



MODULE_3 MARKETING

Lesson_5_ *TOURISM MARKETING MIX*

CONTENT OVERVIEW

What are the tools available to the company to implement its marketing strategy?

What is meant by "product" in the tourism industry?

What are the main pricing methods?

What about promotional tools?

Once the market segments representing the priority targets have been identified (and the strategies suitable to satisfy the needs and wants expressed by the consumers who make them up), the tourism company must develop its offer, and in particular must decide:

- what type of product (using the word "product" we mean either a physical product or a service) to sell, i.e to establish its physical, technical and quality features;
- at what price to sell it;
- how to get the product to its destination, i.e to give the consumer the possibility of purchasing it by establishing its distribution channels;
- how to make the product known to its potential consumers, i.e to use the promotional tools deemed most efficient among the many available.

For convenience of study and exposure it is said that a company must take decisions about 4Ps, as product, price, promotion and place (i.e. distribution) are all words beginning with the letter P. And it must combine these decisions in a mix , in a coherent set of actions good at achieving the goal: sell the product, satisfy the customer and keep it!

In this lesson we will mainly discuss product and price, making a quick final nod to promotional tools and postponing, given its importance, the analysis of the distribution systems of tourism products to the next lesson.

Product

By product we mean anything, material or immaterial (a physical object, a service, a destination ...) that can be offered on the market to satisfy a need or request for purchase, use and consumption.

A complication arises when the concept of "product" is applied to tourism. What does a tourist buy when choosing a trip? Is it really just the sum of an airplane trip, a bedroom, a dinner, a visit to a

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monument, etc.? Obviously not! As in the example of the trip to Ireland shown in slide no. 7 the tourist is buying a romantic trip if he wants to celebrate a year of marriage with his partner or a trip to discover Celtic culture if his itinerary includes stops at the main monuments of the country or a trip in search of nightlife in the capital of the island etc. It depends, as innumerable times written, on what the consumer (in this case: the traveler) wants.

In addition, the tourism product is an almost always composite product: it is not a question of buying a car or having a haircut. Could you imagine a hotel without check-in and check-out services? Even if it were totally automated, that service could not be missing. Or without the room cleaning service or the change of sheets? It is true, then, that you book a room in a hotel to sleep, but to sleep more or less well also depends on the quality of the **facilitation services** (reception, room cleaning, breakfast etc.). And if the hotelier wants to improve the perception of the quality of his hotel, he could add other services, not important as the facilitation ones, called **support services**: an very easy example is the presence of a swimming pool or a wellness center.

The tourist is therefore interested in the **extended product**, or the product which includes, in addition to the basic product (the bed) and the facilitation (room cleaning) and support services (the swimming pool), further elements such as accessibility (the convenience to reach the hotel, both in a material and immaterial sense), the atmosphere (the feeling that the premises inspire: modernity, elegance, refinement, familiarity, etc.), the customer's interaction with the hotel staff.

Atmosphere is an often decisive item in the consumer's decision to repeat the shopping experience. Items such as colors, brightness, dimensions, heat / cold, sounds vs noise, perfumes, cleanliness, state of maintenance etc. contribute to the creation of the atmosphere.

Equally decisive in the evaluation of the tourist on the experience lived, and therefore on his final satisfaction or dissatisfaction, is the **interaction of the traveler** with the staff in the stages of:

- approach: the first approach can take place already in the information request stage (when, for example, information on availability is requested by phone: how many people have a negative idea of the company because no one answers the phone or who answers is rude or does not give answers?)
- consumption: that is, all the interactions that arise whenever the consumer comes into contact with the staff but also with other consumers (eg other guests of an accommodation facility)
- detachment: the farewell time is for example the delivery of the final bill of the hotel or restaurant.

Price

Price decisions are influenced by many factors, both internal and external to the company.

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Internal factors include at least:

- the marketing goals: for example, the company could choose to keep prices low, even if not profitable, which allow it to survive, or to launch new products; on the contrary, if the competition was not particularly intense, it could decide to keep prices at a high level allowing to maximize the expected profits, etc.
- the structure of business costs
- the diversification of prices according to the trend of market demand (the so-called revenue management).

Among the external factors, they are meaningfully important:

- economic and market trends (in a period of economic recession or stagnation, consumers pay more attention to prices than in those of growing well-being)
- government policies, which through economic and fiscal policy instruments can influence the general level of prices;
- the strategies of competitors or distributors (remember that distributors are particularly important in the tourism sector).

Whatever the pricing decisions by companies, it is always and only the consumer who decides whether the price of a product is right or not. And this is even more true in the case of tourism as the price for the traveler is not that of the individual parts of the trip (the cost of the hotel or the visit to the monument or the beach) but the overall cost of the trip, including transport.

Price perception is inevitably different depending on the market segments: it is worth remembering once again that the value of a good or service is closely related to the urgency of the need that the consumer must satisfy. Nobody would indifferently go to a fast food restaurant or a gourmet restaurant just to eat, but if it happened he would do so in the first case because he has time available only for a quick lunch while in the second he would go together with his partner or friends for an important occasion. The price willing to pay would be very different for the two situations that apparently satisfy the same basic need: to eat.

The choices relating to prices, especially when you want to change them, must always take into account the fact that the quantities demanded for a product vary in the opposite way to the change in price (elasticity). The **elasticity** is of course different according to the type of product or service purchased, so the more the product is indispensable or difficult to replace the less the consumption will vary, but keep in mind that for tourism the elasticity is always high as the substitutability of the products is almost perfect.

How to fix prices? There are several methodologies:

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- **cost plus pricing:** it consists of applying a mark-up at the purchase cost: for example, a restaurant buys a bottle of wine for € 14 and sells it to customers at three times its purchase price (method widely used in the field of catering);
- **break-even point:** it is a broad and easy-to-use method in manufacturing which consists in calculating the minimum number of pieces to be produced and sold to fully cover the company's fixed costs and the variable costs incurred to produce that quantity; in the hospitality sector this criterion is often applied as well to calculate how many rooms must be sold in order to reach a situation of pure balance and to understand whether, below or above that point, there are losses or profits; an alternative method to determine the break-even point is the calculation of the **target turnover**, consisting in calculating the turnover (instead of the number of pieces sold) necessary to reach the balance between costs and revenues
- pricing on the basis of the **value perceived by the customer:** it is a rather complex method, if applied rigorously, and for this reason it is usually used by larger companies
- **going-rate pricing**, or simply setting the same prices as competitors since in most cases, the smaller enterprise have a very similar cost structure; it is the method, needless to say, by far the most used for its simplicity.

Prices can be modified according to the company's marketing strategy: for example, quantity discounts can be applied, as in the case of the lowest prices applied by a travel agency to a group of travelers; or discounts in the case of combined purchase of two or more products: this is the case, for example, of the offer of a hotel to people who book a weekend and an excursion; or discounts for people who book well in advance, as in the case of a summer cruise trip booked in winter; or an offer to launch a new product etc.

A fairly widespread pricing technique in the hotel sector (but that is spreading in other sectors of the tourism industry as well) is the so-called **revenue management**. In simple words, it is the technique of differentiating the prices of rooms (or meals) according to the elasticity of the demand of the different market segments in the high or low season. An example of prices differentiated by market segment are the tourist menus of the restaurants in the holiday resorts or the prices reserved by airlines to frequent flyers (usually businessmen).

Communication and promotion

The promotional toolbox for tourism businesses is very large: advertising on many different media (billboards, newspapers, radio-tv, internet and social media), public relations, direct marketing etc. A tool that companies in all sectors are increasingly using because it does not require large investments and is easy enough to manage is the use for promotional purposes of social media (Facebook, Instagram, Youtube etc.), Internet (websites, blogs etc.) and mobile phones (eg

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geolocation or being included in apps allowing to search for companies in a specific area, such as FourSquare or Google Maps).

In tourism industry, review sites, such as TripAdvisor, or OTAs (On line travel agencies) such as Booking, which publishes the reviews of hotel guests who have booked through its portal, or sites with content generated by same users (e.g. travel diaries or hotel sites pushing their customers to express comments and opinions through surveys, photos, etc.) are crucially important. But tourism companies have to pay close attention to the fact that electronic word of mouth can be easily manipulated, as many recent episodes demonstrate, but above all to remember that word of mouth - electronic or not - can be an excellent and cheap promotional tool but a serious danger as well since a negative judgment runs faster and easier than a positive one (marketing experts talk about “hidden killers”).

In conclusion

- marketing mix means an intelligent combination of decisions on 4P (product, price, place - intended as distribution, promotion / advertising)
- the tourism product is a product more complex than physical ones because it is made up not only of the basic product but also of those supporting and facilitating its use
- in tourism intangible elements are of fundamental importance: atmosphere, interactions with staff, accessibility
- the price cannot be fixed only on the basis of the production cost
- only customers decide whether the price of the product / service is correct

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