



MODULE_3 MARKETING

Lesson_3_INTRODUCTION TO TOURISM MARKETING

CONTENT OVERVIEW

What is marketing for?

What are the stages of a marketing process?

What does "value" mean for a consumer? Why is customer satisfaction so important?

Philip Kotler, one of the world's leading experts on the subject, gives this definition of marketing: "Marketing is not just a business function, but a way of thinking. Its main task is to provide real value to the consumers, to encourage their purchases and to satisfy their needs".

Kotler's sentence identifies the essence of marketing in "value creation" and "customer satisfaction". Slide n. 6 invites you to study how the well-known Starbucks coffee chain has managed to broaden the reasons why you go to one of its shops: from simply having a coffee to staying at one of its tables using a reserved space and wifi as if it were a private office. And of course paying a different price depending on the services used.

In very simple words: the main task of each company is to obtain and keep satisfied customers: in fact they will return, spend, speak well with others etc. that is, they will be profitable! And keep in mind that retaining a customer costs only 20% than acquiring a new one!

Read the statement of a former Scandinavian Airlines CEO reported in slide no. 9: it is the wise judgment of those who are aware that without customers even the most magnificent and technologically advanced means of production do not ... produce profits!

In this lesson we will discuss the general principles of marketing, which will then be concretely declined on tourism topics in the next lessons.

Value creation

But what does "creating value for the customer" mean? To understand it, we must refer to the psychology of consumption: the customer must believe that the sacrifice of paying the price of a good or service is *less* than the satisfaction he will get from consuming the good or service. Sounds

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funny, doesn't it? But it is exactly what happens in the mind of each consumer: to compare the *pain* of depriving oneself of money and the *satisfaction* expected from the act of consumption! This happens because the consumer, unlike what is taught in economics courses, is **not** rational: he does not objectively evaluate costs and benefits (often he would not even know how to do it), but is based exclusively on his mental reasoning, i.e. in a completely subjective way. It is therefore absolutely normal that, for the same good / service, different consumers are willing to pay different prices according to the benefits they perceive will be able to obtain from the purchase. Some therefore are willing to pay only a modest price while others much more to get what they believe has a much greater value. Try to answer the question in slide no. 13: if you are young you will probably prefer the first option (fast food), if you are a wealthy professional almost certainly the second. Needless to say, many other factors would influence the choice: they will be better analyzed in the following video lessons.

If the company understands the value sought by the consumer, it can establish a lasting relationship with him (in other words: it will have a loyal customer) and therefore it will benefit from the value that the consumer will be willing to give him in the form of the price paid.

The marketing process

A brief representation of the marketing process can be found in slide no. 16 of the video lesson. It summarizes the most important stages of this process:

- understand and analyze consumer needs
- adopt a marketing strategy based on understanding those needs
- develop a marketing program consistent with the developed strategy
- build customer relationships and, above all, get satisfied customers.

At the end of this process, if carried out correctly, the company will be able to make a profit.

a) Understand consumers' needs

Maslow's Pyramid (from the name of the psychologist who developed it) is a schematic representation of human needs, starting from the basic ones (feeding, dressing etc.) up to the more complex ones (those connected with the desire for self-actualization). The **need** is the feeling of deprivation, of lack inducing a want and therefore the demand for the good or service necessary to satisfy it. The **wants** vary according to the local culture and traditions and to the personality of the consumer so much that even basic needs such as eating and dressing vary a lot even within the same nation. By a psychological point of view, **the want is the solution** that satisfies the need. It is up to the producers to offer goods and services capable of satisfying those wants, that is, supplying solutions to consumers. The wants are almost infinite but they turn into **demand** only if consumers can afford the costs for the purchase of the goods and services offered. Let's take a trivial example: a young girl feels

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the need to buy a new piece of clothing. The need turns into desire when she finds the item of clothing she likes, but desire turns into purchase only if she has enough money to buy it.

The company must always strive to understand consumers' wishes as much as possible, both by analyzing their behaviors (as we will see better in the next lesson) and by being materially in contact with them. In slide no. 20 is given the example of an American Airline that asks all company employees, even managers, to work at the check-in counter or as flight attendants or at baggage delivery etc.

In the next lesson we will see how it is possible to analyze consumer needs, wants and demand.

b) Marketing strategy

The needs / wants of customers are satisfied by the supply of goods and services. A product is the outcome of many elements combined together: tangible products, services, information and experiences. In the tourism industry (and in all service activities in general), the intangible components of the product are often more important than the physical product.

To define an effective strategy, the marketing manager must answer two questions:

- 1) who are our customers, or which groups, or segments (for the meaning of the word, please refer to the following lessons) of customers, are those most interested in our supply or those most interesting for the supply we have in mind?
- 2) what is our "**value proposition**", that is: what specific benefits consumers expect from the use of the product / service, how they help to solve their needs, and why they should produce greater benefits than those of the competitors?

Several are the strategies that can be adopted, but they vary, according to the number of people to which we refer, between two extremes: a mass, or undifferentiated strategy, on the basis of which it is believed that the product / service supplied can be fine to any consumer (just think of some basic products, such as sugar), up to an almost individualized marketing (allowed today by tools such as social media).

In lesson 4, this topic can be explored.

To decide the marketing strategy, 5 different orientations can be used: they are briefly described in slide no. 25. While the orientation towards product or sales focus respectively on the "quality" of the product / service or on the tools to encourage purchases, the orientation towards the customer focuses on a constant and continuous analysis of the needs of the consumers by adapting own supply to those needs

c) Marketing plan

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The marketing strategy must be translated into a plan that "mixes" the tools available to the company: as they all begin in English with the letter P, the acronym "4P" is commonly used. Simply put, every company must take decisions about:

- product: create a market offer capable of satisfying needs and wants;
- price: set the price to be paid for the product / service offered;
- place: make the offer available to consumers;
- product: communicate the offer to consumers and persuade them of its merits.

d) Building last customer relationship

We have already written that consumer loyalty is the basis of a company's success. And then a company must have a method allowing to know its customers as much as possible in order to anticipate their wishes. This method is called Customer Relationship Management (CRM). In slide no. 29 an interesting example: all employees of the Ritz Carlton hotels are called by the company to discreetly observe and record customer preferences. In this way it will be easy, for example, to supply decaffeinated coffee to the guest who had asked for it on a previous occasion thus causing a very favorable impression on the customer.

In conclusion

The lesson will have produced good results if you are convinced that:

- the real wealth of each company are its customers: they are the ones who manage to transform a "dead" capital into real profits
- the marketing process has at its starting point the understanding of the needs and wants of the target customers in order to create value, or, to put it simply, give them the clear feeling of having spent their money well!
- the company must build an offer consistent with the expectations of target customers by adequately combining characteristics (material and immaterial) of goods and services, sales prices, production and distribution methods

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