 2. Ensuring quality control is very challenging 	<ol style="list-style-type: none"> 1. Customize Service 2. Industrialize the Service
4	Perishability	<ol style="list-style-type: none"> 1. Services cannot be inventoried 	<ol style="list-style-type: none"> 1. Manage demand and supply using innovative marketing strategies

Adapted from: Zeithmal, V.A., Parsuraman, A. & Berry, L.L. (1985). Problems and Strategies in Services Marketing, Journal of Marketing, Vol. 49, pp. 33-46

With the emergence of technology, the applicability of many of these characteristics has been under criticism. For example, many world museums including The Louvre (Paris), The National Gallery of Art (Washington DC), The British Museum (London), The Vatican Museum have created an option of virtual tour. During COVID-19 outbreak, AirBnB started the concept of online experiences, where the host and guests were sitting at their respective locations and were able to interact and experience new things together using video-conferencing platforms. Similarly, technology has resolved many issues with respect to heterogeneity. For example, airlines standardize the services by offering web check-in or through self-check in kiosks at the

airport. Some firms identify configure their offer by identifying specific target group thereby reducing the heterogeneity among consumers. For example, a travel agent may choose to serve only senior citizens for a specific tour package and then design its offering to meet the expectations of this group.

Check Your Progress - 2

Q1. What is the difference between goods and services?

.....
.....
.....

Q2. What are the major characteristics of services?

.....
.....
.....

Q3. What are the marketing challenges due to inseparability and suggest relevant marketing strategy?

.....
.....
.....

3.5 CLASSIFICATION OF SERVICES

In 1980, Lovelock for the first time synthesized the previous classifications and proposed a classification of services, according to which defining the object to be served is the most fundamental classification. He proposed twelve approaches to classify the services based in basic demand characteristics (1-3 below), service content (4-7) and benefits and service delivery procedures (8-12) which are

1. **Object of the Service (Person vs. Property)** – For example in case of a spa the object is person whereas in case of dry-cleaning the object is property of the consumer

2. **Extend of Demand / Supply Imbalances** – For example the demand for hotel rooms / airline seats fluctuates depending upon the time / season at the destination.
3. **Discrete versus Continuous Customer – Provider Relationships** – For example an airline intends to build long term relationships with the passengers by introducing frequent flyer programmes. On the other hand, the local taxi driver at a destination may not be interested in building long term relationships with the tourists.
4. **Role of Physical Goods and Facilities in Service Delivery** – In this case there are four possibilities (a) consumer consumes a non-durable good in a value added environment (e.g. restaurant) (b) consumer acquires the right to use a good for a specified period of time (e.g. hotel room) (c) customer evaluates the physical facilities used to deliver the service (e.g. airports) (d) physical facilities are taken for granted (e.g. sports event)
5. **Role and Extent of Personal Service** - This refers to the extent to which personally driven service is central to the service package.
6. **Breadth of Service Package** – This refers whether the consumption experience is linked to single service or bundled service. For example in travel and tourism industry multiple services (e.g. airline, hotel, local transport, experiences etc.) are bundled together and offered to the tourists.
7. **Timing and Duration of Benefits** – This refers to the duration for which the service is delivered. For example, an airline service is delivered for short to medium time frame (less than 24 hours), whereas the hotel service is offered for medium to long term
8. **Multi Site versus Single Site Delivery** – For example a hotel is able to deliver the service at a single location, whereas an airline has to deliver the service at multiple locations (point of departure, mid-way on air and at point of arrival).
9. **Allocation of Capacity to Customers** - It refers to whether the capacity is allocated to the customer in advance (e.g. airline) or is allocated on first come first serve basis (e.g. public transport i.e. bus or metro).
10. **Independent versus Collective Consumption** – There are three possibilities (a) predominantly independent (car rental), (b) partly independent , partly collective (e.g. restaurant) and (c) predominantly collective (e.g. sporting event)

11. **Time-Defined versus Task-Defined Transactions** – This corresponds to whether service consumption units are measured in terms of time (e.g. hotel room nights) or in terms of task (e.g. airline trip).
12. **Nature of Customer – Provider Interaction** – This corresponds to whether the customer's physical presence is required throughout the service delivery or is required only to initiate / terminate the service transaction.

In 1993, Lovelock proposed five schemes for classifying services which attempt to answer one of the following questions

1. **What is the nature of the service act?** – Two fundamental issues are at whom (or what) is the service act directed, and is this act tangible or intangible in nature? There are four possibilities (a) tangible action on customer's bodies (e.g. airline transportation); (b) tangible actions on goods or possessions (e.g. air transportation of goods); (c) intangible action on customer's minds (e.g. attending a rock concert or play at a destination); (d) intangible actions directed at customer's intangible assets (e.g. forex services)
2. **What type of relationships does the service organization have with its customers?**
Two fundamental issues are is the relationship with customers formal (long term) or is informal, and is the nature of service delivery continuous or discrete? There are four possibilities (a) continuous delivery of service with membership relationship (e.g. banking services) ; (b) continuous delivery of service with no formal relationship (e.g. toll plaza on national highways); (c) discrete transactions with membership relationship (e.g. monthly pass of a metro); and (d) discrete transactions with no formal relationship (e.g. eating meal at a restaurant or visiting a museum at a destination)
3. **How much room is there for customization and judgment?** Two fundamental issues are to what extent is the service customized, and what is the extent of customer contact high with the service personnel? There are four possibilities (a) high degree of customization and high extent of customer contact (e.g. taxi service); (b) high degree of customization and low extent of customer contact (e.g. hotel services); (c) low degree of customization and high degree of customer contact (e.g. tour guide detailing about monument); and (d) low degree of customization and low degree of customer contact (e.g. fast food take away or spectator sports)

4. **What is the nature of demand and supply for the service?** Two fundamental issues are to what extent demand fluctuates over time, and to what extent is the supply constrained? There are four possibilities (a) wide demand fluctuation and no capacity constraint (e.g. banking services at a destination); (b) narrow demand fluctuation and no capacity constraint (e.g. travel by road); (c) wide demand fluctuation and capacity constraints (e.g. hotel rooms at a hill station); and (d) narrow demand fluctuation and capacity constraint (e.g. travel by train)
5. **How is the service delivered?** Two fundamental issues are availability of service outlets and nature of interaction between customer and service provider. There are following possibilities (a) service is delivered at a single site and customer visits the organization (e.g. local restaurant in Mumbai), (b) service is delivered at multiple sites and customer visits the organization (e.g. airline), (c) service is delivered at single site and service organization comes to the customer (e.g. taxi); (d) service is delivered at multiple sites and service organization comes to the customer (e.g. Zomato); (e) customer and service interacts through technology platforms (e.g. Yatra, OYO rooms).

In context of B2B / industrial services, Boyt and Harvey (1997) proposed the industrial services should be classified based on (a) replacement rate – the frequency of need for service to be provided (b) essentiality – how essential is the service to the functioning of the service provider (c) risk level – level associated with the failure of the service and its impact (d) complexity – the level of technical training and difficulty associated with it (e) personal delivery – whether the service is to be delivered in-person (f) credence property – how difficult is it to evaluate the service. Based on the combination of these characteristics they classified the services into elementary service, intermediate service and intricate service.

3.6 SERVICE QUALITY

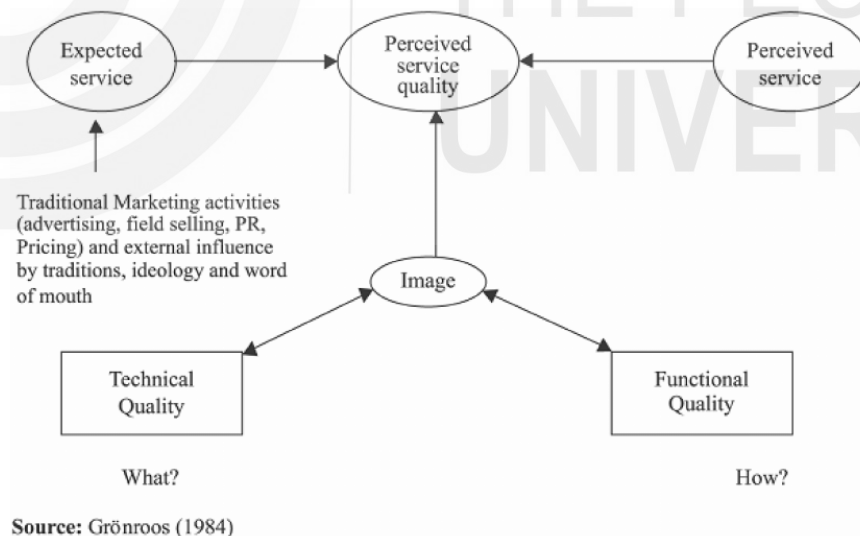
With changing customer expectations and business scenario globally, there is a greater need to deliver products and services that exceeds customer expectations. Competitive pressures are forcing service providers to innovate and customize their offerings in line with the customer expectations. Lewis and Booms (1983) defined service quality as, “*a measure of how well the*

service level delivered matches customer expectations. Delivering quality service means conforming to customer expectations on a consistent basis.”. Later Parsuraman (1996) defined service quality as, “a result from a comparison of what customers feel a service provider should offer (i.e. their expectations) with the providers’ actual performance.” In 1996, Asubonteng, McCleary & Swan defined service quality as, “the difference between customers’ expectations for service performance prior to the service encounter and their perception of the service received.”

Over the period, various models of service quality have been proposed. Here we discuss two of the most important and prominent models that have gained acceptability among practitioners

- 1) **Technical and Functional Quality Model** – This is one of the first service quality model which was proposed by Christian Gronoos in 1984. According to this model, the three components of service quality are – technical quality (what customer receives), functional quality (how they receive the technical outcome) and image of the service provider.

Figure 3.1 Technical and Functional Quality Model

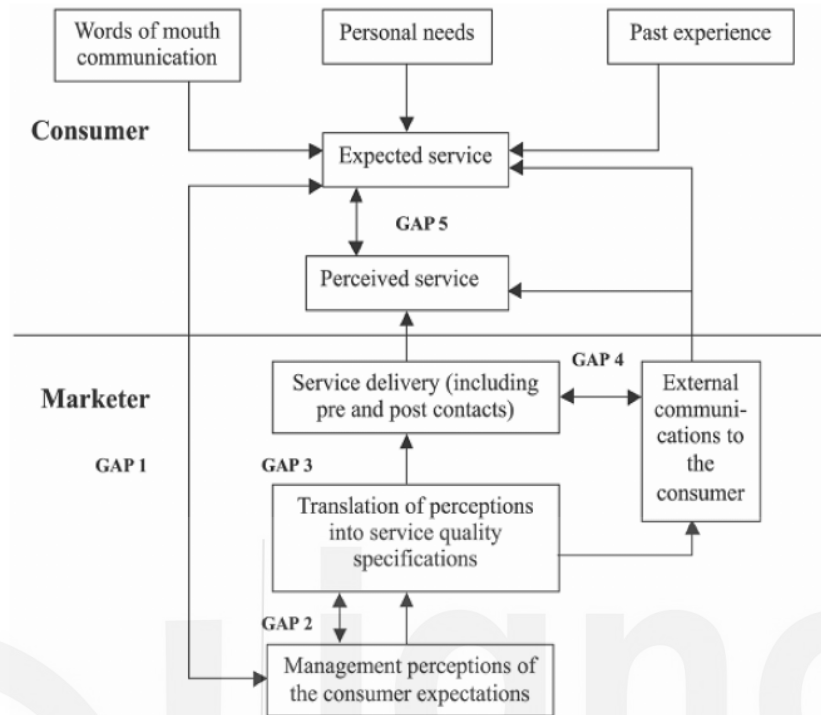


- 2) **GAP Model of Service quality** – This model was proposed by Parsuraman, Zeithmal and Berry in 1985, and according to this model service quality is a function of the differences between expectations and performance along the certain quality

dimensions. They identified four provider gaps and one customer gap that led to the overall service quality. According to this model, following are the gaps

- a. **Gap 1** – Difference between customer expectations and management perception of expectations. For example, a hotel is unable to understand that hygiene and sanitation expectations of the customers after COVID – 19.
- b. **Gap 2** – Difference between management perception of expectations and service standards. For example, an airline understands the expectations of the passengers about social distancing during COVID-19, but is unable to translate them into service standards due to profitability issues
- c. **Gap 3** – Difference between service quality specifications and the actual service delivered. For example, a restaurant understands that the time between order booking and delivery of meal is expected to be less than 15 minutes, but is unable to deliver due to more number of orders in the kitchen.
- d. **Gap 4** – Difference between service delivery and the communications to consumers about service delivery. For example, a hotel may communicate about eco-friendly practices and could end up following the practices which are against environment
- e. **Gap 5** – Also known as consumer gap. This corresponds to the difference between consumer expectation and perceived service.

Figure 3.2 GAP Service Quality Model



Source: Parasuraman *et al.* (1985)

The following table presents the causes of gap and what are the available strategies to reduce or minimize the provider gaps (i.e. Gap 1 to Gap 4)

Table 3.3 Service Quality Gaps, Causes and Strategies

Provider Gap	Causes of Gap	Strategies to Reduce Gap
Gap1	<ul style="list-style-type: none"> • Lack of Marketing Research • Inadequate upward communication • Too many levels of management 	<ul style="list-style-type: none"> • Undertake periodic marketing research • Interact with customers frequently • Top Management should visit customers to understand their expectations • Encourage a flatter organization
Gap 2	<ul style="list-style-type: none"> • Lack of commitment of management to deliver quality service • Absence of Goal Setting • No customer-driven standards 	<ul style="list-style-type: none"> • Build top management commitment • Develop Service Quality Goals • Lay emphasis on customer defined standards

	<ul style="list-style-type: none"> • Perception of infeasibility • Resource Constraints 	<ul style="list-style-type: none"> • Standardize the tasks • Adopt best practices of the industry
Gap 3	<ul style="list-style-type: none"> • Poor HR policies • Lack of Customer Education • Failure to match demand and supply 	<ul style="list-style-type: none"> • Invest in human resource training • Select the right persons for service delivery • Educate the consumers about their role • Synchronize the demand and supply
Gap 4	<ul style="list-style-type: none"> • Overpromise • Ineffective management of customer expectations • Inadequate horizontal communication 	<ul style="list-style-type: none"> • Make realistic promises to the customers • Interact more with the customers to understand their expectations

In 1988, Parsuraman, Zeithmal and Berry proposed a scale to measure consumer perception of quality which is popularly known as SERVQUAL scale. According to them perceived quality is the consumers' judgment about an entity's overall excellence or superiority. According to the findings of their study, there are five dimensions on the basis which the quality of services can be assessed. These are

- 1) **Reliability** – This is about the ability of the service provider to perform the service accurately and dependably. For example, an airline is expected to ensure the safety of the passengers and also ensure that the flight reaches the destination as promised. The travel agent will be assessed high on quality only if the promised service as per the contract is delivered.
- 2) **Assurance** – This dimension corresponds to the knowledge and courtesy of employees and their ability to inspire trust and confidence. The behaviour of employees should reinforce tourist confidence
- 3) **Tangibles** – This refer to physical facilities, equipment, appearance of the staff etc. For example, airlines invest heavily in ensuring that their staff is well groomed and

presents themselves really well. Similarly a hotel always ensures that their lobby is well decorated as it communicates quality to the potential customers

- 4) **Empathy** – This dimension corresponds to the caring and individualized attention the firm provides to its customers. For example, a hotel should understand the specific needs of the customers coming from different countries and should develop the capability to full their needs.
- 5) **Responsiveness** – This dimension corresponds to the willingness of the service provider to help the customers and provide prompt service. In case of travel industry, customers move into unknown territory and expect the service providers to be of help to them. Especially in case of crisis or a problem situation, a service provider should always be willing to help.

These five dimensions are popularly known as RATER (Reliability, Assurance, Tangibility, Empathy and Responsiveness).

In context of tourism and hospitality, any organization can adopt to the following strategies to improve the service quality at the hotel and provide exceptional service to the customers

- 1) Create a clear vision statement and establish service quality goals
- 2) Encourage employees to understand the service quality goals and its relevance in long term profitability of the company
- 3) Treat every customer as important and invest resources to understand their expectations
- 4) Select the right people in the organization and train them to deliver the service as per the standards
- 5) Respect your commitments and ensure that the promises made to the customers are fulfilled
- 6) Design the service delivery mechanism as per the customer expectations. Emphasis should be laid on defining customer driven standards rather than company driven standards
- 7) Reward employees (financial or non-financial) for delivering high quality service
- 8) Educate customers about their role in the service delivery process
- 9) Teach employees of the possible service failures, customer complaints and train them how to handle such crisis situations

- 10) Along with customer feedback, consider taking employee feedback on periodic intervals
- 11) Track issues of complaints and create preventive mechanisms.
- 12) Invest in technology and wherever possible minimize human interactions

Check Your Progress - 3

Q1. What are the various ways of classifying services?

.....

.....

.....

Q2. What is GAP model of service quality?

.....

.....

.....

Q3. What are the various dimensions of Service Quality?

.....

.....

3.7 STRATEGIES OF SERVICE MARKETING

As discussed above, service marketing requires deeper understanding of consumers and therefore service marketers should develop strategies to excel in a service business. The proposed strategies are relevant for all the major tourism and hospitality businesses.

- I. **First focus on customers and then on the company** – Understand real needs of customers in the service business is quite a challenging task. Due to the intangibility nature of services, understanding customer expectations becomes difficult. Service business should invest in marketing research and profile their potential customers so that their expectations are understood. For example, if a travel agency plans to deal with

senior citizens, it should undertake research to profile them and also understand their travel expectations

- II. **Develop a service positioning statement** – As discussed in Unit 1, marketing is about creating value. In context of services, it is important to define a positioning statement which defines how “your service is the best”. For example, Indigo Airlines positions itself as a low cost and a punctual airline, whereas Vistara positions itself as India’s best airline which provides a new feeling of flying. The service positioning statement acts like a voice of the brand and guides the employee – customer interactions.
- III. **Define the Service Concept** – The process of designing new service is more challenging than designing and launching a new product. As discussed in Unit 2, the marketing mix in case of service has three additional P’s i.e. people, process and physical evidence. While designing the services, a marketer has to think in terms of service encounters and identify all the contact / interaction points which can amplify the quality of services. For example, during COVID – 19, many hotels across the world redefined the overall service concept by minimizing the people interaction of the guest while his or her stay in the property. The F&B service also was redefined by eliminating the buffet concept and the food was provided to the guests in the room itself. The service concept should be dynamic and the service provider should adapt the changing customer preferences and expectations.
- IV. **Define the service delivery process** – Once the company decides the overall service concept, it is important to define the service delivery process as well. Due to inseparability characteristics of services, both the consumer and the service provider have to be present at the same location. However, as discussed earlier, technology has eliminated this requirement in many cases. A company should clearly define its front office and back office elements. For example, earlier for booking a pizza for home delivery from Domino, a customer had to interact with the employee of the chain who was responsible to take orders, but with the coming up of mobile app, a customer can book a pizza without interacting with any person. While developing the service blueprint, a service provider should identify all the stages in the service delivery process. For example, a hotel can split the activities as under (a) pre-booking information (b) booking process (c) arrival of guest at the hotel (d) allocation of room to the guest (e) in house

services availed by guest (f) billing (g) departure of the guest. These are broadly identified steps. Each of these steps can further be divided into sub-activities, and the service provider should develop process for each of the sub-activities. Once the activities are identified, the human resource department should assign responsibilities for each of the activities

V. **Engage and Empower Employees** – We all know that quality of services is highly dependent upon the employees of the organization. In 1994, James Heskett proposes a concept of service-profit chain according to which there exists a relationship between profitability, customer loyalty and employee satisfaction. Unless a service driven organization has satisfied employees, they will not be able to serve the customer. Therefore organizations should build a customer-focused team which is well trained and is ready to serve the customer. To do this, adequate reward mechanisms should be developed in order to engage the employees. Further the employees who directly interact with the customers should be empowered to deal with customer issues and ensure customer satisfaction.

VI. **Measure Service Quality and Improve** – As Peter Drucker once said, “You cannot manage what you don’t measure”, it is important to measure the service quality on a continuous basis. There are various methods which can be used to measure service quality

- a. Conduct customer surveys at the end of customer experience. One of the most popular tools that is used is the SERVQUAL scale as discussed above.
- b. Follow up with the customers after the service
- c. Assess the word of mouth communication about the company on various social media platforms
- d. Reward customers to provide feedback. However, it is important to keep the anonymity of the customers.
- e. Use data analytics. With business transactions happening online, companies have access to rich customer data which should be used to improve the service quality.
- f. Give importance to customer feedback and the customer should perceive that their feedback is taken seriously.

- g. Evaluate customer complaints and improve the service delivery process on regular intervals.

Check Your Progress - 4

Q1. What is service positioning statement?

.....
.....
.....

Q2. What is the concept of service profit chain?

.....
.....
.....

Q3. Suggest some ways to assess service quality?

.....
.....

3.8 LET US SUM UP

Today services constitute to more than 50 percent of Indian economy. Tourism and hospitality products are classified as services. Keeping in view the characteristics of intangibility, heterogeneity, inseparability and perishability, marketing of services poses certain challenges which can be overcome by adopting specific marketing strategies. Services can be classified on the basis of basic demand characteristics, service content, benefits and service delivery procedures. In order to win customer satisfaction and customer loyalty in the long run, companies should lay emphasis on service quality. The GAP model of service quality identifies five gaps, if managed, can ensure high service quality. Service quality can be assessed across five dimensions – reliability, assurance, tangibility, empathy and responsiveness. At the end, we discuss various strategies that can be adopted by companies to enhance service quality.

3.9 CLUES TO CHECK YOUR PROGRESS

Check Your Progress - 1

1. See section 3.2
2. See section 3.2
3. See section 3.1

Check Your Progress - 2

1. See section 3.3
2. See section 3.3
3. See section 3.4

Check Your Progress - 3

1. See section 3.5
2. See section 3.5
3. See section 3.6

Check Your Progress - 4

1. See section 3.7
2. See section 3.7
3. See section 3.7

ignou
THE PEOPLE'S
UNIVERSITY

3.10 FURTHER READINGS

- Berry, L. L., & Parasuraman, A. (1993). Building a new academic field-the case of services marketing. *Journal of retailing*, 69(1), 13 – 60
- Berry, L. L., Parasuraman, A., & Zeithaml, V. A. (1988). The service-quality puzzle. *Business horizons*, 31(5), 35-43.
- Boyt, T., & Harvey, M. (1997). Classification of industrial services: A model with strategic implications. *Industrial Marketing Management*, 26(4), 291-300.

- Judd, R. C. (1964). The case for redefining services. *Journal of marketing*, 28(1), 58-59.
- Kotler, Bowen, Makens & Baloglu (2016), *Marketing for Hospitality and Tourism*, 7th Edition, Pearson
- Kotler, Keller, Koshy & Jha (2015), *Marketing Management – A South Asian Perspective*, 14th Edition, Pearson
- Lovelock, C. H. (1983). Classifying services to gain strategic marketing insights. *Journal of marketing*, 47(3), 9-20.
- Parasuraman, A., Zeithaml, V.A. and Berry, L.L. (1988), “SERVQUAL: a multiple item scale for measuring consumer perception of service quality”, *Journal of Retailing*, Vol. 64 No. 1, pp. 12-37.
- Regan, W.J. (1963). The Service Revolution. *Journal of Marketing* (July), 57-62
- Vargo, S. L., & Lusch, R. F. (2004). Evolving to a new dominant logic for marketing. *Journal of marketing*, 68(1), 1-17.
- Shostack, G. L. (1977). Breaking free from product marketing. *Journal of Marketing*, 41(2), 73-80.
- Zeithaml, V. A., Parasuraman, A., & Berry, L. L. (1985). Problems and strategies in services marketing. *Journal of marketing*, 49(2), 33-46.

2.14 ACTIVITIES

ACTIVITY – 1

Visit any travel agency and interact with the manager / owner to assess how they measure the service quality. Keeping in view the SERVQUAL scale, assess the relevance of these dimensions in context of a tourism business.

ACTIVITY – 2

Visit a nearby hotel and interact with the employees across various departments. Discuss with them how do they ensure customer satisfaction and the methods adopted by them to collect customer feedback. Do they feel empowered to deal with customer issues?

UNIT-4 MARKETING RESEARCH

Structure

- 4.0 Objectives
- 4.1 Introduction
- 4.2 Marketing Information System
- 4.3 Marketing Research – Meaning, Purpose & Scope
- 4.4 Marketing Research Process
- 4.5 Research Problem and Objectives
- 4.6 Research Design
- 4.7 Data Analysis Methods
- 4.8 Report Preparation
- 4.9 Ethics in Marketing Research
- 4.10 Lets Sum Up
- 4.11 Clues to Check your Progress
- 4.12 Further Reading
- 4.13 Activities

4.0 OBJECTIVES

This unit discusses about the concept of marketing information system and the importance of marketing research in marketing decision making. After reading this unit learner will be able to:

- Understand the concept of marketing information system
- Explain the components of marketing information system
- Discuss the marketing research process
- Describe in detail each step of marketing research process.
- Recognize the importance of ethics in marketing research

4.1 INTRODUCTION

As discussed in earlier units, marketing is about understanding customer needs and creating products and services that offer value to the customers. Marketers should continuously monitor, forecast and adapt to the changing environment – political, economic, socio-cultural, demographic, technological, natural and legal. Marketing research plays an important role in developing insights by generating actionable information about customers and competitors. Marketers use these insights for identifying market opportunities by engaging in proactive marketing decision-making. Infact marketers should undertake a continuous study of the marketing factors which are important for the organization. In 1969, Conrad Berenson proposed that organizations should develop Marketing Information System which is more encompassing and provides continuous flow of rich information about market, competitors and consumers. In this unit will be discussing about the concept of marketing information system and marketing research in detail with its application in context of tourism.

4.2 MARKETING INFORMATION SYSTEM

Conrad Berenson defined marketing information system as, “an interacting structure of people, equipments, methods, and controls, which is designed to create an information flow that is capable of providing an acceptable base for management decisions in marketing.” According to legendary marketing expert, Philip Kotler, marketing information system can be viewed as “marketing nerve centre”. According to him, there are three distinct marketing information flows in an organization

- **Marketing Intelligence Information Flow** – This corresponds to the information related to development in the environment and facts about the institutions that can affect the company’s opportunities and performance. For example facts related to customers, competitors, channel partners, government actions, complimentary producers, economic factors, culture, technology and law can be the major sources of marketing intelligence. This is typically inward flow of information from environment to the firm.

- **Internal Marketing Information Flows** – This corresponds to the effectiveness of inner information flow within the organization. Having a good marketing intelligence system does not guarantee effective decision making, unless the information reaches the right person. In any organization, information flows in upward (bottom to top); downward (top to bottom); and horizontal (among peer groups). To ensure the free flow of information companies should develop appropriate procedures and systems so that desired information reaches to the concerned people who are responsible to take the decisions.
- **Marketing Communication Flow** – This corresponds to the outward flow of information. It consists of marketing and promotion efforts of the company

The following factors justify the need for developing a marketing information system

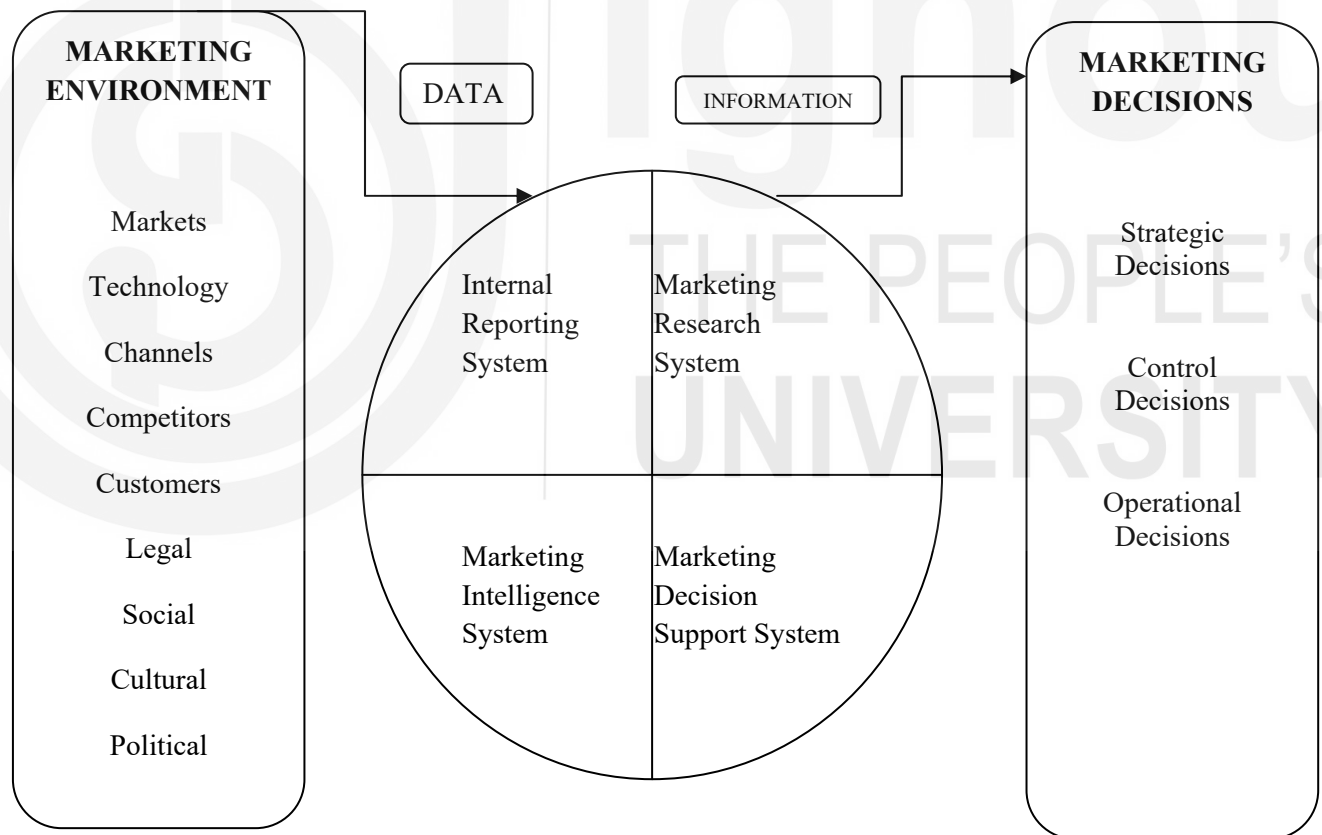
- **Increasing complexity of business** - With markets becoming global, technologically advanced it calls for more data for effective decision making
- **Shorter Product Life Cycles** - With the advancement of technology and changing customer preferences, every consumer market is facing shorter product life cycles. In other words, products or services become redundant in very short period of time. Marketers should proactively understand this and should innovate their products or services.
- **Speed of Decision Making** – Today the marketing environment changes very fast and unless companies adapt to these changes fast, they can become extinct. A sound and reliable marketing information system can help marketing managers to take timely decisions in the interest of the company.
- **Global Competition** – With competition becoming global, consumer have access to information from global marketers, also have experienced internal products or services, marketers have to ensure that they understand the changing customer needs and preferences on continuous basis. Marketing information system can help marketers to understand global competition and changing customer preferences.

The importance of marketing information system is (a) fills up information gap (b) aids in marketing planning (c) facilitates marketing decision making (d) saves cost and time (e) helps in systematic recording of data (f) better evaluation and control (g) helps the management to cope with the dynamic marketing environment.

4.2.1 Components of Marketing Information System

A marketing information consists of four major components which are primarily developing information which aids in marketing decision.

Figure 4.1 Components of Marketing Information System



As presented above, the four components of Marketing Information System are

1. **Internal Reporting System** – Provides reliable internal information to the decision makers. For example, a travel agency may be interested to know the previous travel preferences of a particular client, based on which the company can design an appropriate offering. Similarly a hotel might be interested to know that the room booking trends of last 3 years to identify the peak season. This information can be used by the marketing manager to decide upon the pricing. Every company should develop a strong customer, product and sales database. Attempt should be made to capture as much information as possible related to the customers – their demographics, address, contact numbers, preferred activities, interests, previous transactions, family details. This can help managers to design and reach out the target customer groups.
2. **Marketing Intelligence System** – Provides information from external sources. A good marketing intelligence system provides the happening data which is collected from the external environment. The information related to economic, social, cultural, political, technological, legal environment is captured on a continuous basis. Even the information related to competitors and channel partners should be captured. Marketing managers can collect this information using various ways – using primary sources (meeting dealers, suppliers, customers) or using secondary sources (newspapers, trade magazines, internet, social media). The quantity and quality of marketing intelligence determines the effectiveness and utility of the data that is generated through the process. Marketers can even purchase information from outside suppliers which provide syndicated research. Companies like ACNielsen, ORG MARG provide needs based information for effective decision making. In the recent past, social media platforms and internet in general has emerged as a rich source of information. For example companies like Trip Advisor collect traveler reviews which are rich source of information. Similarly a number of platforms have come up which provide distributor or sales agent feedback. Companies like TRIVAGO compare the prices from various platforms and facilitate the decision making. This information can be used by marketing managers to determine the optimal price that yields high profits. Using internet, companies can track the activities of

competitors at the global level and then proactively take decisions in the interest of the company.

3. **Marketing Research System** – Marketing research is used to solve specific marketing problems of the company. Marketing managers may commission studies to examine specific problems and opportunities. Marketing insights generated from marketing research generally form the basis of successful marketing programs. In the subsequent sections, we shall discuss in detail the various issues and aspects related to marketing research.
4. **Marketing Decision Support System** – These are tools which help marketing managers to analyze data and take better marketing decisions. It generally consists of computer software that helps users to quickly obtain data and apply that information in a way that supports marketing decisions. A good decision support system should be interactive, flexible, discovery oriented and accessible. The data that is collected through internal records, marketing intelligence system or marketing research is processed using appropriate statistical and modeling software which then provides marketing managers with appropriate decision that aids in decision making.

4.2.2 Characteristics of Marketing Information System

The characteristics of a sound and effective marketing information system are

1. It should be clear, brief and accurate
2. It should be unified and centralized computer based system
3. It should be easily accessible to the decision makers
4. It should be future oriented
5. It should be applicable at all levels of management
6. The system should be robust and should have the capability to collect information from both internal and external sources
7. The system should aid in marketing decision making
8. It should be flexible and should adapt to the changing needs of the user
9. It should be need based and use oriented
10. It should be a permanent and continuous system which collects information continuously

Check Your Progress - 1

Q1. What is a Marketing Information System?

.....
.....
.....

Q2. What are the components of Marketing Information System?

.....
.....
.....

Q3. What are the characteristics of a good marketing information system

.....
.....
.....

4.3 MARKETING RESEARCH – MEANING, PURPOSE & SCOPE

According to American Marketing Association, marketing research is *“the function that links the consumer, customer, and public to the marketer through information—information used to identify and define marketing opportunities and problems; generate, refine, and evaluate marketing actions; monitor marketing performance; and improve understanding of marketing as a process”*. They further highlighted the fact that marketing research *“specifies the information required to address these issues, designs the method for collecting information, manages and implements the data collection process, analyzes the results, and communicates the findings and their implications.”* According to Philip Kotler, marketing research is *“the systematic design, collection, analysis, and reporting of data and findings relevant to a specific marketing situation facing the company.”*

Looking at the definition of marketing research it is clear that through marketing research, a marketer is able to generate information about consumer, customer and the public which can be used to identify opportunities in the market. Many times a marketer design a

research study to assess the effectiveness of their marketing actions. For example, a destination would be interested to know the effect of their new marketing campaign on the intention of the tourists to visit that place. Similarly a hotel which has recently introduced eco-friendly facilities will be interested to know whether the guest will be willing to pay an additional premium for the services. Marketing research is also about assessing the performance of marketing actions.

The basic purpose of marketing research is to reduce any uncertainty in marketing decision making. Effective marketing research helps in

- a) gain understanding of markets and consumers
- b) track, identify and forecast market trends
- c) assess customer needs
- d) to support marketing planning
- e) reduce the risk of product / business failure
- f) understand the competition and identify their strengths and weakness.

The scope of marketing research is very wide and marketer can use it across all aspects of marketing decision making. The application of marketing research is across all dimensions of marketing some. Some of the indicative areas where marketing research can be undertaken are

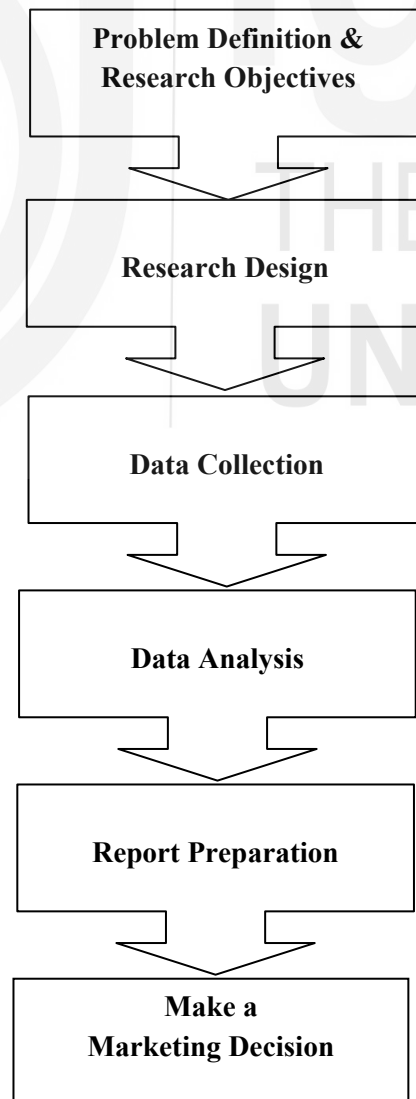
- Product Research
- Service Design and Development Research
- Product or Service Concept Testing
- Consumer / Customer Research
- Pricing Research
- Advertising and Promotion Research
- Branding Research
- Social Media Research
- Market Segmentation, Targeting and Positioning Research
- Competitor Analysis Research

4.4 MARKETING RESEARCH PROCESS

Let us now discuss in detail the steps involved in marketing research. Effective marketing research follows the following steps

- 1) Define the problem and research objectives
- 2) Develop the research plan
- 3) Data Collection
- 4) Data Analysis
- 5) Report Presentation
- 6) Taking Marketing Decision

Figure 4.2 Marketing Research Process



We will now discuss each of these steps in detail

Check Your Progress - 2

Q1. What is marketing research?

.....
.....
.....

Q2. Discuss some applications of marketing research?

.....
.....
.....

Q3. What are the various steps in marketing research process?

.....
.....
.....

4.5 RESEARCH PROBLEM AND OBJECTIVES

This is one of the most important steps in the research process. Problem definition is about stating the general marketing research problem and then identifying its specific components. While defining the research problem, clarity is needed on following two questions – Why is it to be researched? (what decisions are to be made by marketing manager), and, What is to be researched? (the scope and content of research). The first is also known as management decision problem whereas the latter is known as marketing research problem. The marketing research problem asks what information is needed and how best it can be obtained. Any research that is undertaken should help the decision maker to make sound decisions. The problem should be stated as a question (e.g. will the new menu, if introduced, gain at least 5% market share?). Also the problem statement should express a relation between two or more variables (e.g. “Are women with their kitty group, more likely to buy our women special package as compared to group of college girls going for picnic?). Finally the research problem should be directly related to the management / marketing decision (e.g. how will the findings of the research help in

devising the promotional strategy for the new menu introduced by the hotel?). In other words, a research question should be action oriented.

A problem statement often has three elements (a) the problem itself, stating why is it important (b) the method of solving the problem (c) the purpose, statement of objective and scope. Formulating research objective is very important step before the research is carried out. A research objective is a concrete statement what the research is trying to achieve. Research objectives form the core of the study and address the purpose of the project. While formulating research objective, both general and specific objectives should be stated. A general objective states what is to be achieved in general terms whereas a specific objective tend to specify what you will do, where and when. A clearly defined objective directs a researcher in the right direction. The following example will help you to understand the linkage between management problem, research problem and research objective

Management Problem	How should we build confidence among consumers about hygiene and safety conditions in our hotel, especially after the COVID-19 pandemic?
Research Problem	What are the major concerns of the guests with respect to hygiene factors? What are the current norms / practices at the international level and how do tourist? Is the fear among tourists a temporary phenomenon or a long-term issue?
Research Objective	To identify the perceived risk factors / determinants from tourist point of view To study and describe the existing global practices about hygiene and safety in the hospitality sector To examine the preferences of accommodation of tourist while traveling post COVID -19 pandemic

A research objective should be SMART – Specific (details exactly what needs to be done), Measureable (progress should be measured), Actionable (can the information be

used to improve performance), Relevant (can the information be applied to specific problem) and Time Bound (time period should be clearly stated).

4.6 RESEARCH DESIGN

A research design is the general plan of how will you answer the research question and achieve the research objectives. We can say that a research design is a blueprint or a framework for conducting the marketing research project which enables the researcher to know whom, what, when, where and how the study will be conducted. It presents a detailed outline of how the investigation will take place. A typical research design will include how the data will be collected, what methods will be employed, and the planned approach to analyze the data to get meaningful information. It is important to know that the research design is based on the research question and the research problem. The two main functions of a research design are (a) identification and development of procedures required to undertake the study (b) emphasize on quality of these procedures to ensure their validity.

While developing the research plan following decisions are to be taken – research approach, data sources, research instruments, sampling plan, and contact methods. We will now discuss each of the

- 1) **Research Approach** - The major research paradigms are quantitative research paradigm and qualitative research paradigm. Quantitative research aims at causal explanation whereas qualitative research is an approach that seeks to understand by means of exploration. Quantitative approach is concerned with discovering facts about social phenomenon by assuming a fixed and measurable reality whereas qualitative approach is concerned with understanding human behaviour from informant's perspective and assumed dynamic and negotiated reality.

The quantitative research design can be broadly classified as exploratory research design and conclusive research design. The basic objective of exploratory research is to provide insights and understandings whereas the objective of conclusive research is to test specific hypothesis and examine relationships. Conclusive research design can

further be classified as descriptive research and causal research. The objective of descriptive research is to describe market characteristics whereas the objective of causal research is to determine cause and effect relationship. When little is known about the problem situation, it is advisable to start with exploratory research. For example, during COVID-19 pandemic, many travel companies were not sure about the future behaviour of tourists. Under such circumstances, exploratory research can provide insights which can help to refine and define the research problem. However, if a marketer is interested to profile its existing customers and wants to understand their travel preferences, a descriptive approach will be more suitable. Finally if a travel agent is interested to understand the effect of taxes on demand, a causal research design will be more appropriate.

Quantitative research designs can also be classified as experimental designs and non-experimental design. Experimental research makes causal inferences about the relationships by manipulating independent variable and controlling extraneous variable whereas non-experimental research in which there is no manipulation and data is collected without making changes. For example, surveys and observational studies are part of non-experimental research.

The various types of qualitative research design includes ethnography, phenomenology, grounded theory, historical research, case study, action research. Ethnography is a method of observing human interactions in their cultural context. Phenomenology is known as “science of experience” whose purpose is to describe the appearance of things as lived experience. Grounded theory is study of concepts is used to generate a theory that explains, at a conceptual level, a process, an action or an interaction on the research problem. Historical research is a process of critical inquiry into past events, in order to produce an accurate description and interpretation of those events. A case study is a factual description of events that actually happened at some point of time in the past. Finally action research is a form of self-reflective enquiry undertaken by participants in social situations in order to improve them. All these methods are quite useful in context of tourism as cross-cultural interactions between host and guests takes place quite frequently.

2) **Data Sources** - Marketing research data is classified under two broad categories – Primary data and Secondary data. Primary data is the information that is collected directly whereas secondary data is existing information in public domain which has been collected by others. Secondary data can be collected from government published statistics, publications of industry association, trade & commercial publications, company websites, market research reports or journal articles. On the other hand, primary data is collected using in-depth interviews, surveys, focus groups, social media monitoring. In many situations secondary data may provide enough information to solve the research problem. It can also serve as a reference base to compare the validity of primary data. On the other hand, primary data helps to find answers to specific research questions. In this case, the data interpretation is better as the source of data is known to the researcher. In many studies, a researcher generally uses the mix of primary and secondary data.

3) **Research Instruments** – It is basically an instrument or tool which is used to collect the data from the respondents. The type of research instrument used by the researcher depends upon the data collection method to be used. The instrument development requires technical expertise and it should be reliable and valid. In marketing research there are various types of research instruments that can be used which include – questionnaire, checklist, interviews, observation, records, experimental approach, and survey approach. In tourism research, questionnaires are frequently used for data collection. A questionnaire should yield the information that is required by the decision maker, and should be drafted in a manner which encourages the respondent to cooperate and provide the necessary information. While designing the questionnaire, following steps should be considered

- a. ***Clearly specify the information that is needed for decision making*** – The researcher should have understanding of the target population before proceeding for data collection
- b. ***Determine the content of individual questions*** – A researcher should critically examine each question for its content and assess if the question is

framed in a manner in which the respondents are able to answer the question with ease. While framing the questions the wording should be simple, leading questions & implicit assumptions should be avoided.

- c. ***Decide upon the question structure*** – The next step is to decide upon the question structure. There are broadly two options – unstructured questions (i.e. open ended questions) or structured questions (i.e. where a set of response alternatives are provided). A structured question can be multiple choice, dichotomous, or a scale.
- d. ***Determining the order of questions*** – While developing the questionnaire, the researcher should identify opening questions which should be interesting, simple and non-threatening. The questions should be asked in a logical order and difficult questions which are sensitive or embarrassing should be kept late in the sequence.
- e. ***Decide the Form and Layout*** – For the self-administered questionnaires (where the respondent has to fill on his own), the format of the questionnaire plays a vital role. The questionnaire should be divided into several parts. It should be pre coded and should have a professional appearance. In case a questionnaire is long, it should be reproduced in form of a booklet.
- f. ***Pretest the questionnaire*** – Before going for full scale survey, all aspects of the questionnaire should be pre-tested. Pre testing can be done using email, mail or through personal interviews. Based on the feedback, the questionnaire should be revised and upgraded.

4) **Sampling Plan** – Sampling is one of the important components of research design. This step involves following major decisions – defining target population, sampling frame, sampling technique and sample size. We now briefly discuss each of them

- a. ***Target Population*** – This corresponds to the complete group whose relevant characteristics are to be determined through the sampling. For example, all inbound tourists coming from Europe

- b. **Sampling Frame** – This is the representation of the elements of the target population. For example, all the travel registered by IATO or all the European tourists who have stayed in five star hotels across India.
- c. **Sampling Technique** – The sampling techniques or methods are broadly classified as probability sampling methods or non-probability sampling methods. Probability sampling methods utilizes random sampling techniques to create sample. On the other hand, non-probability sampling methods do not give all the units equal chance of being selected as part of the sample. The table 4.1 provides the various sampling methods available to the researcher. In case of conclusive research, probability sampling methods are more suitable whereas in case of exploratory research non-probability sampling methods can be used. With the emergence of internet and social media, modern studies use online intercepted, online recruited and other similar methods
- d. **Sample Size** - This corresponds to the sub-population to be studied in order to make the inference of the reference population. It is an important feature of the sampling process as the sample size should be adequate enough to represent the population under consideration. Determining the appropriate sample size involves mathematical procedures. There are various approaches that can be used including arbitrary approach (e.g. 5% of the population); conventional approach (e.g. as per past practice); cost – basis approach (how much money do we have for data collection); statistical analysis approach (most reliable approach from statistical point of view) and confidence interval approach. While determining the sample size, the researcher takes into consideration the desired level of confidence and acceptable margin of error.

Table 4.1 : Sampling Methods

Probability Sampling Methods	Non-Probability Sampling Methods
<p>Simple Random Sampling <i>Each element in population has equal probability of selection in sample.</i></p>	<p>Convenience Sampling <i>A sample of conveniently selected elements is included in the survey</i></p>

<p>Stratified Random Sampling <i>Population is divided into strata's and then from each strata elements are selected using simple random sampling from each strata,</i></p>	<p>Quota Sampling <i>The population is divided into control categories (e.g. age groups) and then elements are selected from each control group using convenience sampling approach.</i></p>
<p>Cluster Sampling <i>Population is divided into mutually exclusive and collectively exhaustive clusters. Then a random sample of clusters is selected using simple random sampling.</i></p>	<p>Snowball Sampling <i>Elements are selected based on referral or recommendations given by the initial element which is selected randomly.</i></p>
<p>Systematic Sampling <i>Includes every Nth observation of the population in the study.</i></p>	<p>Judgmental or Purposive Sampling <i>Population elements are purposely selected based on the judgment of the researcher.</i></p>

5) **Contact Methods** – It is basically corresponds to the types of methods available in order to reach the respondents. The primary methods that are available are mail questionnaire, telephonic interview, personal interview and online methods through email or social media platforms. Each of these methods have their own advantages and disadvantages. For example telephonic methods are a quick and timely data collection method, but generally suffer from poor response rate. Personal interviews provide great control over participants but are a slow and expensive proposition. Similarly, online methods are quick and inexpensive but suffer from self-selection bias. A market researcher has to consider time and money available keeping in view sample size considerations and then appropriately choose the contact method

Check Your Progress - 3

Q1. What is the importance of framing the research problem?

.....

.....

.....

Q2. What are SMART research objectives?

.....
.....
.....
Q3. What are the various research approaches?

.....
.....
Q4. What are the various sampling methods?

4.7 DATA ANALYSIS METHODS

Data analysis is the process to convert the raw data into meaningful insights using relevant methods and techniques. The purpose of data analysis is to bring order to the data. The data analysis methods selected are based on the research approach i.e. quantitative vs. qualitative. The four types of data analysis that is typically useful are descriptive analysis (What is happening?), diagnostic analysis (Why is it happening?), predictive analysis (What is likely to happen?) and prescriptive analysis (What do I need to do?). In quantitative research designs, three types of analysis is generally done – univariate analysis (analysis based on single variable), bivariate analysis (using two variables simultaneously) and multivariate analysis (examination of more than two variables). The various descriptive statistics that are calculated are – range, average, median, mode, variance, standard deviation. Various methods include t-test, Z-test, One way ANOVA, Chi-Square test. In comparison to univariate analysis, bivariate analysis constitutes comparison by analyzing two variable simultaneously. The basic objective is to determine relationships between two variables. Examples of such tools are correlation and simple regression analysis. Simultaneous study of more than two variables is called as multivariate analysis. It is more informative than the earlier two analysis and accounts for interdependence between them. There are number of tools available like multiple regression, factor analysis, cluster analysis, discriminant analysis, conjoint analysis, multi dimensional

scaling, structural equation modeling and many other complicated techniques. For data analysis purpose, the marketing researcher can use various software like SPSS, SAS, AMOS, SmartPLS, R-software. Similarly for qualitative research data analysis, the researcher can use software likes NVivo, ATLAS.Ti.

4.8 REPORT PREPARATION

The final step in marketing research process is report preparation. The report can be in form of written and / or oral presentation in front of the marketing decision makers. The outcome and output of the research in form of results, recommendations and suggestions should be presented in front of the user of the research findings. Management decisions are guided by the findings of the report. The main contents of any marketing research report are

- 1) Title Page
- 2) Table of Contents
- 3) List of Tables
- 4) List of Figures
- 5) List of Graphs
- 6) List of Appendices
- 7) Executive Summary – Includes major findings, conclusion and recommendations
- 8) Problem Definition and Research Objectives
- 9) Research Design – Includes research approach, data sources, research instrument, sampling design, and data collection methods
- 10) Data Analysis
- 11) Results
- 12) Limitations
- 13) Conclusions and Recommendations
- 14) Exhibits and Appendices

Based on the written research report, the research team should also plan an oral presentation. While making the oral presentation, the research team should focus on addressing the research problem, research design, execution of research procedures, statistics, interpretation, and

disclosures if any. The research team should also do a follow up in terms of evaluating the impact of research report and identify the gaps, if any, so that future studies can be improvised in future.

Check Your Progress - 4

Q1. What are the various research methods?

.....
.....
.....

Q2. What are the elements of a good research report?

.....
.....
.....

Q3. What is the relevance of oral report presentation?

.....
.....
.....

4.9 ETHICS IN MARKETING RESEARCH

In marketing research, ethics refers to the moral principles that researcher or the organization should consider. All the three stakeholders – client, researcher and respondent – should be ethical in their approach so that the findings of the research are relevant and trust worthy. There are various ethical issues involved in the marketing research process. First, the information or data collected from respondents should be kept confidential and should not be used for any other purpose. In case of sensitive information, the researcher should give respondent enough time to think and respond. Second, the respondent should never be forced or coerced to respond. Volunteer participation is at the very heart of marketing research. In other words, ethical issues in marketing can be classified under three heads – society right (right to be informed, right to expect objective results), client’s rights (right to confidentiality, right to expect

quality research) and researcher's right (right for protection, right to confidentiality and right to accurate presentation of results). The researcher should avoid excessive interviewing, should not abuse the respondents or deliver sales pitches in guise of marketing research. Similarly the research should report complete findings or results. In order to impress the management, the researcher should not share partial information. The researcher should avoid misleading reporting in order to impress the management. The researcher should exhibit full integrity in data collection by avoiding showing the false data. There should be full objectivity in interpretation. The researcher should not purposefully without information or change the wording in the original survey in order to match the findings. The researcher should not overstate the generalizability of the findings. Finally the researcher should remember that ethical approach to marketing research affects the reliability of the research, the researcher – management relationship and finally the nature of marketing decisions

4.10 LETS SUM UP

Marketing Information System facilitates marketing decision making and four components – internal reporting system, marketing intelligence system, marketing research system and marketing decision support system. A company should have a strong marketing intelligence system which is dynamic and provides continuous information about the marketing environment. Marketing Research is a systematic design, collection, analysis and reporting of data and finding. It is used by marketers to generate information of customers, competitors and the findings are used to minimize the risk of marketing decisions. The marketing research process includes framing research problem and objectives, meticulously plan the research design, undertake data collection, do analysis, submit a written report and make oral presentation. Based on the findings of the research report, a marketer can make wise decision in the larger interest of the organization. Finally the researcher should ensure that ethical practices are adopted while doing marketing research.

4.11 CLUES TO CHECK YOUR PROGRESS

Check Your Progress - 1

1. See section 4.2
2. See section 4.2.1
3. See section 4.2.2

Check Your Progress - 2

1. See section 4.3
2. See section 4.3
3. See section 4.4

Check Your Progress - 3

1. See section 4.5
2. See section 4.5
3. See section 4.6
4. See section 4.6

Check Your Progress - 4

1. See section 4.7
2. See section 4.8
3. See section 4.8

ignou
THE PEOPLE'S
UNIVERSITY

3.10 FURTHER READINGS

- Marketing Research – An Applied Orientation by Naresh Malhotra / Satyabhushan Dash, Pearson
- Marketing Research by G C Beri, McGraw Hills
- Marketing Research by S L Gupta, Excel Books
- Marketing Research: Concepts and Cases, Donald R Cooper & Pamela S Schindler, McGraw Hills

3.11 ACTIVITIES

ACTIVITY – 1

Visit any travel agency or a hotel. Meet the marketing manager and discuss the various marketing problems being faced by them. Translate the management problem in form of research problem. Also define the possible research objectives

ACTIVITY – 2

Assume that you are a marketing research consultant. Assume that the restaurants in the city are facing crisis in terms of demand. One of the leading chain has appointed you as a marketing research consult. Design a detailed research proposal for them. Specify various elements of research design that you will keep in consideration.

ignou
THE PEOPLE'S
UNIVERSITY

UNIT 5 TOURISM MARKET SEGMENTATION

Structure

- 5.0 Objectives
- 5.1 Introduction
- 5.2 Defining Market Segmentation
 - 5.2.1 Market Segment
- 5.3 Importance of Market Segmentation
- 5.4 Strategies for Market Segmentation
- 5.5 Approaches in market segmentation
- 5.6 Criteria for Successful Market Segmentation
- 5.7 Market Segmentation Process
 - 5.7.1 Geographic Segmentation
 - 5.7.2 Demographic Segmentation
 - 5.7.3 Psychographic segmentation
 - 5.7.4 Behavioural Segmentation
 - 5.7.5 Other variables for Segmentation
- 5.8 Stages for Effective Tourism Market Segmentation
- 5.9 Tourism Market Segments
- 5.10 Let Us Sum Up
- 5.11 Key Words
- 5.12 Further Readings
- 5.13 Clues to 'Check Your Progress' Exercises
- 5.14 Activities

5.0 OBJECTIVES

After reading this unit you will be able to:

- define market segmentation
- explain the need of market segmentation
- describe the importance of market segmentation approaches,
- identify and differentiate between various market segment
- explain the steps of segmenting the tourism markets; and
- select and use segmentation in Tourism Markets

5.1 INTRODUCTION

In the previous units you were introduced to the concept of markets and tourism market. As you are aware tourism markets cannot be viewed as one heterogeneous market as people travel for different purposes and have different motivation for their travel activities. The purpose and motivations of tourists are varied and therefore the service providers (firms) need to reach the tourists (consumers) whose needs can be met and satisfied by them. In order to reach the consumer, it is easier for the firm when they carve out smaller niche or segments of the large homogenous market. The process of carving a homogenous segment from the heterogeneous market mass is known as market segmentation. This unit will introduce you to the broader aspect of one the most important marketing strategy i.e Market segmentation. This unit will help you understand how market segmentation gives a competitive edge to the firms in the present day business environment. The types and process of segmentation will help you understand the practical reasons for the application of market segmentation. This unit will also help understand and identify the various criteria and variables used for market segmentation like Demography, Geography, and Psychographic segmentation. Tourism industry has always been a competitive industry and segmentation gives an organisation edge over its competitors as the process help reach the target consumers. This unit will explore the importance of market segmentation for the Tourism Industry.

5.2 DEFINING MARKET SEGMENTATION

Tourism is one of the fastest growing industries, and in the recent years people of various generations are travelling with different preferences and motives. They travel for many reasons like cultural tourism, medical tourism, adventure tourism, and so on. The preferences of the tourists related to various services relating to the transportation, accommodation, entertainment, food habits also differ. It is very crucial for any tourism stakeholders to understand the needs of the tourist and hence customize the services accordingly. Therefore market segmentation becomes a very important aspect of business strategy and marketing tool for any tourism company.

Brennan (2003) defines Market segmentation as the process of identifying groups of customers who are relatively homogenous (having similar needs), in order to tailor and develop the products accordingly.

Rao & Steckel (1998) defined segmentation as "identifying groups of consumers who behave differently in response to a given marketing strategy like product development, pricing strategy, promotional strategies etc

The above two concepts of market segmentation explains firstly of dividing the market for similar consumers for their need and secondly responding to the marketing strategies of the organisation. Let us see this with the help of two examples. If Maharashtra tourism development corporation (MTDC) wants to do market segmentation for heritage tourism and wants to target german tourists, firstly they has to divide the potential German tourists having homogenous needs to visit the heritage sites to learn history , architecture and art and how they respond to the Product (infrastructure at the heritage sites), Pricing strategies, promotional strategies like online marketing etc.

What can also be distilled from the above definitions is that segmentation is a process of dividing one population into smaller sub-populations (i.e. segments or groups), which are characterized by different needs, characteristics or behaviours, including their response to the way they are approached and affected.

5.2.1 MARKET SEGMENT

A market segment must have common characteristics to make the marketing purposes easy for the organisations. Therefore marketers use various criteria to create a target market for their product or service (which will be discussed in detail in unit 6). After having understood the needs, demographics, personality etc of the segment (which will be discussed in section 5.5) the marketers approach each segment differently.

To meet the most basic criteria of a market segment, three characteristics must be present. First, there must be homogeneity among the common needs of the segment. Second, there needs to be a distinction that makes the segment unique from other groups. Lastly, the presence of a common reaction, or a similar and somewhat predictable response to marketing, is required. For example, common characteristics of a market segment include interests, lifestyle, age, gender, etc. Common examples of market segmentation include geographic, demographic, psychographic, and behavioural.

5.3 IMPORTANCE OF MARKET SEGMENTATION

Market segmentation is one of the important market strategy for any organisation. It helps the organisation to understand the needs of the customer, opportunities in the market, expansion of the market, marketing campaign, product development, brand identity and strategies related to pricing. Let us see the importance of market segmentation with an example.

1. Segmentation helps to serve a customer's needs and wants

Market segmentation helps the company to identify the different customer needs and will accordingly help to satisfy them. Different forms and promotional activities are used for different segments based on that segments needs/ wants and characteristics. It ensures both maximum satisfactions to consumers and maximum sales to the company

2. Segmentation helps in market competitiveness

Market segmentation helps to increase the competitiveness. After systematically developing the segments the companies with the help of marketing mix research can enhance the products which are most appealing to segments and develop the products accordingly. This will help the companies to give the best services to their targeted segments and lead to the overall satisfaction of the consumers, create a unique brand image in the market thereby enhancing competitiveness.

3. Segmentation helps in Market expansion

With the help of geographic and demographic segmentation it is very easy for the companies to study the new potential customers. Geographic segmentation will help the companies to know new locations while the demography at these locations will be helpful to study the exact needs and wants of the consumers. This will help the companies to expand their market.

4. Segmentation helps to improve the marketing campaign

Market segmentation helps to improve the performance of marketing campaign by knowing more about your targeted segment so that you can develop your messaging as per their preferences which will be more effective as compared to the entire market. Promotion to the entire undifferentiated market leads to economic loss with the failure in attracting the differentiated customers. For example the marketing of specialized hospitals has to be done to the medical tourists only, while the marketing of adventure tourism places has to be done considering the demographic segmentation i.e. age only. Engaging the messages with the specific targeted segment will have a broader appeal to the products to be marketed.

5. Segmentation helps in product development

Tourism stakeholders like travel agents, tour operators, airline companies, hotel industry etc can design their products with the help of needs and preferences of the customers in mind if segmented. These products will appeal them more and the intention to buy the product will also increase. For e.g. if the segment is women travellers the product can be developed taking into consideration the air travel timings, adequate security in the hotels etc. Another example is a segment might be the families who want budget tour. The most appealing part for them would be the product designed with the best services having low budget including air travel, accommodation, shopping etc.

Developing the products according to the segment will be beneficial for the satisfaction of the customers and will also built a unique brand for the company.

6. Market segmentation helps in specific brand identity

Brand identity means identifying the attributes of the products according to the selected segment/ consumer. Market segmentation helps to identify the important product attribute which are most appealing to selected segment and can be used as logos or contents while branding the products. For e.g. if the selected segment is India for Spain tourism and the most appealing attribute is Spanish food according to the Indian customers. The company can use the logos or images of the Spanish food culture for branding Spain tourism in Indian market.

7. Market segmentation helps in improved business strategies related to pricing

Market segmentation can help to inform other important business decisions regarding how you get your product to customers. These decisions may involve matters such as pricing and distribution. The business strategies such as pricing and distribution can be altered with the help of the segments chosen. Companies can use the segments i.e. income level to help them decide on pricing that maximizes sales while satisfying the customers. Price sensitivity and how it effects the purchase decision can be researched. For e.g. paying attention to tourism seasonal demand changes companies can boost sales. The best example is when the demand of international tourism is less due to reasons like epidemics or political instability, domestic tourism can be boosted by the companies selling the products in less price.

5.4 Strategies for Market Segmentation

Segmentation is distinguished in three types

Undifferentiated

Undifferentiated segmentation means the organisation is choosing a product for the mass market. For e.g. if the product is health tourism (Ayurvedic treatment in India) the segment chosen for it would be anyone from any geographic region having varied demographic profile from all age groups, all genders, any occupation, any behaviour etc.

Differentiated

Differentiated segmentation means the organisation is choosing the same health tourism product for consumers who are from same geographical region having same demographic profile such as same age groups, same gender, same occupation or income, and same behavioural aspects. Differentiated segment can be applied when the market is well developed with distinct preferences among buyers.

Concentrated segmentation

Concentrated segment is differentiated one but the firm cannot reach all because of limited resources and decided to choose the limited part of the market and built it strongly. Here the health tourism products segment would be for the consumers from same geographical region having same demographic profile such as same age groups, same gender, same occupation or income, and same behavioural aspects but the firm chooses only specific segment due to less accessibility and develop it strategically. For e.g. high income segments for Hair or Cosmetic Ayurvedic treatments.

Check Your Progress - 1

1) What is Market segmentation and its strategies?

.....
.....
.....

2) How can segmentation help to improve the marketing campaign

.....
.....
.....

3) Discuss on how market segmentation helps in improved business strategies related to pricing

.....

.

.....

5.5 Approaches for Segmentation

1. Single Stage
2. Two Stage
3. Multi Stage

1. Single-Stage Segmentation

Only one of the 7 categories of segmentation is chosen

2. Two-Stage Segmentation

After a primary segmentation characteristic is chosen, the market is further sub-divided using a second characteristic

3. multi-stage segmentation

A primary segmentation characteristic is chosen and then two or more other characteristics are also used

5.6 CRITERIA FOR SUCCESSFUL MARKET SEGMENTATION

For the success of marketing any product the marketers must make sure that effective market segments must have some characteristics

Morrison (1996) has presented 08 criteria for successful market segmentation.

People within a segment should be similar to each other and segments should be as different from each other as possible (homogeneity).

1. Segments should be identified with a reasonable degree of accuracy (measurable).
2. Segments should be large enough in size to warrant separate attention (substantial).
3. An organization needs to be able to easily reach or access the identified segments (accessible).

4. Segments must require different marketing approaches. This suggests that the segments must differ on those characteristics which will be most relevant to the organization's services or products (defensible).
5. Segments must be suited to the products or services offered by the organization (competitive).
6. Identified segments need to be compatible with existing markets (compatible).
7. There must be some stability in the segments. The identified segments need to remain relevant over an extended period of time (durable).
8. Segments must have appropriate size so as to manage it by the marketers (size)
9. It is important for the marketers to see possible ways to reach or communicate with the segments (reachability)
10. The identified segments must response positive to the marketing activities initiated by the marketers (responsiveness)

5.7 MARKET SEGMENTATION PROCESS

After having studied the definitions, importance, strategies, approaches and criteria for successful market segmentation it is very important to Identify the market . Following are the variables which can be used for segment identification

5.7.1 Geographic Segmentation:-

Geographic segmentation is one of the simplest and most widely used methods for dividing markets into target segments. Geographic segmentation is based on the assumption that people, who live in the same place, share a number of characteristics with their closest neighbours, such as lifestyle characteristics, demographics and consumption behaviour patterns .Hence, geographic location is utilised to identify segments by means of clustering neighbourhoods instead of clustering individual consumers.

In geographic segmentation, the market is divided according to geographical areas such as localities, regions, cities, states, countries, zones, topography, political boundaries etc.

5.7.2 Demographic segmentation:-

In this type of segmentation, the market is divided into groups based on the demographic attributes such as age, gender, income, occupation, religion, race nationality, social class, family size, family life cycle etc. For example if Yemen is to be segmented for medical tourism in India, the marketers of India tourism has to consider the above attributes for segmenting them to develop the products accordingly.

a) Age

Travel preferences can be definitely counted on the basis of age. A young boy of 10 would like to travel to the Disney world while a man of 25 would go for an adventure tour .Similarly Business or Bleisure (Business +leisure) will be preferred by 45 year old while pilgrimage or heritage would be a choice of a 58 year old. Hence it is very important to consider age as a criterion for market segmentation.

b) Gender

Travel products needed by a men and women may differ due to the choice or requirements. Products can be developed accordingly, like security would matter for women while travelling by air, at hotels or while touring around the heritage sites. The tour products can also be enhanced for the women traveller by giving more time for shopping etc. Considering these choice based aspects gender has to be a criteria of market segmentation.

c) Income

Income influences the expenditure on travel purchases. Products can be developed base on the income level like the rich tourist prefer to go for a leisure tour with the costly services right from the air travel to the accommodation , entertainment and shopping while the low budget travellers prefer the services which are inexpensive.

d) Nationality:

People from various nationalities tend to have behaviour as per the environment around them .For example domestic tourism is influenced more by religious tourism in India.

e) **Occupation:** A professional, businessman, and farmer from the same income group will have different preferences therefore it is very important to segment them in groups and develop the products accordingly.

f) **Religion:** People travel for religious purposes- Hindus travel to temples and other pilgrimage sites, Muslims to their centres of worship, Sikh to the Gurudwara , Buddhist to the places associated with life of lord Buddha and so on.

g) Generation:

Generation also plays major role in segmenting markets (Table 5.1). Every generation is deeply influenced by various activities of its time. Based on similar experiences, these cohorts of individuals develop common preferences for music, movies, foods, and other products. They also tend to respond to the same type of marketing appeals. Based on this idea six cohorts or generations have been identified.

Table 5.1

Generation Y	Individuals 18-24 years
Generation X	Individuals 25-34 years
Young Boomers	Individuals 35-44 years
Old Boomers	Individuals 45-54 years
Empty Nesters	Individuals 55-64 years
Seniors	Individuals over 65 years

h) Social Class:-

Social class segmentation is influenced by customer choices of products like an airline seat to the category of hotel etc. The taste and preferences of the social classes also change according to time and contemporary trends. For example if wine tourism or Medical tourism related to Cosmetic surgeries are in trend these group tend to experience it for their social status.

i) Life stage segmentation:

Segments can be developed on the basis of life cycle. For example soon to be married couples can be segmented for the products like wedding tourism or engineering student during the stage of their final year in college can be segmented for industrial tours.

5.7.3 Psychographic Segmentation:-

This segmentation is dividing your market based upon consumer values, personality and lifestyle traits. Considering these aspects there will be a more precise match between the product and each segment's needs and wants.

a) Value

Value can be segmented on how much the consumers spend on their products. Previous purchase data such as how many purchases they make, how often they make purchases and the value of the items they purchase is available which will help the companies to develop the value of the product accordingly for this segment.

b) Life Style

Different people lead different lifestyle depending on their income, social groups, etc. People usually buy products, which suit their lifestyle. For example, this segment will prefer to go for shopping festival in Dubai carnival festival in Brazil.

c) Personality

Personality characteristics such as aggression, masculinity, extroversion etc influence the buyer behaviour of individual. Segments can be understood by the classification of Plog (1974). He classified tourists based on their personality types namely Allocentric, Near Allocentric, Mid Centrics, near Psychocentrics and Psychocentrics

Allocentrics and near allocentrics :

These tourists love and enjoy discoveries in life; they are self confident and more versatile. They like to explore new cultures and new life style. They preferably travel to exotic locations. They are independent travellers and are above average income group.

Mid Centric :

The mid centric segments like to travel comfortably and to familiar places. They prefer relaxing while tour.

Psychocentrics and near psychocentrics:

A Psychocentric is considered to be an individual who tends to concentrate on life's small problems, is bound to a specific location, has generated anxieties and has a sense of powerlessness. Psychocentric travellers tend to use travel as a means to enhance their social status. These like familiarity and travel to places similar to their home places and are preferably repeated visitors.

Similar like Plog there are many researchers who have segmented the consumers according to their personalities.

5.7.4 Behavioural Segmentation

- **Online shopping habits:** Behaviours can be segmented by the users online shopping habits across all sites, Products having attractive brands can be developed on the company's website which will be appealing to this segment and there are enough chances for them to buy the product.
- **Actions taken on a website:** Time spent on the site, contents they click and time spend for reading the marketing contents or articles can be checked to understand their behaviour.
- **Usage rate:** You can categorize users based on usage rate. You can easily identify heavy user, medium user, light user or non-user of your product. Moreover the contents created and shared on the social media platforms like face book, twitter, Instagram will be helpful by the companies to develop segments based on the likes and dislikes of the consumers.

Direct interaction of the customer towards the various attributes of the brands can be tracked and the potential consumers can be segmented easily. Data can be easily collected through cookies on your website or purchase data from customer relationship management (CRM) software etc.

- **Loyalty Status:** The loyalty status of a particular market can be divided into four groups, according to the intensity of their loyalty to these brands.
 - Hard Core Loyals:** These are the customers who are very loyal to the brand they use. For e.g if the tourist prefer to stay at Taj group of hotels he will never change the brand in his life time.
 - Spilt Loyals:** Customers who shifted their loyalty from one brand to another can be classified under this segment. For example, a tourist changes the brand from Taj group of Hotels to Marriot group of hotels.
 - Switchers:** Switchers are those customers who are not brand specific. This tourist will prefer any brand. They may stay in a five star or four star or any budget hotel as per the circumstances.

5.7.5 OTHER VARIABLES OF MARKET SEGMENTATION

a) Firmographic segmentation :

Firmographic segmentation is the classification of business-to-business customers based on shared company or organization attributes. This practice can help guide

marketing, advertising, and sales by providing deeper business insights and ultimately lead to more focused and effective campaign strategies

5.8 Stages for Effective Tourism Market Segmentation

Due to vast competition the organisations must strategize effective ways for developing stages for market segmentation.

UNWTO has identified market segmentation as a process involving six basic stages. The six stages for effective market segmentation are mentioned below (UNWTO “Handbook on Market Segmentation: Maximising Market Effectiveness”).

Stage 1. Analysis: investigating potential market segments.

Collection of accurate and authentic information about the various potential market segments and their subsequent analysis is the first stage in the market segmentation process. Common factors in statistical collection include:

- Activities undertaken (skiing, diving, hiking, golf, etc.)
- Booking mechanism (Internet, travel agent etc)
- Travelling partner
- Demographic data (age, occupation, income, education, family etc)
- Group/party size
- Length of stay
- Media habits (communication channels – TV, radio, newspapers, etc)
- Motivations (recreation, culture, adventure, sun-seeking etc)
- Origin country/ place of residence
- Other countries/destinations considered for a visit (i.e. information about competition)
- Purpose of visit (business, VFR, leisure, education, special events etc)
- Regions/areas visited
- Repeat or first time visitor
- Sources of information while planning to visit a destination
- Spending (by category e.g. retail, accommodation, travel etc)
- Mode of transport while coming to/ during the stay in the country
- Travel dates (by month to assess seasonal variations)
- Trip type (independent or package)
- Type of accommodation used

Stage 2. Diagnosis: identifying, quantifying and profiling segments

The 2nd stage involves identifying and profiling those groups of customers within a market that share a range of common characteristics, which the organisation feels is apt enough to endorse their product on offer. Narrowing down onto the 'best prospect' segments is the next step. This is a challenging task and is usually done by comparing certain identified segments. Some of the factors most commonly used as a basis for comparing segments are

- Access to the product (physical and booking)
- Accommodation capacity
- Awareness and image of the destination
- Carrier capacity (accessibility)
- Income and education level
- Market share
- Media usage and availability of promotional opportunities
- Product fit
- Regional spread
- Seasonal spread
- Size of segment and growth trends
- Value/spend (current and forecast)
- Visits (current and forecast)

Stage 3. Selection: choosing and prioritising segments that the organisation wishes to target

A few common methods usually followed by organizations while making final selections of target market segments are listed below. This is not an inclusive list and an organization usually uses a combination of these methods before making the final decision.

- **Advice:** from experts in the tourism trade and other sources with first-hand experience in the market
- **Backing winners:** selecting target segments, based on current performances
- **Commonality:** choosing target segments that behave in a similar way across markets or have similar consumption patterns
- **Default:** choose only those segments that the organisation can afford

- **Delphic:** pros and cons of probable segments are debated upon by management and then decision is taken
- **Development stage:** Segments are grouped into categories –developed, emerging, incubating or primary, secondary and tertiary segments. Segments or resources are often targeted at those that are most developed.
- **Market value**
- **SWOT Analysis**

Stage 4. Implementation: developing and undertaking marketing activities aimed at reaching target segments

Stage 5. Evaluation: evaluating the outcome of these activities

Stage 6. Review: reviewing segments profiles and priorities in light of outcomes

The above stages analysis diagnosis, selection, implementation, evaluation and review will be helpful for the organisations for effectively segmenting the markets.

5.9 Tourism Market Segments

There are many types of tourism and new ones are coming up drastically as the consumers want to experience something new or the organisations wants to offer something different considering the competition. Here are some of the types of tourism which can be developed into segments.

a) Heritage tourism

This is the segment of tourist who like to go to see the heritage sites like Caves, Temples, Forts, Palaces etc. This segment are inclined towards acknowledging the history ,art architecture etc of the site.

b) Religious tourism

This is the segment of tourist who visit the sacred places of their faith like temples, mosque, dargas, Gurudwaras, Buddhist Viharas, Churches and cathedrals, Synagogue etc.

c) **Farm tourism:**

In this type of tourism people travel to rural areas and stay at farmhouses to feel the nature and rural lifestyle. They also travel to places to acknowledge high technology in farming.

d) **Rural tourism:**

It is experiential tourism which include travel to rural areas to experience the village life

e) **Ecotourism:**

In this type of tourism people travel to natural areas to acknowledge themselves with the environment and participate in the conservation of nature and regional economy. It can be subdivided into travelling of people to Caves, lakes, beaches, forest, hill stations, national parks, bird sanctuaries etc.

f) **Voluntary tourism:**

Here, tourist participate actively with the locals to contribute meaningfully to host the area. It may be in the form of skill building on hygiene, English language, crafts, energy and water conservation, and so on.

g) **Health and medical tourism:**

Health tourism is a wider term for travel that focuses on medical treatments and the use of **healthcare** services. **Medical tourism** refers to people traveling abroad to obtain medical treatment.

h) **Creative tourism:**

This is a tourism which offers visitors the opportunity to develop their creative potential through active participation in the courses and learning experiences which are characteristic of the holiday destination where they are undertaken. It can be subdivided into the learning of a unique heritage of a particular country or region .For example Cooking food in Thailand, Learning music in India, Learning Art in France etc.

i) **Food tourism:**

People travel to places having food heritage. It can be future sub segmented into People traveling for food festivals, Ethnic food, food related to healing of body etc.

j) **Leisure market:**

This segment includes people who visit a place for pleasure. It is one of the most important segment globally.

k) **Business tourism:**

It is a broad sector encompassing the following:

- Business or corporate travel by individuals, which can be very difficult to influence.
- Incentive travel – ‘trips of lifetime’- offered to key personnel as an incentive or reward.
- Meeting and conferences
- Exhibition and trade

Check Your Progress - 2

1) What are the five important criteria for market segmentation?

.....
.....
.....

2) What are the stages for effective tourism market segmentation?

.....
.....
.....

3) Explain in details the variables for demographic segmentation?

.....
.....
.....

5.10 LET US SUM UP

Market segmentation in tourism helps in identifying and understanding the needs of consumer and also helps in profiling the tourists. Market segmentation is an essential activity to be undertaken for planning, designing and delivering a marketing mix. In the market segmentation process, Identification of the variables is very important on the basis of

geography, demography, psychographics, behaviour, tourism types and other upcoming ones. For effective tourism market segmentation analysis diagnosis, selection, implementation, evaluation and review are very important.

5.11 KEY WORDS:

Market segmentation, Importance, strategies, approaches, process and stages.

5.12 FURTHER READINGS:

1. Tourism Marketing Manjula Chaudhary, Oxford Higher Education, 2010.
 2. Marketing for hospitality and tourism, Philip Kotler, John Bowen, James Makens, Pearson Education, 2005.
-

5.13 CLUES TO CHECK YOUR PROGRESS

Check Your Progress - 1

1. See section 5.4 and frame your answer
2. See section 5.3 and frame your answer
3. See section 5.3 and frame your answer

Check Your Progress - 2

1. See section 5.6 and frame your answer
 2. See section 5.8 and frame your answer
 3. See section 5.7.2 and frame your answer
-

5.14 ACTIVITIES

1. Develop a package for adventure tourism. On the basis of the demographic variable- Generation (Gen Y, Gen X and seniors) check their preference for adventure tourism infrastructure.
2. Assume that you have selected a segment on the basis of geography (international tourist form any one country) for a heritage tourism site in India. What are the steps you will take to study the marketing mix strategy.

UNIT 6 TARGET MARKET IN TOURISM

Structure

- 6.0 Objectives
- 6.1 Introduction
- 6.2 Defining Target market in tourism
- 6.3 Importance of Target market in tourism
- 6.4 Target market selection process
 - 6.4.1 Evaluation of the segment
 - 6.4.2 Selection of the segment
 - 6.4.2.1 Single segment concentration
 - 6.4.2.2 Selective specialization
 - 6.4.2.3 Product specialization
 - 6.4.2.4 Market specialisation
 - 6.4.2.5 Full market coverage
 - 6.5 Approaches for target market
 - 6.5.1 Market growth
 - 6.5.2 Competitive intensity
 - 6.5.3 Market access
 - 6.5.4 Segment Profitability
 - 6.5.5 Marketing Mix Strategy
- 6.6 Let Us Sum Up
- 6.7 Key Words
- 6.8 Further Readings
- 6.9 Clues to 'Check Your Progress' Exercises
- 6.10 Activities

6.0 OBJECTIVES

After reading this unit you will be able to:

- Define target market
- Describe the importance of target market
- Identify the evaluation and selection process for target market
- Identify the approaches for successful target market.

6.1 INTRODUCTION

This unit is about a very important aspect after market segmentation which we saw in detail in last unit i.e Tourism market segmentation . After the effective segmentation, marketers must focus on targeting that chosen segment with the marketing strategies that will be most suitable to the segment. It is one of the important step in developing market strategy by any tourism organisation whether it may be public like various tourism corporations or any private like airlines, hotel industry or travel companies. Choosing an appropriate segment is one of the important task as the organisations have to contribute financially in developing, branding and promoting the selected segment. All the important aspects relating to target market are explained in this unit with appropriate examples from tourism industry.

6.2 DEFINING TARGET MARKET IN TOURISM

According to Unit 5 the tourism market is segmented using certain bases, like Demography, Geography, Psychographic, behavioural segmentation and so on. It is very obvious that a company can only select the segment whom they can satisfy so they evaluate the segments. Thus, evaluating and selecting some market segments can be said as market targeting.

A tourism target market is also defined as a set of buyers sharing common needs/characteristics that the company decides to serve (Kotler, 2012)

After having evaluated and identified the tourism market segments the travel company selects one or more segments and develops products, marketing mixes like price, promotional efforts, people etc and distribution network accordingly.

Let us see with an example

If we select a segment based on the Demographic segmentation (Life stage segmentation) For example if soon to be married couples segmentation are evaluated and selected for the product like wedding tourism (pl refer unit 5).The travel companies will develop a wedding tourism product/package like heritage hotels in Rajasthan, beach resorts in Goa or a historical place in Italy. They will develop suitable marketing mixes like pricing suitable for the segment, promotional efforts like advertising on internet marketing especially the social networking sites or matrimony sites, trained people to handle the event and the best distribution network suited for the wedding tourism.

6.3 IMPORTANCE OF TARGET MARKET IN TORISM

Targeting market leads to enhance the marketing strategies related to product development, promotional activities, branding and positioning and customer loyalty. We will see the importance of target market with an example. If Madhya Pradesh tourism has selected a segment Allocentrics (who like to explore new cultures, Pl refer unit 5) who wants to travel for exploring the ancient painting and art of India.

1) Developing new tourism products :

If any travel company or destination marketing organisations (DMO'S) targets a market it becomes very easy for them to develop a new product that will satisfy the needs and wants. Considering the above example marketers can develop new products/packages of Bhimbetka caves having ancient cave painting or they can extent the same package by including Maharashtra state having Ajanta caves painting. More creative ideas can be developed taking into consideration the likes and wants of the targeted market.

2) Develop appropriate branding:

Target marketing helps the travel companies and DMO,S to develop appropriate and competitive brands. Brands having large and varied market does not reach the customers but if a particular segment is targeted the marketers can easily reach them. The slogans will resonate to the targeted customers more deeply and personally if a specific market is targeted. Considering the above example Madhya Pradesh tourism or the travel companies can develop slogans and brands related to ancient art which will directly resonate to the target market easily.

3) Enhance promotional activities:

Target marketing helps to choose an appropriate communication medium among the marketers and targeted market for advertising the products. It also helps in enhancing public relation to the selected segment with ease. Considering the above example the Allocentric segment interested in ancient art of India can be reached through internet marketing especially social media where we can easily see the art lovers groups or pages. Public relation can be easily developed with the art lovers who could be artists, art professors, art students etc.

4) Customer loyalty:

If the specific needs and wants of the target market are identified and the services are satisfactory, it is likely that these customers will be to be more loyal towards your brand. If they are more loyal they will continue to cater your services for a longer period of time. In the above example the art lovers will remain loyal customers to the travel companies and will definitely buy the upcoming new products.

5) Improved services:

Target marketing helps to know and understand the customers more intimately. You can find ways to enhance or improve your offerings and features which attracts the targeted segment can be changed accordingly. In the above example the target market is interested in ancient painting and is also inclined towards acknowledging the ancient sculptures or are interested in visiting a museum having a storage of ancient art. In this case the interesting things can be added. Thus we can see that there is a lot of scope for enhancing the services of the customers according to the targeted market.

Check Your Progress - 1

1) What is target market ? Elaborate on how target market enhances promotional activities with appropriate example?

.....
.....
.....

2) How is target market important to improve the customer services?

.....
.....
.....

3) Discuss on how target market helps in developing new products?

.....
.....

6.4 TARGET MARKET SELECTION PROCESS

After the systematic segmentation of the market, the marketers must focus on the appropriate market whom they can sell the products and who will respond positively to their marketing strategies. In the target market selection process following points must be considered.

Evaluation of the segment

Selection of the segment

6.4.1 Evaluation of the segment:

- a) It is essential for the organisation to evaluate the potential of segment on the basis of future profit gains.
- b) Evaluation has to be done on the basis of the available financial resources with the organisation.
- c) Evaluation of the segment has to be done on the basis of efforts needed by the organisation to market the selected segment effectively.
- d) Evaluation has to be done on the basis of exploring the segments which are very contemporary and will not face much competition in future.

6.4.2 Selection of the segment:

After evaluating the different market segment, the organisation should decide on selecting the most appropriate segment. Since the competition is high it is essential for the marketers to search new ways of targeting the customers. Let us see how to select a market segment.

6.4.2.1 Single segment concentration-

Here the marketer selects a single segment. For example if the organisation has chosen a segment on the basis of demography (age) only for the z generation for adventure tours in Himachal Pradesh. The positive thing of selecting this single target market may lead to advantage like high sales as all the marketing efforts are put on the single segment and improving the product to match the preferences of the customers. The negative thing on the other hand is if the z generation stops patronizing the product the organisation has to face the loss.

6.4.2.2 Selective specialization:

This is a process in which the organisation focuses on few market segment and concentrates on fulfilling their needs. If the organisation has chosen more segments on the basis of demography (age) for X generation, Y generation and z generation for adventure tours in Himachal Pradesh. Here even if anyone target market becomes unattractive the organisation can concentrate on the other so as curb the risk of loss.

6.4.2.3 Product specialization:

Here the company develops and specializes in a single product for different segments. If the organisation has single product in adventure sports i.e. white water rafting and has chosen more segments on the basis of demography (age) for X generation, Y generation and Z generation for adventure tours in Himachal Pradesh. The company here will gain substantial reputation and profits as well. But if the competitor selects the same product i.e. white water rafting with more advance technology the company's product may get replaced completely leading to loss.

6.4.2.4: Market specialisation:

Unlike product specialisation, market specialisation involves concentrating on the different needs of the consumer group. If the consumers group wants only white water rafting as an adventure sport the organisation will concentrate on developing only this product. But if the preferences of the groups changes for some reasons then the company will be in loss as it has utilized maximum time in just developing the product for the specific market instead to developing a few more products.

6.4.2.5: Full market coverage:

Here the company targets the full market rather than the specific ones. Here no segment is left untargeted. For example if the organisation has developed adventure tourism product i.e white water rafting it selects all the segment based on the demography, Psychology, geography behavior etc.

6.5 APPROACHES FOR TARGET MARKET

Marketers have to develop approaches for target market which will ensure them profit. The approaches which should be taken into consideration are the market growth, competitive intensity, market access, segment profitability and the marketing mix strategy.

Let us see the approaches one by one.

6.5.1 MARKET GROWTH

To check out the market growth of the segment to be targeted the company has to do market research. For example if ministry of tourism has opted for geographic segmentation for developing Buddhist tourism in India. For this it has selected Japan as a target market. Firstly a research has to be done on the infrastructure India has for Japanese tourists e.g. Japanese food or Japanese speaking tourist guides etc .Secondly the brand image perceived and the intension to travel must also be studied. Thirdly research on the statistics of the people who follow Buddhism religion in Japan must also be done. Moreover their paying capacity will also be useful to predetermine the success of the segment selected.

6.5.2 COMPETITIVE INTENSITY-

Considering the same example above, India tourism must evaluate the competitive intensity to market Buddhist tourism destinations for the Japanese tourist as there are many competitors having similar Buddhist sites like India. For example if India has world Heritage sites of Ajanta and Ellora caves depicting Buddhist religion in the form of fresco paintings, China too has Dunhuang caves depicting similar cave paintings. Therefore competitive intensity related to developing uniqueness in the Buddhist tourism products and services and brand image needs to be evaluated which targeting the market.

6.5.3 - MARKET ACCESS-

Cost of reaching the market is often the deciding factor for the segment we have chosen to target. Considering again the same example above it is very important to see how accessible it is for the Japanese tourists to reach the Buddhist tourism sites in India. India being a big country in terms of size, proper communication through proper channels must be done relating to the airlines, roadways and other transportation to the Japanese tourist.

6.5.4 SEGMENT PROFITABILITY

This step is crucial as everything revolves around the socio-economic and multiplier economic impact of tourism. For example if we have selected Germany as a target

market segment for medical tourism in India it is very important for India tourism to check the paying capacity of the German tourists and the overall economic impact we can gain. Another example is Adventure tourism in India. It is important for ministry of tourism to select target markets on the basis of Income or economic status for adventure tourism activities as it is a costly product.

6.5.5 MARKETING MIX STRATEGY :

Lastly target market and positioning strategies must include all aspects of the marketing mix like Product, Price, Promotion and Place, Protection. If any of the marketing mixes is not matched with identified segments it can lead to a complete economic loss. Let us see this with an example of wild life tourism.

If India has selected any European country as a target market for wild life tourism products, emphasis must be given on

- Product development according to the Germans like infrastructure .
- Pricing can be more as the paying capacity of Germans is high.

Promotional strategies especially the online advertisements on social media and websites must be developed according to the brands identified by them. Public relation which is an integral part of promotion has to be done among the stakeholders like travel agents, tour operators, hoteliers, airlines and government tourism offices.

Lastly Protection relating to sustainable product development considering the environmental protection must be done. For this strategies like green branding must be adopted.

Check Your Progress - 2

1)What is single segment concentration? Elaborate with an example.

.....
.....
.....

2) What is product specialisation? Elaborate with an example.

.....
.....
.....

3) Explain any one approach for target market?

.....
.....
.....

6.6 LET US SUM UP

Target marketing is defined with an example to make the students understand it easily. After defining the target market, its importance is elaborated i.e. to help in developing new products, developing appropriate branding strategies, promotional activities, increase in loyalty of customers and improved services.

In the process of targeting market, evaluation of the segment and selection of the segment are the two important points discussed elaborately in the section 6.4. Selection strategies like selective specialisation, market specialization and product specialisation will help a marketer analyse his capabilities to fulfil the need of the market. Lastly approaches for the target market are elaborated which are related to Market growth, Competitive intensity, Market access, Segment profitability and Market strategy.

6.7 KEY WORDS:

Target market in tourism, Segment evaluation, Segment selection, Segment attractiveness, Segment profitability.

6.8 FURTHER READINGS:

1. Tourism Marketing Manjula Chaudhary, Oxford Higher Education, 2010.
2. Marketing for hospitality and tourism, Philip Kotler, John Bowen, James Makens, Pearson Education, 2005.

6.9 CLUES TO CHECK YOUR PROGRESS

Check Your Progress - 1

1. See section 6.2, 6.3 and frame your answer
2. See section 6.3 and frame your answer
3. See section 6.3 and frame your answer

Check Your Progress - 2

1. See section 6.4.2.1 and frame your answer
2. See section 6.4.2.3 and frame your answer
3. See section 6.5 and frame your answer

6.10 ACTIVITIES

1. Develop market segment on the basis of gender (male and female) for a shopping tourism destination of your choice (national or international destination). Check out their need and preferences and accordingly select appropriate segment.
2. Select any travel agency in your town and collect data with the help of interview schedules about the target market selection process they use for their products.

ignou
THE PEOPLE'S
UNIVERSITY

UNIT 7 POSITIONING

Structure

7.0 Objectives

7.1 Introduction

7.2 Concept of Positioning

7.2.1 Definition of Positioning

7.2.2 Positioning Statement

7.3 Positioning Strategy

7.3.1 Steps: Choosing & Implementing Positioning Strategy

7.4 Differentiation

7.4.1 Criteria For Differentiation

7.5 Positioning Strategy Methods

7.5.1 Criteria to Adopt a Positioning Strategy

7.6 Positioning Error

7.7 Concept of Perceptual Map

7.7.1 Definition of Perceptual Map

7.7.2 Uses of Perceptual Map

7.8 Repositioning

7.8.1 Definition of Repositioning

7.8.2 Need to Reposition

7.9 Let us Sum Up

7.10 Clues to Check Your Progress

7.11 Further Readings

7.12 Activities

7.0 OBJECTIVES

After going through this Unit you will be able understand:

- the meaning, nature and purpose of positioning.
- the basis of effective positioning of products.
- concept of differentiation and related issues
- comprehend the meaning of perceptual maps

- the common errors of positioning and how they can be avoided
- the concept of repositioning

7.1 INTRODUCTION

Positioning is the concept of associating and developing a mental position in the public consciousness about a brand and its products and services. Positioning of a brand or product is a strategic process that involves marketing the brand or product in a certain way to create and establish an image or identity within the minds of the consumers in the target market. Positioning is a great way to create a competitive edge and establish an identity for a brand to stand out in an over saturated market. Through positioning the marketing strategist is stating to the customers how the marketer's product differs from current and potential competing products by establishing how the offered product is better and different. Once the organization decides on its target market, it strives hard to create an image of its product in the minds of the consumers. The marketers create a first impression of the product in the minds of consumers through positioning.

7.2 CONCEPT OF POSITIONING

Advancements in both information and communication technology has enabled consumers to be savvy of cost effectiveness of the material they would buy, including the after-sale service. Producers and distributors are trying to attract consumers by emphasising on terms such as consumer convenience, consumer satisfaction and so on and try to project their products as the best at the lowest price in the market. This technique of placing their brands in the minds of the consumers is called Positioning. All progressive companies now regard brand positioning as the heart of competitive strategy. Since the professed aim of any business strategy is to satisfy the consumer and hence gaining a valued position in the minds of consumers is essential.

A product to exist in the competitive market has to firstly be placed in the images of consumer's perceptions. In other words, consumer perceptions are the images

consumers have of products, both a company's and competitors. Product positioning enables the firm to map its offering in terms of consumer perceptions and desires. Positioning, therefore, starts with our understanding or mapping of a prospective consumer's mental perceptions of products. Product positioning is a strategic management decision that determines the place a product should occupy in a given market—its market niche. Positioning helps organizations to create a perception of the products in the minds of target audience.

Positioning thus refers to the place a product occupies in the mind of a customer relative to similar products offered by competitors. It involves:

1. Designing and marketing of a product focused on meeting the needs of the target market and
2. Creating a set of appeals that appropriately make the product distinct from competition in the minds of the customer.

To achieve a desirable positioning the organisation has to carefully consider as to how it could serve the target customer and how it would want to be perceived by them.

The answers to these should be based on the following conditions:

- i. Thorough understanding of the target group
- ii. The desired objectives of the organisation
- iii. The competitive environment
- iv. Conditions of the market in which the organisation operates.

7.2.1 Definition Of Positioning

Positioning is arranging for a product to occupy a clear, distinctive and desirable place relative to competing products in the mind of the consumer. Hence, Thomas Muller has rightly said that brand positioning as, 'the marketing decisions and activities that shape and maintain a specific brand's image-based on key attributes, and relative to competing brands-in the consumer's mind'.

According to Philip Kotler “positioning is the act of designing the company’s offer so that it occupies a distinct and valued place in the target customer’s minds”. It refers to developing a Unique Selling Proposition (USP) or identification of particular appeal that the firm can present to the customers in each target segment. It is now that marketing mix is designed to implement target market strategy and marketing communications convey the intended positioning.

In an article, *Industrial Marketing*, published in 1969, Jack Trout stated that positioning is a mental device used by consumers to simplify information inputs and store new information in a logical place. He said this is important because the typical consumer is overwhelmed with unwanted advertising, and has a natural tendency to discard all information that does not immediately find a comfortable (and empty) slot in their mind.

In *Positioning: The Battle for Your Mind*, Rise and Trout expanded the definition as "an organized system for finding a window in the mind. It is based on the concept that communication can only take place at the right time and under the right circumstances".

7.2.2 Positioning Statement

Positioning is most often articulated as a positioning statement. A positioning statement is one sentence that concisely identifies the target market and what you want customers to think about your brand. A positioning statement is the identity a business is striving for. The positioning statement, like a mission statement, becomes the basis for a business identity.

The positioning statement is one that specifies the place the firm wishes to occupy in its target customers’ minds. Since it is primarily directed to potential customers it guides the development of a marketing plan.

A good positioning statement of an organisation answers three questions:

1. Who are the customers?

2. What is the set of needs that the product fulfills?
3. Why is the product the best option to satisfy those needs?

The positioning statement identifies the target audience, their needs, and then states how those will be solved by the organisation. A few things that go into creating an effective positioning statement would include:

- Defining Target Audience
- Defining the Target Market
- Creating a Value Proposition Statement
- Create Content to Prove Value

Positioning statements should also be statements of truth. Effective positioning is credible and convincing, reflecting customers' actual experiences with the product or service. If a positioning statement does not reflect the customer's reality, the positioning will fail because it will not take hold in the minds of consumers.

7.3 POSITIONING STRATEGY

Positioning is the act of designing the company's product and marketing mix to fit a given place in the consumer's mind □ Once a target market has been selected the marketing manager needs to develop a differentiating and positioning strategy for that target market. This may require considerable research of customer perceptions and competitor activity in order to ensure that the points of difference are meaningful in the minds of customers. Visibility and recognition is what product positioning is all about as the positioning of a product is what the product represents for a buyer the business is targeting. As markets become increasingly competitive, buyer have more purchase choices, and the process of setting one brand apart from rival brands is critical success factor. It is vital that a product or service needs to have a clear identity and placement to the needs of the consumers targeted as they will not only purchase the product, but can warrant a larger margin for the company through increased added value.

7.3.1 Steps: Choosing & Implementing Positioning Strategy

Arriving at the best positioning strategy involves a process. The goal of the process is to design an identity that both confirms the value of the product, service, or brand in the customer's mind and explains why and how the offering is better than the competition. To reach that goal, marketers typically follow a positioning process comprised of the following steps:

Step 1. Identifying Possible Competitive Advantages: Competitive Differentiation.

A competitive advantage is some trait, quality, or capability that allows the firm to outperform the competition. It gives a product, service, or brand an advantage over others in purchasing decisions. Competitive advantage may come from any or all of the following:

- **Price:** Something in your production process or supply chain may make it possible for you to provide comparable value at a lower cost than competitors.
- **Features:** You may provide tangible or intangible features that your competitors do not: for example, more colors, better taste, a more elegant design, quicker delivery, personalized service, etc.
- **Benefits:** You may provide unique benefits to customers that your competitors cannot match. Benefits are intangible strengths or outcomes your customer gets when they use your offering.

Step 2. Selecting the Right Competitive Advantage: Unique Selling Proposition (USP).

A list of competitive advantages represents a set of possible positioning strategies the firm could pursue for a product, service, or brand. The next step is to examine how these factors fit into customer perceptions of the broader competitive set. The goal is to pick a positioning approach that gives a unique and valued position in the market that competitors are not addressing.

Step 3. Communicating and Delivering the Chosen Position.

With the competitive advantages identified and information about how key competitors are positioned, the firm is ready to evaluate and select its positioning strategy. This is the decision to make about how, exactly, the firm plans to position its offering relative to the rest of the competitors.

Step 4. Support the positioning strategy with a unique marketing mix

The marketing mix provides the set of coordinated tools used to execute on the positioning strategy.

Check your Progress - 1

1. Define positioning and explain the concept of positioning?

.....
.....
.....
.....

2. Discuss the importance of a positioning statement. What points should an effective positioning statement include?

.....
.....
.....
.....

3. Describe the steps for choosing & implementing positioning strategy

.....
.....
.....
.....
.....

7.4 DIFFERENTIATION

Positioning and differentiation are connected in important ways. A good positioning reflects a competitive differentiation. Effective positioning for a product or service is based on the differentiating characteristics or qualities that make the product/service better than the competition in the minds of the target segment. Differentiation is the act of designing a set of meaningful differences to distinguish the company's offer from the competitor's offers. Positioning involves the following steps:

1. Company must identify differences that may be established in relation to competition.
2. Select the most important differences.
3. Communicate or signal to the target market how the company differs from its competition

The objective is to create a sustainable competitive advantage through bases for differentiation as reflected in the following figure that describes five types of differentiations:

a. **Product Differentiation** – performance, features, durability, reliability, repairability, style and design.

Product differentiation concentrates on the elements of a product that makes it dissimilar from the competing brands. A product can be distinguished on the basis of its physical form, features and product quality, apart from its other characteristics such as price. The physical form of the product includes its size and shape. Product features are the characteristics that allow a product to execute certain functions. Company can make its products different by adding or removing certain features. Product quality denotes to the overall characteristics that facilitate the product to perform according to the anticipations of customers and satisfy their needs.

b. **Services** - ordering ease, delivery, installation, customer consulting, training, repairs.

Customer service can be improved by 24-hour customer feedback through e-mail and the ability to respond more quickly to customer concerns. Home delivery of groceries, online banking, and securities trading are becoming increasingly popular.

c. **Channel** - coverage, expertise and performance

Firms can achieve competitive advantage by the right design of their distribution channel.

d. **Personnel** - competence, courtesy, credibility, reliability, responsiveness, communication.

In personal differentiation, the internet allows companies to deliver products more efficiently. There is a Low-cost channels, automated processes, reduced dependence on personnel and lower transaction cost.

e. **Image** - symbol, innovative, media, atmosphere, discount, events and sponsorships.

In image differentiation, company can distinguish itself by creating exceptional experience online, called "experience branding". Through experience branding firms can better retain customers, target key segments, and enhance profitability

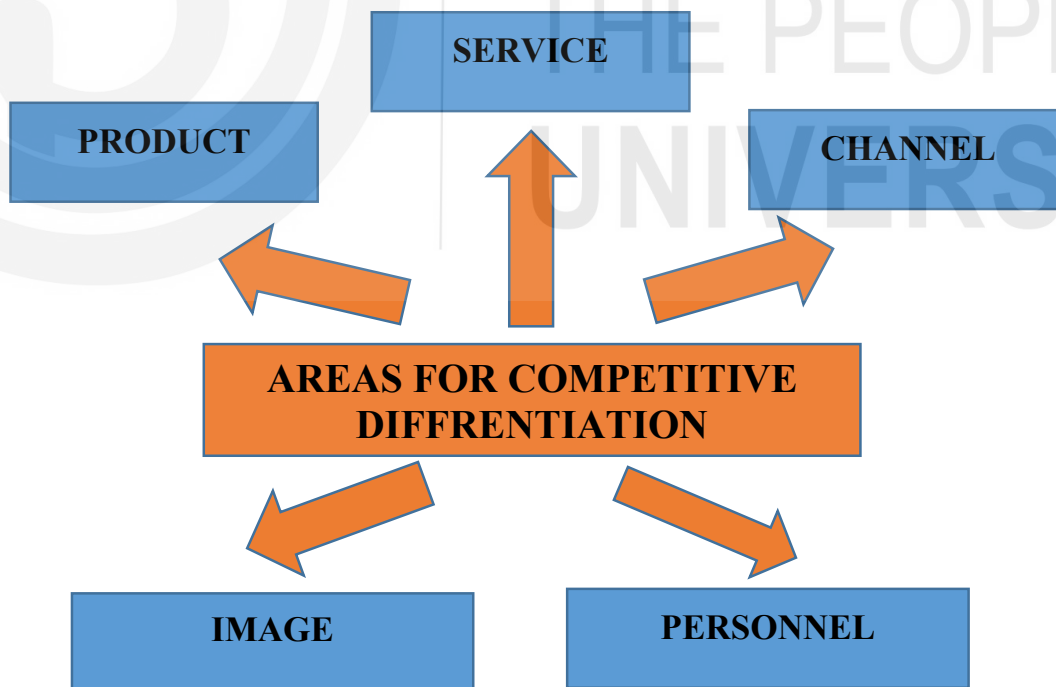


Figure: Types of Differentiation

7.4.1 Criteria For Differentiation

Products can be differentiated as long as they fulfill the below criteria –

1) Generate customer value

The product should add value or benefit to most of the buyers in the target market. The key to successful differentiation is to add value from customer's perspective and not from the perspective of the business.

2) Convincing and communicable to the buyers in target market

The customer should be able to perceive the added value. If customers fail to perceive the added value it would imply that it has not been communicated effectively.

3) The difference should not be easily copied by competitors

The added value should be provided exclusively by the organisation over a long period. Organisations also patent their ideas and products to ensure the competitors don't create the same value added features to their products.

4) The buyers should be able to afford or pay for the added attribute or feature

Apart from creating a product feature that will benefit the customers, it should also be affordable. The customer should be able to pay for the added value.

7.5 POSITIONING STRATEGY METHODS

In order to select the best and most effective market position the company strategist should begin by identifying the market structure and the positions currently held by the competitors. It is important to recognise that positioning strategies should also be derived by recognising whether the firm is a market leader, follower, challenger or a market nicher. In general market followers should avoid positioning themselves too closely to the leader. Various positioning methods can be identified and categorised as:

1. Attribute Positioning / Customer Benefits:

The enterprise positions itself in terms of one or more outstanding attributes or benefits. This could be on the basis of size or the number of years in existence.

2. Product Benefit Positioning:

This positioning method emphasises the unique benefits that the enterprise or product offers. The product is positioned as the leader in a certain benefit.

3. Quality / Price Positioning:

The enterprise may claim that its product is of exceptional quality, or has the lowest price. The product is positioned as offering the best value for the money.

4. Use / Application Positioning:

An enterprise can position itself on its market offering in terms of the product use or application possibility.

5. User Positioning:

The enterprise may position its products with users in mind, using models or personalities. Influences image of product by association. It is also positioning the product as best for some user group.

6. Product Class Positioning:

Some marketers need to make critical positioning decisions that involve what product class or category the product falls in. The product is positioned as a leader in a certain product category.

7. Competitor Positioning:

Some market offerings can best be positioned against competitive offerings. The product claims to be better in some way than a named competitor.

8. Origin Positioning:

In this the enterprise positions itself on the basis of geographic or historic origin.

7.5.1 Criteria to Adopt a Positioning Strategy

No matter how a company tries to differentiate its product, it will not be considered different if customers do not perceive it different. Adopting a policy of differentiating product involves cost to the company, and it expects to realize such costs by increased sales. But, there is no guarantee that sale will go up unless customers act positively. To act positively, customers look for something in a product that is claimed by its seller as different. A company, should therefore, be careful in selecting ways of differentiation and provide for the following criteria in its offer: □

Importance: If a product is able to deliver highly valued benefit to majority of the customers, it will be considered important by them. □

Distinctive: A product will be considered distinctive by the buyers if it offers something not offered by the competing brands. □

Superior: If the difference seems to be better by the customers compared to other ways obtaining the same benefit they consider it superior. □

Communicable: Marketer should develop such a difference which can easily be intimidated to market, and market should be able to visualize that easily.

Preemptive: If the difference cannot easily be copied by the competing firms, it is considered to possess the preemptive feature. □

Affordable: Differentiation, you know, costs to the company and the company realize that from customers. It should, therefore, consider whether customers are in a position to bear the same. If they can, such differentiation is called affordable. □

Profitable: To work out a differentiation company needs to incur lot of costs. A company does so with the hope of making a sizable profit through increased sales. If sales do not increase proportionately to warrant company profit, such a differentiation cannot be called profitable.

Check your Progress - 2

1. Discuss the five types of differentiation?

.....
.....
.....

2. Write in brief about positioning strategy methods.

.....
.....
.....

3. What are the criteria to adopt a positioning strategy?

.....
.....

7.6 POSITIONING ERRORS

Positioning Errors That a Company Should Avoid If a company emphasizes on more attributes while positioning its brand it may put itself in trouble. Emphasizing on too many attributes, or claiming to be best in many aspects create confusion in the minds of buyers resulting in disbelief and distrust. This leads to a situation called a 'loss of clear positioning' by the marketing experts. By avoiding following four major positioning errors, a company can ensure clear positioning of its product: □

Under-Positioning: If buyers sense ambiguity about a company's claim, or if they are unable to differentiate the product from those of competing brands, we call this under-positioning. Buyers have only a vague idea of the product. In such a situation a brand of a product is considered same as some other brand. □

Over-Positioning: If buyers develop a narrow image toward the brand, the brand is said to be over-positioned. Buyers here cannot believe the product having certain attributes or options. □

Confused Positioning: If buyers are found to be confused about the image either due to too many claims made by the seller or frequent changes brought in the positioning of the brand it is known as confused positioning. □

Doubtful Positioning: If buyers are found to be suspicious about the claims of the sellers it is called a doubtful positioning. It is due to the lack of conformance between the claims and the physical features of the product, price, or the manufacturer's image.

7.7 CONCEPT OF PERCEPTUAL MAP

Perceptual mapping is a widely used technique in deciding positioning. It is a technique the firm finds and plots the target consumers perception of the various brands in the given product category. Perceptual mapping/ Market mapping is

a diagrammatic technique used by asset marketers that attempts to visually display the perceptions of customers or potential customers. Perceptual maps can be built using multidimensional scaling techniques. The procedures involve algorithms that start with some measure of similarity between pairs of products and work backward to find a geometric representation of the product category. These techniques position products that are perceived as similar close to one another while dissimilar products are placed far apart from each other.

7.7.1 Definition of Perceptual Map

According to Dravens, Richard and Irwin 'Perceptual mapping includes several techniques which generate a graphic representation of customers' perceptions of the characteristics of products or brands comprising a previously defined product market'.

"Perceptual maps measure the way products are positioned in the minds of consumers and show these perceptions on a graph whose axes are formed by product attributes." (Kardes, Cronley, & Cline, 2011).

"A perceptual map represents customer perceptions and preferences spatially by means of a visual display" (Ferrell & Hartline, 2008).

7.7.2 Uses of Perceptual Map

- Perceptual maps help marketers understand where the consumer ranks their company in terms of characteristics and in comparison to competing companies.
- Perceptual maps can display consumers' ideal points that reflect their ideal combinations of product characteristics.
- When creating a new product, a company should look for a space that is currently unoccupied by competitors and that has a high concentration of consumer desire (ideal points).
- A perceptual map is usually based more on a marketer's knowledge of an industry than market research.

7.8 REPOSITIONING

Repositioning refers to the major change in positioning for the brand/product. Products undergo changes in perceptions by consumers as they go along their life cycle. In some cases even successful products are repositioned by marketers. This is done to enlarge the reach of the product offer in order to increase sales by appealing to a wider target market. Firms may consider repositioning a product due to declining performance or due to major shifts in the environment.

7.8.1 Definition of Repositioning

Repositioning is the task of implementing a major change the target market's perception of the product's key benefits and features, relative to the offerings of competitive products.

This view of repositioning as being a change of the established product positioning is reinforced by the following two definitions:

As per Vashisht, 2005 "Sometimes, marketers feel the need to change the present position of the brand to make it more meaningful to the target segment. This change in position, and finding a new position for the brand, is called brand repositioning."

According to Lamb, Hair, & McDaniel, 2009 "Repositioning is changing consumers' perceptions of a brand in relation to competing brands."

7.8.2 Need to Reposition

Repositioning of product is done when the firm faces the following situation with its product:

- When the product is in the decline stage of the product life-cycle (PLC)

- In conditions when there is declining sales or profit margin due to being positioned too close to a major competitor
- In case when there is an introduction of a superior product by the company itself
- To support an overall strategic change by the firm
- To assist in entering new marketplaces or pursue new segments
- The brand/product has been classified as a dog in the BCG matrix

<p>Check your Progress - 3</p>

1. Describe the types of positioning errors that a company should avoid.

.....

2. Give the definition and uses of a perceptual map.

.....

3. What is repositioning and why should its need to a business enterprise?

.....

7.9 LET US SUM UP

Positioning is the final main phase of the overall STP process (which stands for segmentation, targeting and positioning). Positioning is how the product is designed to be perceived in the marketplace by the target market against its main competitors. In other words, it's basically how consumers understand the product offering and how it differs from similar competitive offerings.

Positioning is built by the organization to design and promote their product by highlighting various product features, benefits, and/or other competitive advantages. Ideally, firms like to create a clear and distinct product positioning. If they can achieve this positioning goal, then their product becomes the 'product of choice' for certain target markets or consumer needs. Overall, positioning should provide better value than competitors and communicate this differentiation in an effective way to the consumer.

7.10 CLUES TO CHECK YOUR PROGRESS

Check your Progress - 1

1. See section 7.2 & 7.2.1 and frame your answer
2. See section 7.2.2 and frame your answer
3. See section 7.3.1 and frame your answer

Check your Progress - 2

1. See section 7.4 and frame your answer
2. See section 7.5 and frame your answer
3. See section 7.5.1 and frame your answer

Check your Progress - 3

1. See section 7.6 and frame your answer
2. See section 7.7.1 & 7.7.2 and frame your answer
3. See section 7.8.1 & 7.8.2 and frame your answer

7.11 FURTHER READINGS

1. Al Ries; Jack Trout (2001): Positioning: The Battle for Your Mind. McGraw Hill Professional. ISBN 978-0-07-137358-6.
2. Blythe, J., Key Concepts in Marketing, Sage, 2009, p. 171
3. Philip Kotler (1999): Marketing Management- The Millennium Edition, Prentice Hall of India Pvt. Ltd.
4. Ellson (2004). Culture and Positioning as Determinants of Strategy: Personality and the Business Organization. Palgrave Macmillan UK. p. 260. ISBN 978-0-230-50981-8.
5. Moutinho, L. (2000): Segmentation, Targeting, Positioning and Strategic Marketing, CAB International.
6. Ramaswamy, Namakumari (2002): Marketing Management- Planning, Implementation & Control. Macmillan India Ltd.
7. Richard M.S. Wilson, Colin Gilligan (2001): Strategic Marketing Management- Planning, Implementation & Control, Viva Books Pvt. Ltd.
8. <http://faculty.marshall.usc.edu/Davide-Proserpio/BUAD307-fall19/lectures/BUAD-307-Chap09.pdf>
9. <https://courses.lumenlearning.com/boundless-marketing/chapter/competitive-perceptual-positioning/>
10. <https://www.segmentationstudyguide.com/understanding-perceptual-maps/perceptual-maps/>

7.12 ACTIVITIES

Activity – 1

Make a list of those competing products and identify their positioning strategy.

– 2

Collect information about the those business enterprises that according to you have made positioning errors and how could they have avoided these?

Activity – 3

Suggest ways in which a hypothetical business enterprise of your choice can differentiate its products.

Unit 8: Tourism Product

Structure

- 8.0 Objectives
- 8.1 Introduction
- 8.2 Tourism Product
 - 8.2.1 Meaning, Definitions and Characteristics
 - 8.2.2 Elements and Types of Tourism Product
 - 8.2.3 Levels of Tourism Product
- 8.3 Tourism Product Designing
- 8.4 Tourism Product Lifecycle
- 8.5 Tourism Product Marketing Strategy
- 8.6 Let us Sum Up
- 8.7 Clues to Check your Progress
- 8.8 Further Reading
- 8.9 Activities

8.0 Objectives

After reading this unit, you will be able to,

- Understand the concept of tourism product
- Comprehend the elements, types and levels of tourism products
- Explain the process the tourism product designing
- Understand the basics of tourism product marketing strategies

8.1 Introduction

Tourism industry is an amalgamation of various components of tourism. These various heterogenous elements come together to create an overall tourism experience for the tourists. Heterogenous elements here mean a wide variety of organizations creating and providing services and facilities catering to the needs and demands of tourists such as tourist attractions, hotels, travel services, tourist guide services and such others. These components together constitute the tourism industry. In other words, tourism industry is an umbrella term that constitutes the various aforementioned interrelated sectors of tourism that together contribute in forming a tourism experience. In this chapter we shall exclusively focus on and learn about what is a tourism product and what constitutes the tourism product. The understanding of tourism

products is vital in tourism marketing studies as product is the foremost and most crucial element of the marketing mix.

8.2 Tourism Product

8.2.1 Meaning, Definitions and Characteristics

Tourism products can be understood as a sum total of physical and psychological experiences got by tourists when they travel to various destinations. A tourism product can either be one component of tourism such as a hotel stay or can be a combination of various tourism components. For instance, a holiday package sold by a tour operator can also be termed as a tourism product, while it comprises of several tourism components such as travel by air, hotel stay, visit to attractions and such others as a part of the experience. Therefore, tourism products can either be

- a. individual components of the total tourist product that can be sold as individual offerings such as accommodation, transport, attractions and other facilities for tourists; or
- b. a total tourist product comprising of a composition of all the elements, which a tourist consumes during a tour, for example, a holiday package.

Philip Kotler defined a product as ‘anything that can be offered to a market for attention, acquisition, use or consumption. It includes physical objects, services, personalities, place, organizations and ideas’. Medlik and Middleton (1973) defined the products of tourism as ‘a bundle of activities, services, and benefits that constitute the entire tourism experience’. Gupta, Singh, Kirar & Bairwa (2015) defined tourism product as ‘a collection of integrated products which consist of objects, attractions, transportation, accommodation and entertainment where each element of the tourism product is prepared by individual companies and are offered to separately to consumers (tourists)’. Burkat and Medlik defined tourism products as ‘an array of integrated products, which consist of objects and attractions, transportation, accommodation and entertainment, where each element of the tourism product is prepared by individual companies and are offered separately to consumers (tourist / tourist)’.

Based on above definitions, it can be summed up that tourism products are composed of one or a combination of the below elements:

- a. Tourist attractions
- b. Accommodation services
- c. Transport services
- d. Restaurants and food and beverage services
- e. Recreation and Entertainment facilities
- f. Events or persons of interest
- g. Souvenirs
- h. Tour packages offered by travel agents and tour operators

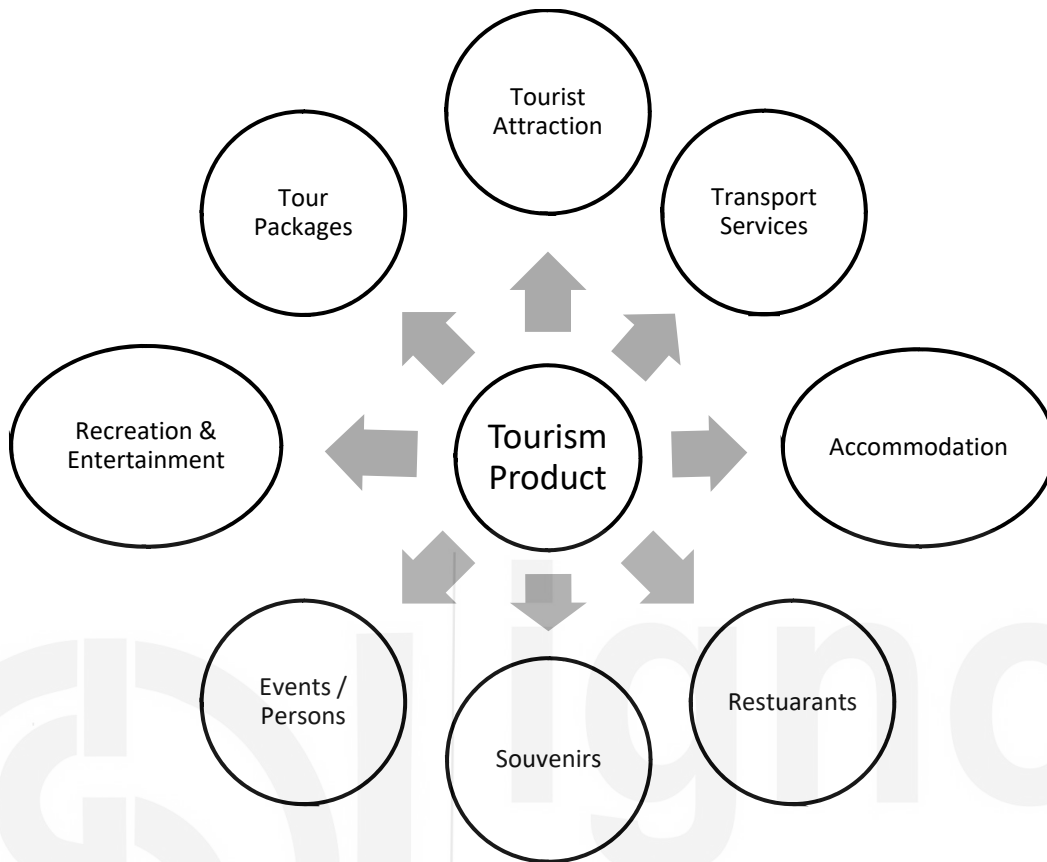


Figure 8.1: Composition of Tourism Product

Tourism industry, much like any other industry, is in the business of selling products. However, tourism industry, unlike other industries, creates products that are distinct in nature and characteristics. Tourism industry has been globally deemed to be a smokeless industry. While tourism industry manufactures products of economic value, the functioning of tourism industry is not like the traditional industries for various reasons. Let us in the next section, learn about the distinct characteristic features of tourism industry that sets it apart from other industries.

1. **Intangible and Tangible Products:** Tourism products are mostly intangible in nature. Tourism products can only be experienced and cannot be touched as they do not have a physical existence. For instance, when an airline is selling tickets to its passengers, the airline is actually selling service of transportation from point A to point B. The passengers in this case, can only experience the hospitality of the airline and consume the service of transportation. This is the case with many tourism products such as accommodation at hotels, services of a tour guide, entry ticket of a museum and such others where tourists can consume and enjoy the experience and do not take home any tangible product. However, some tourism products such as souvenirs are tangible in nature. For instance, when a tourist visits Kashmir, the tourists can experience the natural

beauty of the place, comfort and ambiance of their accommodation which are intangible in nature. However, when tourists buy cashmere shawls as souvenirs, these are tourism products that have a tangible presence.

2. **Tourism Products are highly perishable:** Tourism products are one of the highly perishable commodities as they cannot be stored for future use. Unlike other products, a tourism product ceases to exist if it is not consumed within a stipulated time. For instance, an unsold airline ticket or a hotel room cannot be stored to be sold at a future date. The airline ticket is wasted and the revenue is lost if it not sold before the aircraft takes off for its destination. This low shelf life of tourism products is the reason why we find hotels offering steep discounts during lean seasons in order to sell the existing inventory of rooms.
3. **Fluctuation in demand:** The demand for tourism is highly characterized by seasonality therefore resulting in a fluctuation in demand for tourism products. For instance, hotels in Rajasthan, India are in high demand during winter months (September to February) and are not preferred to be visited by tourists during summer months (March to July) which are considered unsuitable to travel due to intense heat. The demand for tourism products also tends to be affected by other external factors such as global economic conditions and political conditions prevailing in the country. India faced an economic recession in the years 2008-09. Tourism industry was one of the affected industries as India saw very limited tourism resulting from the global economic crisis.
4. **Tourism products are composite in nature:** Tourism product comprises of several components combined together to create an overall tourist experience. Unlike other products, where a manufacturer manufactures the complete product for consumption, in tourism industry, a tourism product is a composition of several interrelated products combined together in a specific period of time. For example, in a holiday package, the airline provides the transport service, a hotel provides accommodation service, tourist attractions and other entertainment services used, insurance companies provide travel insurance services, restaurants cater to tourists' dining needs and such other elements together create a complete tourism product. Tourism product can also be understood as an amalgamation of various other interrelated products that are consumed together as a composite product.
5. **Ownership:** In the case of tourism products the ownership of the product is not transferred to him, like in the case of other products. For example, when a person purchases a car, the title of the car is automatically transferred to him, while in the case of a hotel, when a tourist pays for a hotel stay, he only earns the right to use the hotel's facilities for that stipulated period.
6. **Production and consumption happen simultaneously:** The tourist must be present for the hotel to deliver its services; a passenger must be physically present for the airline to transport him from point A to point B. In tourism the products can neither be stored for future consumption nor can they be transported to another place of consumption. The

production and consumption of a tourism production can happen only when the tourist is present at the specific place and time.

7. **Tourism products are heterogenous in nature:** Tourism products are not homogenous in nature. In other words, tourism experiences are not consistent at all times. A meal at a restaurant may not be experience in the same way by two people. Much in the same way, visit to a museum, may not be enjoyed in the same way by two tourists. Many a component of tourism are service based and services cannot be standardized as they are delivered by people.
8. **Dominant role of intermediaries:** Intermediaries or agent middlemen in tourism industry are in the form of travel agents and tour operators. Tourism product, being a composition of various interrelated products, can become a cumbersome process for a tourist to assemble together. Due to this complexity, the travel agents, tour operators, reservation agents and such other intermediaries play a dominant role in the supply of tourism products. They are important in the tourism value chain primarily because, intermediaries act as a source of information and secondly because they act as a link between the principal service providers of tourism and the tourists.

Check your Progress – 1

1. Why do tourism products have a low shelf life and considered highly perishable?

2. Why are intermediaries are considered important in tourism product distribution?

8.2.2 Elements and Types of Tourism Product

Elements or components of tourism product refer to the constituents of tourism industry which form an integral part of tourism system. They are illustrated as below:

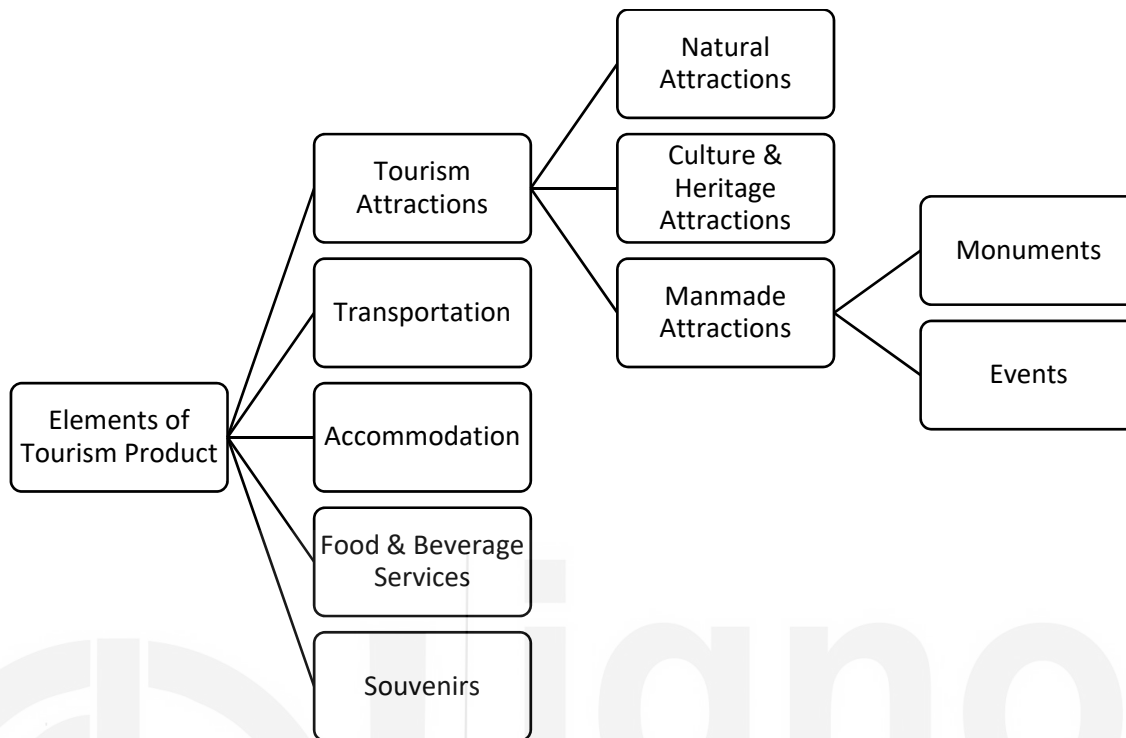


Figure 8.2: Constituent Elements of Tourism Products

- A. **Attractions as a tourism product:** Attractions in tourism play a pivotal role in tourism. It is the attraction that pulls tourists towards a destination. Tourists visit Agra to see Taj Mahal, Rome to see St. Peter’s Basilica or Rio de Janeiro to take part in the colourful carnival. It is the point of attraction that is experienced and enjoyed by tourist acting as a tourist product. Tourist attractions can be classified into below types:
- a. **Natural Attractions:** These are nature created tourist attractions such as waterfalls, mountain ranges, sea beaches, pleasing weather, snowclad mountains etc.
 - b. **Culture & Heritage Attractions:** These are attractions which reflect indigenous culture and heritage of a country or destination. Examples include *Holi* festival celebration in Rishikesh, India; the tribal culture of Maasai Mara, Kenya; Louvre Museum, France and such others.
 - c. **Manmade attractions:** These include monuments – both historical and present day – such as Eifel tower, Paris; Burj Khalifa, Dubai, Qutub Minar, Agra and others. Events of all scales have fascinated tourists. It may be a musical concert, carnival or a food festival, events have been an integral part of the destination experience. Events such as the carnival of Rio de Janeiro, KumbhMela of India or the Dubai Shopping Festivals are some notable events that attract millions of tourists every year to these destinations.
- B. **Transportation as a tourism product:** Transportation services are both means to consume tourism products as well as tourism products in themselves. A vacation on a

cruise ship is both means to reach a destination and also a tourist attraction in itself. For a cruise, every room onboard the ship is an inventory of their product on sale. Airlines, for instance, refer to saleable room nights as available inventory on sale which makes it a saleable commodity or product for the hotel.

- C. **Accommodation as a tourism product:** Accommodation is yet another component of tourism where hotels are both attractions as well as a tourism support facility. Hotels also, much like the airlines, usually refer to their saleable room nights as room inventory making rooms as the commodities or products that the hotels sell to tourists.
- D. **Food and Beverage Services:** Food is an integral part of a tourist experience. Food not only sustains tourists while on a holiday but also acts as a window through which tourists can understand the culture and traditions of the destination. Food experiences in many a destination are attractions in themselves. For instance, countries such as Thailand, Italy and Spain have popularized their cuisine and commoditized the culinary experience unique to their country. USA has popularized wine tourism through their wine regions of Napa Valley. All these too are a part of the tourism products that a country offers and markets to attract tourists to their country.
- E. **Souvenirs:** Souvenirs is a word that stems from French word *souvenir* which means ‘to remember’. Souvenirs are the articles or products that tourists buy from destinations of their travel as a reminder of the place or experience. Souvenirs are usually unique to the destination are typically inexpensive products available mostly at the destination.

8.2.3 Levels of Tourism Products

Tourism product is a composition of various elements that can be categorized into various levels based on their importance. In other words, tourism products can be divided based on the tourist needs and importance tourists attach to those products. While some products / services may be considered by tourists as highly important to the tourist experience, some others may not be very crucial to the overall tourism experience. For instance, for a hotel situated in Goa, air-conditioned hotels may be seen as a crucial offering, while a spa service at the destination may be considered as non-essential to the overall tourism experience. This understanding is especially useful for tourism service providers, as this allows them to prioritize the products / services that they create as a part of tourism offering. Below is an illustration of various levels of tourism products.

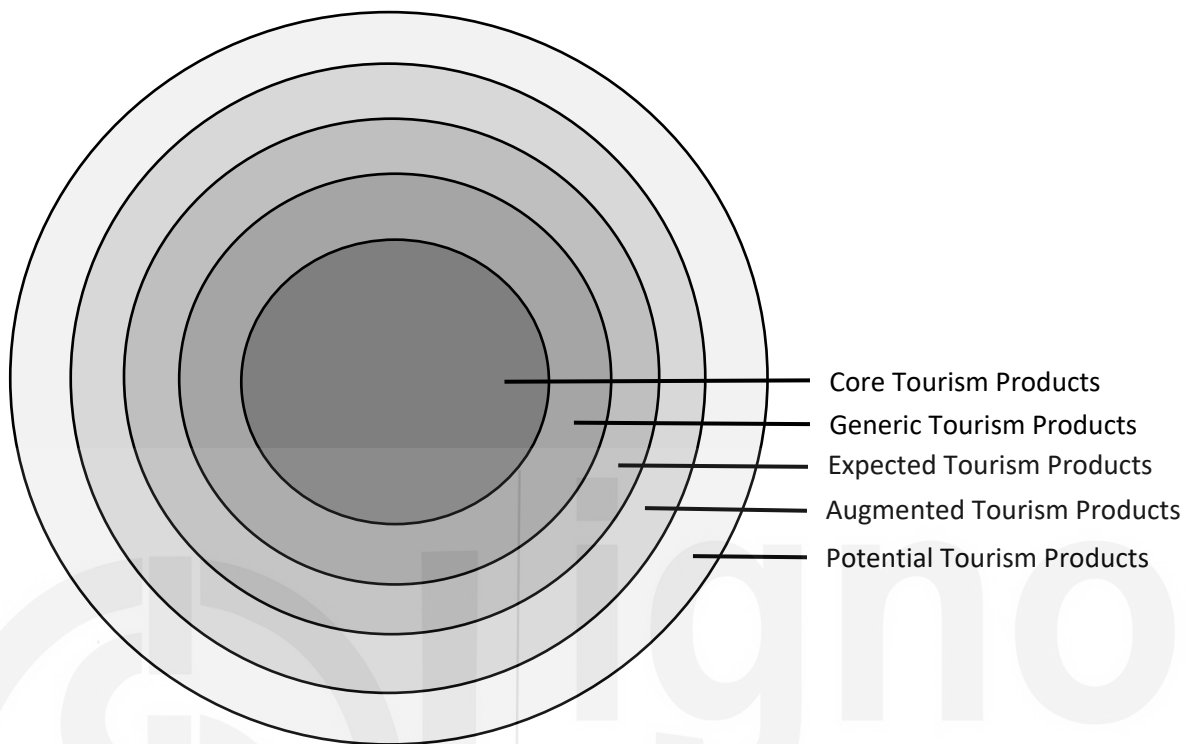


Figure 8.3: Levels of Tourism Products

Tourism products can be classified into 5 basic levels. They are explained as below:

- A. **Level 1 - Core Tourism Products:** Core Products refer to the most basic tourism service, product or experience that the consumer seeks from his/her purchase. This mainly focuses on the basic intention that that motivates the purchase. In other words, core tourism products satisfy the most fundamental of need that tourist intends to meet. For example, in the case of an airline, the core product that the airline offers is the transport service from point A to point B. Similarly, in the case of a hotel core product would be the room which offers accommodation to guests. In simple terms, core product can be understood as the basic utility that a product provides.
- B. **Level 2 - Generic Tourism Products:** Generic products refer to those products and service that must be present for the tourists to use the core products. For example, in the case of an airline, for a customer to use the transport service, the aircraft must have comfortable seats, safety features, services of an air hostess or steward, basic refreshment etc. Similarly, in the case of a hotel, the hotel room must be equipped with bed, washroom facility, mirror, wardrobe etc.
- C. **Level 3 - Expected Tourism Products:** Expected product refer to the set of features that the customers expect when they buy the product. These are products that the customers expect along with the core and generic products in exchange for the price paid by them.

In an airline, a passenger paying premium price for a business class ticket, expects quicker check in, priority seating and better food and beverage as compared to economy class passengers. Same holds true for a hotel room of, say, suite category where a guests expect a spacious room, better in room amenities and nicer view as compared to entry level room categories.

D. Level 4 - Augmented Tourism Products: Augmented tourism products are those that exceed customer expectations by creating a ‘wow’ factor. These products provide a customer experience above and beyond the core, generic and expected products. These are products or services that differentiate one brand from another by providing extraordinary customer experience. Singapore Airlines, for instance, is known of their excellent customer service and fine quality food. The in-flight ambiance and amenities is par excellence. Similarly, Taj Hotels has created an unmatched service culture delighting the guests each time.

E. Level 5 - Potential Tourism Products: Potential tourism products include all those experience or products that a tourism service provider creates continuing his efforts to offer augmented and delightful products to his customers. In the case of an airline, potential products may include, customized inflight entertainment based on passengers viewing preference and such other services.

The levels of tourism products are typically represented in the form of progressive concentric circles indicating the importance attached to each level. While core represents that most crucial element without which the product will not exist, the outer circles indicate additions to the core product based on their degree of importance.

Check your Progress – 2

1. What are Core Tourism Products? In the case of a restaurant what is the core product they offer?

2. In the case of a 5 Star Luxury hotel, what can be considered as augmented product offerings?

8.3 Tourism Product Designing

We have learnt in the beginning of this module that tourism products are not the same as other products and have characteristic features that are unique to this industry. Tourism products are largely composite in nature and product designing here has inputs from various other inter

related sectors and ancillary sectors. Also, tourism products are largely experiential in nature and are intangible. Given these unique paradigms, it is evident that the product designing in tourism also follows a distinct process. In order to understand this complex and composite process of tourism product designing, let us begin by defining the conceptual underpinnings in the process.

- a) **Tourism Resources:** Tourism resources are the primary most input in any tourism product. Tourism resources are much like the raw materials used in making a product. If cotton is the raw material to manufacture clothes, then a scenic hill station or a historical monument is the resource in a tourism product. These are basic attractions that draw tourists a locale and without this tourism would not exist in a place. Tourism resources are usually not developed and eventually when other elements of tourism are added to the resource the final tourism product is ready for tourists to experience.
- b) **Tourism Facilities:** These are intermediate or secondary inputs that go into designing a tourism product. These are infrastructure facilities that create accessibility and other amenities that are essential to the development of tourist attraction. For instance, roads to create reach to the attractions, interpretation or information centres, basic tourism facilities of restrooms and other amenities among others. These intermediate inputs are added to the primary resources which are in the form of facilities and amenities that convert tourism resource into a tourist attraction.
- c) **Tourism Services:** These are tertiary inputs in the form of tourist services that are added to enhance the value of the tourism product. Intermediate outputs are those services normally associated with the tourism industry such as commercial accommodation services, tour services, food services, festivals and such others.
- d) **Tourist Experience:** In the final stage, the tourist utilizes the tourism facilities and interrelated services to generate the final output of tourism experience. As we have already seen, tourist experience is an intangible but highly valuable one for tourist destinations. Tourist experience can be in the form of leisure, relaxation, learning, customer delight and such others.

Let us understand this process better through product designing process of a tea growing area being promoted as a destination for tea tourism.



Figure 8.4: Example of Tourism Product Designing Process of Tea Tourism

8.4 Tourism Product Lifecycle

Tourism products, much like other products and services, goes through multiple stages positive and negative growth throughout its lifespan. Like all living organisms have a lifecycle, tourism products also have a life cycle since their introduction in the market. It is important to learn the lifecycle of tourism products because of the below enumerated reasons:

- Product offerings in tourism vary depending upon the stage of the wine tourism life cycle;
- Marketing / publicity efforts will have to suit as per the phase in which the tourism is moving.
- Pricing decisions also are changed according to the lifecycle of the tourism product.

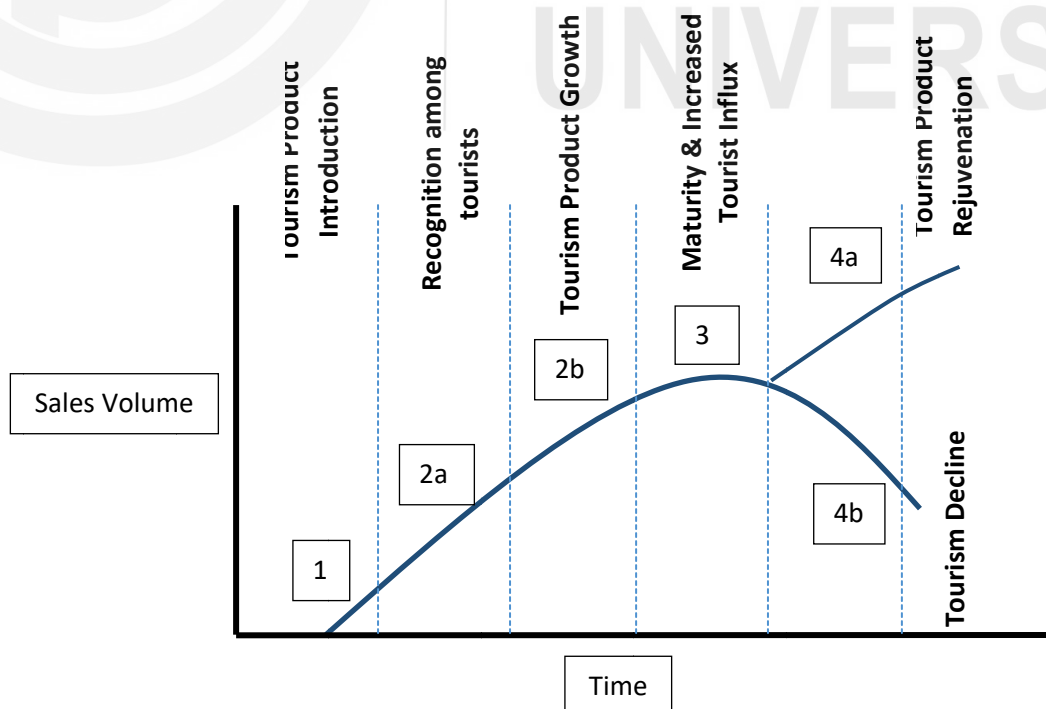


Figure 8.5: Tourism Product Lifecycle

The tourism product lifecycle is characterized by 4 distinct life stages discussed as below:

1. **Tourism Product Introduction:** Introduction stage of a tourism product in when it is newly launched in the market and introduced to the consumers. This phase is usually characterized by low sales as the awareness about the tourism product is low among potential consumers. Therefore, all marketing efforts are made to build awareness about the product. Prices of the product is usually kept at affordable using promotions and offers. Greater importance is given to advertising efforts so as to be able to a wider audience.
2. **Tourism Product Growth:** Growth phase is marked by wider recognition of the product among the consumers. Over time when tourism product is preferred by a growing number of tourists the sales volume also grows as a result. During the growth phase, due to uniqueness of the product and little competition in the market, prices are usually high. Tourism product continues to enjoy popularity due to sustained branding and advertising efforts. Distribution of the product happens using several channels of distribution such as travel agents, tour operators, online sales etc.
3. **Tourism Product Maturity:** In this life stage where the tourism product, over time, reaches its highest level of growth with the organization achieving maximum growth in terms of sales volumes. Profitability also at its peak in this stage due to sustained high prices. At this point, competition in the market intensifies and product sees no further growth and the growth begins to saturate. At this stage, the brand begins to put efforts towards differentiating itself from its competitors in the market. Promotional offers may be considered in order to make the price attractive to ward off competition. Distribution efforts are also intensified to capture the market.
4. **Tourism Product Rejuvenation / Tourism Product Decline:** Product maturity stage is, by far, the most challenging stage for any tourism product. While the product may have reached the highest sales potential, the product faces threat from competitors. From this stage on, the tourism product enters the next stage of tourism product lifecycle. Depending on the overall marketing strategies of the organization, the tourism product may either reinvent itself and continue its growth or may begin to witness a gradual decline. Many a tourism product rejuvenate themselves by reinventing the product, by adding newer features and creating an enhanced experience for its customers in order to remain relevant in the market. The organizations that fail to rejuvenate their products in the saturation stage, face the threat of being wiped out of the market in face of increasing competition. The prices in this stage are usually maintained at a low in order to maximize sales and advertising efforts are not as aggressive in this phase.

8.5 Tourism Product Marketing Strategy

Marketing strategy is a broad term that refers to a set of marketing goals and decisions pertaining to achieving those goals. At a macro level, marketing strategy refers to decisions pertaining to elements in the marketing mix namely,

1. Product,
2. Place,
3. Price,
4. Promotion.

Tourism, largely being a service industry, includes 3 more elements into the marketing mix namely

5. People,
6. Process and



7. Physical Evidence.

A tourism organization, when setting marketing goals for its products, designs and executes strategies for each of the above elements in the marketing mix in order to achieve the overall marketing goals. These, fundamental marketing decisions are primarily guided by the nature of customers that product is trying to appeal to. All products may not have an equal appeal to the customers. While one tourism product may have a greater appeal to one section of tourists, another section of tourists may prefer tourism products that appeal to their taste. For instance, one business tourist may prefer to stay in a budget category hotel not willing to spend on accommodation, while another business traveller may prioritize comfort and luxury over budget. Therefore, it is extremely crucial for tourism marketers to understand their customers, their tastes and preferences. This in marketing strategy planning can be understood through STP Approach. STP stands for Segmentation, Targeting and Positioning. Strategy decisions pertaining to the aforementioned guide the marketing mix strategies as shown in the figure below. Let us discuss STP approach in detail.

Figure 8.6: STP Approach in Tourism Product Marketing Strategy

- A. **Market Segmentation:** It is important for an organization to offer products that satisfy the specific needs of its customers. Through segmentation strategy, an organization identifies those specific needs of the consumers and designs to products and services to meet those needs. Market segmentation is an act dividing the heterogenous market into smaller groups with similar, identifiable and homogenous needs. This allows marketers to offer products to those specific customer groups or customer segments to meet their

needs. It may be practically impossible to develop a marketing strategy targeted towards every customer in the market, therefore, marketers usually identify specific groups of customers that have similar needs and respond in a similar fashion to marketing activities. Segmenting the market can be done on several basis. Most common among them are illustrated as below:

Geographic Segmentation	Demographic Segmentation	Psychographic Segmentation	Behavioural Segmentation
Dividing the market on geographic basis such as Country States/ Regions Cities Urban Rural etc.	Dividing the market based on characteristics of the population such as Gender, Age, Education, Income, Occupation, Family size etc.	Dividing the market based on common psychological characteristics such as Lifestyle, Social status, Activities Opinions, Interests	Dividing the market based on customer buying behaviour such as Occasion, benefits sought, Usage, Loyalty, Quantity, Attitude etc.

Figure 8.7: Basis for Market Segmentation

A tourism organization may adopt one of the above or a combination of the above basis to segment their market. For example, Four Seasons Hotels and Resorts, an international chain of hotels with close to 117 hotels in 47 countries, primarily caters to high-income luxury travellers. In this case, they have adopted a combination of demographic and psychographic segmentation technique thereby catering to luxury traveller segment.

- B. **Targeting:** The next step after segmentation is evaluating the various market segments for their suitability. Not all consumer groups may have the need and subsequent demand for the products offered by the tourism organisation. In other words, some market segments are likely to better respond to marketing activities of the organisation therefore making those segments more attractive. In the targeting strategy of a tourism product, the organisation selects one or more segments that are mostly likely to have demand for the products offered by the organisation and targets these segments with marketing activities. For example, Disney World, a chain of theme parks targets young families and children as these market segments have a higher likelihood of visiting theme parks. Therefore, one usually sees children and families features in Disney World advertisements and commercials. While selecting a market segment as a target segment the below pointers have to be kept in mind,
- a. The market segment targeted must be large enough to be profitable for the organisation.
 - b. The target segment must be accessible for marketing activities.

- c. Target market must have fewer competitors which enables the organisation to maximise sales and revenue potential.
 - d. The target market must respond in a favourable manner to the marketing communication of the organisation.
 - e. The target market must present future growth potential.
- C. **Product Positioning:** The final stage in strategic product marketing is positioning. A market comprises of several organisations offering same or similar products catering to the demands of a target market. For instance, Marriott, Hyatt, Novotel, Trident and Taj among others are some of the brands in India offering 5-star business hotels in metro cities. Positioning is a strategy where on brand creates an identity for itself in comparison to its competitors. Brands, through this strategy, position themselves in the minds of the consumers in relation to the competing brands. Product positioning allows brands to create a unique identity for themselves that is different from others. The most favourable the image in the minds of the consumers, higher is the propensity of the consumers purchasing products offered from the organisation. For example, Singapore Airlines, an international airline offering services in 32 countries worldwide is known among international travellers for their state-of-the-art aircrafts and world class service. These attributes have created a favourable image in the minds of air travellers and thus making Singapore Airlines one of the leading and successful airlines in the world.

Market segmentation, targeting and positioning decisions are very crucial for an organisation in deciding the marketing mix strategies for these strategies depend on the market segment targeted.

8.6 Let us Sum it Up

We have in this unit have gained a broad perspective of what a tourism product means and an understanding about its unique characteristic features that makes tourism products different. We also learnt about the various elements of tourism products and a general typology of tourism products. This knowledge helps in understanding the categorisation of tourism products and what makes them different from one another. This unit also introduced learners to the levels of tourism products, an undertaking extremely crucial while developing tourism products by creating an order of importance of each element in the tourism product. Tourism products, being composite in nature, follow a designing process that is unique. This unit gives a detailed understanding of product designing / development process in tourism. A tourism product, much like any other product has a lifespan of its own since inception. The unit also discusses the tourism lifecycle delineating the various life stages of a tourism product. The unit concludes with a discussion on STP approach in tourism product marketing. The above discussed topics are subjects of in depth study in marketing studies and this unit gives a basic understating in order to introduce students to the basic concepts.

8.7 Clues to Check you Progress

Check your Progress – 1

1. Refer to section 8.2.1, point 2 for answer
2. Refer to section 8.2.1, point 8 for answer

Check your Progress – 2

1. Refer to section 8.2.3, point 1 for answer
2. Refer to section 8.2.3, point 4 for answer

8.8 Further Reading

- a) The Marketing of Tourism Products: Concepts, Issues and Cases(1996) by A. V. Seaton, M. M. Bennett, Cengage Learning EMEA.
- b) Marketing for Hospitality and Tourism (2010) by Philip Kotler, John T. Bowen, James C. Makens, Prentice Hall.

8.9 Activities

Activity 1

Select a hotel of your choice and identify the various levels of products.

Activity 2

Select any tourism brand of your choice and identify the STP strategy used by the brand.

Unit 9: Pricing Strategies

Structure

- 9.0 Objectives
- 9.1 Introduction
- 9.2 Pricing in Tourism – Meaning & Definitions
- 9.3 Objectives of Pricing
- 9.4 Factors Influencing Pricing
 - 9.4.1 Internal Factors
 - 9.4.2 External Factors
- 9.5 Methods of Pricing
 - 9.5.1 Cost Oriented Pricing Methods
 - 9.5.2 Market Oriented Pricing Methods
- 9.6 Pricing Strategies
- 9.7 Let us Sum Up
- 9.8 Clues to Check your Progress
- 9.9 Further Reading
- 9.10 Activities

9.0 Objectives

After reading this unit, you will be able to,

- Understand the concept of pricing in tourism
- Comprehend the objectives of pricing
- Explain the factors influencing pricing
- Understand the methods and pricing approaches

9.1 Introduction

Pricing, among the marketing mix decisions, is by far, one of the most crucial of considerations. Price not only conveys the exchange value of the product or service but also communicates the nature of the product or service. Both high price or low price can lead to failure of the product in the market. Therefore, while setting price of a product or service, an organisation exercises utmost care considering several factors that have a bearing on the pricing decision. In this module, we will be learning about pricing objectives, factors that influence pricing decisions and strategies that marketers use in pricing decisions in tourism.

9.2 Pricing in Tourism – Meaning & Definitions

Kotler and Armstrong (2009) define price as “the amount of money charged for a product or service, or the sum of all the values that customers give up in order to gain the benefit of having or using a product or service.” In other words, price is the monetary value that the consumers are willing to pay in exchange for the product or service.

In order to gain a deeper understanding of pricing as a concept, it is important to study pricing from the perspective of both seller and buyer. For the seller, price of the product is a tool using which he not only covers cost of production and selling but also makes profit. On the other hand, for the buyer, price represents the perceived value of the product. Price is what the customer is willing to pay in exchange for the perceived value of the product or service. Higher the perceived value of the product, greater is the willingness to pay. The perceived value for the buyer may be in the form of quality, convenience, status, prestige or attractiveness of a deal. Therefore, for the sellers it becomes crucial to consider the buyers’ viewpoint of value before setting the price.

9.3 Objectives of Pricing

Pricing refers to the process of determining an appropriate price to the product or service. Price, as we know is a crucial decision and an organisation takes into account several factors before setting the price. Further, price also helps an organisation achieve several marketing objectives. In other words, price can be used a tool to gain a certain type of advantage in the market or achieve a desired goal in the market. Pricing in which case becomes an element in the marketing mix that can be changed to meet the pre-determined marketing objective. An organisation may set a variety of marketing objectives depending on market conditions or organisational considerations. They are illustrated as below:

Profit Related Objectives	Sales Maximisation	Competition Related Objectives	Customer Related Objectives
<ul style="list-style-type: none"> • Maximise profits • Achieve Target Rate of returns 	<ul style="list-style-type: none"> • Maximise Sales • Maximise Market Share • Enter a new market • Survival and Growth 	<ul style="list-style-type: none"> • To eliminate competition • To avoid competitor entry into market • Become quality leaders through price 	<ul style="list-style-type: none"> • Gain customer trust • Retain reputation among customers

Figure 9.1: Pricing Objectives

A. Profit Related Objectives

- a. Maximise Profits: An organisation may choose to set a certain price in order to maximise profits. When the organisation is relatively certain of its position in the

market, it sets a price higher than the existing price to make use of the position of advantage it enjoys in the market. An organisation can maximise profits through higher price when it enjoys monopoly in the market or has negligible competition. An organisation can also set a higher price when the product or service is innovative and new in the market allowing it to gain higher profitability.

- b. Achieve target rate of returns: An organisation may want to set a certain price in order to achieve pre-determined return. Target rate of return may be in the form of fixed percentage of sales in the market *vis-à-vis* competitors or a fixed rate of return in terms of the investment made in marketing efforts. In this case, the organisation sets a price with a firm focus on meeting the target rate of returns.

B. Sales Maximisation

- a. Maximise Sales: An organisation may choose to increase the sales volume through its pricing. When an organisation wants to become market leaders through capturing a large share of market by increasing sales volumes, price becomes a crucial tool. For example, when an airline wants to maximise its sales, it offers steep discounts in the airfare in order to maximise the sales. Organisations prioritize such objectives when operating in a highly competitive market where customers quickly respond to any increase or decrease in price.
- b. Maximise market share: Market share refers percentage or portion of the total market controlled by an organisation *vis-à-vis* competitors. It is usually represented in terms of percentage where an organisation's market share is compared to its competitors. Market share is typically calculated based on the sales volume. When an organisation wants to capture a market share higher than its competitors or become the market leaders in terms of market share, it can do so by increasing the sales volume. Price, in this situation can help the organisation in achieving higher sales volume thereby increasing the market share.
- c. Enter a new Market: An organisation can use price a key tool to enter and capture a new market. Low prices are usually used to create a buzz and maximise sales in the launch phase. On the other hand, higher price can also be set in the case of exclusive or innovative products. Here, price becomes a tool to capture the market in the entry phase of a product or service. For example, Indigo airlines offered discounted airfares when it launched its international flights in order to capture the market.
- d. Survival and Growth: Pricing has often been used as a tool to aid organisations that face the threat of closure. Low prices are usually offered to increase sales and enable the ailing organisation to bounce back to health. Also, price can be used as a tool to push up sales volumes when the sales plateau for a prolonged period of time. For example, hotels in Sicily, Italy are offering steep discounts to tourists in a bid to recover from post-Covid fall out of the tourism industry.

C. Competition Related Objectives

- a. To eliminate competition: In a highly competitive and price sensitive market, pricing decisions play a decisive role. Organisations can adjust its price in order to edge out competition from the market or to take away market share from them. Price in such situations is usually set lower than that of the competitors' in order to eliminate competitors from the market.
- b. To avoid competitor entry into market: Many a times organisations use pricing as a strategy to discourage competitors from entering into a market. Competition is intense usually in markets that are highly profitable. Therefore, organisations may use low price as a short-term strategy to reduce attractiveness of the market for competitors.
- c. Become quality leaders through price: High price products are usually perceived to be of better quality. Organisations can differentiate their products and services by creating a quality perception through higher price. For example, Oberoi Hotels have always been known for their luxury hotels and quality service and this is reflected in their hotel tariff.

D. Customer Related Objectives

- a. Gain customer trust: In a competitive market, an organisation can sustain in the long term only when they have loyal customers. When customers believe that the organisation is delivering value worth the price of the product or service, it results in greater customer satisfaction. Therefore, organisations ensure that their prices reflect value. Many a times organisations maintain price levels without drastic variations in order to create a sense of trust and confidence among consumers.
- b. Retain reputation among customers: Any sudden increase or decrease in prices can send an undesirable signal among consumers. Therefore, organisations tend to maintain a stable pricing policy in order to maintain goodwill among consumers.

9.4 Factors Influencing Pricing

Pricing is a complex decision that involves examination of various factors. An organisation arrives at the price of a product or service after considering various inputs and factors that have a bearing on the pricing decision. These numerous factors can either be organisational or market, internal or external and controllable or uncontrollable in nature. For the purpose of this discussion and better understanding factors influencing pricing in tourism are divided into internal and external factors as illustrated below:

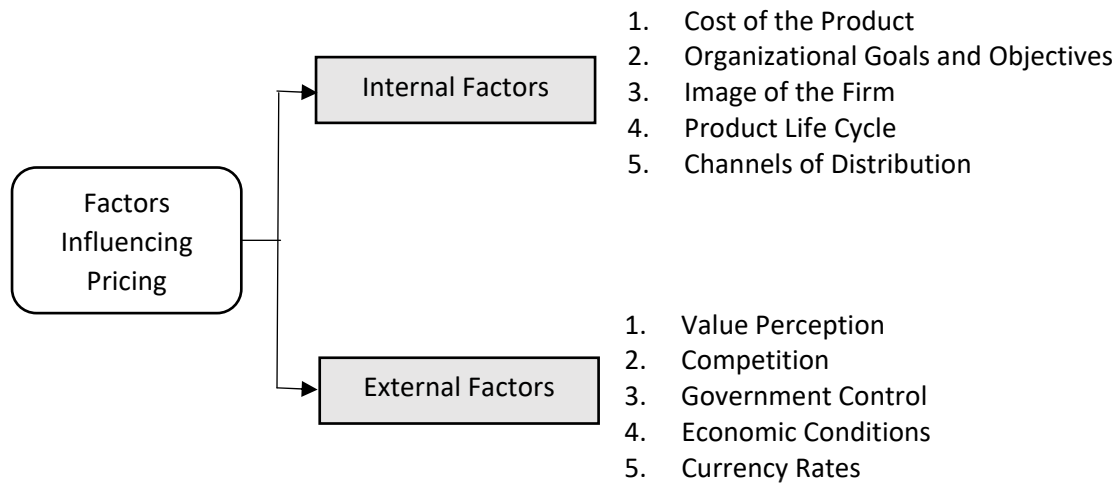


Figure 9.2: Factors Influencing Pricing

9.4.1 Internal Factors

Internal factors are organisational factors which are largely controllable in nature. The organisation exercises greater command on these factors and can take decisions to modify or alter these factors. They are discussed as below:

1. **Cost of the Product:** Cost of manufacturing the product or creating a service is at the core of any pricing decision and cost forms one of the largest components of the price. Cost refers to the expenses incurred in manufacturing a product or creating service, selling as well as distribution. For instance, cost of tour package for a tour operator are the costs of all components of a tour package such as airfare, hotel tariff, transport expenses, sightseeing ticket charges, cost of meals etc. In addition, the tour operator may incur advertising and promotional expenses to market the tour package. Cost, therefore, represents a multitude of expenses that a manufacturer or service provider incurs in making the product or service market ready.

Costs, at a broad level, are divided into two types – Variable Costs (VC) and Fixed Costs (FC). Variable costs vary directly in proportion to the quantity of the products manufactured or services created. On the other hand, fixed costs do not vary based on the quantity and are incurred even when there is no production. For example, in the case of an airline turbine fuel expenses are a variable cost as they vary based on the flight operations; on the other hand, salaries of airline crew are a fixed cost as salaries are to be paid irrespective of flight operations. Total cost of a product or service is a sum total of all variable and fixed costs incurred by the organisation.

Total cost added with a margin of profit gives the price of the product or service.

The price of the product is usually fixed at a rate that covers both variable and fixed costs of the organisation. A price fixed lower than the total cost leads to losses.

2. **Organisational Goals and Objectives:** Organisational goals tend to have a bearing on the pricing decision to a large extent. As discussed in the previous section (9.3) pricing is usually guided by the organisation objectives – both short term and long term. Profit maximisation, sales growth, achieving target rate of return, eliminating competition are examples of short-term organisational goals; while increasing market share, gaining goodwill in the market, becoming quality leaders are examples of long-term goals. Pricing strategies are employed and modified to meet the organisational goals and objectives from time to time.
3. **Image of the Firm:** Image of the organisation is an important factor that guides any pricing decision. For instance, a luxury hotel brand in order to maintain its premium image may choose to charge higher prices and not give steep discounts. A wider consumer sentiment that higher prices indicate better quality is at the heart of this pricing policy. On the contrary, a brand positioning itself as an economy or value product may choose to keep its prices low in order to maintain its image. For example, Ginger Hotels in India positions itself as a chain of hotels offering ‘value for money’ accommodation solution for business travellers and their tariffs are reflective of this brand strategy.
4. **Product Life Cycle:** A product passes through various life stages since its launch in that market. These life stages, as we know, are characterized by various changes to the marketing mix decisions. At the introductory stage, the organisation’s priorities and goals may be vastly different as compared to the saturation stage. Price in this case becomes a key tool that enables the organisation to achieve those goals. For example, Air Asia began offering services in India in 2014. During the launch phase Air Asia offered introductory low fares in order to capture a wider market.
5. **Channels of Distribution:** Channels of Distribution create place utility for the product or service. An organisation invests in creating a network of distribution channels to ensure that the product or service is available to its consumers. These channels of distribution can either be owned or third-party channels comprising of wholesalers, distributors, retailers and such other intermediaries. Longer the distribution channel with multiple intermediaries higher tends to be the cost involved in distribution leading to a higher price. Whereas, in the case of owned distribution channels such as company owned retail outlets and online sales through company website the cost involved in distribution tends to be lower resulting in a lower price.

9.4.2 External Factors

External factors influencing pricing include those factors that are largely outside the control of the organisation. These factors tend to be independent and the organisation cannot change or modify these factors to their advantage. They are discussed as below:

1. **Value Perception:** Value perception refers to the sense of usefulness or utility that the consumers attach to the product or service in relation to the price paid for it. Consumers usually weigh the price paid against the value received in exchange. Therefore, it is said in marketing that organisations sell product benefits and value rather than the product itself. For example, a seaside resort may emphasise on its exotic locale, relaxation and luxury rather than project itself as an accommodation service provider. At the time of evaluating various product choices, if the perceived benefits outweigh the price customer is willing to pay, it results in purchase. Luxury brands charge higher prices as the value perception associated with such brands is greater and the customers are willing to pay a higher price.
2. **Competition:** Most tourism organisations operate in a market environment where they face direct or indirect competition. Pricing decisions are often taken considering the number of competitors and degree of competition that an organisation faces. Pricing in this case is not a cost centred approach but will take into account competitors' price as well before setting the price. Airlines in India are a good example of competition-based pricing where airlines set airfares based on their closest competitors' airfare in order to avoid any loss in sales. A prominent organisation with a higher market share usually is the price setter in the market and other organisations may have little or no choice but to follow the suit in a highly competitive market. Where the competition is not severe the organisations have a greater control over their pricing.
3. **Government Control:** In the case of some industries and under certain circumstances, government chooses to intervene and have control over the prices of products or services. This is usually done in order to protect consumers from being exploited by organisations by setting a ceiling for maximum price that an organisation can charge. For example, when airlines began limited operations post lockdown during Covid-19 crisis, the government set a cap on the fares that the airlines could charge.
Further, taxation is yet another component that has an impact on pricing. Where the direct and indirect taxes are high for an industry, the prices tend to be higher owing to tax laws in the country. An organisation must also consider any other government regulations in place before setting its price.
4. **Economic Conditions:** General economic conditions also have a bearing on the pricing policy of an organisation. Any inflationary or deflationary conditions impact the general consumer sentiment in terms of buying. Travel and tourism industries tend to be impacted faster than others in case of fluctuation in country's economic conditions. For instance, the global recession of 2008, Covid-19 related

recession of 2020 saw a deep impact on tourism industry where tourism consumption was negligible as a result of economic slump. Under such conditions, organisations are forced to keep their prices low in order to sustain in the market and encourage sales. On the other hand, healthy economic conditions are marked by an optimistic consumer sentiment where consumers show willingness to spend. Organisations are at a greater liberty to charge higher prices when consumer sentiments towards spending are positive.

5. **Currency Rates:** Currency rates globally are marked by fluctuations owing to international trade and various other economic factors. Any fluctuation in the currency rates has an impact on the prices of services. For instance, hotel tariffs quoted in UK are usually quoted in Pounds and converted into Indian Rupees when quoted in India. Any increase in exchange rate of Pounds against Indian Rupees would mean increase in hotel tariff to that extent.

Check your Progress – 1

1. How does competition affect pricing decisions of an organisation?

2. Why are intermediaries an important consideration in pricing?

9.5 Methods of Pricing

Pricing methods refer to the practices that organisation follow to arrive at the ultimate price offered in the market for their goods and services. An organisation may adopt either one method or a combination of methods depending upon the pricing objectives and organisational goals. As we have learnt in the previous section, pricing decision is predominantly based on cost, perceived value of the product and competition. Pricing methods are broadly divided into two categories viz. cost oriented pricing and market-oriented pricing.

9.5.1 Cost Oriented Pricing Methods

Cost oriented pricing methods are those where the pricing decision is predominantly based on the cost and focus here is to cover variable as well as fixed costs of production. Various forms of cost-oriented pricing are discussed as below:

- a) **Mark Up Pricing:** Mark up pricing is one of the oldest and simplest forms of pricing methods. Under this practice, total cost of production or creation of service is calculated and a fixed rate of profit is added to total cost to arrive at the selling price. In other

words, mark up is the difference between selling price and cost. It can be represented as below:

$$\text{Cost} + \text{Mark up} = \text{Selling Price}$$

or

$$\text{Mark Up} = \text{Selling Price} - \text{Cost}$$

Mark up can either be a predetermined amount or a predetermined percentage of the cost. The formula for percentage mark-up pricing is as below:

$$\text{Mark up Percentage} = \frac{\text{Sales Price} - \text{Unit Cost}}{\text{Unit Cost}} \times 100$$

For example, if the selling price is Rs.1500 and unit cost is Rs. 1000 then the mark up percentage is 50%. See the calculation as below:

$$\text{Mark up Percentage} = \frac{1500 - 1000}{1000} \times 100$$

$$\text{Mark up Percentage} = 50$$

Mark Up amount and percentage may vary from one organisation to other. This method of pricing is simple to understand and implement. Mostly suitable for smaller organisations with fewer marketing considerations. The inherent disadvantage of this pricing method is that it does not take into consideration external factors such as competition, value perception of service or product associate and demand factors.

- b) **Break Even Pricing:** Breakeven price is where the price is set a point where the organisation makes neither profit nor incurs loss. The price in this case is equal to the total cost. The breakeven pricing method is adopted usually in the early phases of product introduction with an objective to cover costs. Breakeven price is the base or floor price below which point an organisation is a threat of incurring losses. This method is also adopted when the objective is also to eliminate competition or to discourage competition entry into market. Breakeven price is calculated using the below formula:

$$\text{Breakeven Price} = \frac{\text{Total Fixed Cost}}{\text{Production Volume}} + \text{Variable Cost per unit}$$

For example, if a handicraft manufacturing unit has a fixed cost of Rs.50,000 and the variable cost per unit is Rs.10 and the manufacturer sets an annual target of selling close to 10,000 handicrafts then the breakeven price is calculated as below.

$$\text{Breakeven Price} = \frac{50,000}{10,000} + 10$$

$$\text{Breakeven Price} = \text{Rs. 15}$$

Breakeven volume is a point is the number of units that a seller has to sell in order to breakeven given a predetermined selling price. The formula is as under:

$$\text{Breakeven Point (in units)} = \frac{\text{Total Fixed Costs}}{\text{Selling Price} - \text{Variable Cost per unit}}$$

For example, if a hotel incurs total fixed cost of Rs.21,00,000, a variable cost of Rs.4000 per unit and the room rate is determined at Rs.10,000 per room per night, the breakeven point will be:

$$\text{Breakeven Point (in units)} = \frac{21,00,000}{10,000 - 4000}$$

$$\text{Breakeven Point (in units)} = 350 \text{ Units.}$$

- c) **Target Return Pricing:** Target rate of return pricing is a method adopted when an organisation's objective is to cover the investment made either in production or marketing. The price in this case centred around the target ROI (Return on Investment). The formula is as under:

$$\text{Target Return Price} = \text{Unit Cost} + \frac{\text{Desired Return} \times \text{Invested Capital}}{\text{Unit Sales}}$$

For example, suppose an organisation has invested 20,00,000 in its venture and the management expects to earn 20% as an ROI. The unit cost is 2,000 and expected sales: 50,000 units. Therefore, the target return price is

$$\text{Target Return Price} = 2000 + \frac{0.20 \times 20,00,000}{50,000}$$

$$\text{Target Return Price} = \text{Rs. 2008}$$

Therefore, the organisation will have to charge a price upwards of Rs.2008.

9.5.2 Market Oriented Pricing Methods

Market oriented pricing methods, unlike the cost-oriented methods focus on external, market factors rather than cost of production. They are discussed as under:

- a) **Perceived Value Pricing:** As we have seen already, price is a sum paid by the buyer in exchange for the perceived benefits that he gains from such a purchase. Higher the perceived value greater tends to be the willingness to pay. Sellers tend to often take into consideration the value that the buyers associate with the product in order to set the price. Higher the value association higher the price. For instance, in the case of luxury brands,

exclusive services and premium products, buyers tend to perceive greater value therefore the sellers have better flexibility to charge higher prices. While cost represents the lower limit of the price, perceived value represents the upper limit of the price that a seller can charge. For example, an airline can charge a higher price for their first-class tickets, as the flyers perceive better onboard experience and are willing to pay a higher airfare.

- b) **Going Rate Pricing:** Going rate pricing refers to a pricing method where the market leader's price becomes a benchmark for setting the price. In this case, competitors' price becomes the single most important consideration in deciding the price point for products. The rationale behind this method is to set a price that is on-going in the market where the seller sets the price irrespective of his cost or demand. This is done order to avoid losing any sales to the competitors due to lower prices. This method is widely followed in airline business in India and globally. Going rate pricing can be adopted by organisations who offer similar or undifferentiated products or services.
- c) **Differential/ Discriminatory Pricing:** Differential pricing as the term suggests is a pricing method where the same product or service is sold to different customer / category of customers at different prices. The underlying rationale behind this method stems from the principle of law of demand which indicates that some customers are willing to pay more than others. Therefore, organisations tend to charge different prices for the same product depending on the market conditions. Airlines worldwide have been following this pricing method. As we know airlines follow a dynamic pricing method where the same class of tickets may be sold at different prices depending upon the time of purchase, quantity of purchase or the place of purchase. Any advance purchases may be priced lower than purchase made closer to date of travel. Theme parks are another example where children are charged a lower entry price as compared to adults. This method allows organisations to maximise their revenue by offering different price points to different customers.
- d) **Psychological Pricing:** Psychology pricing method is practiced in several ways in tourism industry. This pricing method uses consumers' underlying psychological principles that influence their buying decision process. They described as below:
 - a. **Artificial time constraint pricing:** In this method sellers set an artificial deadline for availing a certain price or an offer price creating a sense of urgency. Consumers not wanting to miss out on the offered price, make the buying decision quicker than usual. Tour operators usually employ this tactic to sell their package tours to customers.
 - b. **Odd Pricing:** This pricing method numeric value of the price is utilized to impact the customer. Numerous studies have proved that customers tend to associate more with the number of the left while reading the price. For example, if a price is

quoted as Rs.19,999 rather than Rs.20,000, customers tend to perceive that the seller has offered a good price deal. Airlines, restaurants and tour operators continue to use this tactic.

- c. **Innumeracy:** In this method, the prices or price offers are indicated in a manner that may overstate the claim. For example, 'Buy one get one free' would be the same offer as 'Buy two and get 50% discount'. First statement may perhaps would be more attractive than the second. Customers oftentimes fail to apply the basic math principles in everyday transactions allowing sellers to increase sales.

Check your Progress – 2

1. What is discriminatory pricing? Give an example.

2. Target Return Pricing?

9.6 Pricing Strategies

An organisation, in an effort to reach their set organisational goals, alters and adjusts price in order to maximise returns. These price adjustments are known as pricing strategies which are dynamic in nature and different strategies are adopted to achieve different organisational goals. While pricing methods indicate the method adopted to arrive at the price, strategies discuss the situations under which these methods are employed to reach organisational goals. Below illustration discusses the basic pricing strategy matrix explaining the interrelationship between Price and Quality of the product and strategies stemming from such an interrelationship.

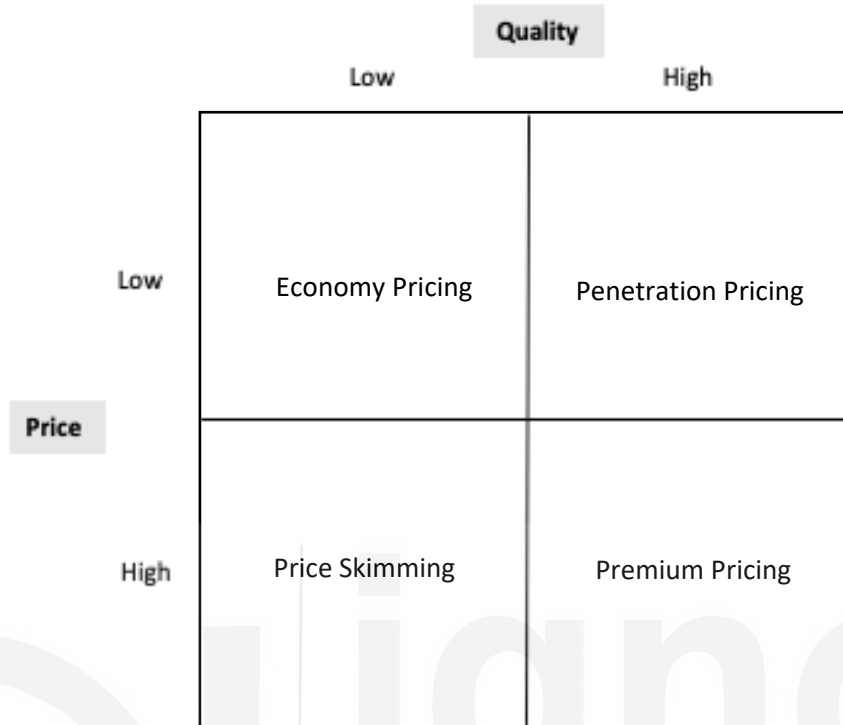


Figure 9.3: Pricing Strategies

1. **Premium Pricing:** Premium pricing strategy is where the seller sets a price for product or services at a higher price as compared to the market price. Premium pricing can be adopted when,
 - i. The product offers some additional features than the competitors' products
 - ii. The brand enjoys better reputation in the market
 - iii. The product offers unique features
 - iv. The product is limited edition or is available in limited numbers

These advantages allow the seller to charge a slightly higher price than the market price. Profit margins through premium pricing strategy typically tend to be high. Most luxury hotels and airlines use this strategy in order to create a value perception of being a premium product. Air Vistara, an Indian full-service carrier has adopted this pricing strategy since its inception in 2015.

2. **Economy Pricing:** Economy pricing, in contrast to premium pricing, is a strategy where products are priced a lower price. Organisations adopt this pricing strategy under the below when,
 - i. Products are made and marketed for a mass market
 - ii. Products are usually undifferentiated in nature and are typically of low quality
 - iii. Organisation wants to attract price sensitive buyers
 - iv. Organisation wants to keep competitors at bay or capture their market segment

Although organisations this strategy ensures higher sales volumes, lowers the profit margin as the prices are set to barely cover costs.

3. **Penetration Pricing:** Penetration pricing strategy is used by organisations when entering a new market. During the launch phase of the product, prices are kept low as compared to competitors in order to make a headway into the market and gain attention of the customers. Penetration pricing is usually a short-term strategy intended to enter a market or achieve sales volume goals. Many a times organisations work at wafer thin or even zero profits when adopting penetration pricing strategy. The goal here is also to increase usage and brand awareness in the market. Eventually prices are increased when the product has gained enough traction in the market.
4. **Price Skimming:** Price skimming, contrary to penetration pricing, is a strategy where an organisation chooses to set a high price during the initial phases of market entry. This strategy can be adopted for products that are premium in nature or that have a competitive advantage in the market. For example, a luxury cruise line may offer a higher price initially due to novelty of the experience or brand name enjoyed in the market. Price skimming allows organisations to make higher profits in the initial phase enabling them to cover manufacturing costs. Price skimming is seldom used as a sustained pricing practice and prices are reduced eventually.

9.7 Let us Sum it Up

In this unit, we have gained a deeper understanding of why pricing is a critical consideration for an organisation. Any erroneous decision on the part of the organisation can be detrimental to the growth and very survival of the organisation. In making a pricing decision, we have learnt, that several factors – internal, controllable and external uncontrollable – have to be taken into consideration. These factors have a direct or indirect, short term or long-term impact on the organisation's success. There are several methods a tourism organisation can use to arrive at the price point for their products and services. And these methods can be adopted in order to suit the marketing objectives and to the advantage of the organisation to achieve its set goals. The above discussed topics are subjects of in-depth study in marketing studies and this unit gives a basic understating in order to introduce students to the basic pricing concepts.

9.8 Clues to Check you Progress

Check your Progress – 1

1. Refer to section 9.4.2, point 2 for answer
2. Refer to section 9.4.1, point 5 for answer

Check your Progress – 2

1. Refer to section 9.5.2, point c for answer
2. Refer to section 9.5.1, point c for answer

9.9 Further Reading

- a) The Marketing of Tourism Products: Concepts, Issues and Cases (1996) by A. V. Seaton, M. M. Bennett, Cengage Learning EMEA.
- b) Marketing for Hospitality and Tourism (2010) by Philip Kotler, John T. Bowen, James C. Makens, Prentice Hall.

9.10 Activities

Activity 1

Select an airline of your choice and identify the various pricing strategies adopted by them.

Activity 2

Interview a tour operator to understand the pricing methods used by them in developing a tour package.

UNIT 10: PACKAGING AND BRANDING

Structure

- 10.0 Objectives
- 10.1 Introduction
- 10.2 Packaging
- 10.3 Level of Packaging
- 10.4 Importance of packaging
- 10.5 Crafting a Tour Package
- 10.6 Significant Features of Tourism Packaging
- 10.7 Packaging as marketing tool
- 10.8 Branding
 - 10.8.1 Brand Loyalty
 - 10.8.2 Brand Equity
- 10.9 Value of brand to customer
- 10.10 Brand Architecture
 - 10.10.1 Types of brand architecture
- 10.11 Characteristics of a Good Brand
- 10.12 Lets Sum Up
- 10.13 Clues to the answers
- 10.14 Activities

10.0 OBJECTIVES

After reading this Unit you will be able to:

- Understand the meaning and importance of packaging,
- Understand the various level of packaging,
- Gives the understanding regarding the importance of packaging,
- Understand the various important points while crafting a tour package,
- Understand about the various significant features of tour packaging,
- Gives you understanding that how packaging acts a marketing tool,
- Define “Branding’ and its importance,

- Understanding the value of brand to customer,
- Gives you an understating of brand architecture,
- Helps you to understand the various characteristics of a good brand

10.1 INTRODUCTION

From the previous chapters, we have understood the various important aspects of marketing. As we clearly understand, marketing plays a very crucial role in the success or failure of any product. Therefore, any marketing campaign needs to be carefully designed it helps organizations to sell their products and services. The most essential aspect of any marketing campaign is to generate a tangible and intangible benefit for the consumers and for the organizations. In the present chapter we will understand the meaning and importance of packaging and branding. We will also try to understand the various levels and characteristics of the packaging and branding. The packaging helps to protect, facilitate purchase and give the face to the product whereas branding creates memories, locus of emotions, memory jogging which will lead to the selling of the product. Brand needs to deliver the value and core promise related to the product. Brand can be understood as the promise kept over and over for generating loyalty. Position of the brand has to be based on clearly defined segmentation like demographics, geographic, behavioral segmentations and segmentations based on attitude.

10.2 PACKAGING

Packaging: Packaging can be considered as one of the most important part for the success of any product. In general terms, packaging can be defined as all those activities which are related to designing and production of appropriate wrappers, containers, bags etc. for the safety of the product and ease of handling the product. The product needs to be attractive and eye catching so that it can woo the customer to make the purchase and it is believed that the most effective way to do that is through an excellent packaging of the product. It's a show business and the product which looks great, have greater chances to be sold. But, it has to be noticed that, the product quality has to match the reputation of the organisation or brand. It needs to be carefully designed otherwise, the product will fail miserably. If the packaging is excellent but the product is of low quality then it doesn't qualify the success ladder. It has been observed that an excellent packaging can lead to impulsive purchase and generally the purchase decision is made

at the store shelf, therefore it needs to be carefully and strategically designed. Packaging is like a face of your personality, people will recognize you from your face and so it has to be taken care of with utmost carefulness.

In the words of *William J Stanton*-“**packaging is defined as the general group of activities in service planning which involves designing and producing the container or wrapper of service**”. In tourism, packaging can be defined as process of putting together the major tourism products with additional service required by the tourist. From tourism perspective, a package is the combination of individual tourism product/services into a single tourism product for a single price and for the single experience. There can be variety of tourism packaging as per the requirement of the tourist.

We need to understand that the packaging is the marketing tool as it influences the decision making of the consumer to a great extent. Well defined packaging can provide an impression about the product as it helps to create brand equity of that product, it is capable of scaling the volume of sales, and it also determines the attractiveness or appeal of the product in the mind of the consumer.

10.3 LEVEL OF PACKAGING

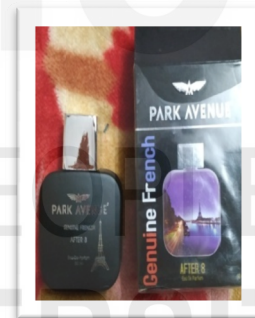
Level of Packaging: There are broadly three levels of packaging

- primary,
- secondary and
- transportation packaging.

Packaging is an integral part of any product as it has major influence on the storage and marketability of essentials. Packaging provides various benefits like protection, communication, convenience and containment of the product. The main purpose of the packaging of the product is to protect the product from the extreme environmental conditions. Packaging also communicates that how that product is important or useful for the consumers. Then packaging needs to consider the convenience of handling the product. The important features of any packaging material may include its compatibility with the specific item, sanitary

protection, moisture protection, odor protection, light protection, tamper proofing, poring proof, ease of disposal, cost etc.

- 1) **Primary packaging:** this type of packaging includes packaging which comes in direct contact of the product e.g., a tube of the toothpaste. To contain toothpaste, a tube is used which will become a primary packaging for this product or the bottle of after shave given in the picture. Similarly in case of baby soap (*Johnson's Baby Soap*) given in the picture there is a plastic cover which is protecting the soap which will be considered as the primary packaging in this case. So we have understood that, primary packaging is the immediate packing of the product and it generally remains with the product till it is used, like in case of toothpaste tube or the bottle of after shave. But in case of soap, the plastic cover is immediately thrown once the product comes in the usage.



- 2) **Secondary packaging:** this type of packaging includes packaging which do not have the direct contact with the product e.g., a thick card paper cover of the toothpaste in this case. Secondary packaging is additional protection given to the product.



- 3) **Transportation packaging:** this type of packaging is used for the the transportation /shipping purpose. e.g. the carton or a box used to transport the number of toothpastes in this case.



Some of the products like noodles, milk, juices, and food items use just the primary packaging such as plastic liners which are further packaged with protective carton or plastic layer will be called secondary packaging.

With advancement in technology and innovation there are variety of options which are available for the packaging purpose which can improve and enhance the safety of the product and consumers experience e.g. Box board or Paperboard boxes (paperboards with solid bleached sulfate which are used for packing medicine, cereal, milk juices etc. or coated unbleached kraft which is preferred for packaging those product that are packed with natural or environmental friendly recycle paper etc.), Paper bags and sacks (paper bags used to carry retail items, carry away products etc.), bubble wraps (is used for the safe transit of goods as it prevents the products from any damage etc.), foam edge guards (used for the protection of product edges and pallet. This type of packaging is used for the industrial and domestic purposes.), corrugated boxes (they are also known as cardboard they are used for the purpose of packing shoes, pizza delivery boxes ,small consumer goods, storage boxes etc.) the raw material generally used for this is recycled paper. Plastic boxes (more durable and have more strength as compared to the cardboards), rigid boxes (generally we see such types of boxes for the packaging of expensive items like Rolex watches, iPhones, cosmetic , jewelry etc. in order to give the premium look or appearance to the packaging), clipboard packaging (generally such type of packing is used for the electronic, medical, beverages etc. it is cost effective packing option), polybags (used for the purpose of packaging because of its cost effectiveness for many products in different sizes and shapes), foil sealed bags (used for the products like tea, spice packing in order to protect it from growth of bacterial or fungal growth) and many more other type of packaging material.

10.4 IMPORTANCE OF PACKAGING

Importance of packaging: It's very important to understand that packaging is not only used for the protection of the product but it also helps in designing the reputation of the product. The following are the important aspects of packaging, i.e. it helps in:

- product protection from external environment
- consolidation
- product information
- product brand identification
- disseminating information regarding product
- raising standard of health and sanitation
- self service outlets (where there is no sales man and the product itself speaks for itself visually with its size, color and material etc.)
- innovation opportunity (e.g., many beverages, liquid products have started coming in tetra packs which can be stored for longer duration and can be consumed directly without even boiling it like pasteurized milk etc.)
- product differentiation
- sales promotion (it's like a face of the product and therefore needs to be attractive enough to gather the attention of the potential customers)
- helps in supply chain management (good packaging helps in expediting the supply chain with effectiveness)

Therefore, it's most important for the organizations to package their product like a pro with the help of latest technology. This will not only help to promote the product but will also convey identity and image of the product. The design, physical layout and technology involved play a pivotal role for the successful designing and packaging of the product. Other need for the packaging is to make it easier for shipping, store and display to contain the product and to keep it together. It also helps the product from getting tempered or getting spoiled. Therefore, generally we see bubble wrapping, foam plastics, styrofoam, thermo coal, shrink wrap etc. in the

packing of goods. The organisation has to ensure the packaging material of the products is at right place and right time.

Packaging is the format in which the services are provided. Well defined packaging creates brand equity of the product and it also helps in enhancing the sales.

10.5 CRAFTING A TOUR PACKAGE

Crafting a Tour Package: Packaging in tourism takes a different form, as the product here is intangible, inseparable, and heterogeneous in nature. Package development in tourism needs lot of proficiency and proper understanding of the consumer choices. Package development is one of the important steps in product development. The package development in tourism is the process in which individual components are assembled together to generate a memorable experience for the tourist. The tour packaging involves the following main points

Understanding the Market Potential- Any travel consultant first must understand the proper understanding of the market before designing any package. The first step while crafting a tour package is to understand the market potential by gaining the market knowledge from the government, destination marketing Organizations (DMOs) and various travel information centers established by the government. Demographic information like the previous surveys, statistics etc. available with tourism research organizations and with recognized authorities also determine the market potential for the formation of future tour packages. The target market can be understood by a number of questions like:

- Where they come from?
- How they travel?
- Who they travel with?
- What they like to do?
- How they connect their experience?
- What their financial resources are?

- When they plan and book travel?

Stating the reason: There can be many reasons to formulate the package like: introduction of a new product, catering to new target market, to create a brand differentiator, to meet financial objectives, to maintain repeat business, to create a brand in that segment, to build new relationship and to avail the benefit of a special occasion

Components of tourism package: The following are the important components of the package:

- type of accommodation included in the package,
- type of mode of transportation,
- requirement of an interpreter or guide,
- requirement of any special equipments ,
- type of meal included in the package,
- considering the unpredicted weather conditions.

Package Partners: In order to deliver the services, there are heterogeneous partners to be considered. The various package partners can be ground operators, traditional tourism suppliers, public sector operators, Private sector operators

Foster Package Partnership: Establishing a strong relationship between the various partners is the key for the success. The open and healthy communications leads to the success of partnership.

Developing a detailed Itinerary: The next step is to prepare a detailed itinerary. The itinerary is basically a time table of the complete tour which will build the quality experience for the guest by ensuring that everything is served in a timely and logical manner. It is important to pre-test the itinerary to confirm the actual travel time between sectors and find out any issues with facilities included in the package. The following are the few things that should be kept in mind while framing the detailed itinerary. Time allocation to each activity, duration or length of the itinerary, contingency plans; establish connections between the activities are defined in the itinerary.

Package Costing: It is an important marketing tool and it is also major determinant of profitability. The good rule of thumb is to meet the costs of providing the package. It is an opportunity to increase the profit margin by adding a low cost feature that is perceived by the target market as having high value. The price of the package has the following components-

- Total package fixed costs- It includes chartered transportation cost, guide or interpretative services etc.,
- Total variable costs per person- It includes accommodation cost, entrance fees at parks theatres, rent of special equipments etc,
- Marketing costs includes the costs like- paid advertising, travel trade information kit, web page cost, direct mail to guests, hosting of travel media etc..
- Overhead costs cost include such as office rent administration, telephone and other communication costs. Commission can vary from 10 to 35 percentage of the package price. Profit is that portion of a package before negotiating with other partners, in a multiple supplier package.

Theme the Package: The package name should be short, easy to memorize and depict something about the package. It is an opportunity to show the presence in target market. The package's theme act as an important marketing tool. It is to be remembered that it should not have different meanings in other culture.

Operational Plan: To develop operational plan, the requirements of the three major partners should be considered.

- ❖ The visitor's perspective which is related with the expectations of the visitors' from the booking of the package to the payment of the package or cancellation of the package and other terms and conditions defined in the package.
- ❖ The tourism supplier's perspective which is a operational plan of the package should be forwarded on time to the tourism suppliers before the execution of the package so that they also get ready with the services and anticipated all the contingencies on time.

- ❖ Own perspective which includes keeping in mind the visitor's and tourism supplier's perspective.

Conveying Operation Plan for the Package: The complete detail of the package should be conveyed to the staff members who will interact with visitors and respond to their queries regarding booking of the package. The front-line staff should be provided with the scripted response for all inquiries related to the package.

Marketing the Package: It is an important step in which the marketing efforts should match with the sales of the package while considering the needs of the target market. The following factors should be considered while marketing the package like target market:

- who is the target market for the package to sell?
- How do they plan their trip activities etc.
- Capacity of the package: the sales or marketing efforts of the package should match with the demand of the package.
- Timing of marketing and distribution effort: it should be synchronized to get the targeted results.

Feedback: A plan should be developed to evaluate the visitors' experience starting from the inquiry about the package, booking of the package and post package service experience so that it will be decided on the basis of results to continue with the same package product or to do some changes according to the needs of the target market or exit from the package product and build a new tour package.

10.6 SIGNIFICANT FEATURES OF TOURISM PACKAGING

Significant Features of Tourism Packaging: Packaging in tourism is a combination of various services into one all-inclusive experience for the tourist. It is the process of designing, evaluating and producing packages for the end use and provided in some environment. The following are the significant features of packaging:

a) Supporting Facility- All the physical services or resources that must be in place before it is offered to the potential customer. For example: type of hotel, hospital, bank, golf course etc. offered on the basis of its category should be clear to the customer.

b) Facilitating services- The tangible things included in the package are those which facilitate the satisfied experience of the potential customer. The facilitating service may also include the material purchased or consumed by the buyer or the items provided to the customer e.g. good food items in a hotel, a luxurious coach service is included in the tour package.

c) Explicit services- The benefits which are clear and readily observable are offered to the potential customer. It consists of the essential and fixed services detailed in the packaging e.g. smooth functioning of the tour package without any hassle.

b) Implicit services- It is perceived by the potential customer of the offered tour package or the psychological benefits they perceive e.g. the status of travelling to USA by purchasing tour package from *MakeMyTrip*.

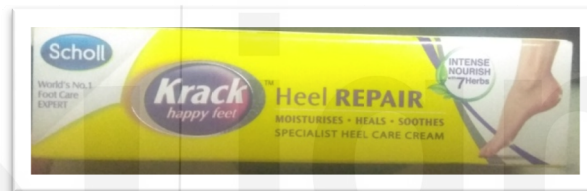
10.7 PACKAGING AS MARKETING TOOL

Packaging as marketing tool: The packaging has become a very aggressive tool for the marketers to sell their product. It is used to convey a direct or indirect message to the potential customers.

1) Prizes and free bees: Aggressive marketing is the most essential tool in order to grab the attention of the consumers. You generally see that many products have many surprise gifts, cash back, redeem it to cash offers in their packaging itself in order to grab the attention of the potential customers.



2) **Print Valuable information:** It's very important to give the proper communication to the consumers regarding their product which may include description about the product like ingredients, health concerns, directions to use etc. which must resonate with the needs of the customer.



3) **Innovative packaging strategy can do wonders:** In a competitive world where there is cut throat competition, the organizations are well aware of the importance of the innovative designing of the packaging e.g. many products come with super hero cards, toys for kids, cut-outs converted into games, puzzles etc. For example- Outer pack of *Patanjali Dant Kanti (Junior)* has kids with balloons rather than displaying importance of other descriptions. This has been done to woo the children with the colorful packaging.



- 4) **Product Recycling:** Many a time packaging material claimed to have environmental benefits like greener, reusable, healthier and eco-friendly material which results in creating a unique marketing preposition for the product.
- 5) **Clear Product Name and logo a product differentiator:** It's very important that the product packaging must clearly display the name and logo of the brand which should instantly connect with the customer and grab their attention. Customers will never purchase a product which they can't connect with.



CHECK YOUR PROGRESS-I

1. What is the importance of packaging?

.....
.....
.....

2. How packaging is a marketing tool?

.....
.....

10.8 BRANDING

Branding: Everything needs an identity whether it is a generic product or a service product. There can be a generic name or a brand name of the product by which it is known to the masses.

Now, it needs to be clearly understood what is the meaning of the brand identity- it can be represented by a name, logo and symbol, URL, characters, slogans, design, jingle or a sound etc., which not only gives an identity to a product but is also known as language of branding or the brand identity e.g. Amul – ‘The Taste of India’, Vicks- ‘Vicks ki Goli lo, khichkhich door karo’, Ponds Cream-‘Googly Woogly Woosh’.

It has to be ensured that any brand has to connect masses to its quality and its company. Brand value is based on trust, confidence, belongingness, unique set of values and many things can be branded *like products, service, people, place, religion etc.* e.g. every brand has its own persona or personality and speaks about itself like TATA as a brand and Reliance as a brand has a different psychological perception in the mind of consumers.

In the words of Kotler, Philip, (2000), ***“A brand is a name, term, sign, symbol or design or combination of them, intended to identify the goods or services of one seller or group of sellers and to differentiate them from those of competitors”***. It is a product-oriented definition.

The concept of brand provide by Ambler (1992) is consumer-oriented. ***According to him, “the purpose of the bundles of attributes that someone buys and provide satisfaction. The attributes that make up a brand may be real or illusory, rational or emotional, tangible or invisible”***.

Furthermore, a brand can be treated as a legal instrument, logo, company, identity system, image, personality, relationship and/or adding value defined by Konecnik and Gartner. In 2001, De Chematony and Mc Donald defined the term brand, with all the perspectives incorporated as, ***“an identifiable product, service, person or place, augmented in such a way that the buyer or user perceives relevant, unique added values which match their needs most closely and its success results from being able to sustain these added values in the face of competition”***.

It is a difficult task to maintain the branding of services as it deals with the consistency of quality service to the customer. Branding provides an identity and builds a distinct image of the product or a service. It generates value and image for the product for helping consumers in making their mind about products and services. This helps consumers in decision making and in the process it provides value to the firm. Tourism industry is a service oriented industry and the quality of service determines the success of the tourism product offered to the customer.

Branding creates a punch line like
“Malaysia Truly Asia” or “Incredible India”



(Source : seeklogo.com)

Incredible India
www.incredibleindia.org

Brand of a product or services, generally speaks about the following things:

- Who they are?
- What they do?
- Why they are in the market?
- What they can do for you?
- What they stand for ?
- What they are known for ?

Brand can have a brand name, brand mark or trade mark. When a brand is registered, has been given copyright, IPR is protected and legalized, then it is known as Trade Mark. The trademarks are brand in itself but the vice-versa is not true that is all brands are not trademarks. Brand is what you feel about the product and not just what you see. It is more of an emotional connection, a perception about that product or person. Every successful brand has undisputable evidence of distinction and it should have the strong recall value, it helps to make intangible tangible e.g. how do you feel when you think about two different brands like “*Patanjali*” and “*Nestle*” or thinking of two political personalities Hon’ble Prime Minister “*Modi Ji*” and USA president “*Mr. Donald Trump*”. The emotional feel you have after listening to their names or looking at their picture is what Brand is all about. Branding takes an important role at every touch point with the prospective customer when he sees the concerned product or comes across a service. Products are made in the manufacturing unit/industrial unit but the brands fertile and build in the mind of the consumers. Consumers look at brands beyond their utility, value and benefits. They look for the intangible benefits/values related to quality of service associated to it. It has to clearly express the core values of the brand as it is like DNA of any brand or link the overall business. How core value will be translated in action has to be determined by the organisation because it’s pertinent to realize the vision of your organisation with the help of brand.

10.8.1 Brand loyalty : Brand loyalty can be defined as when a consumer makes a repeat purchase from the same brand owing to his past experience with the product and the trust he has developed over a period of time regarding that brand e.g A person a was having a Hatch Back Car belonging to “X” brand and he was very satisfied with the performance of the hatch back car and when he decided to purchase a sedan car for himself he preferred to purchase the sedan car from the same brand “X” because of his past experience even when the competitors’ of brand X were giving him many lucrative offers. But, he decided to stick to the same brand based on this past experience with it. This is called brand loyalty and companies adopt various marketing strategies to retain the customer like loyalty programmes, membership, gifts, discounts etc.

Philp Kotler defines four patterns of behavior related to brand loyalty

- 1) **Hard Core loyal-** those customers who buy the product of the same brand all the time.

- 2) **Split loyal-** those customers who are loyal to two or three brands
- 3) **Shifting loyal-** those customers who keep moving from one brand to another
- 4) **Switchers-** those customers who don't have loyalty for any brand and they are constantly looking for the bargains and the possible deals and whichever brand gives them a good deal they will take that product.

10.8.2 Brand Equity: Brand equity refers to the value of each brand. The American Marketing Association defines brand equity from a consumer perspective as : *“Brand equity is based on consumer attitudes about positive brand attributes and favorable consequences of brand use”*. Brand equity has four important components which are brand recognition, brand experience, brand preference and brand loyalty.

For example, when a particular brand acquires a strong brand equity then at times it replaces the product itself. This can be illustrated by an example that when you think about noodles what comes in your mind, when you think about toothpaste what comes in your mind, when you talk about a car what comes in your mind, when you think about a strong political leader which name comes to your mind. All your answers are associated with the consumer attitude and positive attributes of a particular brand.

10.9 VALUE OF BRAND TO CUSTOMER

Value of brand to customer: Consumer associates value with any brand in order to satisfy his psychological and physical needs. If the brand provides satisfaction, happiness, comfort in their lives, then there is a possibility that the consumer will continue with the brand but in order to turn the consumer into a loyal customer the organisation need to deliver the promise they have given to consumer in a consistent manner.

When consumer has opted for any brand, he is looking for a collection of benefits like:

- Functional benefits (while purchasing a mobile phone, one is looking for some functional benefits from it like calling facility, messaging facility, basic camera facility, internet facility etc.)

- Economic benefits (How much economic benefits it gives to you as a customer like battery saving mode, durability of the battery etc.)
- Emotional benefits (Consumer associates status ,self esteem etc)

10.10 BRAND ARCHITECTURE

Brand Architecture: It defines the way in which the brand appeals to consumer and also gives an insight regarding what the brand is made of internally. Every brand has its personality just like humans; it needs to maintain a relationship, value that relationship with complete sincerity in order to build up trustworthiness. Excitement keeps relationships alive, confidence in your values and sophistication and ruggedness attached to your brand name are crucial aspects for any brand.

Brand architecture is important to understand the portfolio of the brands and sub-brands falling under them and also how these brands and sub-brands are related to each other.

10.10.1 Types of brand architecture:

It can be divided into three parts

- 1) The Branded House
- 2) The House of Brands
- 3) The Blended house or endorsed brands

The Branded House-Here all the companies, portfolios and brands are falling under the name of master brand. It helps the organisation to provide one marketing strategy and holistic coverage of every product on offer under a single brand code. This is helpful for the consumer to easily recognizes the brand and avoid any confusion and the organisation takes out the maximum benefits of the master brand name and help in building up brand equity e.g. Patanjali (all its products related to eatable, cosmetics, FMCG products), Google (gmail, G+,Google drive, Google maps etc.).

But, just like every coin has two sides, the master brand also has its own disadvantages like when all the products are offered with the single brand code which means failure of one product will affect the perception of consumer regarding all the products which are offered under the single brand.

The House of Brands- This is just opposite to the strategy adopted for the branded house, in this case, there are numerous brands in the house of brands which are distinctive, independent of each other but living in the same house, each with its own feel, target audience, distinct face, and marketing strategy e.g. Hindustan Unilever Limited (HUL) offers an array of products like water purifiers, food items, cleansing agents, personal care product etc.

HUL and its products –Pureit, Brooke Bond Tea (Taj Mahal, Red Level,3 Roses), Lipton Ice tea, Bru coffee, Knorr Soup, Annapurna salt, Kwality Wall's Frozen food and products, Kissan (juice, jams, ketchups, squashes).

Procter & Gamble (P&G) and its products – Gillette, Head &Shoulders, Olay, Oral-B, Vicks, Whisper, Ambipur, Pantene, Tide, Pringles, Pampers, Duracell etc.

The limitations to the house of brands are that it is a costly affair, brands needs to survive themselves, confusion may occur for the consumers regarding the parent company.

The Blended House or endorsed brands- Many times it happens that brands are neither fall in the category of the branded house or the house of brands and which are called the blended house/endorsed house or hybrid house e.g when Google was offering its products only with the name of Google(Gmail, Google+, Google drive, Google maps etc.) and style but later they added few more brands like YouTube, Android , Calico, Alphabet etc. which are not using the name of Google and therefore enters into the category of blended house or hybrid house of brands. Similarly, in hotel industry Marriot is offering an array of brands like

- in Luxury Category: The Ritz-Carlton, STREGIS, J W Marriot, BVLGARI, Edition, W Hotels,
- in Premium Category: Marriot, Sheraton, Delta Hotels, Marriot Executive Apartments, Westin, Design Hotels, Renaissance Hotels, Gaylord Hotels, Meridien

- in Select Category: Courtyard, Four Points, Protea Hotels, Springhill Suites, Fairfield, Residence Inn, TOWNEPLACE Suites

CHECK YOUR PROGRESS-II

1. What is the importance of branding?

.....

2. What is brand loyalty?

.....

10.11 CHARACTERISTICS OF A GOOD BRAND

Characteristics of a Good Brand

- It is easy to remember.
- It invokes positive association or connotation.
- It suggests positive image.
- It avoids linguistics traps.
- It communicates product benefits.
- It says something about the user.
- It reinforces product concept.
- It is easy to pronounce, has mnemonic quality and is short and distinctive.

10.12 LETS SUM UP

In this Unit we have tried to give you an understanding regarding definition and importance of packaging, level of packaging, tour packaging, significant features of tourism packaging, packaging as marketing tool, branding, value of brand to customer, brand architecture, types of brand architecture, and characteristics of a good brand. We have tried to understand that, the product needs to be attractive and eye catching which can woo the customer to make the

purchase and it is believed that the most effective way to do that is through an excellent packaging of the product. Branding takes an important role at every touch point with the prospective customer when he sees the product or the service being offered. Products are made in the manufacturing unit/industrial unit but the brands fertile and build in the mind of the consumers. Consumers look at brands beyond the utility, value and benefits as they also look for the intangible benefits/value related to quality of service being offered.

10.13 CLUES TO THE ANSWERS

Check your progress-I

- 1) Refer Sec. 10.4
- 2) Refer Sec. 10.7

Check your progress-II

- 1) Refer Sec. 10.8 and 10.9
- 2) Refer Sec. 10.8.1

10.14 ACTIVITIES

Activity -1

Collect the packages of any 10 products and write the unique features of their packaging

Activity -2

Write about your favorite actor and discuss about his/her brand value in your mind.

UNIT 11 PROMOTION – I

Structure

11.0 Objectives

11.1 Introduction

11.2 What is Promotion?

11.2.1 Objectives of Promotion

11.2.2 Promotion and Communication

11.3 Promotion Mix

11.3.1 Factors Affecting Promotion Mix

11.3.2 Integrated Marketing Communication

11.3.3 Promotional Mix Strategies

11.4 Components of Promotion Mix: Advertising

11.4.1 Developing an Advertising plan

11.4.2 Advantages of advertising

11.4.3 Disadvantages of advertising

11.4.4 Advertising on the Web

11.5 Components of Promotion Mix: Public Relations

11.5.1 Functions of Public Relation

11.5.2 Major Activities of PR department

11.5.3 Develop PR Plan

11.5.4 Publicity

11.5.5 Advantages of Public Relations and Publicity

11.5.6 Disadvantages of Public Relations and Publicity

11.6 Let Us Sum Up

11.7 Key Words

11.8 Further Readings

11.9 Clues to ‘Check Your Progress’ Exercises

11.10 Activities

11.0 OBJECTIVES

After reading this Unit, you will be able to:

- define promotion and explain promotion mix;

- explain the promotion communication process;
- describe the promotion mix strategies;
- identify the factors that affect promotion mix;
- identify and explain the components of Promotion Mix like Advertising and Public Relations; and
- interpret and examine the role of Promotion tools in the Tourism Industry

11.1 INTRODUCTION

Marketing Mix as you have learned in Unit 2 refers to the core 4 P's. Promotion is one of the core P's of Marketing Mix. As an organisation or manufacturing unit you might have undertaken Market research to create a product /service best suitable to meet the need of the customers as well as consumers. Yet the customers will not be aware of this product / service till you promote it and reach the target market through various tools like advertisement, sales promotion and so on. Just creating a product to meet the need of the consumers is not enough, it is equally important to create awareness and demand for the product/service. That is what Promotion does; it creates awareness in the market both about a new as well as an existing product.

Promotion is especially important in the case of Service industry like Tourism Industry where the intangibility factor makes it difficult to market it to general public easily. Tourism promotion means stimulating sales through the dissemination of information. It means trying to encourage actual and potential customers to travel. According to Salah Wahab, the objectives of tourism promotion are to make **i)** the tourist product widely known ; **ii)** it very attractive in order to encourage many people to try it; and **iii)** the message attractive without being dishonest. In the present times, Promotion has become an important part of all service provided and it is imperative that Tourism business uses promotion mix to reach the target market and audience with the use of all media available at different fronts.

In this Unit we will discuss the concept and need of Promotion and as well as the role of communication in the Promotion process. This unit will introduce you to the concept of Promotion Mix, and the tools used for the purpose of Promotion. The role and importance of Promotion in the Tourism Business along with the use of various element of promotion mix. The subsequent two units will continue with the discussion of the components of promotion mix as

well the integrated marketing communication used in the present times, which includes internet and social media usage.

11.2 WHAT IS PROMOTION?

A new airline was being launched. How will the company convey to the public about this new airline? Well they promote it. Let us understand the concept and the types of promotion.

Promotion is a marketing tool, used as a strategy to communicate between the sellers and buyers. Promotion is used to inform or persuade target audiences of the merits of a product, service, brand or issue. The information provided can be both verbal and visual. The aim of promotion is to make people aware, attract and induce to buy the product, in preference over others.

According to Philip Kotler “Promotion includes all the activities the company undertakes to promote its product to the target market”.

11.2.1 Objectives of Promotion

It is essential for organizations to promote their products and services among the end-users not only to outshine competitors but also survive in the long run. Promotional campaigns are run by organisations based on the general marketing plans and goals of the organisation. These campaigns are designed differently depending upon the objective of the promotion. There are number of factors that influence the objectives of promotion such as - **i)** goals of the firm, **ii)** nature of market; and **iii)** customers. Besides achieving the broader marketing goals of the organisation, there are few specific objectives of promotion like;-

- ✓ Create awareness about a new or existing product
- ✓ Generate interest
- ✓ Increase sales
- ✓ Meet competition
- ✓ Create/Enhance image

The details of promotion campaign are derived from its objectives. For example; a campaign to create awareness is different from the one used for meeting competition.

11.2.1.1 Objectives of Tourism Promotion

Promotion is an integral part of any Tourism Business. The objectives of Tourism Promotion are:

- To inform about tourism product
- To increase the visitor number
- To create/build/enhance the image of destination
- To facilitate growth and prosperity of tourism industry

11.2.2 Promotion and Communication

Promotion is mainly communication between the producer of goods /services and the market, in other words between sellers and buyers. Communicating the correct message from the seller to the buyer, using different tools is the mainstay of Promotion. Communication is defined as sharing of information between two or more individuals or groups to reach a common understanding. In a communication process, the information or message flows between a sender and the receiver. The communication process illustrates how messages are sent and received, as shown in the figure below:

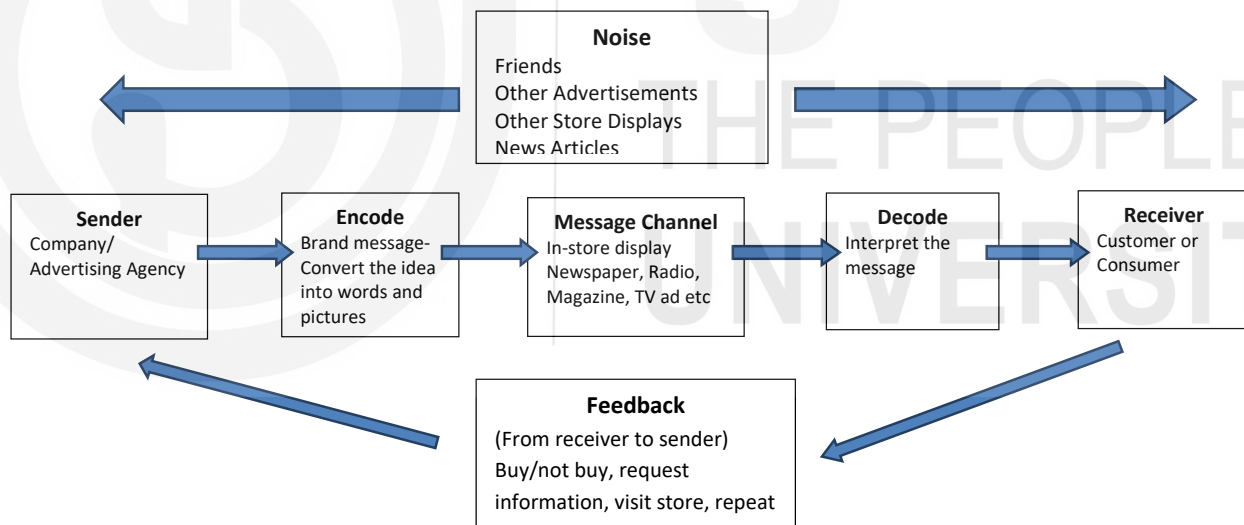


Figure 1: The Communication Process

The Elements of Communication process are:-

- ✓ **Sender-** is the person/ organization (like hotel chain, restaurant, travel agency, airline company, cruise line, state tourism departments etc.) who initiates a message and sends to another party

- ✓ **Encoding**-The process of putting thought into symbolic form.
- ✓ **Message**- (verbal and/or nonverbal content) flows through the communication channel and must be encoded by the sender and decoded by the receiver
- ✓ **Media**- the communication channels through which the message moves from the sender to the receiver. It can be print advertisement, TV commercial, or store display that shows the benefits and value of the offering.
- ✓ **Decoding**-The process by which the receiver assigns meaning to the symbols encoded by the sender
- ✓ **Receiver**-the person or an organisation to whom a message is directed. The receiver can be customer or consumer.
- ✓ **Response**-The reactions by the receiver after being exposed to the message
- ✓ **Feedback**- is a response from the receiver indicating whether a message has been received as intended. Purchasing a product provides the sender with feedback, which often tells the seller that you saw information and wanted to try the product. If you use any coupons or promotions when you buy a product, the advertiser knows which vehicle you used to get the information. Market research and warranty registration also provide feedback.
- ✓ **Noise**- is anything that interferes and distorts the message from the sender. Noise is a barrier to effective communication. Interference, or noise, can distort marketing messages. Interference includes any distractions receivers and senders face during the transmission of a message.

The process of communication has **limitations** associated with it. For effective communication to occur, the receiver must interpret the message as the sender intended.

In Promotion, for effective communication it is important for marketers to understand the elements of the communication process, and how the information flows. The limitations can come in the form of:

- i). Dynamically changing marketing conditions like progress in information technology - Customers are using smart phones, tabs to search travel products, compare travel products, reviewing feedback etc. This access to free flowing information may or may not detract from the original intention of a promotional communication. For example, Trip-

advisor an American online travel company that operates a website and mobile app with user - generated content, a comparison shopping website, and offers online hotel reservations as well as bookings for transportation, lodging, travel experiences, and restaurants. A tourist attracted by a promotional activity of a destination or hotel may decide not to visit the place based on the web based feedbacks.

- ii). Evolving consumer demand- In contemporary times customers have an eye for customisation and prefer products that are solely crafted to meet their needs.

Misleading information – In zeal to attract more customers, companies at time advertise and promote services which has clause and conditions attached to it. Customers do not check the fine prints in a hurry to cash on the promotional offer and this in turn leads to negative publicity for the organisation. For example, the advertisement of a Cab aggregator in India claimed 'save Rs 500 on your next 10 rides and ride and the discount will auto apply. It was misleading by omission of validity of the promotion period, and that the offer is subject to terms and conditions.

11.3 PROMOTION MIX

Promotion is one of the most effective marketing mix elements used in marketing a product and service. Promotion mix is the combination of different methods of promotion. According to Philip Kotler et al (2010) 'the promotions mix (the marketing communications mix) is the specific blend of promotion tools that the company uses to persuasively communicate customer value and build customer relationships'. A company's total promotion mix is also called its **marketing communication mix**. It consists of the specific blend of Advertising, Public Relations, Personal Selling, Sales Promotion and Direct Marketing - **components** that the company uses to engage and persuade customers to buy their product and also to build relationship with the customers. Any organisation has five components of Promotion Mix to use in various combinations to reach the target market audience. The Components of Promotion Mix as well as the tools associated with the various components of Promotion Mix are given below:

COMPONENT	DEFINITION	TOOLS / ACTIVITIES
1. Advertising	Advertising is defined as paid, non-personal communication for mass market by an identified sponsor. It is used to develop attitudes, create awareness, and transmit information to gain a response from the target market.	Broadcast, Print, online, Mobile, Outdoor and other forms.
2. Sales Promotion	It is an activity designed to boost the sales of a product or service.	Discounts, Coupons, displays, demonstrations, gifts, and so on.
3. Public Relations	It includes planned activities to establish and maintain goodwill and understanding between an organisation and its publics.	Public relations activities include press releases, sponsorship, events, company literature, videos, websites and annual reports.
4. Personal Selling	Personal selling is oral communication with potential buyers of a product with the intention of making a sale. It is person to person selling.	Sales Presentations, Trade Shows, Incentive Programmes
5. Direct Marketing	Direct marketing is concerned with establishing an individual relationship between the business offering a product or service and the final customer.	The process of direct marketing covers a wide range of promotional activities like magazine inserts, direct mail, catalogues, mobile marketing, telemarketing, online and social media, etc.

Table 1: Components of Promotion Mix

Different elements of promotion mix can be integrated for different situations based on the nature of the product market, target consumers, buyer readiness stage, product life cycle stage etc. A right combination can be a powerful tool for achieving promotional objectives.

11.3.1 Factors Affecting Promotion Mix

The components of Promotion Mix are used in different combinations by the organisations. Yet there are few factors that affect the choice and development of the promotional mix of an organisation. These factors are discussed below:

1. **Type of Product:** Promotion mix will vary according to the product and consumer. For examples; the niche products like adventure tours or specialised tours like bike tours or photography tours are not promoted through advertising. Whereas tour packages to popular destinations are promoted through advertising, publicity and sales promotion in

popular newspapers. For example, Travel sections in newspapers like Times of India, The Hindustan Times, Dainik Jagaran, The Hindu, Deccan Herald etc. have weekly travel section highlighting the destinations, attractions, travelogues, queries, news related to travel and tourism industry, advertisements of tour operators giving information about their tour packages and services.

2. **Type of Market:** Type of market here refers to consumer and commercial market. A tour operator marketing to consumer markets shall resort to advertising and sales promotion, because they need to reach large number of populations; and the media which has wider reach like newspaper, television commercial is usually selected. At the same time a tour operator while doing Business to Business (B 2 B), mostly does it through personal selling; and for business partners, .., advertising will play an informative role, but it will be limited to certain media like industry specific magazines, like - Outlook Traveller, Lonely Planet India, Conde Nast India, Travel Plus (India Today), Travel + Leisure India, National Geographic Traveller, Discover India, Go Now, Air India Magazine, Spice Route, and so on. Participating in travel trade fairs like SATTE, TTF, India Travel Mart, ITB Berlin, WTM London etc are also good way of reaching out to the target market, i.e. for B 2 B purposes.
3. **Life Cycle Stage of the Product:** At each stage of the life cycle of product, the knowledge and attitude of the market changes. The promotional strategy must be made according to the development in the different stages of life cycle of product. High awareness has to be created during the introductory stage so intensive advertising, sales promotion and PR are required. In growth stage advertising should be extended to maximize the market share and the focus will be to meet competition. During maturity stage persuasive advertising and sales promotion techniques are beneficial. Sales promotion is used at maturity, saturation, and decline stage. Personal selling and Public Relations can be useful throughout, depending on the size of the market; personal selling is especially useful in the case of small target market, as in for luxury products and services.
4. **Level and type of competition:** The leader in the market can meet competition better by sales promotion and advertising. A similar strategy can be adopted by the competitors.

Niche or small specialized players can bank on personal selling to maintain their position. Public relations are good for all but give effective result for big firms who use it to publicise their socially responsible activities. For example, Online Travel Agency (OTA) Companies often offer discounts like ‘Buy 1 and Get 1 night free on domestic hotels’, Stay for 2 nights and pay for 1 night, Get FLAT 50% off (max Rs.3,000) on your hotel booking to stay ahead of each other as well as regular travel agencies. Higher level of competition forces the market to fight for space in the consumer’s memory. This purpose is well served by advertising and sales promotion. Example: Both electronic and print media have served battlefield for Cold / Soft Drink Brands globally.

11.3.2 Integrated Marketing Communication

Integrated Marketing Communications (IMC) is a concept wherein a company carefully integrates and coordinates its many communications channels to deliver a clear and consistent message. It aims to ensure the consistency of the message and the complementary use of media. IMC is an integration of all marketing tools, approaches and resources within a company to ensure that the customer gets the right message at the right place and right time. Promotion is the most visible part of Integrated Marketing Communication.

The explosion of online, mobile and social media marketing presents tremendous opportunities but also big challenges. The digital technology is a rich tool for marketers to understand and engage their consumers but on the other hand it complicates and fragments the overall marketing communication. The challenge is to organize the overall communication, and this is being addressed by Integrated Marketing Communications (IMC). The concept of integrated marketing communications suggests that the company must blend the promotion tools carefully into a coordinated promotion mix, since each promotional tool has its unique characteristics and costs. IMC will be discussed in detail in Unit 13.

11.3.3 Promotional Mix Strategies

It is important for any organisation to use not only the promotional tools but also to focus on the strategy to be used. There are two basic promotion mix strategies used by organisations as discussed below:

- i). **Push Strategy:** A push strategy involves “pushing” the product through marketing channels to final consumers. Manufacturers may use aggressive personal selling and trade advertising

to convince a wholesaler or a retailer to carry and sell their merchandise. The wholesaler, in turn, must push the merchandise forward by persuading the retailer to handle the goods. The retailer then uses advertising, displays, and other forms of promotion to convince the consumer to buy the 'pushed' products. The Push strategies commonly used are - Trade Shows, Direct selling, Negotiation, Point of Sales Display, and so on. For example, every year major supermarket announces sale on the occasion of Independence and Republic Day like 'Sabse Saste 5 Din' sale will be running for 5 days till 26th January 2020 and so on. These sales are for pushing the different brands that a supermarket house in them.

- ii). **Pull Strategy:** While using “Pull Strategy”, the producer/manufacturer directs its marketing activities (primarily advertising, consumer promotion, and direct and digital media) toward final consumers to induce them to buy the product. For example, advertising children’s toys on children’s television shows. The demand created from such major advertising campaigns is likely to “pull” children and create demand for the retailers who will have to stock the toys being advertised in their stores. . The Pull strategy can be through - Advertising and mass media promotion, Word of mouth (referrals), Customer relationship management as well as Sales promotions and discounts.

The companies can use either of the pull or push strategy or can use a combination of the two. Business to Consumer companies usually adopts pull, putting more of their funds into advertising followed by sales promotion, personal selling and then public relations. In contrast Business to Business marketers tend to push more, so they put more of their funds into personal selling, followed by sales promotion, advertising and public relations.

Check Your Progress 1

- i). What is Promotion Mix?

.....
.....
.....

- ii). Explain the factors affecting promotion mix.

.....
.....
.....

iii). How is push and pull promotion strategy used in travel and tourism industry?

.....
.....
.....

11.4 COMPONENTS OF PROMOTION MIX: ADVERTISING

We have examined the concept of Promotion and points to consider when designing promotion mixes. Now let us learn in details about specific Component of Promotion and its marketing communications tools. In this Unit we shall focus on Advertising and Public Relations.

Advertising is any paid form of non-personal communication about a company, product, service or idea by an identified sponsor. Advertising is a good way to inform and persuade consumers. Advertising involves mass media, from TV and radio to the internet, magazines, newspapers and billboards.

Peter D Bennett (1988) mentions that Advertising is “paid, non personal communication through various media by business firms, non-profit organizations, and individuals who are in some way identified in the advertising message and who hope to inform and/or persuade members of a particular audience.”

Advertising can help the marketer:

- *Introduce* target market to new products, new product features and new applications.
- *Persuade* audience to choose product over a competitor's or to perceive product in a new way may be by launching an "image" appeal.
- *Remind* the target market of product's features, benefits and availability.

11.4.1 Developing an advertising plan

Marketing management must make four important decisions when developing an advertising plan. They are: -

1. **Setting Advertising Objectives:** Advertising aims to reach larger group and it is low cost per buyer. The goal of advertising is a specific communication based on target audience during a specific period; and can be used to build and position the brand. The objectives of advertising are to **inform, persuade and remind**.

- a) **Informative advertising** is used heavily when introducing new product category and when the objective is to build primary demand.
- b) **Persuasive advertising** becomes more important as competition increases and a company's objective becomes building selective demand. Some persuasive advertising has become comparative advertising or attack advertising, in which a company directly or indirectly compares its brand with one or more other brands.
- c) **Reminder advertising** is important for mature products because it keeps consumers thinking about the product.

2. Setting the Advertising Budget: Advertising budget is a financial document that shows the total amount to be spent on advertising and lists the way this amount is to be allocated.

While setting advertising budget some specific factors need to be considered:

- ⇒ **Stage in the product life cycle** - New products need large advertising budgets to build awareness and gain consumer. Mature brands usually require lower budgets as a ratio to sales.
- ⇒ **Competition and clutter** - Heavy advertising is required for a brand existing in a market with many competitors around.
- ⇒ **Market share** - Building a market or taking a share from competitors requires larger advertising budgets than maintain current share.
- ⇒ **Advertising frequency** - Larger advertising budgets are essential when many repetitions are needed to present the brands message.
- ⇒ **Product differentiation** - A brand that closely resembles others in its product class requires heavy advertising to set it apart. When a product differs greatly from those of competitors, advertising can be used to communicate differences to consumers.

Advertising budget shows the plan of allocation of available funds to various advertising activities. There are different methods for setting advertising budget, like:-

- a) **The Affordable or Fund Available Method:** Advertisers base their advertising budget on what they can afford, that is based on the company's capacity to spend. Under this method, budgetary allocation is made only after meeting all the expenses. It is based on the presumption that the firm can only afford a certain amount on advertising and completely ignores factors like company's need for advertising, consumer base, competition, and so forth.

- b) **The Percentage of Sales Method:** It is a commonly used method to set advertising budget. Company has the tendency to maintain certain percentage of sales as advertisement budget based upon the past, the current and the expected sales, amount for advertising budget is determined. This method is based on the notion that sales follow advertising efforts and expenditure. It is assumed that there is positive correlation between sales and advertising expenditure and is not the scientific method to decide on advertising budget.
- c) **The Competitive Parity Method:** Competition is one of the powerful factors affecting marketing performance. This method considers the competitors' advertising activities and costs for setting advertising budget. The advertising budget is fixed based on the advertising strategies adopted by the competitors. It is not wise to follow the competitors blindly, since the advertising budget must be adjusted to the company's internal and external situation.
- d) **The Objective-and-Task Method:** This method considers company's own environment and requirement. Objectives and task method guide the manager to develop his promotional budget by (i) defining specific promotion objectives, (ii) determining the task that must be performed to achieve them, and (iii) estimating the costs of performing these tasks. The sum of these costs is the proposed amount for advertising budget.

3 Developing Advertising Strategy: Advertising strategy consists of two major elements:

- a) **Creating advertising message and brand content:** The success of advertising depends on how advertisements gain attention and communicate. Message is prepared on emotional, logical, or moral appeal or a combination is used. Developing an effective message begins with identifying customer benefits that can be used as advertising appeal. The message strategy will follow the company's broader positioning and customer value strategies. Message strategy statements tend to be plain, straightforward, outlining benefits and positioning points that the advertiser wants to stress. The next step is to develop a creative concept that will bring the message in a distinctive and memorable way. Usually at this stage, simple message ideas become great advertisement campaigns. Usually a copywriter and an art director will team up to generate many creative concepts.
- b) **Selecting advertising media:** The major steps in media selection are-

- ⇒ **Deciding on reach, frequency and impact-** Reach is a measure of the percentage of people in the target market who are exposed to the advertisement campaign during a given period of ad campaign. Frequency is a measure of how many times the average person in the target market is exposed to a message. The advertiser must decide what reach and frequency are needed to achieve advertising objectives.
- ⇒ **Choosing among major media types-** To effectively and efficiently present the advertising message to target customers the media mix is carefully chosen. The media choice is influenced by media habits of target consumers and product type. Following Table summarizes the major advertising media.

MEDIUM	ADVANTAGES	LIMITATIONS
Newspapers	Flexibility; Timeliness; Good local market coverage; Broad acceptability and high believability	Short life; Poor reproduction quality; Small pass-along audience
Television	Good mass marketing coverage; low cost per exposure; combines sight, sound, and motion; appealing to the senses	High absolute costs; high clutter; fleeting exposure; less audience selectivity
Direct Mail	High audience selectivity; Flexibility; No ad competition within the same medium; Allows personalization	Relatively high cost per exposure; 'Junk mail' image
Radio	Good local acceptance; High geographic and demographic selectivity; Low cost	Audio only; Fleeting exposure; Low attention; Fragmented audiences
Magazines	High geographic and demographic selectivity; Credibility and prestige; High-quality reproduction; Long life and good pass-along readership	Long ad purchase lead time; High cost; No guarantee of position
Outdoor	Flexibility; high repeat exposure; low cost; low message competition; good positional selectivity	Little audience selectivity; creative limitations
Digital & Social Media	High selectivity; low cost; immediacy; engagement capabilities	Potentially low impact; high audience control of content and exposure

Source: Marketing for Hospitality and Tourism, 7th Ed, Philip Kotler

Table 2: Profile of Major Media Types

- ⇒ **Selecting specific media vehicles:** The media planner must choose the best specific media vehicles within each general media type. If advertising is placed in magazines, the media planner must look up circulation figures and the cost of different ad sizes, colour options, ad positions, and frequencies of various specific magazines. The media planner decides which vehicles give the best

reach, frequency and impact for the money. Media planners also compute the cost per thousand persons reached by a vehicle.

⇒ **Deciding on media timing:** The advertiser must decide how to schedule advertising over the course of a year. The advertiser must choose the pattern of the ads. **Continuity** means scheduling ads evenly within a given period. **Pulsing** means scheduling ads unevenly over a given period.

4. Evaluating Advertising Effectiveness: It is very essential to know if advertising is achieving its goals. The **copy testing** is done of the advertisement. It is the process performed before or after an ad is printed or broadcast. The two popular methods of post testing ads are recall tests and recognition tests. These two tests are used to find if the advertisements are noted, recognized and remembered. Sales analysis is done to find the difference between sales before and after advertising.

11.4.2 Advantages of advertising

There are several advantages of advertising, including the following:

- 1. Credibility-** The advertisements about the company and its products can enhance customers' perceptions of legitimacy, permanence and quality that they associate with the company. This is because they are in public forum and the company is not a short-lived venture. Example - the advertisements of products on televisions, radio, newspapers, internet; different media has wider reach to audiences.
- 2. Timing-** The advertisement can be repeated at strategic intervals and this increases the likelihood that the target customer will see the message. The right timing can maximize awareness-building efforts of the company. Example- advertisement during prime time shows on television, advertisement during IPL and World Cup cricket matches.
- 3. Differentiating-** The best advertising puts a human face on a company and its products. It can introduce consumers to images and symbols that differentiate one company from others. For example, Online Travel Company launched a campaign with its brand ambassadors Ranveer Singh and Alia Bhatt, to encourage Indian travellers to choose and book from a wide range of alternative accommodations, including villas, apartments, homestays, hostels, cottages, farm stays and more through its app and website.
- 4. Branding-** Effective advertising enables to create and nurture brand equity, a vital but intangible source of goodwill that flows from a favorable image associated with a brand

name. Once the company establishes a distinctive trademark in the public eye, the company has a competitive advantage. For example, “Incredible India” has established India as a well-established tourism destination. The other taglines of State Tourism Boards also convey the essence of tourism products of the states like: Kerala has -God’s Own Country, Madhya Pradesh – The Heart of Incredible India, Bihar – Blissful Bihar, Tamil Nadu – Enchanting Tamil Nadu, Karnataka – One State, Many Worlds.

Brand ambassadors are also hired by Government or a Company to influence the mindset of targeted customers or market. For example, Mr. Amitabh Bachchan is a celebrity associated with various products and campaigns like Gujarat Tourism, Pulse Polio campaign, Gujarat Tourism, Cadburys, Dabur, ICICI, Nerolac, etc.

11.4.3 Disadvantages of advertising

The powerful nature of advertising cannot be denied but there are some disadvantages of it which are discussed below:-

- 1. Cost-** Marketers often argue that advertising offers a cost-effective way to reach large groups, and it's true that the cost per contact can prove lower than with other promotional methods. Nevertheless, many entrepreneurs lack the finances to invest heavily in advertising. Producing and placing professional advertisements is prohibitively expensive for many emerging-growth companies.
- 2. Follow through-** While attention-grabbing advertising can attract interest, even the most innovative campaigns can become stale over time. And entrepreneurs may grow to rely too much on advertising at the expense of more personal, direct appeals to niche audiences.
- 3. Lack of feedback-** Measuring the success of advertising can prove impossible. Some of the best TV commercials from a stylistic standpoint may not increase sales for the advertiser.
- 4. Consumer indifference-** As people get pelted with promotional messages throughout the day, they become better at screening out ads. Information overload and clutter can lead your target audience to turn away from your best efforts to engage them.

11.4.4 Advertising on the Web

As web technologies evolved in the 1990s, internet advertising appeared as a virtual equivalent to traditional marketing methods like TV and radio ads, newspaper advertising, billboards, etc. The companies spend more money on digital advertising than on traditional ads. Internet advertising is important and will be discussed in detail in Unit 13.

Check Your Progress 2

1. Discuss the major decisions involved in developing an advertising program.

.....
.....
.....

2. Discuss the advantages and disadvantages of advertising.

.....
.....
.....

3. What are the different types of media used in advertising?

.....
.....
.....

11.5 COMPONENTS OF PROMOTION MIX: PUBLIC RELATION (PR)

Public Relation (PR) is an important, cost-effective and mass-promotional tool. It consists of activities designed to engage and build good relations with the company's various publics. Public relation is used to promote products, people, places, ideas, activities, organisations and even nations. The creative use of news events, publication, social events, community relations and other PR techniques offers companies a way to distinguish themselves and their product from competitors. Companies use PR to build good relations with consumers, investors, the media and their communities. Today marketing functions and PR functions are increasingly integrated. The companies are calling for market-oriented PR. The companies are using PR activities to manage the marketing of the company, its product promotion and image-making.

According to Philip Kotler and Gary Armstrong, public relation means ‘building good relations with the company’s various publics by obtaining favourable publicity, building up a good corporate image, and handling or heading off unfavourable rumors, stories and events’. Definition of Public Relations by Hilton that fits best the hospitality industry is “The process by which we create a positive image and customer preference through third-party endorsement.”

The Publics is the term used for all those with whom an organisation interacts. In Public relations the organization manages its relationship and communication with each public it is concerned with. The hospitality and travel industry’s public includes the following:

INTERNAL PUBLICS	EXTERNAL PUBLICS
<ul style="list-style-type: none"> • Employees and Employee’s Families • Unions • Shareholders and Owners 	<ul style="list-style-type: none"> • Customers and Potential Customers • National and International Hospitality and Travel Organisations • Competitors • Industry Community • Local Community • Government • The Media • Financial community • Hospitality and Travel Schools

Table 3: Hospitality and Travel Industry’s Public

11.5.1 Functions of Public Relation

Public relation has two types of function: -

1. **Marketing functions:** According to Thomas L. Harris, ‘marketing public relation functions is the PR activities which are designed to support marketing objectives’. Some of the marketing objectives that may be aided by PR activities include raising awareness, informing and educating, gaining understanding, building trust, giving consumers a reason to buy and motivating consumer acceptance.

2. **Non-marketing PR functions:** As a non-marketing function, the primary responsibility of a PR executive is to maintain mutually beneficial relationship between the organization and the public, employees, community, investors, government, customers, and other

interest groups. Social media is a great way to reach thousands of customers and most of the PR campaign use internet-websites, blogs and social networks such as YouTube, Facebook, Twitter, and Instagram, etc. to reach more people. At the other end of the continuum, PR is primarily considered to have marketing communication functions. In this, all non-customer relationships are perceived as necessary only in a marketing context.

11.5.2 Major Activities of PR department

PR departments may perform any or all the following functions:

1. **Press Relations-**The aim of press relations is to place newsworthy information into the news media to attract attention to a person, product or service.
2. **Product Publicity-**Product publicity involves various efforts to publicize specific products.
3. **Investor relations-** Companies manage their communications with shareholders to make sure they understand the company's goals and objectives.
4. **Lobbying-** Lobbying involves dealing with legislators and government officials to influence legislation and regulation. Large companies employ their own lobbyists, whereas smaller companies lobby through their local trade associations.
5. **Counselling-** Counselling involves advising management about public issues and company positions and images.
6. **Development-** Working with donors and members of non-profit organisations to gain financial or volunteer support

11.5.3 Developing a Public Relation Plan

The companies should prepare the Public Relations Plan which involves the following steps:

1. **Set Public Relations Objectives:** The goals of public relations are complemented with the promotion goals. Public relations objectives are generally informative and are aimed to build and enhance the organization's image.
2. **Decide on Public Relations Agency:** The responsibility for implementing the public relations plan may be assigned to managers or owners of the company, adding a function of public relations to the marketing department, appointing full time public relations manager, hiring outside public relations consultancy. The approach chosen shall depend upon the size of the organization. The larger organisation can go in for full-time public

relations manager or hire an outside public relations consultancy service, while the smaller organisations can manage on their own or by having it as function of marketing department.

3. **Establish Public Relations Budget:** There is cost attached to public relations and publicity whether it is an in-house or outside agency involved. A portion of the total promotional budget can be tentatively allocated by all the upcoming public relations activities for a given period. Once the public relations activities are planned, the costing for each activity can be done and the final budget can be determined.
4. **Select Public Relations and Publicity Techniques:** A wide variety of public relations and publicity techniques are available to hospitality and travel organisations. They can be divided into following categories:

CATEGORY OF PUBLIC RELATIONS TECHNIQUES	PUBLIC RELATIONS TECHNIQUES
Continuous Public Relations Activities	<ul style="list-style-type: none"> • Local community involvement • Industry community involvement • Newsletters, newspapers, and company magazines • Employee relations • Media relations • Media kit and photography • Shareholder, owner, and financial community relations • Relations with travel and hospitality schools • Relationships with complementary and competitive organizations • Government relations • Customer relations • Advertising
Pre-planned, Short-term Activities	<ul style="list-style-type: none"> • News(press) releases (traditional and online) • News(press) conferences • Ceremonies, openings and events • Announcements • Feature stories • Press and travel trade seminars • Marketing research
Unpredictable, Short-term Activities	<ul style="list-style-type: none"> • Handling negative publicity • Media interviews

Source: *Hospitality & Travel Marketing, Alastair M. Morrison*

Table 4: Public Relations and Publicity Techniques

- 5. Select Public Relations and Publicity:** There are many media vehicles available for communicating information with publics. They include the internet, broadcast media (radio and cable television), newspapers (dailies, weeklies and business), Magazines (consumer and trade). The in-house vehicles include company newsletters, newspapers, magazines, films, slide presentations, and videotapes. The choice of media can be based on publics targeted and the public relations objectives.
- 6. Measure and Evaluate Public Relations Success :** Four specific techniques are identified for measuring Public Relations effectiveness:
- a) Media Content analysis: studying and tracking what is written and broadcast.
 - b) Cyberspace Analysis: analysing what is said about the organisation in chat groups, forums, and newsgroups on the Web.
 - c) Tradeshows and event measurement: assessing the benefits of attending trade shows and events.
 - d) Public opinion polls: determining if target audiences were exposed to particular messages, themes, or concepts, and then assessing their effectiveness through a survey.

11.5.4 Publicity

Publicity is a direct function and a tool used of public relations. It is one public relations technique that involves nonpaid communication of information about an organisation's services.

For example, Newspaper releases and press conferences

Publicity is non personal communication that is typically in the form of a news story that is transmitted through the mass media. Publicity of a product can be defined as making goods "publicly" known. Sometimes, a film – especially one that is controversial – can generate a great deal of publicity. Experts define publicity as "commercially significant news about a new product manufactured by the enterprise, an institution or a person published in space or radio time that is not paid to the sponsor. The purpose of publicity is to draw favourable attention to a company and/or its products without having to pay the media for it. The way it often works is as follows: a company sends a press release (often with a video tape) to the media with the hope that it is newsworthy enough to be mentioned in the mass media.

- ✓ Publicity is the task of securing editorial and news space, as opposed to paid space, in print and broadcast media to promote a product or a service.

- ✓ Publicity is a popular tool used in launch of new products and is often used with special events. To be successful, the press release developed to gain the publicity must be of interest to the target audience of the media the company is targeting.

The **advantage** of publicity, besides the fact that it is free, is that it tends to be more credible than advertising. On the other hand, there is no guarantee that the media will find the story newsworthy. Also, they might change the press release around so that it does not help the organization in any way.

11.5.5 Advantages of Public Relations and Publicity

When done properly, the following can be the advantages of Public Relations and Publicity:

1. **Low Cost** - Public Relations and Publicity can be an economical way to reach out to larger audiences in comparison to other promotional mix elements like advertising, personal selling and sales promotion.
2. **Credibility** - Public Relations and Publicity gives credibility to business as the content is perceived to be more authentic and informative. It is taken to be prestigious as it is being covered in mass media as a story and audiences are more likely to trust the message.
3. **Maintenance of Public Presence** - Public Relations activities ensure that continued, positive presence is maintained of the organization in its public.

11.5.6 Disadvantages of Public Relations and Publicity

Some of the challenges of public relations include:

1. **Lack of control** – It might be difficult to control how a business is being portrayed by the media as the message that an organization wants to convey can be distorted by words and ideas. Also at times the timing cannot be controlled as it is at the discretion of the media people.
2. **No guaranteed results** – An organization takes time to create a promotional message and spends time talking to media persons, but there can be no guarantee of the message getting coverage in the media.

Check Your Progress 3

1. What are the major public relation tools?

.....

2. What are the public's served by the hospitality and travel industry?

.....
.....
.....

3. What media vehicles are available for public relations?

.....
.....
.....

11.6 LET US SUM UP

Promotion involves all communications between hospitality and travel organisations and their target market. The promotion mix techniques include advertising, personal selling, sales promotion, direct marketing and public relations and publicity. The right choice of promotional mix by hospitality and travel organisations will help in obtaining the promotional objectives. Advertising is the most powerful technique as it is the most extensive and penetrating promotional mix elements. The public relations and publicity is important in travel and hospitality organisations because they provide intangible services. So public relations and publicity will be of great help in maintaining and communicating with different publics.

11.7 KEY WORDS

Advertising - It is paid, nonpersonal communication for mass market by an identified sponsor.

Public Relations - It includes all those activities that an organization engages in to maintain or improve its relationship with its publics.

Promotion Mix - It is the combination of different methods of promotion. It includes advertising, personal selling, public relations, sales promotion and direct marketing.

Publicity - It is one public relations technique that involves nonpaid communication of information about an organisation's services (e.g. Newspaper releases and press conferences).

Media Vehicle - It refers to specific methods of media used by companies to deliver advertising or public Relations messages to targeted customers like Radio, Television , Newspapers etc.

11.10 FURTHER READINGS

- Morrison Alastair M 2002, Hospitality & Tourism Marketing, Delmar Thomson Learning Publishing
- Chaudhary M 2010, Tourism Marketing, Oxford University Press
- Kotler Philip T. et. al. 2016, 7th Ed, Marketing for Hospitality and Tourism, Pearson Education
- <http://www.economicdiscussion.net/marketing-2/factors-affecting-promotion-mix/31800>
- <https://edwardlowe.org/how-to-establish-a-promotional-mix/>
- <https://opentextbc.ca/introtourism/chapter/chapter-8-services-marketing/>
- <https://www.marketing-schools.org/types-of-marketing/traditional-marketing.html>
- India gets incredible response from online campaign,
- <https://www.slideshare.net/sankarshanjoshi/madhya-pradesh-tourism-brand-analysis>
- <https://brandequity.economictimes.indiatimes.com/news/advertising/makemytrips-new-campaign-targets-first-time-users-to-book-hotels-online/60731149>
- <https://www.slideshare.net/GauravSharma817/effectiveness-of-tv-advertising-on-major-cricket-events-in-india>
- <https://sendpulse.com/support/glossary/advertising>
- <https://economictimes.indiatimes.com/industry/services/advertising/asci-pulls-up-hul-dabur-uber-others-for-misleading-ads/articleshow/62283278.cms?from=mdr>

11.09 CLUES TO CHECK YOUR PROGRESS EXERCISES

Check Your Progress - 1

1. See Section 11.3 and frame your answer
2. See section 11.3.1 and frame your answer
3. See section 11.3.3 and frame your answer

Check Your Progress - 2

1. See Section 11.4.1 and frame your answer
2. See Section 11.4.2 and 11.4.3 and frame your answer
3. See Table 2 in Section 11.4.1

Check Your Progress - 3

1. See Section 11.5.2 and frame your answer
2. See Table 3 in Section 11.5 and frame your answer
3. See Point No. 5 **Select Public Relations and Publicity** in Sub-Section 11.5.3

11.10 ACTIVITIES

1. Collect advertisement about tour packages from the Newspaper and Travel Trade Magazines and compare the content. Is there any difference between the advertisement in the Newspaper and in the Travel Trade Magazines?
2. Collect sales promotion and discount offers of different OTAs and Hotels and compare them.
3. Choose a Destination or Hotel and try to find all the promotional tools used for its promotion.

UNIT 12 PROMOTIONS - II

Structure

- 12.0 Objectives
- 12.1 Introduction
- 12.2 Personal Selling
 - 12.2.1 Features of Personal Selling
 - 12.2.2 Need for Personal Selling
 - 12.2.3 The Personal Selling Process
 - 12.2.4 Personal Selling in Travel and Tourism
- 12.3 Advantages and Disadvantages of Personal Selling
 - 12.3.1 Advantages of Personal Selling
 - 12.3.2 Disadvantages of Personal Selling
- 12.4 Sales Promotion
 - 12.4.1 Sales Promotion Objectives
 - 12.4.2 Development of Sales Promotional Plan
 - 12.4.3 Major Sales Promotion Tools
- 12.5 Advantages and Limitations of Sales Promotion
 - 12.5.1 Advantages of Sales Promotion
 - 12.5.2 Limitations of Sales Promotion
- 12.6 Let Us Sum Up
- 12.7 Key Words
- 12.8 Further Readings
- 12.9 Clues to 'Check Your Progress' Exercises
- 12.10 Activities

12.0 OBJECTIVES

After reading this Unit, you will be able to:

- examine the role of personal selling in an organization;
- bring out the importance of sales team in personal selling;
- describe the role and importance of personal selling in tourism;
- explain the concept of sales promotion;
- interpret the sales promotion tools used by organisation; and
- list the sales promotion methods used in travel and tourism

12.1 INTRODUCTION

Travel and tourism are part of service industry. There are five generic characteristics of services that distinguish them from products i.e. intangibility, inseparability, variability, perishability and lack of ownership. Personal selling and sales promotion are important promotional tools for travel and tourism especially in context with the above five characteristics. These characteristics have to be considered by travel and tourism companies while designing marketing strategies.

Personal selling becomes more important in the light of these characteristics, especially when the potential customer must make a purchase of services which are at destination and for consumption he has to go to that destination. Personal selling is unlike other forms of promotional mix as it is personal and one to one communication with the potential customers. It is a confidence building exercise along with sharing details about the products and services to realize sales. Tourism is very sensitive to tourist demand and Sales promotion can stimulate these short term demands of tourists by offering incentives like discounts, premiums etc. Developing rapport and personal relationships with potential customers during the sales process is expanding the customer database of the company and this Unit introduces you to the process of doing that through Personal Selling and Sales Promotion.

12.2 PERSONAL SELLING

“Salesman” What feelings come to you when you hear this word? A person who explains the product features to the customers, persuades them to buy the product by demonstrating the use of the product, praising the choice of the customers and trying to help the customers in learning about the product and influence their decision to buy the product or at least try the product. At times the salesman is so effective in his/her work that the client keeps going back to the same shop/company and also talk positive about the same. You must have encountered the salesman in departmental stores, banks, educational institutes, apparel stores, airline companies, travel agencies, and so on.

Salesman follows a personal approach in persuading a customer to buy a product or service, so this form of selling is popularly called as personal selling. It means that the salesman is meeting the customer in person to sell products and services. This type of communication is carried out by sales

persons who can be known by different names like Sales Representative, Salesperson, Salesman, Sales Consultants, and so on.

Personal selling is a personalized form of communication in which seller presents the features and benefits of a product to a buyer for making sales. It could be **face to face, by telephone or through video-conferencing**. The emphasis of personal selling is on customer retention and building relationships with the aim of making sales. Personal selling is effective when it addresses the customer's needs and preferences, without making the customer feel stressed to buy the product.

Companies appoint salespersons and they are the personal connection between a buyer and a company. Salesperson inform potential customers about a company's product or services like product characteristics, service agreements, price, deals, and much more. They enhance customer relationship by their style of communication. Thus, this type of marketing communication tool can be a powerful source of customer feedback and in long run lead to positive word of mouth publicity. A Good Salesperson:-

- offers advice, information, and recommendations,
- they can help buyers save money and time during the decision process,
- give honest responses to any questions or objections the customer has; and
- showing that meeting the buyer's needs is above making the sale

12.2.1 Features of Personal Selling

The main features of personal selling are:

- i). Personal Form:** Personal selling is a personal form of communication which involves an interactive relationship between the seller and the buyer. The company appoints a dedicated sales team for this purpose.
- ii). Development of Relationship:** Personal selling ensures development of relationship between the sales person and the prospective customer. This helps in making sales. Though making immediate sale may be the normal drive of a salesman but it should never be his target.
- iii). Persuasive and Solution-driven Selling:** It is an art of persuading and convincing the potential customer, to appreciate the need for the product presented by the salesman. The

salesperson also assist the customer in buying decision and also solving the queries related to the products and services.

12.2.2 Need for Personal Selling

Personal selling is an expensive technique. Whether or not a company uses personal selling as part of its marketing mix depends on its business model, since not every product or service is fit for personal selling. Most often companies use personal selling when their products or services are highly technical, specialized, or costly—such as software systems, business consulting services, insurance services, real estate, automobiles, luxury services and so on. Some of the reasons for the need of personal selling are as follows:

- 1. Requirements of Product Demonstration:** There are certain products which require demonstration, for purposes of explaining their use, manner of their handling and the precautions required in using them. This requirement for product demonstration necessitates personal selling. The household products like washing machine, microwave oven, water purifiers are products which require demonstration. The salesman is required to explain the features of these products and how to use them.
- 2. Uninformed Buyers:** The personal selling can be done by companies dealing in agricultural products like fertilizers, seeds, tractors etc. There can be government schemes which need to be communicated and promoted to the prospects. Salesmen are needed to approach such prospects who are uneducated and uninformed. In such cases the salesmen would explain the usefulness of the products and schemes to them, in a convincing style.
- 3. Traditional Necessity of Personal Selling:** There are cases of products, where advertising is not usually done may be due to the technical or specialized nature of products and partly due to traditions. In cases of such products, therefore, personal selling is necessitated to meet the business requirements. Examples of such products that require personal selling are:
 - i).** Medicines, where salesmen called medical representatives visits doctors to inform new medicines manufactured by their pharmaceutical companies.
 - ii).** Industrial goods like new machines or spare parts, where salesmen visit various industrial houses and convince the industrialists, of the utility of the new industrial goods manufactured by their companies.

4. **Entry of New Product in Market:** When a new product is launched in market, then the company appoints salesmen to publicize such new products. This is done to create demand for that product. The demand is then further expanded through subsequent advertising of that product.
5. **High Value Product:** Personal selling is relatively more effective and economical when a product is of a high unit value, or it is in the introductory stage of its life cycle, or it requires personal attention to match consumer needs, or it requires product demonstration or after-sales services.
6. **Develop Relations with Customers:** Developing relationship with customer is important for positive word of mouth publicity and sustaining the customers. Personal selling helps companies or businesses to develop good relations with customers/prospects.
7. **To Remove Misconceptions Caused by Competitive Advertising**
 - i). The competitive advertising has become so aggressive that competitors can defame the product of their competitors to build a reputation of their product.
 - ii). The sales persons helps in removing any misconception in the minds of customers by presenting true facts and merits of products.

12.2.3 The Personal Selling Process

The Personal Selling process are the steps that salesperson follow when selling product or services to prospective customers.

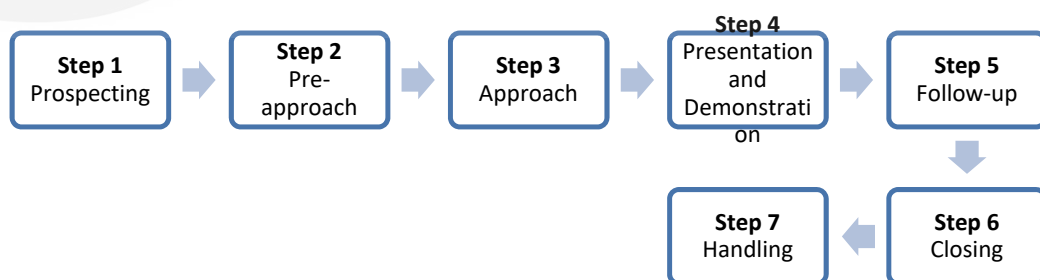


Figure 1: Personal Selling Process

Step 1: Prospecting

The first step of the personal selling process is called '*prospecting*'. Prospecting refers to identifying potential customers i.e. those customers who are likely to buy the company's product

or services. The salesperson must approach many prospects out of which few will convert to sales. There are many sources from which potential customers can be identified are:-

- i). **Leads:** Company provides some *leads* to the salesperson. Leads are potential customers. Lead is data of potential customers provided by a company to its sales team . The sales team is supposed to get in touch with the people mentioned in data provided by the company.
- ii). **Referrals:** When an existing customer provides the name and contact information of a prospect to his sales representative. Sales representatives usually ask for referrals following a successful sale and at various points during a relationship with a customer.
- iii). **Observation:** The list of potential customers can be developed through newspapers, magazines, through some occurrence like festival, event etc.
- iv). **Social Contacts or Networking:** When the sales team use their own personal and professional contacts for sales. Sales professionals are using online networking sites such as LinkedIn to connect with potential customers.
- v). **Trade Shows:** Participating and attending in right events helps to develop new contacts with potential customers, suppliers, contractors and others who are important for the success of one's company.
- vi). **Commercially Available Databases:** The data of consumer is vital for personal selling and data based companies exist which provide the data of consumers. One can purchase this data containing name, contact number; email address, demographics etc. of consumer according to their requirements.
- vii). **Commercially Available Mail List:** There are companies which exclusively provide emails of potential customers. There are email marketing service providers like Constant Contact, etc.
- viii). **Cold Calling:** *Cold calling* is a sales practice in which sales person approaches potential buyers without any prior knowledge of the prospect's needs or financial status.

Step 2: Pre-Approach

The pre-approach involves preparation for the sales presentation by learning about the potential customers. This stage requires 'homework' to be done by the sales person before contacting the prospect. The salesperson secures appointment with the prospect and thus trying to gather some information about his need which can be helpful in preparing presentation. Research is useful in planning the right sales presentation. During the pre-approach the salesperson may also plan and practice their sales presentation.

Step 3: The Approach

The approach refers to the initial contact between the salesperson and the prospective customer. During this stage the sales person should prepare a small talk to start off the conversation on the right and positive note. It includes salesperson's appearance, opening lines and follow-up remarks. The goal of the approach is to learn about the specific needs and wants of the customer.

Step 4: Sales Presentation

The sales presentation involves the salesperson presenting the product or service, describing its qualities and possibly demonstrating features of the product. Ideally the sales presentation will be personalized to match the needs and desires of the potential customer. In this stage the good listening and problem-solving skills of the salesperson shall be beneficial. Some of the common personal selling tools and techniques that can be adopted by the sales person may include the following:

- i). **Sales presentations:** In-person or virtual presentations to inform prospective customers about a product, service, or organization. Some of the technologies used by salesperson in presentation are – tablets, sophisticated presentation software, online presentation technologies, interactive white boards, digital projectors, and so on.
- ii). **Conversations:** Relationship-building dialogue with prospective buyers for the purposes of influencing or making sales
- iii). **Demonstrations:** Demonstrating how a product or service works and the benefits it offers, highlighting advantageous features and how the offering solves problems the customer encounters
- iv). **Addressing objections:** Identifying and addressing the concerns of prospective customers, to remove any perceived obstacles to making a purchase
- v). **Field selling:** Sales calls by a sales representative to connect with target customers in person or via phone
- vi). **Retail selling:** In-store assistance from a sales clerk to help customers find, select, and purchase products that meet their needs
- vii). **Door-to-door selling:** Offering products for sale by going door-to-door in a neighbourhood
- viii). **Consultative selling:** Consultation with a prospective customer, where a sales representative (or consultant) learns about the problems the customer wants to solve and recommends solutions to the customer's particular problem

- ix). **Reference selling:** Using satisfied customers and their positive experiences to convince target customers to purchase a product or service.

Step 5: Handling Objections

The prospective customer after listening to the sales presentation may have some questions or concerns. These questions or concerns should be carefully handled by the salesperson. The salespersons are imparted training regarding these possible questions, queries, concerns that can be raised by the customers and how they need to be addressed.

Step 6: Closing

In this step the salesperson is supposed to close the sale by asking the customer for placing an order. In this stage the salesperson should understand the closing signals from the customer. They can come in form of comments, questions, showing interest, negotiating on price etc.

Step 7: Follow-Up

In this step the salesperson contacts the customer after the sale to ensure that the customer is satisfied and if there is any issue with the product or service, the salesperson will address them. Follow up stage is important because it ensures customer satisfaction, repeat business, and obtaining additional referrals from the satisfied customer.

12.2.4 Personal Selling in Travel and Tourism

The intangible and perishable nature of travel and tourism business makes it a challenge for these businesses to sell their products and services. Personal Selling is very important promotional tool for such businesses. Personal selling helps in building trust and also gives clarity about the product and services being offered to the customers. The type of organisations that are more likely to have teams of sales representatives are the following:

- i). Hotels, resorts, houseboats, conference and convention centres
- ii). Convention and visitors bureaus
- iii). Airlines, cruiselines, luxury tourist trains like Palace on wheels, Maharaja Express
- iv). Car rental companies
- v). MICE travel companies
- vi). Tour operators and travel agencies
- vii). National and state government tourism boards

The personal selling is part of service delivery process in travel and tourism which leads to customer satisfaction. The sales team should be fully aware of the operations of travel agency and tour operations, reservation process. The knowledge is helpful in delivering the sales presentation to the customers and in addressing their queries. The products and services that the sales team has to sell to the prospective clients in travel and tourism:

TYPE OF BUSINESS	PRODUCTS
Accommodation	Guest Rooms, Loyalty programmes, venues which are hired for special events such as weddings, conferences, seminars, parties and other events.
Convention Centres	Convention Hall, Meeting Rooms
Tour Operator	Tour Package-domestic, inbound and outbound
Travel Agency	Reservation of hotels, airlines, car rentals, railway, cruise Itinerary planning
Cruiseline	Cabins, on-board services like entertainment, restaurants
Airlines	Airline seat , Loyalty programmes, Discounts, coupons
Convention and Visitor Bureau	Tourist attractions in the city, hotels, convention centres

Table 1: Tourism and Hospitality Products and Services to sell

12.2.4.1 The Roles and Responsibilities of Sales Team In A Tour Company

The roles and responsibilities of Sales team are as follows:

- Make contact with potential clients and try to sell Tour Packages
- Build and keep a good relationship with regular clients. This is done by calling them on phone, sending out e-mails, using social networking tools and meeting them in person
- Identify new business opportunities and make contact with those who could become future clients
- Conduct sales presentations to potential clients . This requires meeting the customers in person and giving details of the tour package
- Provide clients with quotations which gives the details of the cost of tour package, inclusions, exclusions and extras, taxes , mode and method of payment etc.
- Coordinate with other departments in company like operations department
- Administration work such as recording sales, compiling sales reports, drawing up contracts, filing and sending invoices and replying to queries by e-mail or telephone

- Keep contact with the client before, during and after the sale is made. Following up is a good way to keep the client happy and increase the chances of repeat business.
- Conduct research or surveys or collect feedback so as to understand if the clients are happy with the tour package purchased
- Attend events such as trade fairs and exhibitions to promote services and products of the company

12.2.4.2 Qualities required by Sales Team

Working in sales is tough as one has to convince the potential customer and has to establish professional relationship with customers and act as problem solver at times.

- Confidence
- Networking
- Communication and interpersonal skills
- Ability to work in team
- Presentation skills
- Customer service skills
- Planning, coordination and organisational skills
- Knowledge of marketing techniques such as cold calling ,which means calling on clients, usually by telephone, without them expecting it
- The ability to influence, persuade and negotiate
- The ability to work under pressure
- Flexible to work in shifts
- The ability to network and build up contacts. Personal relationships are very important in sales
- High level of presentation and grooming
- An enthusiastic and positive attitude
- The ability to take initiative and come up with new ideas
- The ability to work in an extremely competitive and cut throat environment

12.3 ADVANTAGES AND DISADVANTAGES OF PERSONAL SELLING

The personal communication involves personal interaction between salespersons and potential customers. As in any other means, personal selling involving interaction between customer and seller, can lead to either strong networking between the two or can cause potential damage. Personal selling

has both its advantages and disadvantages. It is for the sales person to be aware of the disadvantages and work on them so that advantages are maximised and disadvantages are managed.

12.3.1 Advantages of Personal Selling

The advantages of personal selling are as follows:

1. **Two-Way Form of Communication** – Personal selling is a two-way form of communication between the seller and buyer. As the sales person is in direct communication with the customer, he gets immediate feedback of the customer. This feedback helps in bringing necessary changes in the sales presentation and thus influencing customer satisfaction.
2. **Presentation tailored to individual needs** - Sales presentation can be modified or adjusted according to the requirements of an individual customer. So this type of flexibility helps the sales person in addressing the specific needs of the customers.
3. **Effective in Building Personal Relationships** – The personal selling is interactive. It helps in solving any query, doubts or problems in the mind of customer related to the product by the sales team. The personal communication helps customers in establishing a personal link with a company through salesperson. This encourages customers to make repeat purchases than the company's other promotion mix tools.
4. **Ability to hold the customer's attention and get immediate action**-As it is face-to-face communication the customer's attention can be grabbed by the presentation and also they are giving time for this purpose. The customer's decision shall be known to the salesperson once he has given the presentation to the customer.

12.3.2 Disadvantages of Personal Selling

The disadvantages of personal selling are as follows:

1. **Negative Perception of Salespeople** – Possibly the biggest disadvantage of personal selling is if the salesperson is only interested in making quick sale and ignoring the requirements of the customer. This shall make him lose his customers.
2. **Expensive to Maintain a Sales Force** – Maintaining sales team is expensive for the company. The expenses in maintaining a sales team are compensation (e.g., salary, commission, bonus), providing support materials (e.g., product literature), allowances for entertainment spending, travel expenses, office supplies, telecommunication and training cost. Also there is generally high job turnover in sales.

- 3. Inability to reach some customers as effectively-** The customers may refuse to take services of salesperson. At times the prospective customer may be unreachable due to reasons like their geographic locations and lack of time.

Check Your Progress 1

1. What is lead? How it is useful to salesperson ?
.....
.....
.....
2. How is technology being used by salespersons in personal selling?
.....
.....
.....
3. Bring out the qualities of salespersons while selling a tour package.
.....
.....
.....
4. How is personal selling important in travel and tourism ?
.....
.....
.....

12.4 SALES PROMOTION

Sales promotion consists of short-term incentives to encourage the purchase or sales of a product or service. It is the process of persuading potential and new customers to buy the product; and is used to speed up the selling process and used as a short-term tactic to increase sales. Sales promotion tools are used by most organizations including manufacturers, distributors, retailers and not-for-profit institutions. Sales promotion inducements include premiums, coupons, contests, temporary price reduction, free gifts, free sample distribution, etc. According to Philip Kotler – “Sales promotion consists of a diverse collection of incentive tools, mostly short-term, designed to stimulate quicker and/or greater purchase of particular product/services by consumers or the trade.”

Sales promotion is undertaken by a company to increase its current sales in the face of high competition and very less differentiation among the competing brands. The effectiveness of advertising has declined over the years due to the rising costs and media clutter. Therefore, advertisement when supplemented with sales promotion tools like discounts, refunds, gifts etc can be successfully used by companies to help differentiate their offers and meet competition.

Sales promotion, as mentioned above, is usually used as a supplement with other promotion mix tools like advertising, personal selling, direct marketing. Consumer promotions are usually advertised to add excitement and pulling power to advertisements. Sales promotions are aimed at -

- Consumers by the means of free gifts, discounts, free samples, contests and so on
- Tradesmen or middlemen like retailers and wholesalers by the means of cooperative advertising, dealer discounts and dealer incentives and contests, etc
- Members of sales force through bonus, salesmen contests, incentives, etc.

12.4.1 Sales Promotion Objectives

The ultimate aim of sales promotion is to increase the sale of goods and services. Sales promotion programmes are often designed to accomplish the following objectives:

- introduce new product
- increase the inventories of middlemen and consumers
- encourage existing consumers to buy more
- attract new customers
- counter competitor's sales promotion
- manage seasonal decline in sales
- increase sales during a festive season
- clear stocks
- make it easier for salesmen to secure more orders and arrange displays in retail stores

12.4.2 Development of Sales Promotional Plan

Sales Promotion is used for both Trade and business sales promotion as well as to boost direct through consumers using a mixture of different promotion mix tools along with sales promotional tools. Even personal selling process is used for the purpose of sales promotion. Like other promotional

activity like Advertisement or PR, a Sales promotional rate or plan is decided upon which is the Sales Promotion Process.

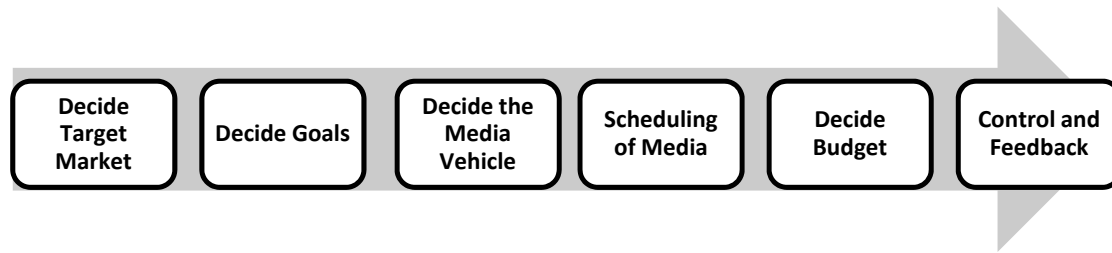


Figure 2: Sales Promotion Process

Following process is followed for the Sales Promotion:

- 1. Decide Target Market :** The target market can be new customers who need to be convinced to use products and services or it can be existing customers who are encouraged to use the products and services. For sales promotion in tourism, the target market can be tourist who find touring during peak season expensive. Business tourist can also be target market whoes travel is not restricted to season. For them incentives can be offered for bulk sales.
- 2. Decide Goals:** The main objective of sales promotion is to give spurt to sales in the short run. In tourism sales promotion is used to increase sales in the off season, to encourage sale during festivals, vacations or special occasions, to increase sales against competitor's pressure, to increase sales in the periods of recession or to increase sales at the decline stage or even to promote new products.
- 3. Decide the Media Vehicle:** Sales promotion tools can be discounts, price-offs, free gifts etc. Sales promotion schemes use advertisement to convey the message. The media can be radio, television, newspapers and magazines.
- 4. Media Scheduling:** The scheduling is done just before and during the period of scheme. Suppose there is discount offered on Hotel Booking during the Weekend. This shall be communicated to the target market well before time so that they can make the reservation and also in between till the validity of this scheme. This communication has to be scheduled in media by deciding the dates and frequency of its occurrence in media, so that it reaches the target market.

5. **Decide Budget:** The general budgeting approaches of promotion are applicable here too.

6. **Control and Feedback:** Around the goals of sales promotion the control mechanism can be developed. Feedback shall help in the effectiveness of learning about the sales promotion and thus decide the future course of action.

12.4.3 Major Sales Promotion Tools

Sales promotion tools are short term strategies to achieve high sales volume immediately. Sales Promotion Tools can be either for **consumer promotion or trade promotion**.

12.4.3.1 Consumer Promotions

Consumer promotion refers to the ultimate user of products. For example, in the case of tourism it is the tourist. The different kinds of sales promotion tools and methods are used to attract the customers:

1. **Samples:** Samples are offers of a product for trial purpose. It is predominantly used in the FMCG industry for perfumes, deodorants, soaps or eatables. Sampling is an excellent way to introduce new product in the market and at the same time to increase the awareness of the product. For example, if a new shampoo is introduced, then sachets of the shampoo can be distributed along with the newspapers
2. **Coupons:** A coupon is generally a voucher or certificate which offer price reduction to consumers on a particular product. Coupons are used to motivate the customers to purchase when they think the price is high or it can be incentive to buy a particular product above other competitors. For example, many Pizza places prominently use coupons in their marketing. If you have their coupon in hand, you get a discount of X amount on the purchase.
3. **Rebate:** Rebates are a cash refund given for the purchase of a product during a specific period. For example, consumers are offered money back or free product or service if the receipt or barcode of purchase is mailed to the manufacturer/ service provider.
4. **Price-off:** Price-offs are simply an advertised price reduction that does not involve using a coupon. These discounts are often limited to certain services, target markets, geographic areas or time periods. For example, introducing 50% discount scheme on sports shoes.
5. **Product Combination:** Offering another product as gift along with the purchase of a product. For example, Offer of 1kg sugar with the purchase of 5 kg rice or spending a certain amount in the store.

- 6. Point-of-Purchase promotions:** Point-of-Purchase promotions include displays and demonstrations that take place at the point of sale. Point-of-sale can be store, trade fairs, exhibitions while demonstration can be of home appliances, food products etc.
- 7. Premiums:** Premiums are goods offered either free or at low cost as an incentive to buy a product. A premium may come outside the package (on pack) , inside the pack (in-pack), or through the mail. For example, Special toys on the purchase of a Happy Meals or a chocolate.
- 8. Financing or Instalment Offer:** The scheme is offered to consumers to buy high priced product after paying a small amount and the facility of paying the balance amount on EMI(Easy Monthly Installment). Thus, this sales promotional tool is helpful for customers who does not have full amount in making purchasing decisions of buying the product, while it . helps the dealer to sell the product faster.
- 9. Advertising Specialities:** Advertising Specialities or promotional products, are useful articles imprinted with an advertiser's name, logo, or message that are given as gifts to consumers. Typical items include T-shirts, pens, coffee mugs, calendars, key rings, caps etc.
- 10. Contests and sweepstakes :** Contests, sweepstakes and games gives consumers chance to win something such as cash, trips or goods. This can be by luck or by extra effort. A contest calls for consumers to submit an entry- a jingle, slogan, painting or also to participate in quiz. These contests are held on radio, newspapers and T. V.Contests can be as simple as winning a gift through a scratch card or it can be an online contest for which users have to enter their information. Online contests have become very easy and important because of the outstanding rise of the internet. They also penetrate faster and reach a lot of customers.
A sweepstakes on the other hand, calls for consumers to submit their names for a lucky draw.
- 11. Exchange offer:** Exchange offers are quite commonly used by the companies. They are used strongly in festive season when sales will be more and people are in a purchasing mood. In exchange offer, an old product can be exchanged for a new product. The customer receive a discount based on the valuation of his/her old product. For example, exchange offer are there in market on various products like mobile phone, washing machine , refrigerators etc.
- 12. Money Refund Offer:** Refunds are a marketing tactic where a partial or full amount is refunded to the customer under certain circumstances. Such refunds make the customer excited to visit a store or purchase the product frequently. For example, 30-minute guarantee of Pizza from the time an order is placed. If the time taken to deliver the pizza is more than 30 minutes, the pizza will be free if it costs under Rs 300. Another example, if the customer bring the parking ticket to the showroom, the parking amount will be refunded by the store.

13. Reward programs: The rewards or loyalty programs are offered by a company to customers who frequently make purchases; by giving them advanced access to new products, special sales coupons or free merchandise. Customers usually have to register their personal information with the company to be a part of the loyalty programs.

12.4.3.2 Consumer Promotion Tools in Travel and Tourism

Trade promotion on the other hand is directed by the manufacturers of products for the wholesalers and retailers. Consumer Promotion tools in travel and tourism for tourists are usually incentives given to the tourists to buy the various tourism services like tour package, airline tickets, hotel rooms and so on. They can include:

- 1. Price promotions** - Price promotions help consumers save money when they purchase a service or product. Price cuts attract mainly price sensitive consumers. The price promotion can boost short term sales but in long term it shall affect brand building because consumers generally judge the service quality by the price.
- 2. Price discounts and concessions** - In the off-season prices are reduced to attract tourist to take tours.
- 3. Gifts and lotteries** - Tourists may be offered assured gifts or limited gifts through lotteries or purchases during a particular period. Value promotions like giving extra benefits to the customer are useful in overcoming competition.
- 4. Product enhancements** - More features can be offered at the same price such as welcome drink, additional meal, free pick and drop facility etc.
- 5. Loyalty Programs:** The loyalty programs are rewards given by the hospitality and travel services to its consumers for making multiple purchases. The objective of the loyalty programs is to build long term relationships of a company with its customers. The first modern loyalty programme was introduced by the airline industry when American Airlines (AA) introduced its “Frequent Flyer Programme” (FFP) in 1981 . For example - the frequent flyer program has been introduced by most airlines since customers when awarded with incentives are likely to continue flying with that same airlines. MMT (MakeMyTrip) Double Black loyalty program, The Taj Inner Circle loyalty program of Taj Group of Hotels.

12.4.3.3 Trade Promotions

The manufacturers focus their promotional activities towards the middlemen dealers, distributors to push sales in the market and this is known as trade promotions. There is a lot of competition in any field and therefore it is important to motivate the dealer to perform better and to get the

products moving. Manufacturers use many of the sales promotion tools as used in the consumer promotions like sales contests, premiums, discounts; along with few tools unique to manufacturers and intermediaries, like :

1. **Trade discounts** - When the dealer is purchasing from the manufacturer and a certain discount is offered to him by the manufacturer, it is known as trade discount. In trade discounts, the dealer may or may not forward the discount to the customer. However, many dealers pass on discounts to customers whenever they receive trade discounts to achieve or increase sales.
2. **Push Money** - Manufacturers offer cash or gifts to dealers or their sales forces to push their goods.
3. **Training**- When the product is complex like computer and telecommunication industries, the manufacturer trains the intermediary's personnels.
4. **Free Merchandise** - Manufacturer offers retailers free merchandise in lieu of quantity discounts.
5. **Store demonstrations** - Manufacturers can also arrange with retailers to perform an in-store demonstration.
6. **Business Meetings, Conventions and Trade Shows** - In trade associations, meetings, conferences and conventions, the manufacturers, distributors and other vendors get the opportunity to display their goods and describe their services to potential customers.

12.4.3.4 Trade Promotion Tools in Travel and Tourism Industry

Trade promotion tools in travel and tourism industry is targeted by the principal service providers at middlemen. Trade promotions are also referred to as dealer promotions as they are directed towards distribution partners and their sales force. The middlemen like travel agents, tour operators, online travel companies are motivated through the following sales promotional tools:

1. **Financial benefit:** This is the most important tool as quantity discounts and special bonuses (especially in low season) increase the margin of intermediary and thus become the most important criterion in choosing their suppliers.
2. **Free Displays and decoration material:** The displays, banners, decoration material helps in designing an appealing point-of-sale.
3. **Experiential Approach:** This is to inform dealers about tourism services which comprises of tours and journeys. Either the provider visits the dealer (e.g. road show or country workshops for foreign tour operators organised by the National Tourism Office) , or the employees of dealers are invited on a free familiarization trip to the respective

tourism region or attraction, where they can experience the region's natural heritage and check accommodation and transport facilities on location.

4. **Sales Contests:** These contests are useful for the staff of dealers to motivate them. The prize can be offered by the supplier in form of free weekend in a wellness resort for travel agents.

Table below provides an overview of the target groups of Sales Promotion in Travel Trade.

STAFF	DEALER	CONSUMER
Restaurant / Hotel staff	National Tourist Offices	Business Tourists
Conference Centre Staff	Retail Travel Agents	Leisure Tourists
Museum / Festival staff	Conference Organisers	
Airline / Bus Operator Staff	Tour Operators	

Source: Middleton et. al. 2009

Table 2: Target Groups of Sales Promotion

12.5 ADVANTAGES AND DISADVANTAGES OF SALES PROMOTION

Sales Promotion as the name suggests is for increasing the volume of sales. Depending upon the distribution channel used by the producer and seller, Sales promotion can be advantageous to all involved. There are limitation of sales promotion but it is better to be aware of them and be ready to handle them as the situation demands.

12.5.1 Advantages of Sales Promotion

The advantages of sales promotion to manufacturers, middlemen and customers are as follows:-

1. Advantages to the Manufacturer

- Sales Promotion ensures expansion of sales.
- The demand for a new product may be generated.
- It makes advertisement and personal selling more effective.
- With the increase in sales and demand it helps to reduce the unit cost.
- It helps to satisfy the customer more effectively and which in turn will enhance the goodwill of the manufacturer.
- It helps the manufacturer to maintain better control on the market.

2. Advantages to the Middlemen

- It is easier for the middlemen to sell the product popularly advertised and promoted.
- Promotion encourages larger demand. The middlemen find it easy to sell the product which has popular demand.
- The middlemen will feel elated to deal with the product widely known to the consumers.

3. Advantages to the Customer

- Consumers being aware of the product and its features through proper sales promotions, feel confident to purchase the goods.
- The prospective consumer is encouraged to purchase the product.
- Promotion efforts also make the product available to the customers at competitive rates.

12.5.2 Limitations of Sales Promotion

The sales promotion limitations are as follows:

1. **Reflects Crisis:** If the company frequently depends on sales promotion, it may give the impression that it is unable to manage its sales or that there are no buyers for its products and services.
2. **Spoils Product Image:** Use of sales promotion tools may affect the image of the product. The buyers may start feeling that the product is not of good quality and is not appropriately priced.
3. **May Condition Customers to Wait for Sales Promotion:** Repeated use of sales promotion may condition customers to wait until a product promotion is available before making their next purchase resulting in the marketer not maximizing a product's revenue potential.
4. **Often Misused:** Sales promotions are often used as quick-fix solutions for long-term marketing problems.

Check Your Progress 2

1. Discuss the role of 'sales promotion' as an element of promotion mix.
.....
.....
.....
2. Explain the various sales promotion tools oriented towards consumers.

.....
.....
.....
3. Bring out the difference between Consumer sales promotion and Trade Sales Promtion.

.....
.....
.....
4. When is the sales promotion used in travel and tourism industry?

12.6 LET US SUM UP

The travel and tourism companies have to promote their services and products effectively to the customers. Personal selling is involves oral communication between a buyer and a seller either in person, by telephone, or via another technology. Personal selling is effective promotion tool wherein sales team plays an important role. The sales promotion process has to be followed and the requisite skills are required to be possessed by sales team to close the sale at positive note. Sales promotion is marketing communication activities, in which a short term incentive motivates consumers to buy products and services. Sales promotion includes Consumer sales promotion in which ultimate consumer market is targeted and Trade sales promotion which is directed towards the intermediaries like wholesalers and retailers. Sales promotion should be carefully planned so that it complements advertising and personal selling efforts.

12.7 KEY WORDS

Sales Process- The set of steps a salesperson goes through in particular organization to sell a particular product or service.

Lead- Leads are potential customers

Sales Presentation- A formal meeting in which the salesperson presents a professional presentation either in written or oral format highlighting features of products and services to potential buyer.

Consumer Sales Promotion- Sales promotion activities targeting the ultimate consumer

Trade Sales Promotion- Sales promotion activities targeting a marketing channel member, such as a wholesaler or retailer

12.8 FURTHER READINGS

- Morrison, AM, Hospitality and Travel Marketing, Thomson Learning, 3rd Edition
- Lamb, CW, Hair, JF, Sharma,D, McDaniel, C, Principles of Marketing, Cengage
- Chaudhary, M, Tourism Marketing, Oxford Higher Education
- <https://courses.lumenlearning.com/clinton-marketing/chapter/reading-personal-selling/>
- <https://www.businessmanagementideas.com/sales/personal-selling-features-merits-role-and-importance/2290>
- <http://elearning.nokomis.in/uploaddocuments/Tourism%20Marketing/chp%2015%20Sales%20Promotion%20Merchandising%20and%20Personal%20Selling/Summary/Chapter%2015.pdf>
- <https://www.marketing91.com/what-is-sales-promotion/>
- Konig, B and Kummer, C. Instruments of Sales Promotion with a Special Focus on Tourism, https://www.researchgate.net/publication/274951571_Instruments_of_Sales_Promotion_with_a_Special_Focus_on_Tourism

12.9 CLUES TO CHECK YOUR PROGRESS EXERCISES

Check Your Progress 1

1. See Section 12.2.3 (Step 1: Prospecting) and frame your answer
2. See Section 12.2.3 (Step 4: Sales Presentation) and frame your answer
3. See section 12.2.4.2 and frame your answer
4. See section 12.2.4 and frame your answer

Check Your Progress 2

1. See Section 12.4 and frame your answer
2. See Section 12.4.3.1 and frame your answer
3. See Section 12.4.3 and frame your answer
4. See Section 12.4.3.2 and 12.4.3.4 and frame your answer

12.10 ACTIVITIES

Activity 1

1. Select any five Fast food chains/ Travel agency/ Online Travel Agency /Hotel

For one month track the sales promotion activities of the companies selected. Collect the sales promotion items like coupons, premiums etc. Which sales promotion activity was more effective according to you? Was sales promotion of these companies through advertising or personal selling?

Activity 2

Arrange to spend a day with the salesperson of a travel agency. At the end of the day assess whether the sales representative followed the steps in the sales process? What did you like about the sales representative approaches in selling and highlight what you did not like in his sales call? Suggest how can you improve upon sales representatives approach and techniques ?

UNIT 13 DIRECT AND DIGITAL MARKETING

Structure

- 13.0 Objectives
- 13.1 Introduction
- 13.2 Traditional Direct Marketing
 - 13.2.1 Direct-Mail Marketing
 - 13.2.2 Catalogue Marketing
 - 13.2.3 Tele Marketing
 - 13.2.4 Direct-Response Television Marketing
 - 13.2.5 Kiosk Marketing
- 13.3 New Direct Marketing or Digital Marketing
 - 13.2.1 Online Marketing
 - 13.2.2 Social Media Marketing
 - 13.2.3 Mobile Marketing
- 13.4 Benefits of Direct and Digital Marketing
- 13.5 Role of Media in Tourism Promotion
 - 13.5.1 Print Media
 - 13.5.2 Broadcast Media
 - 13.5.3 Internet Media
- 13.6 Let Us Sum Up
- 13.7 Key Words
- 13.8 Further Readings
- 13.9 Clues to ‘Check Your Progress’ Exercises
- 13.10 Activities

13.0 OBJECTIVES

After reading this Unit, you will be able to:

- To understand direct and digital marketing
- To learn about the different types of direct and digital marketing
- Bring out the role of different media in tourism promotion

13.1 INTRODUCTION

In this competitive world the companies must communicate a consistent marketing message to strengthen their position in the market and have an impact on their prospective as well as existing customers. The marketing strategies are shifting from **mass market to micro markets**. Mass Market is a big group of consumers and the marketing approach for this segment is focussed on high volume that result in high customer turnover. Micro Market is small segment of consumers with specific needs for products in the market. For this group the promotional efforts are strongly focused on a small group of highly targeted consumers.

Direct marketing is focused on micro market or in other words towards narrower target market. Direct marketing allows businesses to communicate directly with target customers through a variety of media, which includes direct television, tele marketing, kiosks, online marketing, social media marketing and mobile marketing.

But the introduction of internet and e-commerce has changed the marketing trends. Consumers are more empowered in this digital and wireless age. Digital technology has changed the way companies and customers communicate with each other. Digital marketing engages carefully targeted individual consumers and customer communities to both obtain an immediate response and build lasting customer relationship.

. In Unit 11 and 12 the promotional tools like advertising, public relations and publicity and sales promotion were used for the mass markets. In this Unit the trend of Direct and digital marketing will be explained.

13.2 TRADITIONAL DIRECT MARKETING

Direct marketing is a promotional method that involves presenting information about a company, product, or service to the target customer without the use of an advertising middleman. The goal of

direct marketing is to persuade the customer to take action which will ultimately lead to sale of products and services. The action on the part of customer can come in various forms like:

- They can visit the website of the company
- They can call for more information about the product or service
- Return a postcard requesting a quote
- Enter their name and email address where asked for
- Make queries
- Make a purchase

Forms of Direct Marketing

In this section we explore the major traditional forms of direct marketing used to present information to potential customers. They are personal selling, direct mail marketing, catalog marketing, tele marketing, direct response tele marketing, kiosk marketing. The personal selling has already been discussed in Unit 12. Here we will learn about the other traditional direct marketing.



Figure 2: Common Forms of Direct Marketing

13.2.1 Direct-Mail Marketing

Marketing that occurs by sending an offer, announcement, reminder, or other item directly to a person at a particular address. Direct mail is well suited to direct, one-to-one communication where target market can be selected. The mail is personalized and the results can be measured. The marketers use highly selective mailing lists and send letters, catalogues, ads, brochures, samples and videos. Direct mail has proved successful in promoting all kinds

of products, from books, insurance, travel, gift items, gourmet foods, clothing and other consumer goods to industrial products of all kinds.

Due to newer digital forms, such as email, social media and mobile marketing has led to decline in the traditional forms of direct mail. The newer digital direct marketing has advantage as it deliver messages at fastest speeds and lower costs. But traditional direct mail marketing provides something tangible for people to hold and keep. It is used to send samples. In contrast, email and other digital forms are easily filtered, trashed or put in spam folder.

13.2.2 Catalogue Marketing

Catalogue marketing is direct marketing through print, video, or digital catalogues. These catalogues are mailed to select customers, made available in stores, or presented online. *Catalog Age* magazine defined a *catalog* as “a printed, bound piece of at least eight pages, selling multiple products, and offering a direct ordering mechanism.” Catalogues can be of two types -

i). **Print Catalogues**

A print catalogue usually consists of a cover that announces what type of items the piece contains, followed by the items. Some catalogue may feature a single product category, such as clothing, while others include a diverse collection of goods ranging from clothing, cosmetics, accessories like jewellery, watches, hand bags. The catalogue contains photos and descriptions of the items, as well as prices and ordering information. Some catalogue come with order forms and return envelopes with prepaid postage. Others require shoppers to order by phone. Catalogue marketers use targeted mailing lists to increase sales and decrease the printing and mailing costs associated with waste circulation. Some print catalogues are included with items shipped to online buyers to generate additional sales. There can be consumer catalogue and business to businesses catalogues. The consumer catalogues are mailed to consumers at home and are containing products for personal use. Example: Avon for cosmetics, Asian Paints for variety of paints and interior designs, Tanishq for Jewellery.

Business-to-business catalogues are those that provide merchandise to be used during business from heavy machinery to hand tools. Business-to-business catalogues are mailed to individuals at their place of business, with most purchases being made on behalf of the business rather than the individual. Example: Automobile, Furniture, IT.

ii). **Online Catalogues**

To save on the cost of printing and mailing and to allow retailers to update prices, products and promotions more quickly, some business put their products in an online catalogue. The products are grouped and displayed in a similar fashion to a print catalogue, but consumers can sort items by price, category, manufacturer or other criteria. These catalogues allow shoppers to purchase immediately, using a virtual shopping cart and an electronic payment method. The companies have added web-based catalogues and smart phone catalogue shopping apps to the marketing mixes.

There are many advantages of digital catalogues:

- Eliminate printing and mailing costs
- Can offer an almost unlimited amount of merchandise while in printed catalogue the space is limited
- Add multimedia features like video.
- Allow real-time merchandising
- Products and features can be added or removed as needed, and prices can be adjusted instantly to match demand.
- Ease of carrying the digital catalogues by customers.

13.2.3 Tele Marketing

Telemarketing is a marketing strategy that involves connecting with customers over the telephone. Tele marketing more recently is using web-based video conferencing to reach customers. Telemarketing can also include recorded sales pitches programmed to be played over the phone via automatic dialing. Telemarketing is used by company to call individuals to pitch products related to insurance, banking, education etc. Telemarketing is also a significant

strategy in business-to-business sales, event promotion, political campaigning, and lead generation.

Marketers use *outbound* telephone marketing to sell directly to consumers and businesses. They also use *inbound* toll-free numbers to receive orders from television and print ads, direct mail, or catalogs. *Robo calling* is one of the most negatively perceived versions of telemarketing. It is a practice that involves using a pre-recorded message delivered through an automatic dialing machine that can contact thousands of people every day.

Properly designed and targeted telemarketing provides many benefits, including purchasing convenience and increased product and service information. But the explosion of unsolicited outbound telephone marketing annoys many consumers.

13.2.4 Direct-Response Television Marketing

Direct response television marketing includes direct-response television advertising or infomercials and interactive television (iTV) advertising. Direct response television (DRTV) is direct response television advertising which persuasively describe a product and asks consumers to respond directly to the company usually either by calling a toll-free telephone number, sending an SMS message, or by visiting a web site. There are two types of direct response television:

- i). *Short form* is any DRTV commercial that is two minutes or less in length.
- ii). *Long form* direct response is any television commercial longer than two minutes. This was replaced by new term "infomercial" in 1988.

Example: HomeShop18 and Naptol

13.2.5 Kiosk Marketing

Kiosks are machines kept in high traffic areas like shopping malls, airports, hotel lobby and other such places by companies to spread the information and generate orders from customers who visit such areas. The kiosk marketing includes Information kiosk, Product promotion kiosk, Self service kiosk and Vending kiosk.

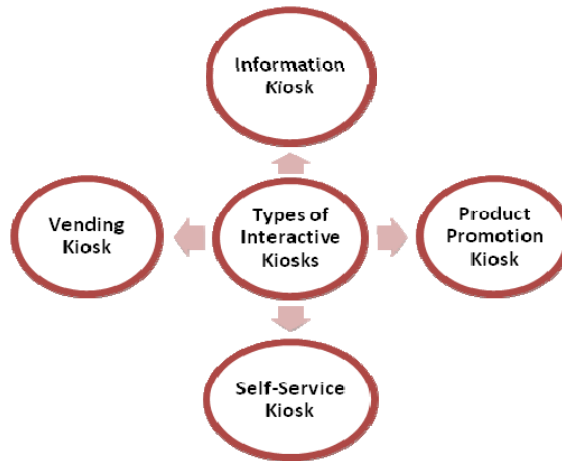


Figure 3: Kiosk Marketing

- i). The Directory or Information Kiosks are interactive kiosks used purely for information. They are placed in areas with a high density of people like shopping malls or theme parks.
- ii). Product Promotion Kiosks are used by companies to provide information about their products and offer a chance for potential customer to take advantage of promotions being offered on the products of that company.
- iii). Self Service Kiosk are helpful to businesses and customers in saving time and money. These kiosks are used for paying bills, filling out application forms, self-ticketing at movie halls, self-check-in at the airport.
- iv). Vending Kiosks directly sell product. They are used for dispensing small and basic items like makeup products.

Check Your Progress - 1

1. What are the various methods or techniques if direct traditional marketing?

.....

.....

.....

2. Which one is better online catalogue marketing or print catalogue marketing?

.....

.....

3. What is Robo - calling? Is it good or bad for consumers?

.....

.....

.....

4. Discuss different types of interactive kiosks.

.....

.....

.....

13.3 NEW DIRECT MARKEING OR DIGITAL MARKETING

Direct marketing has undergone a dramatic transformation due to the rapid advances in digital technologies from smart phones, tablets and other digital devices and the increase of online social and mobile media. Now there is a shift from traditional direct marketing to digital marketing.

Digital marketing is the use of the internet, mobile devices, social media, search engines, and other channels to reach consumers. The different forms of Digital Marketing are discussed below: -



Figure 3: Forms of Digital Marketing

13.3.1 Online Marketing

Online marketing refers to marketing via the Internet using company Websites, online advertising and promotions, email marketing, online video and blogs. According to (Kotler & Armstrong, 2012: 508; Kotler et al., 2010: 493) Online marketing consists of measures and activities to promote

products and services and build relationships with customers over the Internet. Different methods of online marketing are discussed below:

1. Websites and Branded Web communities

To conduct online marketing the companies, must create a Web site. Web site vary greatly in purpose and content. Some websites are primarily marketing Websites, designed to engage consumers and move them closer to a direct purchase or other marketing outcome. Branded community website doesn't try to sell anything. The primary purpose of such websites is to presents brand content that engages consumers and creates customer community around a brand. Such sites typically offer a rich variety of brand information, videos, blogs, activities, and other features that build closer customer relationships and generate engagement with and between the brand and its customers.

The companies use Search engine optimization (SEO) for the visibility of their websites. Search engine optimization (SEO) is the process of growing the quality and quantity of website traffic by increasing the visibility of a website or a web page to users of a web search engine.

2. Online advertising

Online advertising has become a major promotional medium. Online advertising appears while consumers are browsing online, including display ads and search related ads.

Online Display ads might appear anywhere on an internet user's screen and are often related to the information being viewed. Such display ads have come a long way in recent years in terms of engaging consumers and moving them along the path to purchase. Today's rich media ads incorporate animation, video, sound, and interactivity.

Using search-related ads (or contextual advertising) text and image-based ads and links appear atop or alongside search engine results on sites such as Google, Yahoo etc.

3. Email Marketing

Email marketing is sending highly targeted, tightly personalized, relationship-building marketing messages via email.

The negative side of email marketing is the explosion of spam mails that lead to frustration and irritation in consumers. Spams are unsolicited, unwanted commercial email messages that clog up our email boxes. These concerns are now taken care by adopting *permission-based email marketing*.

4. Online Videos

In this the digital videos are posted on brand web site or on social media sites such as Youtube, Facebook etc.

Viral marketing or viral advertising is a business strategy that uses existing social networks to promote a product. It is digital version of word-of-mouth marketing, involves creating videos, ads and other marketing contents that are so infectious that customers will seek them out or pass them along to their friends. When a such video or information comes from friend , the chances are very high of viewing or reading by the recipient. This method of promotion is inexpensive. The viral effect can spread through many different networks, including:

- Word-of-mouth
- Email
- Social networking sites (Facebook, Twitter, LinkedIn, etc)
- Video sharing sites (Youtube, Vimeo, etc)
- Web forums

5. Blogs and other online forums

Blogs are online forums where people and companies post their thoughts and other content, usually related to narrowly defined topics. Blogs are being used by companies and individuals and can be on varied topics from politics, cooking, travel, reviews etc.

Most marketers are now tapping into the blogosphere with their own brand-related blogs that reach customer communities.

13.3.2 Social Media Marketing

The term social media is generally understood as Internet-based applications that contain consumer-generated content and facilitate a higher level of social interaction among consumers. From customer's viewpoint, the value of using social media lies in its richness on personal experiences and trustworthiness as electronic word-of-mouth. The user generated content by social media impacts decision making of customers. Social media is independent and commercial online social networks where people congregate to socialize and share messages, opinions, pictures, videos, and other content. Social media platforms commonly used are Facebook, Google+, Twitter, You Tube, Instagram, Snap chat.

There are two ways marketers engage in social media:

- They can use existing social media or they can set up their own.
- Many companies have created their own online brand communities.

Advantages of Social Media Marketing

- i). It is targeted and personal- the marketers create and share tailored brand content with individual consumers and customer communities.
- ii). It is interactive-the marketer can converse and get feedback from consumers
- iii). It is immediate and timely-can be used to reach customers anytime, anywhere with timely and relevant marketing content regarding brand happenings and activities.
- iv). Real-time marketing
- v). Cost-effective- creating and administering social media content can be costly, many social media are free or inexpensive to use.

Challenges of Social Media Marketing

- i). Many companies are still experimenting with how to use them effectively and results are hard to measure
- ii). Social networks are largely user controlled

13.3.3 Mobile Marketing

Mobile marketing features marketing messages, promotions and other marketing content delivered to on-the-go consumers through their mobile devices. Marketers use mobile marketing to engage customers anywhere, anytime during the buying and relationship building process. The widespread

adoption of mobile devices and the surge in mobile Web traffic have made mobile marketing a must for most brands.

For consumers, a smartphone or tablet can be a handy shopping companion. It can provide on-the-go product information, price comparisons, advice and reviews from other consumers and access to instant deals and digital coupons. Companies use mobile marketing to stimulate immediate buying, make shopping easier, enrich the brand experience, or all of these.

Mobile apps act as one stop solution for mobile users. A mobile app is a software application developed specifically for use on small, wireless computing devices, such as smart-phones and tablets, rather than desktop or laptop computers. Mobile apps play an important role in every business domain as well as in personal life. The companies have now moved to creating their mobile apps which offers customers easy access to products and service offerings and also gets benefit of various deal. Companies like Amazon, Flipkart, Myntra, Dominos, Makemytrip and so on have their Mobile apps.

The travel and hospitality Mobile Apps help users in planning travel, location viewing, accommodation bookings, ticket bookings, cab booking, route mapping, and more. So, these mobile apps bring ease with multi-benefits for both users as well as for the company who own these apps.

13.4 BENEFITS OF DIGITAL MARKETING

Direct and digital marketing have become the fastest growing form of marketing. In this section benefits of direct and digital marketing are discussed. -----

For Buyers

- It is convenient, easy and private
- It gives information to buyers about unlimited products anywhere and anytime and also are available various buying options. For example, Makemytrip offers information on hotels, airlines, destinations, tour packages and so on. The site gives description about the product offering, reviews of users. The potential customer can chat with the assistant through phone or mobile app.

For Sellers

- It is low cost, efficient, speedy alternative for reaching their markets.
- Small groups or individual customers can be targeted
- The one-to-one nature of direct digital marketing allows company to interact with customers on phone or online, learn more about their needs, and personalize products and services to specific customer taste.

Check Your Progress - 2

1. Discuss the advantages and challenges of social media marketing.

.....
.....
.....

2. How mobile apps are useful in promotion of a product?

.....
.....
.....

3. What is viral marketing?

.....
.....
.....

13.5 ROLE OF MEDIA IN TOURISM PROMOTION

Tourism promotion means trying to encourage the actual and potential customers to travel to a destination through the spreading of information. Every destination follows necessary promotional strategies to raise interest among the potential tourists. Research has proven that tourist information is an important element to have a positive image about the destination and the decision-making process of tourists. The information about a specific destination which is mostly demanded by tourists is considered as an important means of promotion for tourism industry.

Generally, the potential tourists like to know in advance about the products, services and facilities at the destination. Using various forms of promotional activities can lead the organization to carry out different promotional measures to provide the message to the potential tourists and influence them to visit the destination.

Media are playing an important role in the growth, development and promotion by creating a better awareness and understanding to cater to the needs and requirements of domestic and international tourist. Media is the term used for some medium with the aid of which information sharing can take place. In general, you can classify media in three main categories: -



Figure 3: Categories of Media

13.5.1 Print Media

- Print media is a form of communication in the form of printed publications. Print media includes:

1. **Newspapers**– printed and distributed on a daily or weekly basis. They include news related to sports, politics, technology, science, local news, national news, international news, - notices, as well as entertainment news related to fashion, celebrities, and movies.
2. **Magazines**– printed on a weekly, monthly, quarterly, or annual basis. It contains information about finance, food, lifestyle, fashion, sports, etc. The travel magazines aim at capturing the essence of the place to inspire the readers to curate the trips to suit one’s requirement, make memories and come back with amazing memories. The travel magazines give intricate information on destinations and their attractions, places to eat and stay how to reach etc supplemented with photographs and maps. The magazines may cover question and answer section specially designed to cater to the needs of the travellers of every type. The magazines may cover reviews for a particular hotel property. Some of the popular travel magazines are:

- a) **Outlook Traveller-** With approximately 15 years and 175 issues, the magazine, Outlook Traveller is one of the premier travel magazines in India.
 - b) **Discover India-** Discover India is one of India's oldest and established travel magazine since 1988.
 - c) **National Geographic Traveller-** Since 1988 magazines have been focusing on travel with their tag line of "Nobody knows the world better".
 - d) **Travel + Leisure India-** The Travel + Leisure India, commonly known as the T+L is a travel magazine with its global headquarters in New York City. It is published 12 times in a year and focuses on the luxury travel market.
 - e) **Conde Nast Traveller India-**Conde Nast Traveller India is one stop solution for the latest luxury travel ideas.
 - f) **Lonely Planet India-** specifically caters to the travel needs of Indians.
3. **Books**— focused on a particular topic or subject, giving the reader a chance to spread their knowledge about their favourite topic. The Travel Books come in different styles ranging from the documentary, to the literary, as well as the journalistic, and from memoir to the humorous to the serious. The Travel books include guide books and travel journals.
1. **A guide book or travel guide** - A guide book or travel guide is "a book of information about a place, designed for the use of visitors or tourists". It will usually include information about sights, accommodation, restaurants, transportation, activities, best time to visit and routes. Maps of varying detail and historical and cultural information are often included. Different kinds of guide books exist, focusing on different aspects of travel, from adventure travel to relaxation, or aimed at travelers with different incomes, or focusing on sexual orientation or types of diet.

The popular guide books for India are Lonely Planet India, DK Eyewitness Travel Guide: Delhi, Agra, and Jaipur, Fodor's Essential India: with Delhi, Rajasthan, Mumbai & Kerala. Guide books Lonely Planet, Frommers, Rough Guides, and In Your Pocket City Guides, and Schmap or Ulysses Travel Guides are offering travel guides for download.

2. **Travel journals** - A travel journal, also called road journal, is a record made by a traveller, sometimes in diary form. The traveller during the course of his/her journey write down his/her travel experiences. These notes are later edited for publication.
4. **Banners** – used to advertise a company’s services and products, hung on easily-noticed sights to attract people’s attention.
5. **Billboards** – A billboard also called a hoarding is a large outdoor advertising structure, typically found in high-traffic areas such as alongside busy roads. Billboards present large advertisements to passing pedestrians and drivers. Typically showing attractive slogans and distinctive visuals, billboards are highly visible in the top designated market areas.
6. **Brochures** – a type of booklet that includes everything about one company – its products, services, terms and conditions, contact details, address, etc. They are either distributed with the newspapers, or hand over to people.
7. **Travel brochures** are promotional documents that advertise specific destinations, hotels, tours, vacation packages, or exotic locales. They can be small booklet or pamphlet and are most commonly found at places that tourists frequently visit, such as museums, major shops, hotel lobby , travel agency and tourist information centres.
8. **Flyers** are used mostly by small companies due to the low cost of advertising. They contain the basic information about a company, their name, logo, service or product, and contact information, and they are distributed in public areas.

13.5.2 Broadcast Media

Broadcasting media includes videos, audios, or written content that provides important or entertaining information shared by different methods:

1. **Television** – TV channels share various types of content, and viewers have choice to choose and view TV channels of their choice. Each channel delivers a different type of content, so you have a separate channel for news, drama, movies, sports, animation, nature, travel, politics, cartoon, and religion. It’s the number one broadcasting media due to its reach to the audience. There are exclusive television channels on travel like Travel XP or there are TV Channels like National Geographic, Discovery showing travel related programmes.

2. **Radio** – uses radio waves to transmit entertaining, informative, and educative content to the public. Due to its high reach to the audience, radio is widely used for advertising products and services. Radio is one of the oldest means of entertainment, and today people often hear it to find out the weather and traffic while commuting.
3. **Movies** – film, motion picture, screenplay, moving picture, or movie has world-wide reachability. It's the best type of mass media to promote cultures and spread social awareness. Movies have always played a huge part in the entertainment world.

13.5.3 Internet Media

Nowadays, we are relying on the Internet to get the news a lot more often than the traditional news sources. Websites provide information in the form of video, text, and audio. We can even choose the way we want to receive the news. Types of Internet media include:

1. **Social networking sites**– including Facebook, Instagram, Twitter, YouTube, LinkedIn, Snapchat, Pinterest, etc. They are user-friendly and widely used by people around the world. Consumers engage with social networking sites to research trips, make informed decisions about their travels and share their personal experiences of a particular hotel, restaurant or airline. This style of user-generated content is seen by the online community as more credible and authentic and for many hotels, restaurants and visitor attractions, if they are not listed in the top five spots, they are losing out majorly to their competitors.

Example: TripAdvisor is an American online travel company that operates a website and mobile app with user-generated content, a comparison-shopping website, and offers online hotel reservations as well as bookings for transportation, lodging, travel experiences, and restaurants.

2. **Websites**-A travel website is a website that is dedicated to travel. The site may be focused on travel reviews, trip fares, or a combination of both. Categories of travel websites include:
 - Travelogues/Blogs
 - Review websites

- Service providers website - Individual airlines, hotels, bed and breakfasts, cruise lines, automobile rental companies, and other travel-related service providers often maintain their own web sites providing retail sales.
- Online travel agencies
- Fare aggregators and metasearch engines
- Blogs/News sites on current travel discounts
- Travel and tourism guides

3. Online forums - an online place where we can comment, message, or discuss a particular topic. Forums allow us to share knowledge with other people with the same interest. That's why it's regarded as the best platform to seek support and assistance. The travel related online forums or communities can be useful to plan holidays and interact with thousands of fellow travellers. Members include real travellers who regularly post journal entries, articles and photographs, sharing their personal travelling experiences. The conversation among members can take place online. The members can organise offline traveller meets and events. Examples: India Mike, Backpacking, Budget Travelling in India, India Travel, Travelling Camera

4. Podcast - A podcast is a set of digital audio files that are available on the internet for downloading. These series of audios focus on a particular topic or theme. A user can subscribe to the podcast to receive the digital files once they are uploaded. One can listen to them on a computer or a mobile phone. It's a platform that allows anyone to share their knowledge and communicate with the world. Example: The Musafir Stories - India Travel Podcast

The Musafir Stories is an audio podcast that documents Indian travel tales. Hosted by the duo Saif and Faiza, the podcast is about exploring India and its destinations through stories and tales from travellers all across the country. Generally, an interview-based show, the podcast shares the engaging narratives of travellers in their own voice inspiring the listeners to take up travelling.

Check Your Progress - 3

1. What is the importance of guidebook to a tourist?

.....
.....
.....

2. How Brochure is useful for Tour Company?

.....
.....
.....

3. How social networking sites are used by customers in travel planning?

.....
.....
.....

13.6 LET US SUM UP

Digital direct marketing-online, social and mobile marketing has revolutionised the marketing. The traditional direct marketing tools are also being used but businesses cannot depend solely on traditional marketing. The digital marketing is adopted by the companies to sustain in this world of internet and introduction of new digital platforms.

13.7 KEY WORDS

Direct Traditional Marketing- It is a form of marketing focused towards carefully targeted individual consumers and customer communities through direct mail, tele marketing, catalogue marketing, direct response television marketing and kiosks marketing.

Catalogue- A printed bound booklet selling multiple products and offering a direct ordering mechanism.

Kiosk- These are machines used by marketers to share information about company's products and services to customers and customers can also make purchase through these machines.

Direct Digital Marketing- It is internet based marketing , where carefully targeted consumers and customer communities are engaged through online marketing, social media marketing and mobile marketing.

Media-Media is the term used for some medium with the aid of which information sharing can take place like print media, broadcast media and internet media.

13.8 FURTHER READINGS

- <https://www.shopify.in/encyclopedia/direct-marketing>
- Wendy Gooseberry, <https://whatagraph.com/blog/articles/different-types-of-media>
- <https://www.slideshare.net/JanBouda76/role-of-media-in-advertising#:~:text=Role%20of%20media%20They%20deliver,and%20also%20engage%20their%20minds.>
- <https://www.marketingcareeredu.org/marketing-mediums/#menu-header-menu>
- <https://bbamantra.com/media-types-characteristics/>
- <https://www.careerride.com/view/what-is-kiosk-marketing-6333.aspx>
- https://en.wikipedia.org/wiki/Direct_response_television
- <https://fitsmallbusiness.com/what-is-a-kiosk-examples/>
- https://en.wikipedia.org/wiki/Travel_literature
- <https://smallbusiness.chron.com/catalog-marketing-66814.html#:~:text=Catalog%20marketing%20is%20a%20sales,using%20information%20in%20the%20catalog.>
- <https://opentextbc.ca/introtourism/chapter/chapter-8-services-marketing/>
- http://www.pondiuni.edu.in/storage/dde/downloads/markiv_sm.pdf

13.9 CLUES TO CHECK YOUR PROGRESS EXERCISES

Check Your Progress - 1

1. See Section 13.2 and frame your answer
2. See sub-section 13.2.2 and frame your answer
3. See sub section 13.2.3 and frame your answer
4. See sub section 13.2.5 and frame your answer

Check Your Progress - 2

1. See Section 13.3.2 and frame your answer
2. See Section 13.3.3 and frame your answer
3. See Sub-section 13.3.1 (4-Online videos) and frame your answer

Check Your Progress - 3

1. See Section 13.5.1 (Point 3 on Books) and frame your answer
2. See Section 13.5.1 (Point 7 Travel brochure) and frame your answer
3. See Sub-section 13.5.3 (Point 1 on social networking sites) and frame your answer

13.10 ACTIVITIES

1. List five mobile applications of hotels/ travel agency/airlines/ tourist services. Compare the mobile application on the basis of information and ease of usage.
 2. Collect five newspaper articles on travel destination. Read the articles and review them on the basis of their language and information.
 3. Collect five tour brochures of states and enlist the headings and sub headings for providing information. Review these brochures on attractiveness and content.
-

UNIT 14: PEOPLE, PROCESS AND PHYSICAL EVIDENCE

Structure

14.0 Objectives

14.1 Introduction

14.2 People

14.2.1 Important factors which must be considered by the organization to prepare efficient workforce

14.2.2 Various types of the service personnel

14.2.3 Importance of People in Organization

14.2.4 Qualities required in the people working in service industry

14.3 Process

14.3.1 Important points for the efficient process

14.4 Physical Evidence

14.4.1 Physical evidence can be divided into two parts

14.4.1.1 Servicescapes

14.4.1.2 Tangibles

14.5 Lets Sum Up

14.6 Clues to the answers

14.7 Activities

14.0 OBJECTIVES

After reading this Unit you will be able to:

- define “place” and its importance in marketing mix,
- understand the important factors related to people in marketing
- understand about the various types of the service personnel
- understand the importance of people in organization
- give the understanding regarding the qualities required in the people working in service industry
- define “process” and its importance in marketing mix,
- understand about the important points for efficient process
- define “physical evidence” and its importance,
- understand about the various parts of physical evidence,
- understand about the important elements of servicescape.

14.1 INTRODUCTION

From the previous chapters, we have understood that there are many features and customer benefits that constitute a service product. We have discussed about the various levels of service product which include core product, basic product, expected product, augmented product, and potential product. For the successful delivery and value creation of the product, people, process and physical evidence play a very important role. In this unit, we will be discussing the definition and importance of people, process and physical evidence in the success of any service product. Marketing play an important role in the service sector, the human touch which is involved in delivery of service is very crucial for its success. Marketing not only helps the organizations to maximize their profits, satisfy customer needs and thus making it win-win situation for the marketers and the customers. The present unit will be highlighting the importance of the people, process and physical evidence in the service marketing mix.

14.2 PEOPLE

In service sector, by people we mean the employees of the organization who are also known as internal customers, the people in the service are most important for the success of any organization. People include the management, administrative staff, frontline customer service and sales staff. The people who appear in the frontline happen to be most important as they are the face of any organization, be it a doctor in health care, cabin crew in airlines, waiter in a restaurant, professor in university domain etc. These employees are the backbone of any organisation as they are the one who will ensure the success of organisation goals.

In order to sell or market its product successfully, a business must develop a strategy based on all key elements. People form an integral part of marketing mix. More motivated the employees or the people in the organization, more are the chances of success. Look at the most successful companies of the world –“***they look after their people well and the people in the organization look after their customers well***“. Customers are more likely to be loyal to the organization which treats them well and generally the treatment in case of service industry is based on the interaction with the employees and their behavior. Therefore, employees are the key to achieve the organizational goals in service industry. The quality, motivation and emotional balance of employees delivering the services will determine the success of organization. Good organizations

believe that their employees are much more important than their customers because they are the ones who will be turning the vision of organization into reality. Employer himself/herself cannot go down to the customers himself/herself to build every product and deliver it with satisfaction to the consumer. Every organization needs motivated employees/people in order to achieve its mandate.

14.2.1 Important factors which must be considered by the organization to prepare efficient workforce

- Motivated workforce
- Staff training and development
- Ensuring total quality management while delivering the services
- Proper management and technology enabled solutions for the pre and post sales service

The workforce motivation and management (WFMM) is very important that simply means to have the right number of people, with right motivation at right place and at the right time. The knowledgeable and motivated people in the organization give them an edge to cut above the rest.

14.2.2 Various types of the service personnel

- ❖ **Customer contact employees** - These employees are the frontline employees who directly get in contact with the customer in one way or the other. They can be further classified into :
 - High contact personnel - these employees are the ones who get in contact with the customer for the longer duration of time e.g. waiter in the restaurant, cabin crew in the airlines, and nurses in the hospital.
 - Low Contact personnel- these employees are the ones who get in contact with the customer for the lesser duration of time e.g. post office staff, telecommunication staff, courier service staff etc.
 - Skilled and professional – these professionals include doctor, lawyer etc.
- ❖ **Support personnel or non contact employee** – The employees who contribute to the service delivery but don't come in contact with the customer directly are called non-contact employees but they play a crucial role in the service industry. Such employees are

generally very talented, having high level of technical skills and high level of competence at work e.g., chef in a hotel etc.

14.2.3 Importance of People in Organization

- 1) Employees are like brand ambassador in service industry: Any employee in an organization is like a brand ambassador for the organization. Like a good chef, working in a restaurant is representing that restaurant's brand value. The people will associate the preparation of the food by the chef with the restaurant. Similarly a good doctor in a hospital will create a brand value for the hospital, professional crew members in airlines generate its professional image or an institute/college/university is known by its professors. Therefore, it can be easily understood that the employees generate the value for any organization. Customer judge the organization in service industry based on the performance of the employees and even if a single employee is unable to deliver the services as per the expectation of the customer then customer will consider that as a failure of the organization brand.
- 2) Employee's helps to customize service: The employees have a greater responsibility to generate a sense of satisfaction for the customer. The employees need to understand the requirement of the customer and accordingly deliver the solution for them. Take an example of a travel consultant in any travel house, good employee will give a customized solution as per the requirement of the customer and will not try to impose which is unnecessary for the customer as he/she understands the value of satisfied customer which will not only lead to the success for the organization in terms of revenue generation but also to create repeat customer.

14.2.4 Qualities required in the people working in service industry

The employees are the ones who connect the organization with the outer world and therefore there is a need for immaculate skill sets for the people working in service sector. These frontline employees need to be self motivated who have the capability to work under conflict and stressful conditions with a smile on their face. These employees are expected to have pleasant temperament towards the customer and have good emotional balance. This goes with all the people in service industry. Therefore, it's very important for the organisation to hire the right

people for the job as they are the face of the organisation. The interaction with the people working in the organisation will determine the experience, loyalty, retention of the organizational growth. **McKinsey says that 70% of buying experience are based on how customer feels as they are being treated.** It's very important that, the service industry professionals must have problem solving skills, excellent communication skills, amicable personality, empathy, knowledge of the organisation, knowledge of the product, emotional intelligence, patience, good listening skills, attentiveness, multitasking, problem solving ability, adaptability, speed ,being a team player, crisis management skills, time management skills etc. e.g. cabin crew of airlines needs to maintain a pleasing conduct and behavior throughout their shift irrespective of their own emotional state. Good organization ensures that they are having positive communication at the workplace and positive work environment. They also ensure that their employees must be given due credit and communicate to the people in the organization that how their individual efforts/handwork/ideas play an important part for the company's overall goals and direction. The organization must ensure that their people are emotionally stable and in order to keep them motivated many therapies and motivating incentives are adopted for making the people in the organization motivated. It may be in terms of monetary incentives, an excursion trip, yoga classes, paid leaves for rejuvenation, extra maternity leave in case of women employee or just a word of appreciation and acknowledgment of their work etc.

During COVID-19 crisis, many state governments have announced motivational schemes for all the COVID warriors to bolster the aplomb of these warriors, state government in synchronization and consonance with the central government are devising means such as financial benefits, bringing the new bill of punishment to the people who are creating problems in the working operandi. Orissa government announced that the state government, in convergence with the Government of India initiative, will ensure that INR 50 lakh is given to all the health personnel (private and public) and members of all other supporting services who lose their lives in the fight against COVID-19. The state will treat them as martyrs and provide state funeral with state honors. So, it was clearly understood by these governments that the vision can only be realized if you have motivated people working for that vision to be realized.

Keeping the people in the organization motivated is most important to achieve its vision. Staff members at all levels must be given continuous training and access to the world class and

contemporary training facilities which must create continuous learning opportunities for their people in the organization to become best in the field. The people without positive motivation can be very detrimental for the organization on the other hand the motivated people can lead to increased productivity. They will put up their best effort and lead to positive growth in the efficiency of the organization.

14.3 PROCESS

Process: Process is the system, procedure, mechanism and task flow that are put in place to deliver the services. A seamless, efficient and excellent service delivery process can become a unique selling proposition of the product. It is very important for the organisation to link the process to the people working with them in order to provide flawless services. With the right set of technological intervention and procedures in place the organizational efficiency can be increased. Robust process also enables the organizations to collect the required data and to make the necessary decisions. A good process also ensures the fair balance between the standardization and customization of the product so that consumer can have feel the uniqueness of the product but simultaneously find out the options to adjust his preferences also e.g. If you visit any travel portal like MakeMyTrip, OYO, Trivago etc. they will felicitate your booking experience with excellent booking processes and seamless experience while booking, they will give you wide range of options related to booking your dream holiday or selecting a hotel respectively. They also ensures to give you customized options from the wide range of the budget options, types of room, category of rooms, special requirements, payment gateways etc. Therefore, for any business it's most important to support your product with right set of processes in place. Similarly, when anyone witness the fault in the newly purchased gadgets and call up the customer care number and find out that you are put on hold for a long duration or not given satisfactory solution by the customer executive. And you also feel that, the whole process of the customer care handling is very slow and lacks one point solution to your problem in that case you will not only be disappointed by the process but with the product also which you have purchased therefore, the process plays a pivotal role in satisfying the customer.

14.3.1 Important points for the efficient process

Any process which is adopted for the service delivery must ensure the following points:

- It has to be quick and seamless

- The process must ensure the delivery of service well within time.
- Providing efficient delivery system.
- Quick and easy solutions for the customer complaints.
- Easy and secure payment gateways

e.g. e-Commerce company namely “A” promises to deliver the product to the customer in 03 working days but fails to deliver it within time because of tardy process. As a result, it will lead to the dissatisfaction of the customer. On the other hand, if the same promise is delivered within given time and well supported by the service delivery process then that will lead to the satisfied customer. We can take the example of pizza delivery by the *Dominos* ‘in 30 minutes’ which can be done only with the help of robust service process in place. Swift and robust process can do wonders for the reputation of the company. Another example can be of COD (Cash on delivery), when many e-commerce failed to understand the conducive process of payment delivery by the Indian consumer and operated without the facility of COD, they failed miserably just because of the failed delivery process. But, in the year 2007 the e-commerce company called *Flipkart*, who understood the psychology of the Indian market and brought in the process of COD for all its products and was able to acquire a big share of the Indian e-Commerce market. This gives us an ample idea of the importance of the process in marketing.

CHECK YOUR PROGRESS-I

1. What is the importance of process in the success of any product?

.....

2. What is the importance of skilled people in organisation?

.....

3. Why it’s so important to have right people at right place in the service organization? Explain with the help of example.

.....
.....
.....

14.4 PHYSICAL EVIDENCE

Physical Evidence: It is another important P of service marketing as this P reflects the interior and exterior appearance of the service product and also helps the consumer to get the appropriate justification of the price that consumer has paid for the services. Physical evidence may be defined as the ecosystem or the environment in which the services are delivered and where buyer and seller interact, combined with the tangible object that facilitate the service delivery. As we understand that, the services are intangible in nature and therefore, the consumer always seek for some tangible proof or cue of the service experience for the overall understanding of the product. It can be the interior appearance or exterior appearance e.g. the interior and exterior of an aircraft, hotel, restaurant, travel agency, cruiseship, hospital, bank etc. or it can be the appearance of the employees of the organization. Physical evidence is like an assurance to the consumer regarding the value for their money of the services which they have purchased. It can be the business logo, punch-line /tagline, colors, image of the employees, ethical practices, good packaging, paperwork (invoices, tickets, letterhead, dispatch notes etc.), vehicle signage, internet webpage, brochures, year of establishment, branding on the cloths and uniform of the employees, the certificate of achievements /awards/degrees etc. which reflect the professionalism, experience and the expertise of the organization and translate that in form of assurance for the consumer.

In case of Hotel Room : It may refers to clean, colors of curtain , spacious, properly ventilated and lighted, well colored , well furnished room with warm decor, good room amenities, clean linen, a plasma TV, hot water kettle, mini-bar, refreshment, toiletries like shampoo kits in the bathroom etc..

In case of fast food outlet : its ambience is generally vibrant and colorful with a casual setup and peepy music that appeals to youth.

In case of hospital room: its ambience is typically with sanitized conditions, clean linen, sober colored furnishing and latest medical equipment devices.

In case of college: its ambience includes clean floors, bright room, proper ventilation, good audio-visual tools, wi-fi facilities for students, adequate and comfortable seating space, benches for the students.

In case of airlines: its interior and exterior ambience must reflect the motto or vision of the organization like clean and comfortable waiting area with basic amenities, young and smart crew staff, neat and tidy uniform and grooming of the staff, lighting, comfortable temperature, comfortable seating area, good leg space, up to date in-flight services and entertainment as the passengers will be spending maximum of their time in the aircraft. e.g., airlines display their seats at malls and other pavilion in order to encourage customer to come up to the zone and experience the comfort of new seats. The rationale behind the whole event was to make the potential consumer experience the physical evidence of the airlines which in this case are the seats and comfort.

14.4.1 Physical evidence can be divided into two parts

- Servicescapes
- Tangibles

14.4.1.1 Servicescapes : Servicescape model explains about the service ecosystem in which the customer and service provider interact. This is a popular concept from *Booms and Bitner* that categorically states that ambience has a direct impact on the customers. The servicescape needs to be conducive and intelligently designed in order to give the customer a belief of consuming a great product. It plays an important role in physically exhibiting the product to consumer. It is believed by the marketers that physical spaces and design put a great psychological impact on the choices of the consumer; it plays a crucial role in the success of any business. Therefore, we generally see that good hotels, restaurants, health care, hospitals, bank, airline pay a great importance on the servicescape. Servicescape include many things but,

Following are the most important elements of servicescape:

- **Conducive aesthetic conditions** : As per the Collins Dictionary “aesthetic” means relating to *pure beauty rather than to other considerations or a principle of taste or style adopted by a particular person, group, or culture*, which simply implies that consumers are intend to select or chose a product based on their favorable aesthetic appeal and durability. The aesthetic can include the following features:

- **Smell and fragrance:** Smell and fragrance helps to design the signature style of a particular organisation and it also have a strong effect on the comfort, mood, and sense of belongingness and environment of any business. Also referred to as “olfaction,” our sense of smell is both primitive and mysterious of our five senses. Fragrance has always been one of the most important part of human life and survival. Smell and fragrance can be an indicative of either safety/beauty (fragrance of flowers, smell of cuisines) or danger/ugliness (burning of wildfire, foul or stinking smell). The appropriately used aroma throughout business environment has the ability to inspire positive mood, memories and touch the limbic nerves which none of the other advertisement can achieve. It reflects the feeling of luxury and exclusivity for the modern consumer’s e.g., *The TAJ* hotels use jasmine fragrance as their signature style. There are many exclusive range of scents which are used by many service oriented organisation in order to give inviting environment for the guests e.g., Green Tea and Lemongrass, White Tea and Thyme, Green Bamboo, Utopia, White Tea and Fig, Fresh Cotton, Green Tea and Sage, Green Tea and Aloe etc. are some of the scents which are used by many organizations for various purposes.
- **Quality of air:** The temperament and mood has a direct relationship with the quality of the air in which the interaction of consumer and the service provider occurs. As we all

understand that, human being start feeling uneasy under the conditions which don't suit them. For example, if you are visiting a restaurant –A, which offers a good quality food but the air quality is not that good (and all the heat and smoke from kitchen is entering into the eating area) then, you will not feel comfortable eating the sumptuous food also. Similarly, if you have booked a room in a hotel with all the amenities in the room but which lacks proper ventilation can lead the consumer to feel uneasy. Therefore, it's pertinent to understand that the air quality and temperature need to be maintained for creating a pleasant mood and experience for the consumer of the services. We very often see the separate smoking zones to maintain good air quality.

- **Sound and music:** Music and sound can have lot of effect on the human behavior and mood. Many studies have proved that, it can influence human mood, health and productivity. It has power to effect illness, depression, spending, productivity and perception of the living beings. Sound refers to the impact of volume on customer habit and reaction to a particular service. In hospitals there are silence zones in ICU's and operation theaters. Music, tone and genre have a psychological effect on the consumer choice and decision making. Just to give you an example, when we enter the shopping mall we witness the soft music or instrumental music playing in the background, this is done with a purpose so as to give the consumers the soothing impact and drives them for the shopping without any tension and at times for some impulsive purchase also. Every place of service needs a music or sound which matches the tempo or the nature of the occasion in order to make the consumer comfortable and relaxed. One can listen to a soft music or a chant in the hospitals to foster calmness in the environment to

promote wellness to the patients. Many a times we witness a live music or karaoke while dinning in at the restaurants or in the hotels, this actually helps the consumers to tune up the mood for fine dining experience.

- **Color:** It refers to the impression consumer develop while looking at the brand. Use of the color in the advertisement of a brand. Researchers have proved that color choice has a psychological impact on consumers. *An article titled “How color affect the consumer behavior” , published in the Digital Marketing Magazine by Sean in 2015*, clearly explains the relevance of the colors on consumer behavior which is as follows:

Red	known internationally as a buying color. It reflects emotions such as anger, lust and passion and is a definite attention getter. When used in small amounts, it is the best color to stimulate sales. However, if used in large amounts, it can turn off the more subtle customers. Red is best used to draw attention to a specific message or area you want the customer to focus on.
Orange	known to be the most irritating of colors and the least favourite color in the world. Direct mail marketers tend to use this on envelopes to draw attention to a product they are selling. Orange is best known as the color for sexuality and creativity and is associated with affordability. It’s also an attention grabber, but is best used sparingly or as an accent color.
Purples and	These colors are subjective, and people will either love them or hate them. Purple is

Violets	associated with spiritual healing and royalty.
Blue	This was determined to be the best seller and people's most favourite color throughout the world, regardless of culture. Blue is considered the color of communication; light blue leads to fantasy and dark blue leads to authority and power. Blue conjures up feelings of tranquillity, peacefulness and flights of fancy.
Green	This is a relaxing color that stirs up feelings of the outdoors, forest, grass and lush meadows. It is considered a passive, not a stimulating color.
Yellow	Is the first color seen by the retina. This is a good focus, or attention-getting color, and a good accent color when used in moderation.
Brown	Denotes traditional or natural values. Light shades of wood are associated with affordability; dark hued shades are associated with opulence and richness. Brown is a relaxing and casual color, the color of wood, the earth and nature
Neutrals	Black or white are always a safe and effective accent. They enhance primary colors when used as an accent, and when used exclusively, they give off an institutionalized or sterile feeling.

Therefore, we generally see the usage of different color by the different organizations as per their requirement like yellow color which catches attention, is generally used for school buses ,college buses, taxis , auto rickshaws, indicators etc.

Similarly, hospitals which try to generate the feeling of calmness, safe, cleanliness, sanitation and effective environment use white

for the purpose. Whereas for the playschools or kindergartens, vibrant colors are used to gather the attentions of the kids.

- **Decor and layout :** The décor, unique space utilization, seating arrangement and ambience of various service organizations in which the service is delivered denotes and symbolizes the distinctive identity of the organization



e.g., the restaurants have the private spaces for the big groups in order to avoid inconvenience to the guests. In shopping malls, generally the layout to display the items is such that the most sellable items are kept in the last corner so that the customer has to take a complete round within the shop wherein he may impulsively purchase some items which he might not have even planned to purchase and also gives him an opportunity to know about the wide range of available items.

- **Exterior Facility:** The exterior of the service organization needs to be captivating and enticing for the customers as it tends to generate impression about the organisation. It has been proven by many researches that, the consumers temperament, behavior, physiological and cognitive understanding is influenced by the ambience (interior or exterior) of the service organisation.

- **Signs, Symbols and Artifacts:** It also acts as a pull factor for the consumer as its unique style and symbols give a unique meaning or call to the consumers e.g. If you will visit *Haveli* in Punjab, you will find out many statues related to Punjabi culture reflecting symbolically



about the authenticity of the place, to taste the best Punjabi authentic cuisine at *Haveli*. Similarly, *Scooterwala* Restaurant in Jammu has displayed scooter within the restaurant to express their signature style

to the customer to give a lasting memory to them. Symbols can be in the form of year of establishment, awards, accreditations, affiliations, degrees in order to communicate the experience and establish the trust and belief in the mind of consumer before and after consumption of the services.

14.4.1.2 Tangibles: Tangible means which can be touched and consumer can feel the quality of the product like brochures, letterheads of the organisation, business cards, reports etc. These are very important physical evidence for the consumer during their consumption of the service product like crockery with the logo of the hotel or the welcome letter by the hotel reception can lead to the sense of premium service consumption by the customer. It gives an opportunity to the consumer to realize the product in its physical form and hence generating a sense of satisfaction.

CHECK YOUR PROGRESS-II

1. What are the important elements of Servicescape ?
.....
.....
2. How smell and fragrance help in building image of the organisation?
.....
.....
.....
3. How color affects the decision making of the consumer ?
.....
.....

14.5 LETS SUM UP

In this Unit we have tried to give you an understanding regarding three very important ‘p’s of service marketing i.e. people, process and physical evidence. The present unit has elucidated on the definition of the 3Ps and their importance with the help of suitable examples. You have understood about the role of these 3Ps in the success of any service product. We have also presented the overview of the definition of “place” and its importance in marketing mix, understanding of important factors related to people in marketing, understanding related to various types of the service personnel, importance of people in organization, provided the understanding regarding the qualities required in the people working in service industry, defined “process” and its importance in marketing mix, presented the understanding about the important points for efficient process delivery, defined “physical evidence” and its importance, given an understanding about the various parts of physical evidence and also presented the important elements of servicescape.

14.6 CLUES TO THE ANSWER

Check your progress-I

- 1) Refer Sec. 14.3.1
- 2) Refer Sec. 14.2.4
- 3) Refer Sec. 14.2.2

Check your progress-II

- 4) Refer Sec. 14.4.1.1
- 5) Refer Sec. 14.4.1.1
- 6) Refer Sec. 14.4.1.1

14.7 ACTIVITES

ACTIVITY-I

Try to list the items you have purchased just on the base its color.

ACTIVITY -2

Write your experience with the service provider who made you feel special with this professional conduct.

UNIT 15 DISTRIBUTION CHANNELS IN TOURISM MARKETING

Structure

11.0 Objectives

15.1 Introduction

15.2 Distribution Channels

15.2.1 Definitions

15.2.2 Nature and importance

15.3 Pattern of Distribution Channel

15.4 Distribution Channel Design

15.4.1 Selecting Channel Members

15.3.2 Challenges

15.5 Supply Chain Management

15.5.1 Definition

15.5.2 Supply chain management Issues in Tourism

15.6 Let Us Sum Up

15.7 Key Words

15.8 Further Readings

15.9 Clues to 'Check Your Progress' Exercises

15.10 Activities

15.0 OBJECTIVES

After reading this Unit, you will be able to:

- explain the meaning of distribution channels;
- identify the levels of distribution channels;
- list the process involved in distribution channel management;
- list the characteristics of distribution channels in tourism; and
- discuss the basic concept of supply chain management in tourism

15.1 INTRODUCTION

Understanding distribution channels is very important, as it has a significant role in tourism marketing. Distribution is a process of delivering the finished products to end-users by the manufacturer through different means. In a small business, the manufacturer can interact with the customer directly and negotiate the sales, but in case of a large business and a heterogeneous q

the market area. In tourism industry, production and consumption take place simultaneously and a number of factors intervene in tourism marketing process. This unit enables you to understand the distribution channels in tourism and the role of various intermediaries.

15.2 DISTRIBUTION CHANNELS

In broad meaning, distribution channel in marketing means, the channel through which a product of a particular manufacturer reaches customers in their place. In effect, distribution channels provide a number of options to the manufacturer to deliver the products and suggest alternative strategies to address the 'place' factor of marketing mix. According to Kotler, Bowen and Makens (2008, p.523), 'distribution system provides a steady flow of customers'. Competition, globalization, electronic distribution and the perishable nature of tourism product signify the importance of distribution channels'.

15.2.1 Definition

In the words of Kotler et al. (2008), 'distribution channel' is a set of independent organisations involved in the process of making a product or service available to the consumer or business user'. According to Shoemaker and Shaw (2008), 'distribution channel can be defined as a group of organisations, independent or not, that are involved in the process of making a product or service available for use of consumption'.

The definition mentions three components.

- i. Manufacturer (Producer of product or service)
- ii. Set of organisations as intermediaries (Distribution Channel)
- iii. End user (Consumer)

It can be explained like this; the producer manufactures the product in a factory or the supplier of the service has some benefit to offer to the needy customers. The producer/supplier depends intermediaries to reach the consumer. The end user may be living in a different place than the place of the production, hence the intermediary act as a link between the producer/supplier and the consumer to smoothen the process.

15.2.2 Nature and importance

A good distribution channel eases the effort of the manufacturer to reach the customer and it also ensures a smooth flow of products and services in the chain. The entire process of deciding the channel, managing the intermediaries, ensuring the inventories and making it available at the

point of sale needs to be taken care of. According to Holloway (2004), there are two aspects of distribution (i) handle enquiries and sales on behalf of the supplier or principal, (ii) physical delivery of products to channel and ultimately to the customers. Tourism products are service focused and the distinctive nature of tourism business, decisions of distribution channels are complex. The following diagram indicates the unique features of tourism business: -

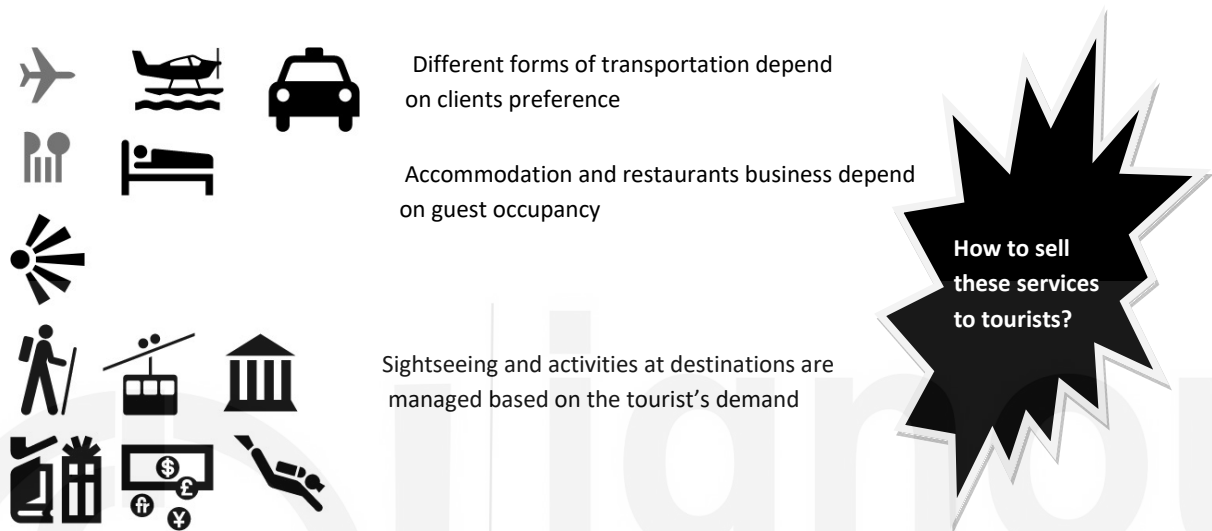


Figure15.1: Tourism Business

Tourism business is a network of different businesses. Tourism services providers play a dual role, they are both suppliers and retailers at the same time. A hotel room can be sold to a walk - in guest or through an online portal or mobile applications such as bookings.com. The distribution channels act as primary information sources of destinations so that the tourists get to know about the attractions in the destination. Here, the role of the distribution channel members is to have a general understanding about the sites, various activities possible, and the unique features of the destination.; Some of these channels may sell many products or services and some of it may provide one specific service. Hence, the distribution channel partner plays a vital role in communicating the benefits of products and services to the next member in the chain.

Internet brought changes to the traditional process of distribution, and it enabled service providers to reach the customers directly. Start ups and new formats of business reduced the dependence of intermediaries in the service delivery process. Let us see two different side of tourism distribution with the given examples:-

a) Airlines offer direct booking facilities through the mobile apps, website and through the travel agencies. International Air Transport Association (IATA) also insisted on zero-commission policy which forced travel agents to look for alternative income sources. Here, we can see that travel agents' income depend on the services they provided and the intervention of technology and policy of IATA, changed the overall travel business scenario. The following diagram explains the distribution channel. The seats of an airline can be booked directly by the customer through the offices of airline or website of the airline or the mobile application. or book through the travel agents. Online travel agents introduced mobile apps which helps customers to book tickets from mobile. Corporate travellers usually use inhouse travel agents. Some companies outsource the travel services to professional travel agents. Some companies operate their own corporate travel division to make travel arrangements of their executives.

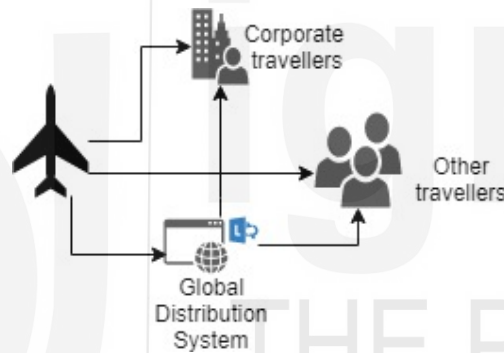


Figure 2 Distribution channel of travel services

b) Zomato, a mobile application allowed the restaurant owners to register themselves in the online platform so that customers can book food using the mobile app. It offers freedom of choosing from the menu and order food online using the app, and get the food delivered at door step. The following diagram demonstrates a new and different pattern of distribution.

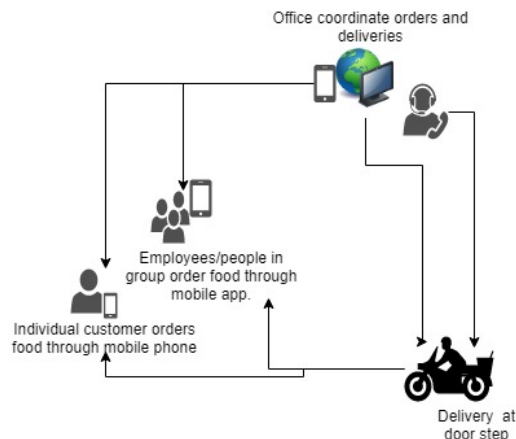
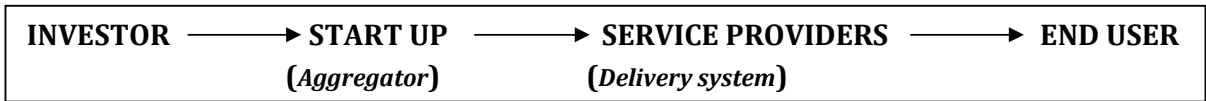


Figure 3, Technology supported distribution system

In this context, the product is different, and the channels are also complex. The food order is coming through mobile application or website, and then the delivery is at the location where the order is placed. Here technology integrates the service, product and the provider of service. If it is a start up business, we can find the following pattern of business in it:-



15.3 PATTERN OF DISTRIBUTION CHANNELS

The pattern of distribution channel (here it means the levels of distribution) in tourism depends on a number of factors such as the features of the product, usability, size of business firm, the geographical area the organization wishes to reach and the potential customers the organization targets. It is important to study the pattern of distribution channels in order to learn the intermediaries and their role and network. Let us discuss it one by one.

1. Destination:-

A destination comprises of several tourist sites. Tourists are primarily interested in attractions (natural and cultural), events, fun, adventurous activities, shopping and so on. Destinations are normally managed by tourism authorities or tourism boards either government of private. These destinations use various mediums to attract visitors such as official websites, social media platforms, tourist information offices, etc. Tourism authorities also engage destination management companies, private players who control the tourism business.

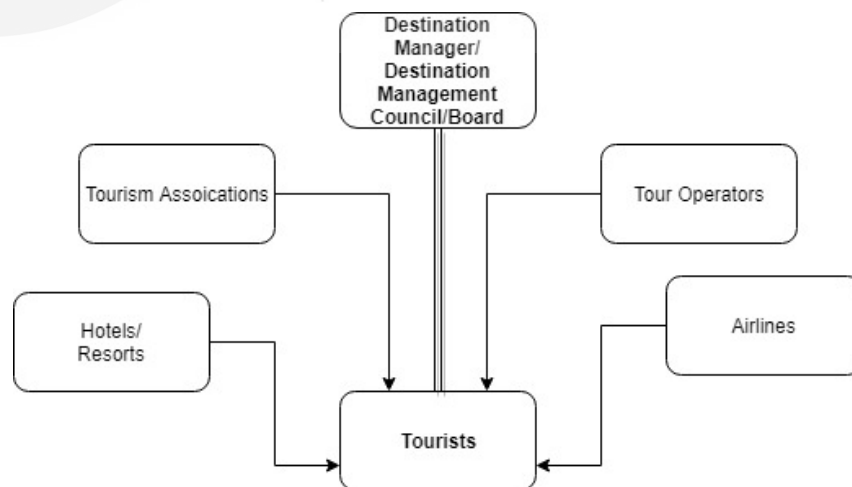


Figure 4, Pattern of distribution channels of a destination management authority

This illustration demonstrates that a destination is promoted by different stakeholders such as tour operators, airlines, hotels and resorts and tourism association in addition to the tourism promotion board of that site. The distribution process above involves a cumulative effort of all the channel members. ,

2. Integrated Resorts :-

Integrated resorts are hospitality units, which comprises of a number of tourist facilities. The resort itself is an attraction for visitors. The resort offers accommodation, food and beverages, casino, leisure activities, adventure, shopping, cruises, wellness etc. When a tourist buys a package of a resort, the offerings include access to all these facilities or they can customize it according to their choices. The following illustration demonstrates all possible channels of distribution. Cruise liners also follow similar practices.

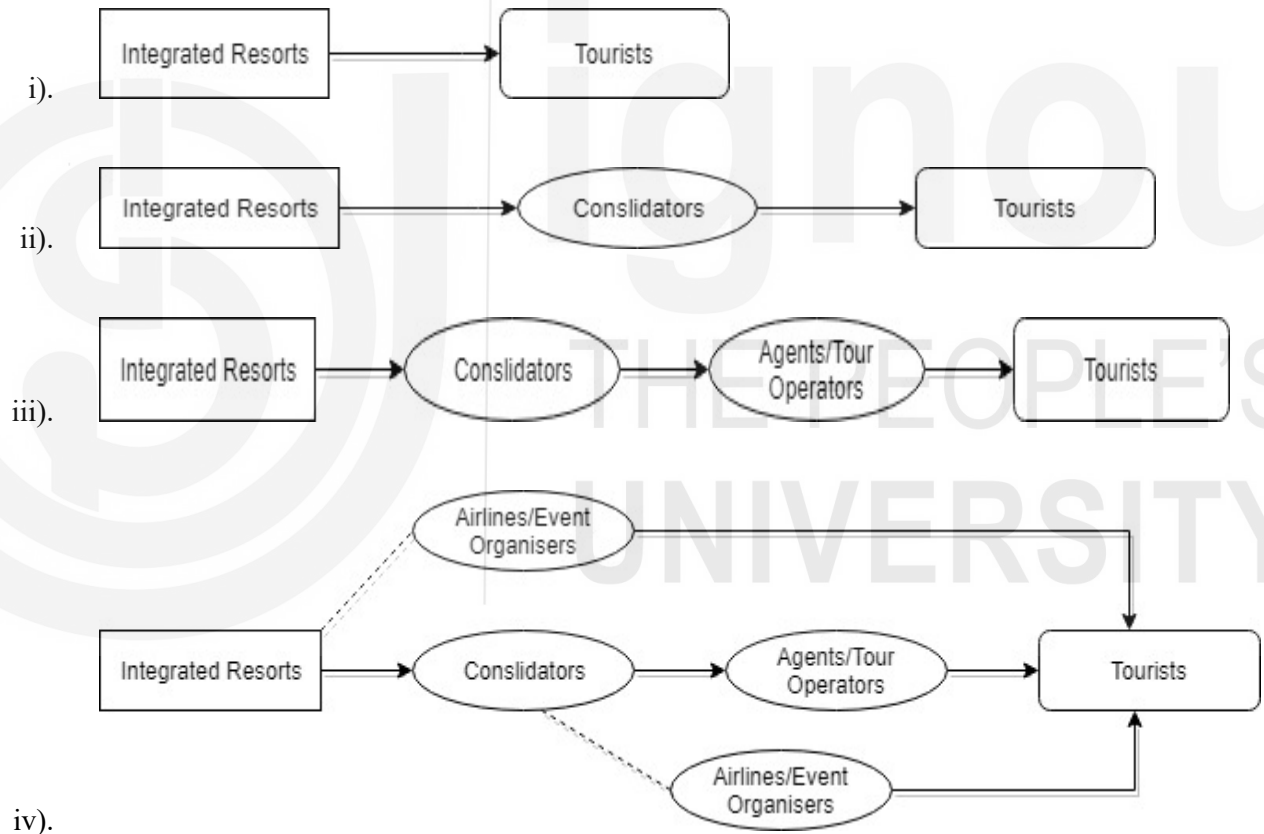


Figure 5, Distribution network of resorts

3. Transport –Flights:-

A seat in an airline is the major product of the scheduled airline companies. Other products they sell include lounge services, inflight shopping etc. In case of a full-service airline and for a budget airline earn revenue from a number of sources such as selling preferred seat, in-flight services,

extra baggage, priority baggage etc. The following diagram illustrate the distribution channel of a full-service carrier such as Air India.

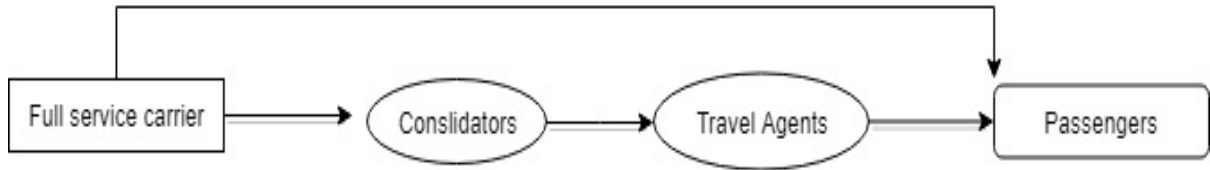


Figure 6, Distribution network of airlines (Full service carriers)

The Low-Cost Carriers/No Frill Airline such as SpiceJet on the other hand depends more on direct sales through its booking applications, websites or through travel agents.



Figure 7, Distribution network of low cost carriers

15. 3. 1 Intermediaries and channel partners

In the era of technology and networking, the travel intermediaries play an active role as channel partners. Customers have distinct requirements and the tourism market size is very broad, hence the channel partners need specialized knowledge of tourism products. In the recent decade, we find many small, micro, and medium enterprises in tourism. Homestays, holiday resorts, start using web platforms to mark their presence and offer products directly to the guests. Traveltriangle.com, tripshelf.com etc. offers a platform for small enterprises to list their organisations and sell their packages to tourists. Travel boutiqueonline.com offers similar facilities to hoteliers and it facilitates other service providers as well. During the tourist seasons, big companies hold the booking of rooms in resorts/hotels so that they can offer packages to tourists in an attractive way. The booking sites such as hotels.com, bookings.com are exclusively known for hotel bookings. Expedia.com, Tripadvisor.com offers various services including hotels, airline, car rental, restaurants, etc.

The internet platform has changed the business scenario completely and the customer can avail all required services through mobile, tablet or computer instead of visiting a travel agent or tour operator. Hence the relationship within the channel is offering a win-win opportunity to vendors and intermediaries.

Check Your Progress - 1

1. Define distribution channel.

.....
.....
.....

2. Explain the importance of distribution channels ?

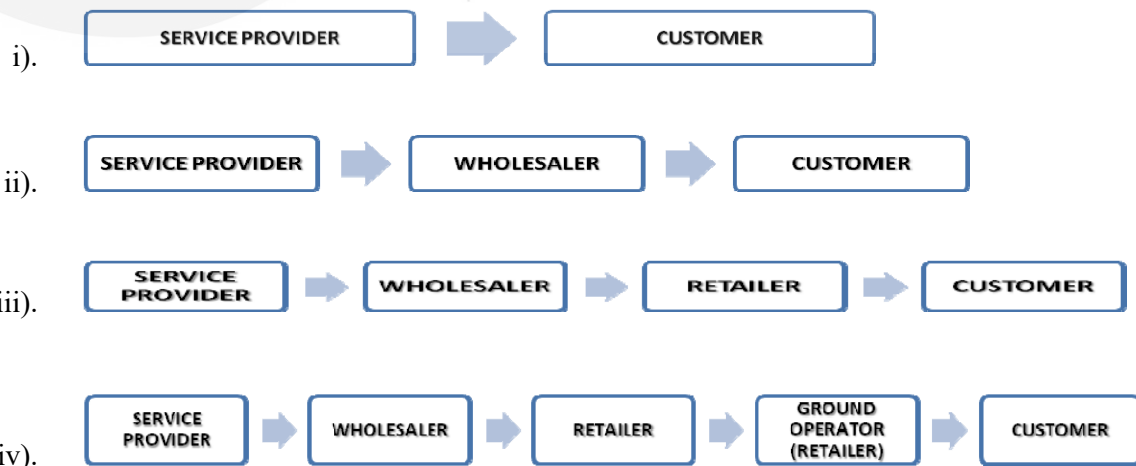
.....
.....
.....

3. Examine the pattern of distribution channels of destination management authorities?

.....
.....
.....

15.4 DISTRIBUTION CHANNEL DESIGN

The distribution channel is a framework of supplier/service provider and customers. Channel here refers to how the supplier reaches the customer and the consumer. The process of reaching the customer by the supplier can either have many mediators or none. Depending upon the number of mediators between the supplier and customer, there can be many levels of distribution channels. These levels can be as below:





(Aggregator is a technology-based organization, which offers all products online and the customers can access it from the portals.)

The first four are traditional model of doing business, but the last one deals with the technology-based business, which can connect people of different walks of life in different geographical locations, provided the internet network is good.

In hospitality industry, we find the following practices as part of business expansion:-

- i). Developing chain hotels to serve customers at different locations with the same brand, under one management. For example, Taj Group, Oberoi Group, etc.
- ii). Franchising: In this case, the brand identity is shared with interested investors who have properties at different locations. The property is owned by the local people, and managed locally. The royalty of the brand is paid to the principal organization. Sheraton, Radisson group of hotels, are doing business through this mode.
- iii). Manchising: This means company takes over the property and manage with its own staff. The building belongs to the owner, and given on lease to a management company for a said period of time through an agreement. The company has the management and the franchise. Many hotel managements apply this business model, in order to ensure same standards and quality of offering.

Tour operation business often does business with ground operators or local agents, which help facilitate both to get more business. This is called as B2B transactions. An illustration of this is given below.



The above diagram explains that the tour operator at Sydney, sent the initial query to the Delhi based operator and the Delhi based operator manages the trip, and make necessary arrangements in India. Delhi based operator gets the support of a Jaipur based operator, who picks up the guest from airport/railway station at Jaipur, completes the check in process, and conduct the tour.

The above example shows how one main service provider initiates a business by connecting with others who act as mediators as well as final service provider to the customer. These mediators and service providers are the channel partners for the main service provider

15.4.1 Selecting channel members

In the words of Kotler et.al. (2008), selection of channel members is based on customer needs, the company's ability to attract channel members, the economic feasibility of the channel, and the controlling factor. Let's check few factors that play a role in selecting channel members.

. The following factors to be taken care while deciding the channel partners by the main service provider:

- i). **The business size of the supplier:** If the business size of the supplier is small, having multiple members in the channel is not viable for the business. Hence, reaching the target group directly will be the ideal choice of the supplier.
- ii). **The geographical range, its product to be present:** If the service provider wishes to limit the business size at limited scale, the number of channel partners can be less.
- iii). **The existing pattern of the distribution channel:** This means the type of the existing channel present in the market, its strength and weakness.
- iv). **Competition in the market:** Competition in the market is another important aspect which deals with the competing businesses and its offering is another factor to be taken in to account while deciding about the channel partner.
- v). **Cost factor:** Another important point is that the cost involved in delivering the services. It is common that the cost factor can be high per unit when it finally reaches the customer. To reduce cost and make the offering attractive most of the service providers use technology and do direct sales through its portals. A low-cost domestic airline usually reaches the customers directly in order to reduce the cost. Mobile applications allow users to book the tickets directly from the airlines, or through the intermediaries. In two tier and three tier metro cities, people still depend on travel agents to get air tickets for domestic travel. Booking from corporates and organisations normally go through the travel agents because of the travel agents can offer the service on credit. Hence, low cost domestic airlines also promote the intermediaries in such cities.
- vi). **Customer's needs play an important role in selecting the channel member** as the service provider has to pay much attention to reach out to customer. We can see ATMs of different banks in almost all major traffic circles/landmarks/shopping malls in a city. ATMs help banks to ease its workload and also facilitate smart banking services to

customers through these outlets. Hence, customers do not have to go to the banks for deposit/withdrawal of cash, remittance of drafts/cheques etc. and save lot of time. Big business organisations established franchise business in small cities and tier 2 cities as the business was growing in the last couple of years. This facilitated customers from small cities to access the services of reputed companies in their own place.

vii. Companies' ability to attract channel members is an important factor. The attractiveness of the product or services, availability of substitute product, market demand, financial benefits etc. result in getting the channel partner. For example, all travel agents do not sell Caribbean Cruises and the location of such travel agents can be mainly found at major metro cities only. The demand for luxurious cruises is felt more in the metro and A tier cities where residents have an understanding and show a demand for cruises. So, Cruise Companies may try to attract channel members in small town or cities but are unable to do so as the demand of cruises are not high or regular in small cities and towns. Therefore, the distribution channel is not extensive as company is unable to attract channel members

viii) Control of intermediaries is to be looked upon. Let us take the example of Indian Railways. You may find a number of travel agents, sell railway tickets of various classes in passenger and express trains. These travel agents are authorized by Indian Railways. For its luxury tourist train services in India, tickets are sold not through the irctc website or mobile application, but these packages are sold through specialized tour operators as the package costs are also very high.

Another example of selecting channel member is when an online platform/aggregator which sells package tours to various attractions. Here the online platform charges a sum (ex. 2 lakhs) as a refundable security amount from the small enterprises, so that the firm will not back out from its offering/any conflicts of interest arising, the aggregator has already a certain sum as security deposit which can be retained.

We can conclude that tourist service providers use multiple channels to reach customers as single channel will not be sufficient to meet the organizational goals of any tourism business.

15.4.2 Challenges in Tourism Distribution Channels

Tourism and hospitality industry is a very sensitive industry as the impact of every crisis is felt on this trade. War, economic recession diseases, diplomatic relations etc. have a serious very consequence on tourism trade. For example, the outbreak of novel Corona virus literally broke down the travel trade and hospitality industry worldwide. It will take several years to recover from this impact. Several people involved in travel trade have been badly affected by the spread of this disease. Hotels ran without business, airlines stopped operations, travel agents cancelled reservations, and the cities once crowded with tourists appeared as a ghost city.

Another challenge is technology and its intervention in trade. Emergence of technology-based aggregators has reduced the barriers in accessing different channels. This aggravated competition and the disruption of trade caused by information technology, has given autonomy to the users to select own preferred service provider and customise the requirements.

Digital and technological growth has led to another challenge, the incremental growth in cybercrimes and unethical practices by miscreants. There are three categories of online fraud practices found in tourism industry. In the first case, individuals develop clone sites and apps which appear similar to the reputed brands. They promise regular services in tourism, and the customer without being conscious of the mistake, falls in to the trap and book services. In the second category, the financial fraud by miscreants can literally take away the bank balance of a customer. They use sophisticated algorithm to trace the banking transactions of the customers and payment gateways, and then withdraw money from the customers' bank accounts without their knowledge. In the third category, the cut throat competition of technology service providers and their business strategy is also a potential challenge. Aggregators have limited control on their distribution networks as complaints of guests appear in reviews that show the gap between the promised service and the service delivered. An example will give you a better understanding. A customer uses hotel aggregator to book a budget category room in a city. After detailed search in websites, the customer finds a hotel, book the room from the website of the aggregator. After arrival in the city, while searching the location of the building, the client could not find the hotel and later realizes that there is no such hotel in that locality. In this example, a false promise of the aggregator can lead to numerous troubles to clients in a new city.

Tourism distribution system needs integration of different enterprises involved in the network and there are various challenges the service provider face while doing business. The fundamental concept of business, i.e. trust and mutual understanding are the prerequisite for the channel

members and role of technology can integrate this relationship permanently or temporarily disrupt the trade.

15.5 TOURISM SUPPLY CHAIN MANAGEMENT (TSCM)

In this section we will discuss up on supply chain management in Tourism Industry and will be referred o s Tourism Supply Chain Management or TSCM in this section (TSCM). It represents the entire activities involved in tourism production to the delivery of the services to the customer. The concept of SCM originated in manufacturing industry. Corporations and companies designed systems to facilitate vendor management inventory solutions as the modern business environment necessitates the efficient management of the role players in the supply chain. SCM is a network of enterprises, which fulfill different functions. Two-way transactions take place in SCM. At one direction good and services move in the channel and other side information flow from the retailer or distributor to the service provider. In general marketing terms, this term is coined with inventory and logistics management.

15.5.1 Definition

In the words of Ramaswamy and Namakumari (2009, p.491), ‘supply chain management encompasses the entire activities and steps involved in designing a distribution system’. Song (2014, p.2) defined tourism supply chain management as “a set of approaches utilized to efficiently manage the operations of tourism supply chain within a specific tourism destination to meet tourism needs from the targeted source market and accomplish the business of objectives of different enterprises within tourism supply chain”.

“Tourism supply chain management consists of the coordination of internal logistics in the company, interaction with external operators and the development of a shared strategy” (Quattrocioccha et al., 2017, p.77-78.).

Kaukal et al. (2000) suggested that a tourism value chain consists of four components. (a) Tourism supplier, (b) tour operator, (c) travel agent, (d) customer.

The following diagram illustrate the complex network of tourism product supply chain

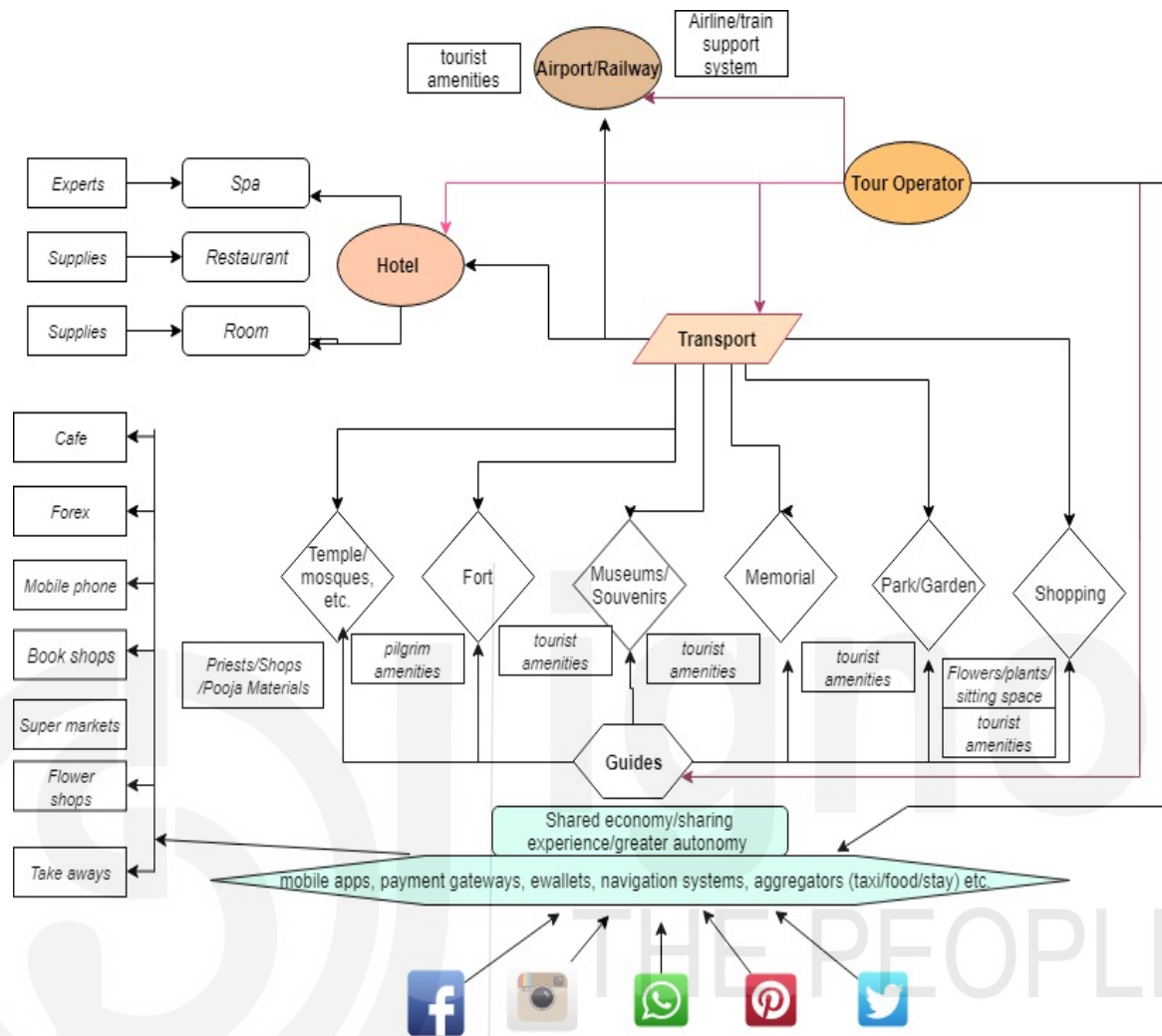


Figure 9, Complexity of tourism distribution network (Source: Author)

15.5.2 Tourism products and supply chain management issues

Critical issues in tourism supply chain management include –

- demand management,
- supply management,
- relationship between two parties,
- product development, and
- tourism supply chain coordination.

An example will provide a better insight on the above points. We all know that during peak seasons the hotel rates shoot up and same as the case of air travel charges and other components. Consolidators block rooms in large numbers and a heavy investment is required to do advance bookings. The outbreak of novel Corona virus resulted in cancellations of package tours (including fixed departures and customised packages). Every member in the distribution channel was adversely affected and several companies lost the advance amount that they paid to hotels and other service providers. The entire supply chain was badly affected including well established organisations to small enterprises. This example illustrates the case of demand and supply issues in travel trade.

The tourism supply chain consists of products/services offerings from many enterprises and the final product is an amalgam of these products/services. Integration of the channel, coordination of channel members is essential to offer a composite product. For example, an airline depends on the in-flight caterer to provide the required supplies at airports. Due to any reasons, if the flight caterer is unable to manage the items offered in the menu, this will result in customer dissatisfaction and reflect poorly on the airline and not the caterer. Similarly, the airport authorities must ensure that the ground handling staff functions efficiently so that there is no delay or mishandling of the passenger baggages. Passengers blame the airlines in case of any mishandling or delay in baggage handling whereas in reality the management of airport as well as the timely disposal of baggage after flight lands depends on airport authorities as much as on the airlines. Take another example of in-flight entertainment. The touch screen panel placed in front of the seats for entertainment purpose may not work in some seats in the old aircrafts. The passengers often complaint about this to the cabin crew, who are not equipped or trained to handle this kind of maintenance problem while on air; and it reflects poorly on the airline . These examples illustrate that tourism product offering is a complex phenomenon.

Companies adopt different strategies to control the supply chain management with regard to competition. **Horizontal integration** is one such approach to reduce the intensity of market competition and enjoy a better economy of scale. It improves operational efficiency by way of ownership transfer, joint arrangements, and management contracts. It also includes mergers and acquisitions between business that supply similar products or services. You may remember that GoIbibo was acquired by Make My Trip. **Vertical integration** is another approach which means acquire or merge with another organization which provides a different tourism product. For example, Mercury Travels is the tour operating wing of Oberoi Hotels.

In case of a hotel, the number of required items will be pretty large in numbers /quantity. Food and beverage, housekeeping etc. regularly need resources and materials and the inventory manager manages the day to day supply of things. Inventory management is a term commonly used with supply chain management. Invariably, tourism industry also requires inventory management, but on a different scale. It mainly depends on the way resources are utilized and what is consumed by tourists, and what is in demand. A network of different service providers is closely connected with tourism and hospitality industry and each component have a varying role to play.

We can summarise that the tourism supply chain consists of natural resources, cultural resources, human creativity, technology, materials and machines; and proper management of the flow of resources and information in the supply chain is necessary for the smooth transition of services in the Tourism Industry.

Check Your Progress - 2

1. What do you understand by channel design?

.....
.....
.....

2. What are the factors to be taken care, while designing a distribution channel?

.....
.....
.....

3. What is the role of supply chain management in tourism?

.....
.....

.....
4. Design a supply chain network diagram of the following business.

- i. Museum ii. Restaurants iii. Cruise lines iv. Sports events
v. Amusement Park Management

15.6 LET US SUM UP

In this unit, we have discussed different core concepts of tourism distribution and tourism supply chain management. Tourism products or services are offered both directly by the service providers to the customers as well as through different distribution channels. The number of players (mediators) in a market depends on the nature of competition that prevails in a market as well as the volume of business. Tourism business is a business network of many businesses and hence we find different patterns and levels of distribution channels in Tourism industry. Supply chain is a sophisticated network of different enterprises where each firm has an important role to play. Tourism industry appears to be a highly fragmented industry with large number of service providers; hence tourism industry has a great challenge of integrating these channels to have better supply chain management.

15.7 Key Words

Distribution network, channels of distribution, supply chain management, levels of distribution

15.8 FURTHER READINGS

- Chaudhary, M., (2010). *Tourism Marketing*. Delhi: Oxford University Press.
- Holloway, J.C., (2004). *Marketing for Tourism*, Essex, UK: Pearson Education.
- Horner, S. & Swarbrooke, J. (2012). *Consumer Behaviour in Tourism*, London: Routledge.
- Kotler, P., Bowen, J.T, & Makens, J.C., (2008). *Marketing for Hospitality and Tourism*, Delhi, India: Pearson Education.
- Kotler, P., Keller, K.L, Koshy, A. and Jha, M. (2016). *Marketing Management, A South Asian Perspective*, Delhi: Pearson Education.
- Ramaswamy, V.S. and Namakumari, S. (2009). *Marketing Management, Global Perspective and Indian Context*, Delhi: Macmillan Publishers India.

- Shoemaker, S. and Shaw, M. (2008). *Marketing Essentials in Hospitality and Tourism, Foundations and Practices*, Ohio, US: Pearson Education.
- Song, H., (2014). *Tourism Supply Chain Management*, London: Routledge.
- Quattrociochi, B., Mercuri, F., Mirko, P. and Calabrese, M. (2017). Tourism supply chain & strategic partnerships for managing the complexity in tourism industry, *Enlightening Tourism. A Pathmaking Journal*, (7) 62-93.

15.9 CLUES TO CHECK YOUR PROGRESS EXERCISES

Check Your Progress 1

1. See Section 15.2.1
2. See Section 15.2.2
3. See Section 15.3

Check Your Progress 2

1. See Section 15.4
2. See Section 15.4.1
3. See Sub-section 15.5

15.10 Activities

1. Visit the website of an online travel agent and write the products listed in your copy. Find out who is the supplier and channels of its distribution.
2. Visit the webpage of Oyo and find out the properties listed in its page. Compare it with the hotels.com. Identify the similarities and differences in product offering.

UNIT 16 MARKETING STRATEGIES IN DIGITAL AGE

Structure

16.0	Objectives	
16.1	Introduction	
16.2	Tourism and Digital Age	
16.3	Technological Solutions in Tourism Industry	
16.4	Tourism Marketing – A Historical Shift	
	16.4.1	Early History
	16.4.2	Transformative Moments of Tourism Marketing
16.5	Digital Marketing Platforms	
	16.5.1	Websites
	16.5.2	Latest News and Media Information
	16.5.3	Activities and Promotional Programmes
	16.5.4	Niche Products
	16.5.5	Stakeholders Platform
	16.5.6	Tour Packages
	16.5.7	Travel and Tours
	16.5.8	Dining Information
	16.5.9	Top Destinations
	16.5.10	Things to Do
	16.5.11	Plan Your Trip
	16.5.12	Social Media Links
	16.5.13	Awards and Recognitions
	16.5.14	Language Options
	16.5.15	Social Medias
	16.5.16	Travel Research
	16.5.17	Recommendations
	16.5.18	Choice of Destination through Sharing of Places
	16.5.19	Customer Services through Social Media
	16.5.20	Blogs
	16.5.21	Search Engine Optimization
	16.5.22	Updated Source of Information
	16.5.23	Sharing of Content
	16.5.24	Trust and Loyalty
16.6	Strategies of Making the Social Media as a Powerful Marketing Tool	
	16.6.1	Responding to Negative Feedback
	16.6.2	Provision of Existing Information to the Clients Before Trips
16.7	Creating Digital Marketing Strategy for Tourism	
	16.7.1	Content Marketing
	16.7.2	Native Advertising
	16.7.3	Pay Per Click
	16.7.4	Search Engine Optimization
	16.7.5	Social Media Marketing
	16.7.6	Email Marketing

16.8		Developing Digital Marketing Strategy
	16.8.1	Develop Customer Information
	16.8.2	Set the Goals and Develop the marketing Tool
	16.8.3	Set the Blogs
	16.8.4	Evaluate the Current Digital Marketing Channel
	16.8.5	Adoption of Digital Marketing
	16.8.6	Mobile Optimization
	16.8.7	Customer Friendly Digital Access
	16.8.8	Select the Right Technology
	16.8.9	Strategic Differentiation
	16.8.10	Tracking the Process
16.9		Disadvantages of Digital Marketing
	16.9.1	Competition
	16.9.2	Technological Dependency
	16.9.3	Consumption of Time
	16.9.4	Security and Privacy issues`
16.10		Let us Sum Up
16.11		Activities

16.0 OBJECTIVES

After learning this unit, you will be able to:

- Explain the transformative function of technology in tourism business
- Outline the influence of technology in tourism marketing
- Identify the functions of various social medias in tourism marketing
- Categorize various digital media for tourism marketing

16.1 INTRODUCTION

Tourism is one of the fastest growing and fastest changing industries in the World. Technology is one of the major transforming agents for tourism industries in the 21st century. Digitalization paves the way for a fundamental transformation in major sectors of tourism as well as the way people started traveling. Technology has direct influence on designing a tourist destination to the pattern of tourist travel and competitive modelling of tourism and related businesses. Technology has been highly acknowledged as a tool for increased destination competencies, visibilities, dynamic modelling of tourism related businesses, consumer behavior, marketing and promotion

of a tourist destination. It is so prevalent, that according to a Google Travel study, 74% of travelers plan their trips on the Internet, while only 13% still use travel agencies to prepare them. In fact, the influence of technology in these days transforms tourism industry by changing its fundamental forms and shapes of tourism in the 21st century.

16.2 TOURISM AND DIGITAL AGE

There is a sea change continuously happening in travel and tourism industry due to the intervention of technology. Historically, during the origin of the grand tour, the industry was fundamentally functioning based on manual services offered by different sectors of tourism. Major influence of technology in the tourism industry was during the Industrial Revolution 3.0 and 4.0. Major transformation during IR 3.0 were the introduction of Global Distribution System. Specifically made a change in booking procedures using computers and networks. Airline and hotel industries were the major beneficiaries of the IR 3.0. Industrial Revolution 4.0 (IR4.0) was the major transformer of shaping the travel and tourism industry in today's form. Major transitions due to technology, mainly on the basis of Artificial Intelligence (AI), Virtual Reality (VR), Robotics, etc. Another important area of influence of technology on tourism is marketing and promotion of tourism product, services and destinations. Several technological applications such as Virtual Reality (VR) has reduced the issues of intangibility of places in order to choose and make a decision on potential tourists' choice of destinations. The introduction of social media was a major turn in destination marketing, promotion and management and today social media such as Facebook, twitter, Instagram plays an important role in marketing tourism and related service products. Within a short span of time, social media became the important influence of potential tourists in their choice of destination. Today's tourism industry in this form has been shaped by several web-based applications, digital services such as cloud computing, unified communication, social media, Online Travel Agencies (OTAs), big data, near field communication, predictive analysis, intelligent personal assistance, tourist experience etc.

16.3 TECHNOLOGICAL SOLUTIONS IN TOURISM INDUSTRY

Among many, smart mobile phones are still the most important tech solutions in the travel and tourism industry as communications and other personal assistant facilities are fully embedded in a smart phone and therefore, undoubtedly smartphones are inevitable in the paradigm shift of travel and tourism industry. Also, the mobile phone has become our tour escort, travel agent, locator for several services in tourism, map and be used throughout as tourist lifecycle (Belen, 2019). Based on the survey, the second most influencing tech solution is the Augmented Reality, which helps to teleport the potential tourists to a destination virtually, it can be a pre-visitor sample experience or perhaps those can't travel with any reason can access it using VR/ AR technologies. Using AR/ VR technology, one can virtually experience the destination without being present there. Several apps are available to provide a prior tour experience that helps to choose a tourist destination. If one would prefer to climb the Mount Everest, using a VR app, he/she can virtually experience and enjoy the beauty of Mount Everest. Internet of things (IoT) is another fundamental transforming technology in tourism related business. The Internet of Things (IoT) provides significant updates to the tourism industry, which helps to provide up-to-date industry information, personalization of customer experience, tracking of services and managing their journey using digital technology. Another transformative technological intervention in tourism industry is the Virtual Assistance (VA), this technology helps the tourists to get personal assistance through specially designated applications, helps the tourists to access information on a destination, which helps the tourists to get a personalized and service engaged personal experience. Big Data plays another important milestone for travel and tourism industry, specifically hotel and airline sectors use this technology to analyze customer's data to understand their interest, likes and tastes. This technology helps to better segmentation and personalize the target markets to increase efficiency and optimize their budget plans. Block chain technology is another important transformational technology in the tourism industry, its wide networks with several services and can be useful in identifying passengers at the airport, guaranteeing transparency in tourists' opinions, and easy and secure payments. Finally, among the top seven, travel technologies made a special impact on tourists performing the travel. Virtual application in destination such as VR, virtually assisted tour guiding techniques, Online Travel services are some of the major transformed areas of tourism due to technological interventions.

16.4 TOURISM MARKETING – A HISTORICAL SHIFT

Like any other industry, tourism also has significant level of historic transformation due to the technological interventions. Marketing in the tourism industry has distinct characteristics due to its very nature of temporality ‘the movements and space usage’ of tourists are temporary, the crucial time is the experiential time of the tourists while there are passing through the tourism system. Successful marketing strategies are providing a memorable and sensible experience during their travel and stay in a shorter period of time. There is no doubt that Digital Marketing is used by so many businesses of different industries and has proven its worth in delivering many more leads to them and of course, more leads mean more business and more business means more profit. The Nilead, (2019) tourism industry also has adapted well in the realm of the digital world to increase their brand awareness and be able to reach more possible customers as much as they could. Marketing in tourism requires a good knowledge of the exigencies and trends of the market, the orientation of the supply of tourism products according to the size and structure of the demand, the establishment of a price and pricing strategy, a distribution platform (SOFRONOV, 2019). Digital applications made the stakeholders of tourism to avail those information easily, accurately and available fast. Analyzing the historical growth of tourism, use of technology in tourism for tourism promotion, marketing and sales is considered as the most important transformative occurrences of tourism and service marketing.

16.4.1. Early History

The importance of marketing within the travel and tourism industry has been popularised after recognising the power of tourism for economic transformation of the World and nations, particularly in the 21st century, which has led to the improvement in living standards, an enlargement of the population and an increase in discretionary income and time. Infrastructure developments such as transportation, hotel and lodging industry, recreation facilities and destination development paves the way for an increased demand of tourism leading to a rapid growth makes the industry more competent in the market and more and more people started traveling impacts the industry to become a leading economic source for almost all countries of the World. Tradition way of marketing such as billboards, newspaper and tv advertisements,

magazines, tabloids, new papers and other visual communications such as videos and movies become popular during the early history of tourism marketing.

16.4.2. Transformative Moments of Tourism Marketing

The most important transformation of tourism marketing was due to the invention of technology and its application in tourism and service marketing. Website, blogs, user generated content, reservation tools, Online Travel Agencies, smart booking tools, AR and VR technologies influence the industry to a significant level of transformation in the area of tourism marketing and promotions.

16.5 DIGITAL MARKETING PLATFORMS

16.5.1. Websites

Destination Management Organizations (DMOs) play an important role in destination marketing and is considered as one most reliable source for information to the potential tourists. The vast information in a destination website is the most important source for tourism stakeholders and tourists. Major information sources available in a tourism destination websites are as follows;

16.5.2 Latest news and media information – Information related to the latest happening of the tourism industry, potential tourists can get updates on national and global travel information from this platform.

16.5.3 Activities and Promotional Programmes

The audience can gather information on the latest fairs and promotions of tourism, registering through this will get personalised assistance to the tourists about one or several tourist destinations. List of promotional programmes, dates and scope of activities are normally published on this platform.

16.5.4 Niche Products

This platform provides the niche of tourism in a destination, those exploring some different experience and what is special to the destinations will be generated from here, tourists can opt for their travel taste and a specific product and plan from here.

16.5.5 Stakeholders platform

Major reputed and authorised agents, service providers are available on this platform, where the potential tourists are able to contact and pursue their intended travel plans from the authorised website.

16.5.6 Tour Packages

Several thematic travel package options are available to choose through this platform. This will provide an opportunity for the potential tourists to plan their holidays

16.5.7 Travel and Tours

This link offers various information on various packaging options, information on various transport services, car rentals, coach information, classification of vehicles, description of places, videos etc.

16.5.8 Dining Information

Choice of food is always a choice of tourists, national authentic cuisines, places of available places

16.5.9 Top Destination

This platform provides information of must see places in the destination, this allows the potential tourists to choose the ideal places of their visit.

16.5.10 Things to Do

Every destination has several memorable activities, which perhaps be the best choice of activities such as leisure hunts, trekking, health tourism, festivals, fairs, dance, music drama and other several other activities that has some touristic interests.

16.5.11 Plan Your Trip

This platform indicates where to stay, e- brochures, visa and travel document details, travel information, travel care, newsletters etc.

16.5.12 Social Media Links

In order to exhilarate with information and user content generated feedbacks, most of the websites are linked with social media such as YouTube, facebook, twitter, Instagram etc.

16.5.13 Awards and Accolades

This platform provides the leadership position of the destination through national and international recognitions through associations and bodies. The intended traveller gets extra confidence on the quality of their visit.

16.5.14 Language Options

Since the tourists are coming from different countries, the websites provide language options. This is mainly based on the top generating countries of the destination. Through this facility, potential travellers can navigate through their interested choice of language.

16.5.15 Social Media

Travel is one of the most shared topics on 'The big 3' social networks such as Facebook, twitter and Instagram (Vanessa, 2019). User generated content in the social media, feedbacks and review provides several decision making information to the tourists. Peer tourist review of social media could very easily get them thinking about how they could follow in their friend's footsteps and enjoy the same exciting experience they read such great things about a place helps the tourists to make their appropriate choice. Following are the benefits of social media in destination Marketing.

16.5.16 Travel Research

Social media platform such as TripAdvisor provides an ocean of information about travel and choice. Travel reviews by almost 390 million users that attest any intended travellers decision making. This platform also helps to push queries through the peer travel reflections through forums etc..Providing travel experience comments on Facebook and sending tweets out on Twitter about their experiences. Recently, social media platforms have also become an excellent resource for gathering information about destinations, packages, accommodations, activities, dining, and destination experiences (Vanessa, 2019).

16.5.17 Recommendations

Valuable recommendation by those travelled and their experiences are reflected through social media. Rating provided and narrative recommendations help the potential tourists to make decisions on the choice of the destination.

16.5.18 Choice of destination through the sharing of places

Many times social media is not only intended to share tourists own trip photos and experiences. Social media is also becoming popular for supporting potential tourists to plan their trip and inspire them to travel. This will help the potential travellers to identify a suitable and affordable place of their trip.

16.5.19 Customer Services through Social Media

Social media also act a platform for customer services. The intended travellers can push question mainly through social media on various services and queries. Destinations are actively engaging in inspiring potential tourists through their social media platforms.

16.5.20. Blogs

In the tourism industry, blogs plays an important role in marketing and promotion of tourism and related services and engage them with tourism service providers.

16.5.21. Search Engine Optimization

Blogs always helps to bring fresh content about a company and services. It helps potentially rank the websites higher in their search results.

16.5.22 Updated source of Information

Blogs provide fresh contents as customers can write in the blogs anytime, anywhere and constantly engaging contents allows potential tourists to know in detail about the places, its merits and demerits, service related information etc.

16.5.23 Sharing of Content

The contents in the blogs can be shared to access a wide range of audience for their product and services. It will also help to bring more audience to the product and services websites.

16.5.24 Trust and Loyalty

The content of the blog articles and sharing it through various social media such as Facebook, newsletters etc. will have an advantage of the brand awareness. Information on a service in different platforms helps the readers to read in multiple time leading to improved brand loyalty.

16.6 STRATEGIES OF MAKING THE SOCIAL MEDIA AS A POWERFUL MARKETING TOOL

Social media can be a powerful marketing tool if it is managed strategically. Social media pages can be a memorable one or totally silent and unknown based on how the platform is exercised to popularise travel related products and services. There are several ways to boot the social media to get public attention and hence can be used as a powerful marketing tool. Following are some important strategies adopted by tourism stakeholders to increase lead using their social media platform.

Service providers and Destination Marketing Organizations (DMOs) to use innovative strategies to increase the shares, which helps for a wide reach to their potential customers. Several tourism related companies actively incentivizing the users to share information to various networks to increase public notice. Incentives such as vouchers for complimentary services (coffee/ tea/ snacks etc.) or complimentary breakfast, transfers are some of the added values of the social media users who have already used a service for tourism. The goal of the service providers is to increase shares on news/ updates and honest customer experiences with your brands. Therefore the tourism establishment can increase the brand awareness and overall exposure in the general public domain.

16.6.1 Responding to Negative Feedback

Although, social media are intended to spread positive information about a product and services, the platforms are often opened to discuss genuine feedbacks, negative feedbacks are also part and parcel of any tourism services as it's not necessary that in all event the things can go right.

Prompt feedback by recognising the values of the comment is inevitable, also to reflect upon, the services, what went wrong. The team who manage the social media must be trained in convincing negative comments and address it with its genuineness.

16.6.2 Provision of Exciting Information to the Clients before the Trip

While tourists are on their trip, most likely they are in an unknown place where they need several information to move around and experience the place. Provide additional information prior and during their trip is important. A guide to the place of visit, visitors trip sheet, dining information, do's and don'ts, safety trips, etc, are considered as additional information to exhilarate and increase confidence for tourists in planning their trips. This approach will help positive comments, more sharing leading to increase brand loyalty among customers.

16.7 CREATING DIGITAL MARKETING STRATEGY FOR TOURISM

Due to the increasing popularity of using digital marketing tools in marketing and promoting tourism services, its important market the website/ or social media make it known to the customers. A website/ blog/ social media page stand unique if it is strategically managed in generating content and dissemination. Major disciplines of online marketing are as follows.

16.7.1 Content Marketing: Designing, selection and creation of contents are important function. The content must meet the needs of the customer who are searching for information, authentic and reliable helps the potential tourists to attract, relay and educate about the contents.

16.7.2. Native Advertising: Native advertising is also called as advertorials (Vendasta, 2019), this is strategy to disseminate the main web content through advertisements. This helps to highlight the products and services through some keywords and accomplish multiple hits by the potential customers.

16.7.3. Pay - Per - Click (PPC): A marketing strategy that involves online advertisements. Those advertisers pay to the source company based on the number of clicks on their advertisements (Vendasta, 2019).

16.7.4 Search Engine Optimization: Developing appropriate keywords to make the websites more user friendly and access to the right information. This will provide an extra mileage and popularity of the company's website.

16.7.5. Social Media Marketing: Social media is a robust platform for digital marketing in these days due to its popularity of social interactions. Data indicates that there are 58% of tourist use Facebook 38% Instagram users and overall 74% of the tourist use some kind of social media before, during and after their trip. The width of the influence of social media also indicated that 40-50% of the travellers post reviews on social media after their trip. This is a good indication of the importance of social media using social media.

16.7.6 Email Marketing: Customised email to contact the clients as well as potential clients both for repeat visits, other visits as well as review of their trips helps through email. The email source has always allows different service providers to keep actively engaged with their current and potential customers.

16.8 DEVELOPING DIGITAL MARKETING STARTEGY

Those in the marketing field needs to know the strategic skills of developing digital marketing platform for tourism and related services. The strategy needs to be developed tactically to ensure that the digital marketing space is attractive, cost effective and will attract potential tourists. Following are the strategies that can help to develop an effective digital Media marketing tool for successful tourism marketing.

16.8.1 Develop Customer Information: Using a survey, it's important to create a potential customer database, this includes demographic information such as age, gender, occupation, interests etc. these detailed information further helps to narrow down and segment the market based on several features included in the database. There are several software are available in the digital market to create and use customer data for the purpose of digital marketing.

16.8.2 Set the Goals and Develop the Marketing Tool: Customise the media based on the set target and goals. A workable Gantt chart helps to measure the targeted accomplishment if of tools, its testing as well as operational aspects.

16.8.3 Set the Blogs: Developing authentic, truthful and quality contents are important in digital marketing. By developing a blog, if the potential customers are interested in the information provided, that directly helps to increase traffic to the website. If the blog is updated regularly with high quality information, there is a high chance of having the website to be easily found in the search engine.

16.8.4 Evaluate the Current Digital Marketing Channel: It's important to review the contents compatibility and visual appeal of the existing digital channels including website, blog content, social media accounts, word-of-mouth, native advertising, Google Adwords, paid advertising etc. (Jager, 2019).It's to ensure that all the contents and media are as updated and exists as per the existing trends in the market force.

16.8.5 Adoption of Digital Marketing: Using the new technology and software helps the service provider for a lead in digitalization of their marketing strategies. Always, the updated and optimised software will help increase online traffic and eventually customer demand.

16.8.6 Mobile Optimization:Data shows that 87% of Indian travellers are influenced by a mobile device to make travel decisions. Based on this interesting figure, it's important that the service provider has to ensure mobile versions of the websites and other social media platforms are simultaneously developed with computer based social media platforms. This helps the potential clients to access information anytime anywhere.

16.8.7 Customer Friendly Digital Access

User friendliness of website and digital platforms are another important matters to address. Keeping in mind that the customer doesn't spend too much time to find information on the

website. Therefore, navigation on the websites are important. Considering in mind that the customers are in different age groups, different interests, different digital skills. A user friendly landing page, then to take it through different menu without having any confusion and avoid asking unnecessary information is inevitable for digital marketing.

16.8.8 Select the Right Technology:It is to ensure that the services use appropriate and latest technology platforms to build marketingstrategies. Building the marketing materials in the most popular platform helps easy access and to the customers also the familiarity of website navigations.

16.8.9Strategic Differentiation:It's important to ensure that the key selling points are appropriately highlighted in the websites and social media.A key differentiator about the services and products, comparing a similar company will help you to increase market demands leading to better customer responses. Every company has a Unique Selling Proposition (USP), which has to be strategically highlighted in the landing page of the website.

16.8.10Tracking the Process:Since social media and website always have the provision of customer interactions, feedback and addressing the queries, it is important to ensure that information on the websites and social media is appropriately tracked. Comments not addressed or improper and outdated information the social media will discourage people to use and affect the reputation of the business.

16.9 DISADVANTAGES OF DIGITAL MARKETING

Although there are several possible advantages mentioned above, digital marketing has its own disadvantages as well. Comparing to the advantages, the disadvantages are less and manageable. Following are some of the important disadvantages of digital marketing

16.9.1 Competition: With the increasing numbers of users, a digital marketing platform has been one of the toughest competition in these days. Research indicates that 90% of mobile phone users are not certain of the brand they want to buy from and about 33% have purchased from a

different brand than the one they had in mind, because of the information provided by another website or brand (DD, 2020).

16.9.2 Technological Dependency: Technology always prone to errors, there are incidents, the clients can't access technology in some places, especially while tourists travel to different countries, the firewall and ban of certain website always create issues in its access and usage. Also, some cases the link can't work, temporary errors to access the websites, etc. may cause dissatisfaction to the customers. Due to severe competition, there is a high chance of switching to another website or company in order to gather information and booking a tour package.

16.9.3 Time Consuming: Digital marketing consumes a lot of time for its maintenance as well as services. Since most of the platforms can generate user generated contents, feedbacks, rating, it's important to address all the information in the digital space, which is considerably time consuming.

16.9.4 Security and Privacy Issues

Data reveals that misleading and inaccurate information are widely spread on social media, which sometimes mislead in taking appropriate decisions. According to Alliance Global Assistance (2017), there are Millennials, Gen X and baby boomers tourists post misleading information on their trip in the ration of 36%, 15% and 5%, which in turn provide false data to analyse and affect the business. Travel industry fraud is another issue. Scams are on the rise in hotel industry, there are about USD 4 billion misleading hotel booking happening every year. There are 8-25% false decline happening in the online travel business every year and due to the suspected fraudulent activities airline industry need an addition review of their 26% of booking annually.

Check Your Progress - 1

- 1) What do you understand by digital marketing?

2) Why tourism related companies use digital platform for marketing their services and products?

16.10 LET US SUM UP

The influence of digital media is important to consider in tourism and service marketing. A well designed and systematically used digital media space will increase the reputation and visibility of the company and hence to attain more business deals. The main advantage of digital marketing is its ability to reach targeted customers in a cost effective and measurable way. The success of the use of digital media always relayed on the trust, accuracy and quality content together by continuous reviewing and follow up of the digital media. Although, digital media has disadvantages, especially in service business such as it need specific skills and training, time consuming, security and privacy issues, also sometimes negative publicity due to customers feedback in case anything goes wrong, it can go viral, a well-planned, developed and followed up digital marketing space always bring value , reputation and increased patronage of potential tourists.

16.11 ACTIVITIES

ACTIVITY I

Identify a travel industry website and discuss its advantages and disadvantages.

ACTIVITY II

Conceptualise a travel business and develop its digital marketing plan.

References

SOFRONOV, B. (2019). The Development of Marketing in Tourism Industry. *Annals of SpiruHaret University. Economic Series*, 19(1), 117-127.

<https://martech.zone/social-media-statistics-travel-vacation/>

<https://digitaldimensions4u.com/advantages-and-disadvantages-of-digital-marketing/>



ignou
THE PEOPLE'S
UNIVERSITY

Structure

- 17.0 Objectives
- 17.1 Introduction
- 17.2 Tourist Destination Planning
 - 17.2.1 Major Elements of Destination Planning
- 17.3 Need of Destination Planning
- 17.4 Approaches of Tourism Planning
 - 17.4.1 System Approach
 - 17.4.2 Comprehensive Approach
 - 17.4.3 Integrated Approach
 - 17.4.4 Sustainable Development Approach
 - 17.4.5 Community Approach
 - 17.4.7 Implementation Approach
 - 17.4.8 Systematic Approach
- 17.5 Levels of Tourism Planning
 - 17.7.1 International Level
 - 17.7.2 Regional Level
 - 17.7.3 National Level
 - 17.7.4 Local Level
 - 17.7.5 Site Level
- 17.6 Diversification of Tourism Products
 - 17.6.1 Importance of Tourism Product Diversification
 - 17.6.2 Product Diversification Strategy
 - 17.6.3 Mini Case Study: The Rise of Vietnam Tourism
- 17.7 Let Us Sum Up
- 17.8 Key Words
- 17.9 Further Reading
- 17.10 Clues to Check Your Progress
- 17.11 Activities

17.0 OBJECTIVES

After reading this unit you will be able to:

- explain the need of destination planning
- discuss the different approaches of tourism planning
- categorize different types and levels of tourism planning
- explain the benefits of tourism product diversification in a tourist destination; and
- evaluate successful tourism planning using mini case study

17.1 INTRODUCTION

Tourism is one of the fastest growing and fastest changing industries in the World. Today, tourism is acknowledged as one of the top five export categories for as many as 83% of countries and is a main source of foreign exchange earnings for at least 38% of countries. Since tourism industry immensely contributes to the national development, employment generation, fostering international understanding and socio - cultural enhancement, it is significantly considered as an industry for national transformation. Many countries, regardless of its economic development status weigh tourism as an important contributor to their socioeconomic development. Over time, an increasing number of destinations have opened up and invested in tourism development turning modern tourism into a key driver for socioeconomic progress, through the creation of jobs and enterprises, infrastructure development and the export income earned (UNWTO, 2009). The development of tourist facilities and recreational opportunities have frequently been viewed as stimulating a major positive contribution to the national balance of payments, as a means of redressing regional disparities in incomes and employment (Wall & Mathieson, 2006).

17.2 TOURIST DESTINATION PLANNING

Tourism planning is an integral part of tourism development in any destination in order to achieve the best results and satisfy all stakeholders. A tourist destination is a holistic impression of many components and elements (Echtner & Ritchie, 1991) such as transportation,

accommodation, attractions, weather, hospitality, safety, communications etc. These include both tangible and intangible aspects of a destination. A superior synergy of destination components and elements are determining factors of successful destination development. The competency of a tourist destination is the ability to offer products and services holistically in an expected way for all the parties involved, such as destination community, tourists, travel agents, tour operators etc. Effective destination planning directly helps to increase a tourist destination's performance. Tourist Destination planning refers to the growth and maintenance of tourism industry in a given destination.

“Destination planning is concerned with anticipating and regulating changes in a system to promote orderly development so as to increase the social, economic and environmental benefits of the development process. To do this, planning becomes ‘an ordered sequence of operations, designed to lead to the achievement of either a single goal or to a balance between several goals’ (Murphy, 1985, p. 156).

“Tourist destination planning is the process of effectively enabling tourist facilities by the effective and efficient usage of resources, extending benefits to the destination community, collective infrastructure development in considering positive implication to the environment and positively contributing to the local and national economy”. Destination planning process mainly involves the coordination of public and private sectors to improve infrastructure that supports both tourism and local development”.

17.2.1 Major Elements of Destination Planning

In order to perform a successful tourist destination planning, many factors need to be considered.

They are : -

- (a) tourism resource endowment and deployment, including human resources;
- (b) qualifying and amplifying determinants including location, safety, security, costs and values;
- (c) core resources such as physiography, climate, activities, entertainment etc;
- (d) supporting factors such as infrastructure, accessibility, facilities, political will, destination policy;

(e) planning and development consisting of vision, positioning, branding, philosophies and values; and

(f) destination management such as organization, marketing, quality of service and experience, information research, finance and venture capital, resource stewardship, visitor management and crisis management.

All these factors play an important role both internally and externally to define the competitiveness of the tourist destination.

17.3 NEED OF TOURIST DESTINATION PLANNING

Tourists are attracted to a destination is primarily due to the nature of attractions, the products and services it offers complimented by how well the destinations are coordinated to offer tourism related services to the best level to the tourists. Due to the rapid growth of tourism in the World, tourist destinations are becoming more competent in terms offering their places as a leisure space with the best price and services. In order to stay competent, a destination must plan their products and services that best suit to the potential tourists' mean time the industry serves its best for the destination and communities. Therefore, a well planned tourist destination ensures long term sustainable growth and increased tourist satisfaction.

Following are the main benefits destination planning:-

1. Market Leadership

Market leadership in tourism is to prepare the destination to increase its market share through offering products and services in a competitive landscape. A market leader always increases their market share in the largest percentage of total sales in a given market through an effective planning strategy. The planning mainly focuses on brand loyalty, increase perceived value, distribution coverage, image, price, promotional spending and profit to measure the market leadership. Since destination planning increases overall competency of the tourist destination, it is important to consider strategic planning and development due to increasing competition among tourist destinations

2. Benefits Local Economy

Tourism stimulates local economic development if it is well planned. Tourism is globally recognized as one of the largest and fastest growing economic sectors. In developing countries, there is a higher emphasis on tourism as a tool for economic development and also to support local economies and poverty alleviation. In developing countries, tourism is specifically seen as a tool to promote economic development. In India, tourism industry significantly contributes to the national GDP. According to World Travel and Tourism Council (WTTC), Indian tourism generated Rs 16.91 crore (USD240billion), which is equivalent to 9.2% of the total GDP in India and supported 42.6 million jobs, which is 8.1% of the country's total employment.

3. Effective Resource Usage

The mobilization and effective use of resources are crucial to the success of their attractions, both in terms of their planning and with respect to their operational aspects. Tourism planning helps to optimize destination resources. Resources that support tourism such as water, electricity, land use, building and infrastructures, public and private transports, communications etc. are the primary supports for tourism development. A well planned tourism development optimizes and distributes these resources conducive for the use of destination communities, tourists and stakeholders of tourism.

4. Value Addition of Local and National Resources

An effective tourism planning contributes to the value addition of local and national resources. In any tourist destination, there are resources that are native to the country includes agricultural resources, natural produces, handicrafts, people and culture, food and beverages. It is evident that tourists always wish to experience the locally produced consumables. This helps the farmers, producers of handicrafts, cultural institutions, farmers to add value to their produces to sell to the tourists and generate local income through tourism development.

5. Sustainable Tourism Development

A well planned tourism development in destination helps to establish balance between economic development, environmental sustainability and socio cultural sustainability.

Sustainable development is a key to manage long term tourism growth, which benefits all stakeholders of the tourism industry. Destination planning always highlights the agenda of sustainable tourism development in the national and local policies to increase the benefits and reduce the negative impacts yet promising a quality visitor experience and local economic development.

17.4 APPROACHES OF TOURIST DESTINATION PLANNING

.....

17.4.1 System Approach

Systems approach is mainly dealt with a data driven approach, a systematic collection of data and its analysis produces the future plans of tourism development. This approach helps to set appropriate targets, impacts of tourism development based on the previous trends. Example, a data set of previous five year's tourists' arrival is a good data set to project the next year's tourist arrival, this is a good indicator for public and private sectors to plan tourism for the future such as accommodations, attractions and other supporting infrastructures and services.

17.4.2 Comprehensive Approach

Comprehensive approach analyses and plans all aspects of tourism in a broad scope. In this approach several external and internal aspects of tourism development incorporate for success. Comprehensive approach considers Internal and external organization's guidelines such as United Nations World Tourism organizations (UNWTO), World Travel and Tourism Council (WTTC) etc. are essential to incorporate local planning comprehensively in all sectors of tourism. A systematic and strategic partnership establishes with different sectors and subsectors of tourism are essentially included in the planning process.

17.4.3 Integrated Approach

Integrated approach in tourism planning incorporates all stakeholders in the destination who are directly or indirectly involved in tourism development. The overall planning and management focuses on not only for the purpose of tourism, but also to look at overall destinations welfare. Tourism development in such planning process coordinates with other destinations general activities such as people, culture and local economic development. Integrated tourism planning always involves covering state and national welfare and

development policies together fulfilling the needs of the tourism industry. The integrated tourism planning covers a wide area in order to accomplish broader results such as;

- Economic planning
- Human resource planning, including education and training
- Social and community planning
- Environmental planning
- Business planning and corporate management
- Public administration
- Infrastructure planning
- Design

Although, integrated tourism planning is considered as a complex exercise, it integrates well with tourism development and several national priorities and community welfare. An integrated planning always takes an effort to extend the benefit of tourism development to other sectors of the economy strategically.

17.4.4 Sustainable Development Approach

Tourism if not well planned, will have significant levels of adverse consequences on destination, specifically damaging the environment, society and culture. Sustainable development approach in destination planning will help to achieve development focuses mainly on tourism's contributes to environmental protection, local economic development, community involvement and community based tourism, culture and heritage preservation and sustainable commercialization together with an increased multiplier effect of tourism to the local economy. There are several destinations in the World, those are sensitive to many aspects of sustainability, and especially destinations in the tropical regions are situated mainly in a mega diversity locations, where an extraordinary emphasis on protecting the natural environment is inevitable along with tourism development, these destinations have the largest number of distribution of eco-tourism centers. While, destinations with high emphasis on culture and heritage and India is a good example of that, where the countries cultural heritages such as yoga, temples, fairs and festivals, archaeological monuments, sacred grooves, monasteries, rivers, music and dances need to be protected along with tourism development and use these features for tourism development, yet protecting its authenticity. In the case of economic development, several countries consider tourism as a

tool for economic development. Several middle income countries and Less Developed Countries (LDCs) are meaningfully leveraging tourism for their national and regional economic development. United Nations World Tourism Organization (UNWTO) established a Sustainable Tourism - Elimination of Poverty (STEP) program to increase the benefits of tourism in developing economies focusing mainly on underdeveloped economies worldwide. This project is also in line with UN sustainable development goals.

17.4.5 Community Approach

Community tourism planning approach mainly focuses on the social and political context of the destination. Its main focus is to establish a power relation for tourism development. It advocates greater destination community control over the development process. There is a considerable attention to increase the contribution of tourism to the community by creating specific tourism products such as Community Based Tourism (CBT), Rural Tourism, Agro tourism, Farm tourism are some of the established planning approaches in involving destination communities for tourism development. The planning approach differs from destination to destination depends on their socioeconomic and environmental profile and receptivity to develop tourism in a given destination. In India the states such as Sikkim's Darap and Pastanga Villages, Kumarakom in Kerala are some of the best examples of effective Community based planning approaches in India.

17.4.6 Implementation Approach

The implementation approach involves the collective efforts of various stakeholders, organizations, NGOs and departments of the various tiers of the public sector. The coordinated efforts are to develop tourism in the best possible way with a balanced partnership to practice tourism in a destination. Implementation approach is more applicable during the time of establishment of a tourist destination, which is highly emphasized as a practical approach based on the previously prepared blueprint plan. The implementation approach focuses on resource usage, accountability, transparency in decision making, rules and regulations, priorities set with developments, degree of concentration of political power structure and admiration. Implementation approach also ensures there is no conflict of interest among stakeholders, no overlapping responsibilities, bureaucracy and fragmentation among government departments, public and private authorities (Yuksel et al 1999).

Implementation approach has to ensure;

1. Public participation as proper, fair conduct of democratic government in public decision-making;
2. Public participation as a way to ensure that projects meet citizens' needs and are suitable to the affected public;
3. Developments carry more legitimately, and less hostility, if potentially affected parties can influence the decision-making process; and
4. Decisions are 'better' when expert knowledge is publicly examined

17.4.7 Systematic Approach

Systematic approach supports that successful tourism planning is essential to incorporate socio-cultural, economic, political, technological and geographical aspects. An orderly and organized programming of activities pertaining to planning and development, where short term and long term marketing, promotional events are planned in advance. Tourist projections from the past year, present and future are determined to develop necessary infrastructures and other services are projected based on the tourist arrival data. Systematic approach also involves setting the trends based on tourist demand, update the destination ahead of the existing market need and enhance the facilities needed for all stakeholders.

Check Your Progress - 1

- 1) Explain the importance of destination planning

.....
.....
.....

- 2) What / Why / How?

.....
.....
.....

- 3) Discuss

.....
.....

17.5 LEVELS OF TOURISM PLANNING

Development of tourism in the World is hierarchically coordinated in different levels from the generic to the international level to the specific to site level. Different levels are scoped to ensure that the destinations have the ability to deliver the desired services to the tourists without compromising the needs of community and the interest of the nation promoting tourism. An effective tourism planning in any tourism destination will have an effective coordination between each level. For an example, the sustainable tourism criteria of UNWTO are a guideline and coordinated effort to implement sustainability in the site level planning. Each level of destination planning also has a different scope and priorities. Every development process starts with the recognition by local/central government, in consultation with the private and public sector, that tourism is a desirable development option to be expanded in a planned manner. In order to successfully design a development plan, it is necessary to have a clear understanding of the development objectives to be achieved at national, regional or local levels.

There are mainly five levels of destination planning; each level has its own scope, priorities and directions of operations. Following are the levels of destination planning;

- International
- Regional
- National
- Local
- Site level

These hierarchical levels are mainly based on the scope extended in planning tourism in destination. In general, organization in international level and regional level will have a wide scope and generic direction of developments with the group of countries affiliated with the organization (Eg. UNWTO, PATA). However, in the national level, local level and site level destination planning is mainly directed to accomplish the priorities of the nation, state or a province. This is illustrated in figure 2.

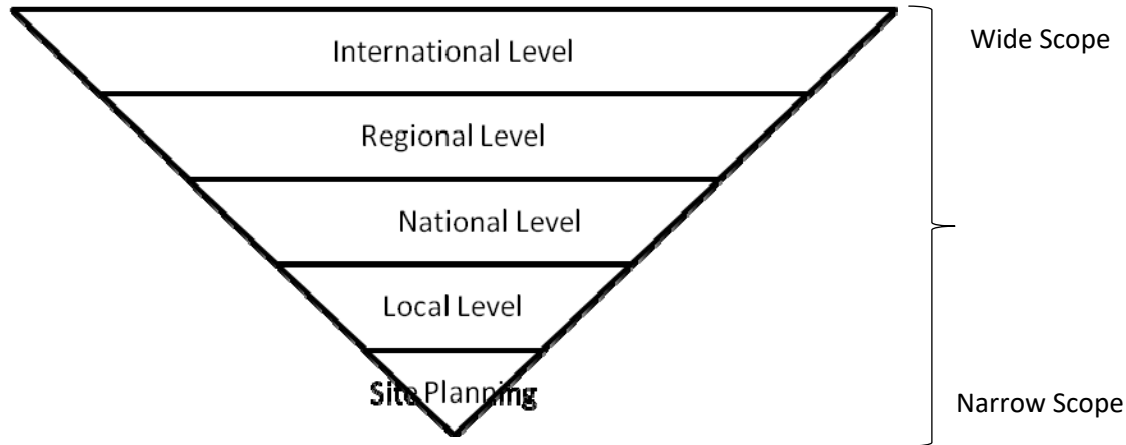


Figure 2: Levels of Tourism Planning

17.5.1 International Level

International level tourism planning involves the coordination of tourism and its related sectors in several countries in all regions of the World. This level, the agency or organizations involve in international transport services, joint marketing of tourism, consultancy services, international tourism policies and standards, education and training, marketing of tourism, statistics and analysis of trends are considered. International organizations such as United Nations World Tourism Organization (UNWTO), World Tourism and Travel Council (WTTC) are the examples of International tourism organizations in the World. Let us look at the role of these organizations for destination planning:-

1. UNWTO

UNWTO is the leading international organization in the field of tourism; UNWTO promotes tourism as a driver of economic growth, inclusive development and environmental sustainability and offers leadership and support to the sector in advancing knowledge and tourism policies worldwide. Global Priorities are:-

- Mainstreaming tourism in the Global Agenda
- Improving tourism competitiveness

- Promoting sustainable tourism development
 - Advancing tourism's contribution to poverty reduction and development
 - Fostering tourism knowledge, education and capacity building
 - Building partnerships
- (Source: UNWTO)*

2. WTTC

The World Travel & Tourism Council (WTTC) represents the Travel & Tourism private sector globally. WTTC works to raise awareness of Travel & Tourism as one of the world's largest economic sectors, supporting to create jobs and increasing Global GDP. Global Priorities are:-

- Security and travel facilitation
- Crisis preparedness
- Management and recovery
- Sustainable growth

(Source: WTTC)

17.5.2 Regional Level

Regional level tourism planning generally involves a specific geographical region consists of several countries. Organization/ association involves in the planning and development of tourism is scoped to a specific region. Regional level planning generally focuses on regional policies, infrastructure planning, regional access and transportation networks, regional tourism, marketing and promotions, education and skill training, consultancy services, trend analysis and travel documentations to facilitate tourist mobility. Major organization leading the regional tourism planning and development are Pacific Asia Travel Association (PATA), European Tourism Association (ETOA). Let us look at the role of these organizations for destination planning.

1. Pacific Asia Travel Association - PATA

The Pacific Asia Travel Association (PATA) is an internationally acclaimed for acting as a catalyst for the responsible development of travel and tourism to, from and within the Asia Pacific region. The Association provides aligned advocacy, insightful research and innovative events to its member organizations, comprising 95 governments, state and city tourism bodies, 25 international airlines and airports, 108 hospitality organizations, 72 educational institutions, and hundreds of travel industry companies in Asia Pacific and beyond. Thousands of travel professionals belong to the 36 local PATA chapters worldwide. The chapters organize travel industry training and business development events. Regional Priorities are:-

- In partnership with private and public sector members, PATA enhances the sustainable growth, value and quality of travel and tourism to-from-and-within, the region.
- The Association provides leadership and counsel on an individual and collective basis to its member organisations, comprising 95 government, state and city tourism bodies, 25 international airlines and airports, 108 hospitality organisations, 72 educational institutions, and hundreds of travel industry companies in Asia Pacific and beyond.
- PATA's Strategic Intelligence Centre (SIC) offers unrivalled data and insights including Asia Pacific inbound and outbound statistics, analyses and forecasts as well as in-depth reports on strategic tourism markets
- PATA's events create millions of dollars of new business each year for its members
- Thousands of travel professionals belong to 36 active PATA chapters worldwide and participate in a wide range of PATA and industry events.
- The PATA Foundation contributes to the sustainable and responsible development of travel and tourism in Asia Pacific through the protection of the environment, the conservation of heritage and support for education.

(Source: PATA)

2. European Tourism Association (ETOA)

17.5.3 National Level

National level tourism organization mainly scoped into a specific country, which is concerned with the development and implementation of national tourism policy, infrastructure development, destination management plans, tourism blueprint, facilities and services. National tourism plan also concerned with the quality of destination, marketing strategies and promotions, investment policies, education and training programs as well as certifications. National level planning also focuses on tourism's contribution to the national economies. In India, the national tourism organization is India Tourism Development Corporation (ITDC). Let us look on the role of ITDC for destination planning.

ITDC is the prime mover in the progressive development, promotion and expansion of tourism in the country. Broadly, the main objectives of the Corporation are:

- To construct, take over and manage existing hotels and market hotels, Beach Resorts, Traveler's Lodges/Restaurants;
- To provide transport, entertainment, shopping and conventional services;
- To produce, distribute, tourist publicity material;
- To render consultancy-cum-managerial services in India and abroad;
- To carry on the business as Full-Fledged Money Changers (FFMC), restricted money changers etc;
- To provide innovating, dependable and value for money solutions to the needs of tourism development and engineering industry including providing consultancy and project implementation.

(Source: ITDC)

17.5.4 Local Level Tourism Planning

Local level planning mainly focuses on a specific geographical region of a country. It can be at the state level or a province. Tourism planning at the local level involves tourism development in towns, villages, farms, rural areas and cultural sites. Local level planning focus on tourism area plans, identification of tourism potential, land use planning and planning for tourism facilities and attractions, community involvement.

The development plan focuses on policies that complement the national level planning. Examples of agencies that responsible for local level tourism planning are Kerala Tourism Development Corporation (KTDC), Karnataka Tourism Development Corporation (KSTDC).

Let us look at the role of KSTDC for destination planning.

1. Kerala Tourism Development Corporation (KTDC)

2. Karnataka Tourism Development Corporation (KSTDC).

- To take over, develop and manage places of tourist interest in the state of Karnataka and elsewhere.
- To promote tourism by all ways and means and to adapt such methods and devices desirable and necessary to attract tourists in large numbers.
- To establish Art Galleries for the exhibition of paintings, engravings, sculptures etc.
- To establish and administer a hotel development fund and to render financial to other entrepreneurs.
- To carry on the business as proprietors and publishers of newspapers, journals, magazines, etc. to promote Karnataka tourism.
- To carry on the business of producers, distributors, and exhibitors, of cine films documentaries and the like. *(Source: KSTDC)*

17.5.5 Site Level Planning

Site planning involves planning of a specific attraction, location of buildings and structures, recreational facilities, conservation and landscape areas and other facilities carried out for specific development sites such as tourism resorts and may also involve the design of buildings, interior designs, structures, landscaping and engineering design based on the site plan.

17.6 DIVERSIFICATION OF TOURISM PRODUCTS

Tourism products are the foremost and key part of attracting tourists to a particular destination. The diversification of tourism products across the destinations is crucial for the competitiveness of a tourist destination. Product diversification in a destination is also a key element of marketing, promotion and tour operators sell the key features of a destination. Today's tourists have a pretty good vacation experience and have a deep knowledge regarding destinations and accommodation. This led tourists to become more selective and critical in choosing a destination for their leisure trip. A touristic product is successful, if it answers the needs of the tourists. In this context, both the tour operators and the destinations are in search of continuous and new touristic products. While these products are preferred to have increased added value and to be applicable all year round from the viewpoint of the tourism actors (Ergüven, 2015). Destinations are considering diversification of tourism products as a way for destination development strategies. A successful tourism product diversification always comes up with a careful destination planning.

“Tourism product diversification is the process of widening tourism resources across a destination with varied range and enhanced value”

The process of diversification of the tourism product in a destination consists of

- (a) Identifying tourism product features,
- (b) Analyzing tourism product supply, and
- (c) tourism demand and product use.

The interconnectedness of analyzing the product diversification process is illustrated in figure 1.

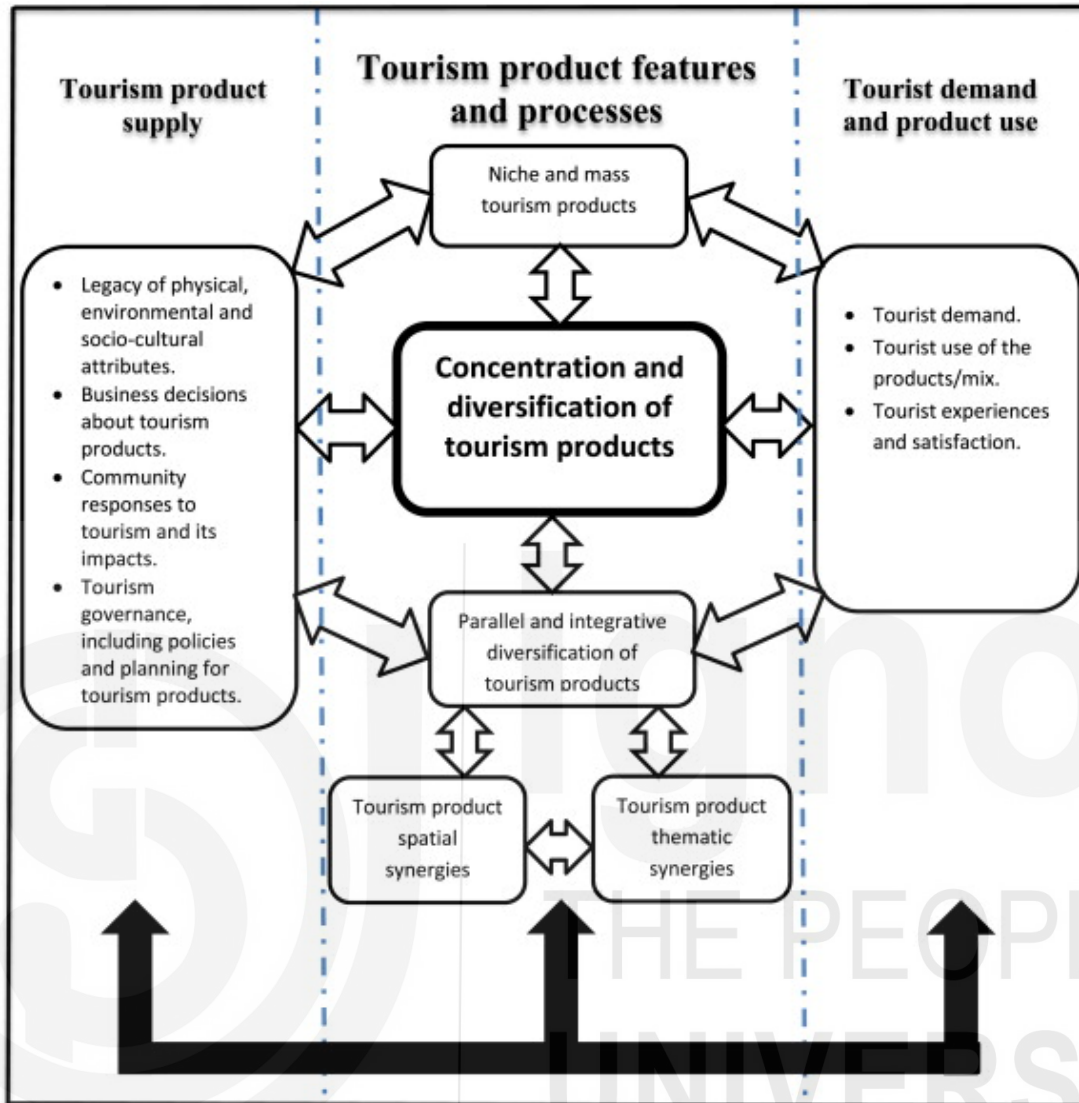


Figure 1: Tourism Product Diversification Process

Source: Benur, A. M., & Bramwell, B. (2015), Tourism Management

There is an efficient and effective coordinated effort is necessary to accomplish diversification of the tourism product in a destination. The major process for establishing product diversification is as follows;

1. Partnership between government and private sector
2. Carry out market analysis of tourism products, discerning the existing products
3. Who are involved in current activities and then think of what innovations to be promoted.
4. Expand into new products beyond the existing ones.

17.6.1 Importance of Tourism Product Diversification

Tourism product diversification enables the destination to plan for the future market demands and to accomplish destination competitiveness. Tourism product diversification offers varied and customized experience products, flexibility in the planning and design of the destination experience and competitiveness through creating more complementarities, synergies, and economies of scope (Weidenfeld, 2018).

Benefits of Tourism Product Diversification

Following are the direct benefits of tourism product diversification

1. Diversifying tourism attractions and products to boost revenues generated from the sector
2. Expand into new products beyond the existing ones.
3. Value addition of tourism product in a destination
4. Increase visibility of the destination with a wide spread of tourist attractions
5. Increase market leadership
6. Enhance internal and external competitiveness

17.6.2 Product diversification forms and Types

Firstly, the destination taking initiatives to diversify the tourism product focuses on a wide geographical region of a country. Within the area, the destination tries to establish a combination of tourism types widely distributed in the interest of the tourists. This wide geographical distribution helps to develop tourism consistently throughout the country and yielding benefits of tourism development simultaneously in all places. Secondly, in product diversification, tourism planning mainly influences the combination of packages (eg. heritage trail, eco-tourism trail, cultural village, living museum or a combination of eco and cultural tourism) etc. Product diversification also prioritises value addition to the local products and services (eg. Gastronomic cuisine, farm tourism, etc.). Typically, when a tourist spends his/her holidays in a destination, he/she does not consume a product of only one supplier, but a bundle of services as a whole (Kaspar 1991). A lot of different service suppliers participate in creating a tourism experience (Weiermair, 2006). The diversification of tourism product therefore benefits establishing equilibrium among different stakeholders at the destination.

17.6.3 Mini Case Study: The Rise of Vietnam Tourism

Comparatively a new tourist destination, Vietnam's foreign visitor numbers rose 19.9 percent to a record 15 million last year, putting it 10th in the list of fastest growers. Vietnam National Administration of Tourism (VNAT) is prioritizing a long term plan for product diversification to increase tourist visit. In 2019, Vietnam named among World's fastest growing tourist destinations. According to United Nations report, Vietnam is the only country in South East Asian country among 10 World's fastest growing tourist destinations (Apart from existing products,

Product Diversification Strategy

Vietnam proposes to develop MICE (Meeting, Incentives, Conventions, and Exhibitions), cruise, community-based, agricultural, ecological tourism, and art performances. In order to attract more tourism focusing on product diversification strategy, Vietnam pay attention to ensuring the safety of tourists, building Ho Chi Minh City into a safe and friendly destination and urging each citizen to serve as a tourism ambassador of the city. For developing high-quality workforce training, Vietnam National Administration of Tourism (VNAT) proposed invite foreign experts and organizations in the city to offer hospitality training up to international standards. This initiative also helps to improve the quality of existing tourist products, complete the strategy and master plan for tourism development till 2030, also emphasize on the rearrangements of key product strength of the country's cultural tourism in communities, thereby enabling visitors to understand more about local lives and culture.

Check Your Progress - 2

1) Distinguish between Regional and National Level tourism planning .

.....
.....
.....

2) What do you understand by tourism product diversification?

.....
.....
.....

3) Why tourism product diversification is important?

.....
.....
.....

17.7 LET US SUM UP

Since tourism industry is growing rapidly in the World, many courtiers recognized the role of tourism for national building inclusive of socio economic and infrastructure development. Tourism is highly valued as a vehicle for international fostering and building relationship between people and communities. To develop tourism, destination planning is the first and foremost step to place the destination's position in the international tourism market and to attract tourists. Different geographical region has different strength in its resource and product distribution. Success is based on how efficiently and effectively the destination diversifies its product through destination planning and its ability to fulfil the industry trend and tourist demand. This chapter disused in detailed about the functions and process of destination planning atall levels.

17.9 FURTHER READINGS

- Liburd, J. J., & Edwards, D. (Eds.). (2010). *Understanding the sustainable development of tourism*. Oxford: Goodfellow.
- Yüksel, F., Bramwell, B., &Yüksel, A. (2005). Centralized and decentralized tourism governance in Turkey. *Annals of tourism research*, 32(4), 859-886.
- Yüksel, F. I. S. U. N., &Yüksel, A. T. I. L. A. (2000, June). Tourism Plan Formulation and Implementation: The Role of Interorganisational Relations. In *First International Joint Symposium on Business Administration, Challenges for Business Administration in the New Millennium*.
- Andriotis, K. (2001). Tourism planning and development in Crete: Recent tourism policies and their efficacy. *Journal of Sustainable Tourism*, 9(4), 298-316.
- Ergüven, M. H. (2015). Product diversification in tourism and wellness tourism: investigation in the scope of German tour operators' catalogues of the change between 2004-2014. *Journal of Academic Social Science Studies*, (36), 223-234.

- Benur, A. M., & Bramwell, B. (2015). Tourism product development and product diversification in destinations. *Tourism management*, 50, 213-224.
- Weidenfeld, A. (2018). Tourism diversification and its implications for smart specialisation. *Sustainability*, 10(2), 319.
- Weiermair, K. (2006). Product Improvement or Innovation.
- <https://www.unwto.org/about-us>
- <https://www.wttc.org/about/>
- <https://www.pata.org/about-pata/>
- <https://www.kstdc.co/>
- <https://www.coursehero.com/file/p31t19v/The-Tourism-Planning-Process-7-P-a-g-e-Levels-of-Tourism-Planning-Tourism/>

17.10 CLUES TO CHECK YOUR PROGRESS

Check Your Progress - 1

1. See section 17.2.3 and frame your answer
2. See section 17.3.1 and frame your answer
3. See section 17.2.4 and frame your answer

Check Your Progress - 2

1. See section 17.4.1 and frame your answer
2. See section 17.4.5 and frame your answer
3. See section 17.6.1 and frame your answer

17.11 ACTIVITIES

ACTIVITY I

Form groups and identify any three examples of diversification of tourism products in India.

ACTIVITY II

identify the major role played by any local or site destination planning and development body in our city. List the activities undertaken by them.



UNIT 18 DESTINATION MARKETING

Structure

18.0	Objectives
18.1	Introduction
18.2	Destination Marketing
	18.2.1 Defining Destination Marketing
	18.2.2 In an Association's Perspective
	18.2.3 Benefits of Destination marketing
	18.2.4 Local Economic Development
	18.2.5 Transportation Infrastructure and Increased Mobilities
	18.2.6 Better Destination Publicity
	18.2.7 Residents' Quality of Life
18.3	Destination Marketing Organizations
	18.3.1 Types of DMOs
	18.3.2 Roles of Destination Marketing Organizations
	18.3.3 Coordination and Integration
	18.3.4 Leadership and Coordination
	18.3.5 Research and Planning
	18.3.6 Product Development
	18.3.7 Marketing and Promotion
	18.3.8 Partnerships
	18.3.9 Community Relations
18.4	Marketing Mix
18.5	Determining Demand
18.6	Tourism Market Segmentation
18.7	Tourism Marketing Process
18.8	Collaborative Marketing Approach
18.9	Strategic Destination Marketing
18.10	Contemporary Marketing Using Social Media as a Tool
18.11	Let Us Sum Up
18.12	Activities

18.0 OBJECTIVES

After learning this unit, you will be able to:

- Explain various destination marketing strategies in tourism.
- Outline the importance of social media marketing strategies in tourism.
- Describe marketing mix and its application in destination marketing.
- Discuss the role of Destination Marketing Organizations in marketing destinations.

18.1 INTRODUCTION

There is an increased demand for destination marketing, due to rising customer expectations and growing competition between destinations (Pike, 2004; Scott et al., 2000; Marios & Vasiliki, 2007) and statistics shows that tourism is one of the top five export categories for as many as 83% of countries and the main source of foreign exchange earnings for at least 38 percent of countries. According to the present data the 10-year annualized growth forecast of economies all over the world (for 2006-16) is 4.2% per annum, demonstrating an outlook for strong long-term growth (WTTC, 2008). Over time, an increasing number of destinations have opened up and invested in tourism development turning modern tourism into a key driver for socio-economic progress, through the creation of jobs and enterprises, infrastructure development and the export income earned (UNWTO, 2009). The development of tourist facilities and recreational opportunities have frequently been viewed as stimulating a major positive contribution to the national balance of payments, as a means of redressing regional disparities in incomes and employment (Wall & Mathieson, 2006). Acknowledging the positive impacts created by tourism industry, it is inevitable to strategize tourism industry in all nations to enhance the demand and accomplish market leadership. In every country excepted artificially created leisure and recreation resources, several natural, cultural, social and historic related unique tourism product that is leading the current trends of tourism needs to be promoted and marketed strategically to ensure that the country's supply side is well established and its unique features are added values in the demand side strategically.

18.2 DESTINATION MARKETING

In view of the complex characteristics of tourism phenomena, such as intangibility, perishability, inseparability and temporality, researchers generally considered tourism marketing is quite complex compared to many other industries. A unique feature of tourist destination is the involvement of a large number of sectors, subsectors and diversified stakeholders, termed as “destination mix”, which is an established unique relationship found in the ‘hospitality and travel industry involving, tourist attractions and events, tourist facilities, infrastructures, transportations, amenities and hospitality services (Morrison, 2018). These days the places which are more likely to be the major hot spot for attracting visitors are the places known well outside in terms of a touristic representation of places in a country. Successful marketing always creates a well-known where the voices of the destination heard in the existing and potential market of the tourist generating region.

18.2.1 Defining Destination Marketing

“Destination marketing is about engaging with key players in order to drive awareness of the destination, thereby driving interest so that people visit the destination. It is about finding creative ways of communicating the destination’s value proposition, therefore creating the reason for people to visit your destination” (Thulisile, 2019).

18.2.2 In an Association’s Perspective,

“Destination marketing is the process of communicating with potential visitors to influence their destination preference, intention to travel and ultimately their final destination and product choices. Destination marketing is a major part of the ‘Implementation’ process; it is the articulation and communication of the values, vision and competitive attributes of the destination. The actions implemented in the destination marketing phase

should be underpinned by the findings of the ‘Destination Planning’, process and the subsequent ‘Destination Development’ activities” (PATA, 2020).

In a notable and leading association like PATA’s perspectives on destination marketing involves several features that are linked with major attributes of tourism, which consists of; (a) identifying appropriate visitor market that fits the profile of the destination; (b) strategic destination plan; (c) accomplishing brand leadership; (d) engage and involve tourism stakeholders to establish key marketing activities designed by the Destination Marketing Organizations; (e) destination promotion and advertising activities; (f) strategize, design and enable sales and distribution channels; (g) development of corporate marketing programmes to encourage leading stakeholders; (h) innovate marketing plans through cutting-edge marketing platforms such as advanced technologies; (i) establish destination brand campaign, which is conducive to all stakeholders, including the destination community to encourage sustainable tourism development (PATA, 2020). The destination marketing plan of PATA is mainly with a broader perspective of the whole development of tourist destination that benefits the nation’s socio-economic development and prosperity of tourism sectors, sub sectors and stakeholders’ of tourism industry.

18.2.3. Benefits of Destination Marketing

An effective marketing strategy and its implementation will contribute a significant level of benefits to a destination. In general, an effective marketing strategy will increase the tourist visit and enable increased average length of stay, which primarily injects money into the total travel account of a country and contributes towards national Gross Domestic Products (GDP). Apart from this visible positive benefits, there are several benefits that are evident in destinations through marketing strategies.

18.2.4 Local Economic Development

Tourists bring monetary values to the destination, and effective marketing efforts bring more number of tourists that strategically distributed to different locales of a nation. Which will have economic benefits that spreads throughout the country, every additional tourists through a proper marketing efforts add economic benefits to the nations by their spending. The more number of foreign tourist always contributes significant level of economic benefits to the national GDP through the total travel account of a country. In addition to this benefit, some specific economic benefits to the nations through taxes and increased employment solve several socio economic issues of a country and increases the quality of life.

18.2.5 Transportation Infrastructure and Increased Motilities

Strategic marketing and implementation increases the tourist flow, if the destinations are widely distributed all over the country, tourism marketing has a spill over effect of improved transportation infrastructure to main attractions located both urban and rural areas, which add values to the local mobility and improve transportation infrastructure.

18.2.6 Better Destination Publicity

A destination with featured tourism products and services helps to improve the visibility of a destination, and eventually will accomplish destination reputation. Such destinations attract more number of tourists and eventually to attract more workers and investments in tourism, the marketing efforts further help investments and overall national development.

18.2.7 Resident's Quality of Life

Since tourism consist of several stakeholders, the benefits of tourism also passes through different sectors of the economy. Generally tourism industry has measurable direct, indirect and

induced impacts, which even reach to the local residents those involved or not involving in tourism related business. This multiplier effect always helps for a fair distribution of economic values in different sectors of the society resulting improved Quality of Life for residents.

18.3 DESTINATION MARKETING ORGANIZATIONS

A country's marketing strategies, planning and implementation efforts are mainly driven by the Destination Marketing Organizations (DMOs). DMOs is also called as Convention and Visitor Bureau. The main role of DMOs are to promote and market attractions, hotel sectors, tourism services, transportation services, retailers of tourism establishments, restaurants, Meeting , Incentives, Conventions and Exhibitions (MICE) and other tourism related services.

18.3.1 Types of DMOs

Depends on the scope of functions and nations economic strategies, the DMOs are classified as Public or Private, and also based on the scope of its functions such as local, state level, national level and regional level. The following table shows the level of Destination management Organisations (DMOs) based on the scope of functions.

Level	Scope and Functions	Example
District Level	Promotion and marketing of tourism in district level	District Tourism Promotion Council (DTPC)
State/ territory level	Promotion and marketing of tourism in Delhi	Delhi Tourism and Transport Development Corporation
National Level	Promotion and marketing of tourism in National level	India Tourism Development Corporation

Apart from the above national example, the Pacific Asia Travel Association (PATA) is a regional level association responsible for the development of travel and tourism in Asia Pacific region. United Nations World Tourism Organization (UNWTO) is responsible for the promotion of tourism in the Global level.

18.3.2 Roles of Destination Marketing Organizations

Destination Marketing Organizations perform several roles, the major roles can be classified in to three different areas such as services for visitors, tourism product development as well as operates as an interface between public sector tourism initiatives and private sector businesses delivering tourism (McCamley, Gilmore & McCartan-Quinn, 2012). The major roles of a DMO are listed as follows;

18.3.3 Coordination and Integration

One of the main roles performed by the DMO is coordination and integration of 'destination mix' in destination. The destination mix consists of attractions, infrastructure, transport services, events, food service establishments and hospitality services, etc. coordination of those stakes owned and managed by both public and private sectors. They are scattered throughout the world and spanning many different organizational sizes and types (Timareva, Arabska & Shopova, 2015).

18.3.4 Leadership and Coordination

The DMOs are tasked to take the lead in developing and exercising quality of tourist destination. By coordinating the efforts of all stakeholders DMOs will lead major development activities including product development, branding and marketing of tourism to the target market.

18.3.5 Research and Planning

Another important role of the DMO is research and planning. DMOs are continuously engaged in analysing tourism trends, market force changes, trends and benchmarking the developmental, promotional and marketing activities of the competitor and innovate the destination to ensure that the destinations are constantly updated based on the demand and the state to ensure market leadership.

18.3.6 Product Development

Every destinations is rich of resources. However, it's important to look on value addition of the resources and bring it for touristic acquisitions. Cultural, heritage tourism are some example of

that. The major function of DMOs in this regard is to identify tourism potential of those new resources that fits tourist need and market it well for potential market attention. The main components in the overall product consist of;

- a. Attractions and environment
- b. Facilities and services
- c. Accessibility
- d. Image of the Destination
- e. Price

All the above are classified into three categories such as

The core products: They are the essential services to meet the needs of tourists

Tangible products: A specific offer for sale stating what a customer will receive out of his spending

Augmented products: All forms of added value product offer to make the core product more attractive than competitors.

18.3.7 Marketing and Promotion

Marketing and promotion are the key function of DMO. It's important to voice out the potential of tourism to the target market, destinations Unique Selling Points, hospitality services, infrastructure and for all the reason a potential tourist would take a trip to a specific tourist destination. Major marketing and promotional activities of a DMO is as follows.

18.3.8 Partnerships

Partnerships are essential to the growth of the tourism industry. DMOs are the agency to take the lead in establish partnership with stakeholders within and outside the county. The partnership helps to enhance collaborative efforts and establish mutual benefits between destinations and major stakeholders. Examples: Hotels partnerships, combining packages with more than one destination, etc.

18.3.9 Community Relations

A good relationship between local hosts and tourist is essential for the long term development of tourism destination (Crompton, 1998). The relationship between host communities and tourists are important parameters to establish sustainable tourism development. DMOs role in this regard is work with destination communities to involve them in tourism related business activities and engage them in promoting and building community tourism activities and to ensure that the benefits of tourism is appropriately reached to the destination communities.

18.4MARKETING MIX

The marketing mix explains the set of actions, or tactics, that a company uses to promote its brand or product in the market (). A typical marketing mix consists of 4 Ps such as Product, Price, Promotion and Place. A successful marketing strategy of a tourist destination consists of appropriate balancing of the 4Ps and competitively launching the value to the target market.

Product: The product is based on customer value, the perceived benefits provided to meet the needs and wants, quality of services received and the value for money.

Price: Price is the cost applicable for a tourism service, the price must be competent and comparable with competitors and the customer has to acknowledge that the service rendered is value for the money they spent. Price is a supply side decision, however, it must be focused on the ability of consumer spending.

Promotion: Promotion is the effective communication to the target market, it's important to ensure that the destination and the services are actively voiced out and reach to the potential tourists.

Place: A place meant for convenience, simply ensuring there is a proper access to the product and services through different modes.

18.5DETERMINING DEMAND

There were 1.4 billion tourists travelled across the different tourist destination in 2019. In fact the mobility patterns vary between countries and geographical region. This variation indicates there are several factors influencing the visitors to choose and make decisions on their specific choices. This variation can be explained in determining the demand of a specific tourist destination by several criteria, which is explained below.

Economic Factors: Economic factors are explained by affordability, markets are segmented based on economic capabilities. Example, there are tourists who looks to travel to an expensive or moderately expensive tourist destination. Depends on the discretionary income they will choose a place where they want to go.

Demographic Factors: Demographic factors consist of personal data comprises of age, gender, marital status, employment, education, etc. there factors are important indicators of demand.
Geographic Determinant: Access to and from the destination and generating region, location of the destination in a specific geographic region is a determinant of demand.

Social Cultural Factors: It's not necessary that all societies and community seem tourism in the same way. In some countries travel is part of their culture, however, in other case, traveling is a wastage of money, or in other contrasts leisure and recreation is not formed as part of their culture.

Mobility: Mobility is an important determinant of tourism, although the various factors of the visit are favourable such as discretionary income and time, mobility and related infrastructure can some time a constrains. Example, emerging nations are highly promoted through Low Cost Carriers (LCC), in fact, those destinations with less access in emerging economies sometimes can differ the demand.

Regulatory Factors: Travel regulations stipulated in countries are a major determinant of demand. It is not unique in all countries. Travel opportunities are regulated differently in different countries. This includes travel formalities, immigration requirements, travel documentations and validity and regulation to travel overseas destinations.

Communication and Technology: It's also important to think about the access of voice through different channels of communications. A well-established destination and potential market place with advanced technologies will have more visibility on the travel demand and those factors will encourage and motivate to pull and push the potential tourists to a specific destination. In these days, Artificial Intelligence (AI), Virtual Reality (VR), Social Media are some of the significant influencers in changing tourist demand in decision making.

18.6 TOURISM MARKET SEGMENTATION

Every tourist is different. Every tourist feels attracted by different tourist destinations, likes to engage in different activities while on vacation, makes use of different entertainment facilities and complains about different aspects of their vacation (Dolnicar, 2020). It's not necessary that all the world is the market place for all destinations, tourists have different tastes, interests and motivations to travel different destinations. Based on this and effective strategies to know who is the potential market is inevitable. This strategic tourism market segmentation will help to knock the marketing strategies at the right market and customers. There are four different types of market segmentation explained in tourism marketing.

“Market segmentation is defined as the process of dividing a market of potential customers into groups, or segments, based on different characteristics” (Ma'am).

With this the Tourism Marketing Organizations (DMOs) or responsible bodies can implement marketing strategies for the selected market segments effectively. Following are the major segmentation for tourism marketing in destinations.

- a. **Geographic Segmentation:** Grouping of potential tourists based on their location. Appropriate marketing strategies can drive to such market to increase potential tourist attention.

- b. **Psychographic Segmentation:** Psychographic segmentation is another important strategy in tourism market segmentation. In this segmentation, a study will be conducted to identify, how people live, their priorities and interests, preference of travel, approach and attitudes in visiting different places and spending patterns.
- c. **Demographic Segmentation:** Demographic segmentation of the tourism market refers to demographic factors that can influence travel decisions such as age, gender, ethnicity, family type and size, education, income and family situations.
- d. **Socio Cultural Segmentation:** Socio cultural segmentation is another important segmentation strategy in tourism. This segmentation refers to religion, social class, status and family life style etc.
- e. **Product Related Segmentation:** In these days, product related market segmentation gains more attention, people have different interest and expectations in the services offered in a destination. The way the services they expect and delivered including both quality and quantity, image of the destination determine the preference of travel.

18.7 TOURISM MARKETING PROCESS

Destination marketers must create and manage a compelling and focused market position for their multi-attributed place in a dynamic environment (Moksnes, 2020). Strategically designing market process will help the destination to accomplish the expected result. A well-structured process by measuring its accomplishment by phase will help the destination to ensure the marketing efforts are well paid off. Due to the increasing competition among tourist destinations and significant changes of the trend in the market, a strategic process approach brings values in all sense in designing marketing efforts for destination marketing. The major process of destination marketing is described as follows.

Whether a product marketing and service marketing, an effective marketing following several processes. In tourism destination marketing, the following process is formulated in order to implement the destination marketing plans.

Market Analysis: Market analysis is a thorough analysis of the situation, specifically analysing the market demand. Through this process the Destination Management Organizations (DMO) will be able to identify the opportunity of the destination to fulfil potential tourists' needs. Market analysis involves past, present and future situation both internal (destination) and external at the potential marketplace. Analysis such as SWOT (Strength, Weakness, Opportunity and Threats) or PEST (Political, Economic, Social and Technological) some of the common techniques adopted in order to analyse the market situation.

Marketing Strategy: Once the DMO analyses the market situation, the next step is to devise marketing strategy. Based on the market research, marketing strategy allows to target a specific market for positioning the product and services based on segmentation. In a general marketing strategy involves (a) segmenting, (b) targeting, (c) positioning, (d) and designing value proposition in the identified market.

Marketing Mix : In the marketing mix, the tourism marketing organization will customise the product and services that suit the selected market, confirm the pricing and identify the distribution channels. Also, promotional campaign will start at this point.

Implementation and Control: In this process, the destination will be formally introduced to the potential market for buying. A close monitoring will be carefully done throughout the process. The elements of the marketing mix will be adjusted based on the changes in the market and necessity to control the demand in the market (NetMBA, 2020).

18.8 COLLABORATIVE MARKETING APPROACH

Due to the increased competition among destinations and by region, very few destinations are able to hold the marketing their own by promoting themselves in isolation as there are several emerging and new destinations to boom in the different parts of the World. Indeed, small destinations are the one have major disadvantages to create visibility. Collaborative marketing is a joint effort taken by one or more destinations in a region. This will enhance regional visibility

and potentially able to compete with big players together to offer a wide variety of attractions and hospitality experiences packaged in more than one destination in a trip. Collaboration among visitor attractions can be potentially takes a number of different forms such as sharing of resources, identify areas of mutual benefits, achieve economies of scale, collectively promote generic appeal of the region.

Advantages of collaborative marketing

- a. Opportunity for attractions collectively to brand, theme and package the visitor attraction product within the geographic area (Fyall,2008)
- b. Benefits to be derived from the pooling of tourism resources such as time, finance, expertise, skill development (Fyall,2008)
- c. Reduce individual risk and uncertainty through the sharing of marketing information (Fyall,2008)
- d. Enhance the promotion of attractions and disseminate campaign theme through various channels of distribution (Fyall,2008).
- e. Joint marketing campaign, conduct joint research for marketing (Fyall,2008).
- f. Collective representation of destination with major tourism associations, public and private sectors and various stakeholders (Fyall,2008).
- g. Harmonising the objective of destination marketing and promotion in small, medium and large sized visitor attractions (Fyall,2008).

Despite the many benefits mentioned above, there are some expected potential disadvantages are also experienced in collaborative marketing, such as;

- a. Mutual distrust and perceived negative perception among attractions with contrasting visitor numbers(Fyall,2008).
- b. Potential internal competition leading to tension between competitive and collaborative forces in the market place(Fyall,2008).
- c. Potential conflicts due to the failure or inability of destinations and advance at the same pace (Fyall,2008).

- d. Unhealthy competition causes internal conflicts due the extreme competition in ‘honey pots’(Fyall,2008).
- e. Possible conflicts between attractions with various ownership backgrounds and objectives(Fyall,2008).

18.9 STRATEGIC DESTINATION MARKETING

Strategies of destination marketing vary from one destination to another. However, there are several standard measures and strategies are undertaken by the Destination Marketing Organization in order to promote and market tourism both nationally and internationally. After a proper research in the existing and potential market, the DMOs responsibility is to strategize appropriate marketing and promotion strategies to build their respective destination to drive tourist traffic.

Websites: An updated and user friendly websites are indeed the first and foremost step to strategize the destination marketing. A website with appealing features such as varied information of the destination, pictures, video and appropriate descriptions, travel related information, various approved travel companies, itineraries, unique features of destinations, natural and cultural resources will definitely attract tourists. It is also to ensure that the website is trustworthy, contact information provided in the website, instant chats etc. need to be responded well in order to increase trust. It's important to remember that a well-designed and informed website is the key for the promotion and marketing of a destination.

Building the Contents with Appealing Visuals: Although there are effective websites that consists of all major information on websites and other electronic and printed media. Destination visuals and high quality video with themes are important to consider. Tourism is characterized by an intangible and non-material product. Therefore, a high-quality pictures and videos are the means of communication to convince the potential consumers.

Collaborative Partnership with Stakeholders: Tourism product or services are a combination of several services and products. Which is packaged as one for selling to the potential tourists.

Effective marketing consists of strategic packaging of all services with equal quality. It's important to network with suppliers in order to ensure that the package combinations are perfectly blended and meets the needs of the target market.

Enable Online Services

The most important transformation of tourism marketing was due to the invent of technology and its application in tourism and service marketing. Website, blogs, user generated content, reservation tools, Online Travel Agencies, smart booking tools, AR and VR technologies influence the industry to a significant level of transformation in the area of tourism marketing and promotions. More than 40% tours are booked through online due to the significant intervention of technology in tourism. It's important to ensure that our local products and services are enabled through online and customers can book it at any time anywhere in the world. This will facilitate the availability of the products and services outside the local areas for touristic consumptions.

Engage Social Media

The intervention of technologies in the tourism industry is fully acknowledged by the stakeholders. A large majority of tourists agree that social media is an important tool for vacation inspiration. Current tourists are heavy users of social media, statistically there are 52% Facebook users, 38% Instagram users and overall 75% of tourists uses social media. Therefore, social media is an important platform for tourism marketing.

Marketing Campaign

Design and develop various events to promote the destination both within and outside the countries. The campaign can be online or several real events such as travel fairs, etc. Active engagement with such campaign with target market will boost the visibility of the destination.

Customer Experience as a Key

Service quality perhaps varies from one service to another. Ensure the designing of tourism product with promoting quality. What is offered must be delivered that meets customer

expectation. Also, to ensure that the offered services go beyond the expected experience of the tourists.

18.10 CONTEMPORARY MARKETING USING SOCIAL MEDIA AS A TOOL

Social media can be a powerful marketing tool if it is managed strategically. Social media pages can be a memorable one or totally silent and unknown based on how the platform is exercised to popularise travel related products and services. There are several ways to boot the social media to get public attention and hence can be used as a powerful marketing tool. Following are some important strategies adopted by tourism stakeholders to increase lead using their social media platform.

Service providers and Destination Marketing Organizations (DMOs) to use innovative strategies to increase the shares, which helps for a wide reach to their potential customers. Several tourism related companies actively incentivizing the users to share information to various networks to increase public notice. Incentives such as vouchers for complimentary services (coffee/ tea/ snacks, etc.) or complimentary breakfast, transfers are some of the added values of the social media users who have already used a service for tourism. The goal of the service providers is to increase shares on news/ updates and honest customer experiences with your brands. Therefore the tourism establishment can increase the brand awareness and overall exposure in the general public domain.

18.11 LET US SUM UP

Due to the increasing competition and travel demand, every destination is strategizing different approaches in destination marketing. As a service industry, maintaining quality and quantity in tourism needs special attention as consistency varies in services. Also, the engagement of several stakeholders in building tourism need special attention to ensure that the qualities are consistent between service providers. The most important revolution in destination marketing in the current era is due to the intervention of 4th Industrial revolution (IR4), using Artificial Intelligence and Virtual Reality/ Augmented Reality technologies

continuously influencing Destination Marketing Organizations (DMOs) to strategies their marketing and promotional strategies using technologies, especially there is a vertical rise in the use and trust of social media in travel decision making. The influence of digital media is important to consider in tourism and service marketing. A well designed and systematically used digital media space will increase the reputation and visibility of the company and hence to attain more business deals. The main advantage of digital marketing is its ability to reach targeted customers in a cost effective and measurable way. Again, more and more emerging destinations are aggressively coming to the tourism industry to promote and market their products and services. Also, the rapidly changing market forces, Online Travel Companies (OTAs), changing consumer trends influence DMOs to devise different strategies to increase market demand in a destination. As a service based industry, establishing trust among the tourists are importance and hence, it's important to implement and offer what is promised to the tourists while visiting at the destination.

Check Your Progress - 1

1) What do you understand by collaborative marketing strategy?

2) Explain what is tourism market segmentation

3) Describe what is demand and supply

4) Explain the process of strategic destination marketing

18.12 ACTIVITIES

ACTIVITY I

Briefly discuss the role of India Tourism Development Corporation for destination marketing in India

ACTIVITY II

Design a destination marketing strategy based on your choice of destination in India

References

Fyall, A. (2008). *Managing visitor attractions*. Routledge.

Morrison, A. M. (2018). *Marketing and managing tourism destinations*. Routledge.

McCamley, C., Gilmore, A., & McCartan-Quinn, D. (2012). The role of destination marketing organisation in strategic marketing management for tourism. *Academy of Marketing*.

Timareva, S., Arabska, E., & Shopova, I. (2015). Role of destination management and marketing organizations in regional development. *Trakia Journal of Sciences*, 13(Suppl 1), 96-102.

Dolnicar, S. (in press) Market Segmentation in Tourism, in: Woodside, A. & Martin, D. (eds.), Tourism Management, Analysis, Behaviour and Strategy. Cambridge: CABI.

<https://martech.zone/social-media-statistics-travel-vacation/>

<https://digitaldimensions4u.com/advantages-and-disadvantages-of-digital-marketing/>

<https://sustain.pata.org/sustainable-tourism-online/destinations-and-communities/implementation/destination-marketing/>

<https://www.treksoft.com/en/blog/best-destination-marketing-strategies>

<https://www.linkedin.com/pulse/5-steps-destination-marketing-cathrine-moksnes>

<http://www.netmba.com/marketing/process/>



ignou
THE PEOPLE'S
UNIVERSITY