



CATERING AND TOURISM TRAINING INSTITUTE

SECTOR: - CULTURE, SPORTS AND TOURISM

SUB SECTOR: - HOTEL AND HOSPITALITY

HOTEL MANAGEMENT LEVEL – VI LEARNING GUIDE # 1

UNIT OF COMPETENCY: PROFILE THE MARKET

MODULE TITLE: PROFILING THE MARKET

LG CODE: CST HLS4 M13 LO1-4

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ADDIS ABABA, ETHIOPIA

This learning guide is developed to provide you the necessary information regarding the following content coverage and topics –

- Segment the market
- Identify the target market
- Profile the target audience
- Develop a positioning strategy.

This guide will also assist you to attain the learning outcome stated in the cover page. Specifically, upon completion of this Learning Guide, you will be able to –

- Segment the market according to the procedure & standards
- Identify the target market according to the procedure & standards
- Profile the target audience according to the procedure & standards
- Develop a positioning strategy according to the procedure & standards

Learning Instruction

1. Read the specific objectives of this Learning Guide.
2. Read the information written in the “Information Sheet 1” in 1-27pages.
3. Accomplish the “Self-check” in page 28
4. Submit your accomplished Self-check. This will form part of your training portfolio.
5. If you earned a satisfactory evaluation proceed to “Information Sheet 2” in page 29 However, if your rating is unsatisfactory, see your teacher for further instructions or go back to Learning Activity #1.
6. Read the information written in the “Information Sheets 2” in page 29-38.
7. Accomplish the “Self-check 2” in page 39
8. Submit your accomplished Self-check. This will form part of your training portfolio
9. If you earned a satisfactory evaluation proceed to “Information Sheet 3”. However, if your rating is unsatisfactory, see your teacher for further instructions or go back to Learning Activity
10. Read the information written in the “Information Sheets 3” in page 40-47.
11. Accomplish the “Self-check 3 ” in page 48.

12. Submit your accomplished Self-check. This will form part of your training portfolio
13. If you earned a satisfactory evaluation proceed to “Information Sheet 4”. However, if your rating is unsatisfactory, see your teacher for further instructions or go back to Learning Activity
14. Read the information written in the “Information Sheets 4” in page 49-59.
15. Accomplish the “Self-check 4” in page 60.
16. Submit your accomplished Self-check. This will form part of your training portfolio



HOUSEKEEPING AND LAUNDRY SUPERVISION LEVEL IV PROFILE THE MARKET

INFORMATION SHEET-1

LO1 SEGMENT THE MARKET

1.1 Identify & access sources of information for segmenting and profiling markets

Introduction

Marketing is indeed an ancient art; it has been practiced in one form or the other, since the days of Adam and Eve. Today, it has become the most vital function in the world of business. Marketing is the business function that identifies unfulfilled needs and wants, define and measures their magnitude, determines which target market the organization can best serve, decides on appropriate products, services and programmes to serve these markets, and calls upon everyone in the organization to think and serve the customer. Marketing is the force that harnesses a nation's industrial capacity to meet the society's material wants. It uplifts the standard of living of people in society.

Marketing must not be seen narrowly as the task of finding clever ways to sell the company's products. Many people confuse marketing with some of its sub functions, such as advertising and selling. Authentic marketing is not the art of selling what you make but knowing what to make. It is the art of identifying and understanding customer needs and creating solutions that deliver satisfaction to the customers, profit to the producers, and benefits for the stakeholders. Market leadership is gained by creating customer satisfaction through product innovation, product quality, and customer service. If these are absent, no amount of advertising, sales promotion, or salesmanship can compensate.

In today's businesses, everybody wants to achieve high profit level. In order to achieve high profit levels, we must firstly need to have customers. Customers bring in sales and through repeat purchase from these customers only we can have long term profits. Marketing basically helps businesses to achieve this. Marketing helps to identify potential customers, creating a product service that will motivate purchase and satisfy customer's needs.

Marketing in the hospitality industry

The hospitality industry is one of the major industries in the Ethiopia because it supports the growth of tourism industry. In addition, this industry also provides job opportunities for the people. Due to the availability of more and new hospitality establishments, the competition is getting more intense. This is especially visible with the industry being dominated by

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international hotel chains. In order to sustain in the marketplace, aggressive marketing skills are needed to win customers.

Marketing is more than just advertising and selling. Marketing consists of a set of marketing mix elements such as product, price place/distribution and promotion. Marketing also includes planning, research, and information system. All these will assist marketers to make decisions about the overall strategies for the business. If marketers come up with effective marketing strategies, it will result with attractive products and satisfied customers.

Marketing is a philosophy needed by all managers. Marketing is a *long-term strategy* whereby companies generate new customers and maintain existing customers through its marketing mix (product, price, place, promotion) and at the same time keeping customers satisfied. In short, the following are some importances of marketing:

- ✦ Develop new customers
- ✦ Maintain existing customers
- ✦ Keeping customers satisfied
- ✦ Maintain customer loyalty
- ✦ Save cost (cost of retaining existing customers is only 20% of the cost of generating new customers)
- ✦ Assist marketers in making better decisions

What is a market?

Originally a market was a meeting place where people could buy and sell produce, and of course this type of market still exists today. In modern societies a ‘market’ is much more complex, but retains the core principles of bringing together buyers and sellers with common interests. This modern concept of the market is based on groups of people who have similar needs and wants (actual and potential buyers or consumers), and companies that aim to satisfy the consumers’ needs and wants better than their competitors (an industry). **Needs** can range from the basic requirements for survival – food, shelter, safety – to much more complex social needs, such as belonging and recognition.

Wants are how different people choose to satisfy their needs, and are shaped by culture and personality. Hence people with similar needs, for example the need to travel for a family event and stay overnight, can have different wants – some may stay with relatives while others book their own hotel accommodation. Obviously, a major limitation on how people can satisfy their wants is the amount they can afford to pay.

Consumers have to make buying choices based on their own resources or buying power. Consumers will often buy the best bundle of benefits provided by a product, for the price that can be afforded. The combined purchase decisions of *all* the individuals buying a product (or



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service) is described as *market demand*. Market demand is normally measured using two criteria:

1. The number of units sold, which is a reflection of the number of people buying the product or service; this is called the volume
2. How much people have paid for the product; this is called the value.

❖ **Market:** Normally people understand the term market as a place where goods are bought and sold. But, in the context of Marketing, it refers to a group of buyers for a particular product or service. For example, the market for Accountancy textbooks consists of students in Commerce and specialised Accountancy Programmes; the market for ladies readymade garments consists of girls and women, and so on.

Types of Market

According to Area	According to Goods	According to Volume of and Commodities transaction
<ul style="list-style-type: none">• Local Market• Regional Market• Rural Market• National Market• International Market	<ul style="list-style-type: none">• Fruit Market• Furniture Market• Stock Market; so on	<ul style="list-style-type: none">• Wholesale Market• Retail Market

Definitions and terminology

There are as many definitions of marketing as many scholars or writers in this field. It has been defined in various ways by different writers. There are varying perceptions and viewpoints on the meaning and content of marketing. Some important definitions are:

- ❖ Marketing is a social and managerial process by which individuals and groups obtain what they need and want through creating, offering and exchanging products of value with others.
- ❖ Marketing is the process by which an organization relates creatively, productively and profitably to the market place.
- ❖ Marketing is the art of creating and satisfying customers at a profit.
- ❖ Marketing is getting the right goods and services to the right people at the right places at the right time at the right price with the right communication and promotion. Much of marketing is concerned with the problem of profitably disposing what is produced.
- ❖ Marketing is the phenomenon brought about by the pressures of mass production and increased spending power.
- ❖ Marketing is the performance of business activities that direct the flow of goods and services from the producer to the customer.
- ❖ Marketing is the economic process by which goods and services are exchanged between the maker and the user and their values determined in terms of money prices.



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- ❖ Marketing is designed to bring about desired exchanges with target audiences for the purpose of mutual gain.
- ❖ Marketing activities are concerned with the demand stimulating and demand fulfilling efforts of the enterprise.
- ❖ Marketing is the function that adjusts an organization's offering to the changing needs of the market place.
- ❖ Marketing is a total system of interacting business activities designed to plan, promote, and distribute need satisfying products and services to existing and potential customers.
- ❖ Marketing origination with the recognition of a need on the part of a consumer and termination with the satisfaction of that need by the delivery of a usable product at the right time, at the right place, and at an acceptable price. The consumer is found both at the beginning and at the end of the marketing process.
- ❖ Marketing is a view point, which looks at the entire business process as a highly integrated effort to discovery, arouse and satisfy consumer needs.

Marketer: It refers to the person who organizes the various marketing activities such as market research, product planning, pricing, distribution etc.

Seller: It refers to a person or organization who is directly involved in the process of exchange of goods and services for money. This includes the wholesaler, retailer, etc.

Buyer: A buyer is one who is directly involved in the process of purchase of goods and services. He/she is one who selects the goods, makes payment and takes the delivery.

Consumer: One who actually uses the product or service? For example, you bought a shirt and gifted it to your friend who uses it. Here your friend is the consumer and you are a buyer. However, a consumer can also be the buyer.

Customer: A customer usually refers to the person who takes the buying decision. For example, in a family, father decides on the brand of the toothpaste to be used by his children. Here, the children are the consumers and the father is the customer. A customer can also be the consumer. Similarly, the buyer may be different from the customer or one can be the customer as well as the buyer.

Virtual Market: With advancement of technology, the buyer and sellers can, now-a days, interact with each other by using Internet. This is called virtual market.

Key marketing components

To understand this definition of marketing and the marketing planning and strategy process that will follow, it is important that the learner understand some key concepts in this definition. Knowing all about customer needs is the cornerstone to effective marketing. Knowing how to develop and promote these 'offerings' is essential in ensuring customer satisfaction and business success. Following are some of the key components associated with marketing.

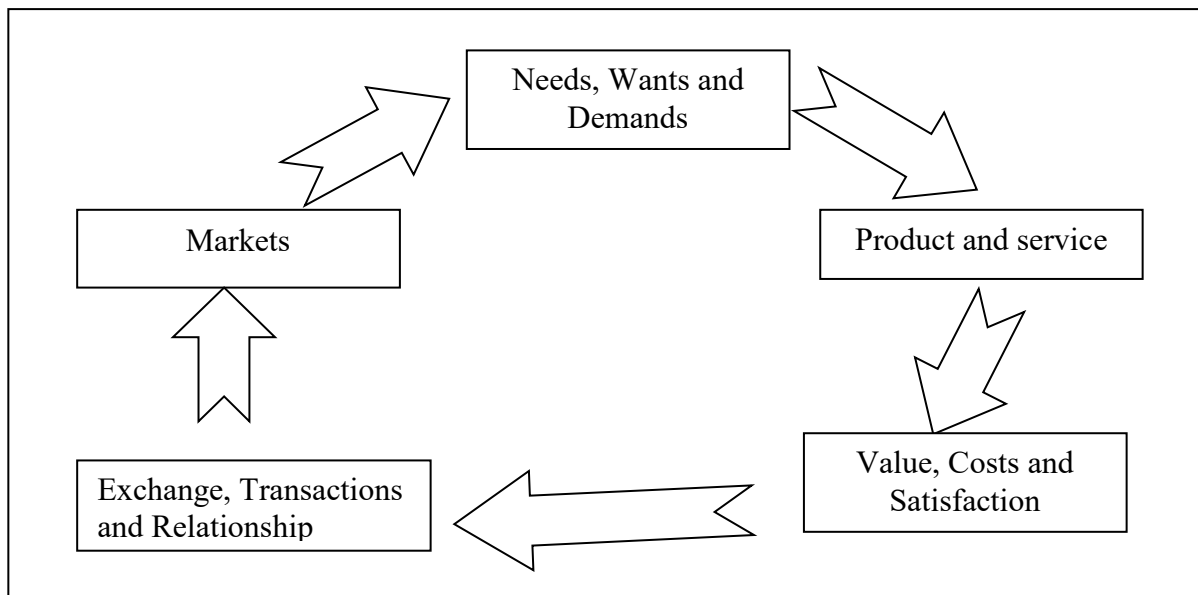


Figure 1.1: Elements of core marketing concept

Needs

These underlie wishes and expectations and are the things customers are unable to do without. They may be in a foreign town and simply cannot do without a bed for the night, a meal or beverage.

Wants

These refer to the way in which our customer would prefer to satisfy a specific need. Wants are needs which are shaped, determined and learned by the society or culture that they live in. As a culture develops, its people's wants are expanded as people are exposed to more and more possibilities of satisfying this want.

A Market

This is the set of all actual and potential buyers of a product

Products

These are physical objects, services, persons, places, organizations and ideas that can be offered to a market or individual to satisfy a need or want. The distinction between a product and service is not clear, as there are often elements of both in each. Companies need to concentrate not on the physical product itself, but rather on the benefits that they provide to the customer.



Customer value

This is the difference between the values the customer gains from owning and using a product and the costs of obtaining the product. Often customers are not very accurate at assessing value and use their own perceived value.

Customer satisfaction

This is the extent to which the perceived performance of products or services matches buyer expectations.

Relationship Marketing

This is the process of creating, maintaining and enhancing strong, value laden relationships with customers and other stakeholders.

Categories of demand

<i>Category of demand</i>	<i>Marketing task</i>
1. Negative demand	Encourage demand
2. No demand	Create demand
3. Latent demand	Develop demand
4. Falling demand	Revitalize demand
5. Irregular demand	Synchronize demand
6. Full demand	Maintain demand
7. Overfull demand	Reduce demand
8. Unwholesome demand	Destroy demand

Latent demand means that demand would exist if there were a product/service available to meet consumer needs. The development of domestic short breaks as a hotel product was originally based on consumers' increasing affluence and available leisure time. Where demand is falling, the task is to **revitalize demand**.

Irregular demand can be described in hospitality markets as the seasonality of demand. In these situations, companies strive to develop marketing strategies to **synchronize demand** over the high and low seasons, often using price-led promotions.

Full demand occurs when actual demand matches the desired demand, and the marketing task is to maintain current demand. In hospitality markets full demand rarely occurs, since competitors are likely to enter attractive markets and disturb the equilibrium. If there is too much (or **overfull**) demand, the service operation will not be able to cope and there is likely to be considerable customer dissatisfaction.

Unwholesome demand can occur when illegal activities such as drug taking, gambling or prostitution are taking place on the hospitality premises. Management clearly has a legal and



ethical duty to try and inhibit or destroy unwholesome demand; however, this can be a difficult situation when customers are willingly involved.

Market demand in hospitality

Market demand in hospitality can be broadly described under four key headings:

- 1) Business travel demand includes all those journeys business people make to meet customers and suppliers, and attend conferences, exhibitions and seminars. Business travel does not include the daily journeys people make when commuting to work.
- 2) Leisure travel demand includes journeys where people travel away from home for amusement, entertainment or relaxation – for example, holidays, weekend breaks, or same-day visits.
- 3) Domestic travel demand includes all the travel generated within a country by people living in that country –
- 4) International travel demand includes all the journeys generated to a country from people living in other countries. France is one of the most popular tourist destinations, and attracts international visitors from all over the world. Some types of travel do not fit easily into these broad categories. People often combine business and holidays in the same trip. However, these are convenient descriptions which tourist and hospitality organizations use.

Delighting the customer

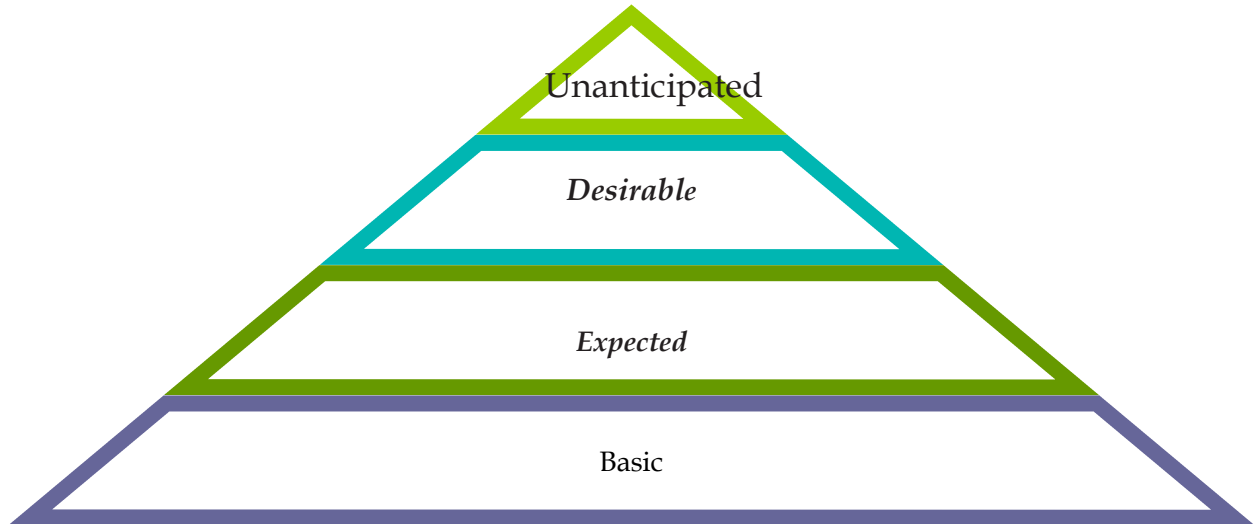
Albrecht (1992) suggests that there are four product levels that companies can offer :

- 1) At the **basic level**, a company provides essential core attributes (e.g. a clean bed) that customers need. If this basic level is not provided, customers will not buy the product. A hospitality firm that **only offers a basic level** of value is **not competitive**, and is unlikely to generate significant repeat and recommended business.
- 2) At the **expected level**, a company provides attributes that customers expect and take for granted. A hospitality company providing attributes at the expected level is only providing an average standard service; there is nothing better about the service offer compared to the competition. Customers may **only be moderately satisfied**, and there is no **motivation** to return or recommend this company.
- 3) At the **desirable level**, a company provides attributes that customers know of but do not generally expect. The friendliness of the staff, the quality of the food and the efficiency of the service are examples of attributes that customers know, but do not always expect. Companies providing the desirable offer are **competing more effectively than most** of their competitors.
- 4) At the **unanticipated level**, hospitality operators offer customers ‘**delightful and surprising**’ attributes that **demonstrate outstanding service quality**. Examples might include imaginative decor and fittings, staff who perform exceptional



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service, or cuisine with unforgettable taste sensations. Companies operating at the unanticipated level can be said to *delight* their customers with *memorable experiences*, and are achieving a significant advantage over their competitors.



The hierarchy of customer value (adapted from Albrecht, 1992)

The marketing concept

To summarize the various approaches and definitions of marketing, the following core principles can be put forward:

- ❖ Marketing is the *business philosophy* that places the customer at the center of a hospitality organization's purpose. Increasingly, hospitality companies recognize that developing long-term relationships with customers is mutually beneficial.
- ❖ There is an *exchange activity* between hospitality organizations and their customers, which should be mutually rewarding.
- ❖ The central purpose of marketing is to *manage demand*.
- ❖ Marketing is a management process that focuses on *planning for the future success* of the organization.
- ❖ There are a set of marketing tools which marketers utilize in *understanding* customer needs and wants, and in *developing* appropriate products and *services* to satisfy or delight customers.

Management orientations

Five different competing management philosophies have been identified in free market economies Called '**orientations**', some of these generic philosophies have been linked to specific economic conditions, and to certain periods in economic history. It should be noted that a hospitality organization could adopt any one of the following orientations, regardless of the economic circumstances.



A. Operations or production orientation (mass marketing)

Originally developed by Henry Ford, the production concept is appropriate when there is a rising demand for strong, innovative products. If demand exceeds supply, management concentrates on generating volume to satisfy the growing demand. Improved technologies generate economies of scale, which allows management to reduce prices further and grow the market. The production orientation is based on conditions of mass production and limited consumer choice.

B. Product or service orientation

The product or service orientation is not linked to any specific economic era or to specific market conditions. Companies adopting a product orientation believe that their customers can *only* be satisfied with a particular type of product. Management concentrates on developing better versions of the *existing* product, but fails to recognize that customers could be satisfied better by different *types* of products.

C. Selling orientation

The selling orientation was developed in the 1920s, when American companies developed efficient production systems and needed to generate more sales to maintain profitability. Companies adopt the selling orientation when their products are competing in markets where supply exceeds demand, and growth is low or declining. A sales orientation is endemic in the hospitality industry, as many marketing programs are really only sales promotions aimed at filling bedrooms, bars and restaurants – regardless of customers’ needs and wants.

D. Marketing orientation

It is an alternative strategy to the selling orientation, to cope with similar economic conditions (i.e. surplus capacity leading to a fiercely competitive environment). Companies adopting the marketing orientation recognize that customers have considerable choice in the marketplace. The advantage of a marketing orientation is that the business focus is on developing *long-term relationships* with customers, and *avoids price competition*. The adoption of a marketing orientation suggests that companies are seeking longer-term profits, as opposed to increasing profits in the short term at the expense of longer-term customer satisfaction.

E. Societal marketing orientation

In the 1980s, the marketing orientation was criticized for its narrow focus and lack of concern for environmental and social issues. The original marketing orientation ignored the potential conflict between consumers’ wants, and societies’ needs. The societal marketing orientation was a response to these criticisms, and recognizes that commercial organizations have a wider responsibility than simply looking after customers and staff. A societal marketing orientation suggests that companies should become proactive in the community, adopting a ‘good neighbor’ policy in their company’s best interest.



1.2 Identify and access sources of information for segmenting and profiling markets in accordance with the marketing plan

Segmentation and targeting are based on two simple facts. First, hospitality consumers are enormously varied in their expectations and requirements. Nonetheless, we can identify subsets of hospitality customers who broadly share similar needs and wants. Secondly, by identifying customers with similar needs and wants, we can design and brand our services in a way that will deliver better customer satisfaction to the targeted customers, and compete more effectively against our competitors.

Consumer behavior

Demand is a form of behavior. So marketers study consumer behavior to try to understand and predict what customers will buy, how, and why. Marketers need to understand the *process* consumers go through in buying and consuming hospitality products. If we can understand who buys which hospitality products where, when and why, then the probability of success in striving to influence that demand will be enhanced. By understanding and meeting customer expectations, companies can better deliver customer satisfaction. Research into this subject area is broadly termed *consumer behavior*.

Influences on consumer buyer behavior

The amount of disposable income consumers have to spend varies according to environmental conditions. When countries are at peace, economies are growing and there are many employment opportunities, consumers are more optimistic about the future. These factors create the conditions where consumers can enjoy real increases in disposable income. Consumer confidence is higher, and they are likely to spend more on hospitality products. In developed countries, consumer confidence is tracked on a regular basis to measure the ‘feel-good’ factor. In market economies, consumers have choice – they can choose to spend their disposable income as they want. In this sense, hospitality competes against other consumer purchases for the consumers’ disposable income. A young, newly married couple may have to choose between buying items for their home and going on holiday.

Naturally, individual consumers will choose to buy different products for different reasons at different times. These influences on individual consumer buyer behavior can be categorized under three broad headings: socio-cultural influences, individual differences, and contextual circumstances.

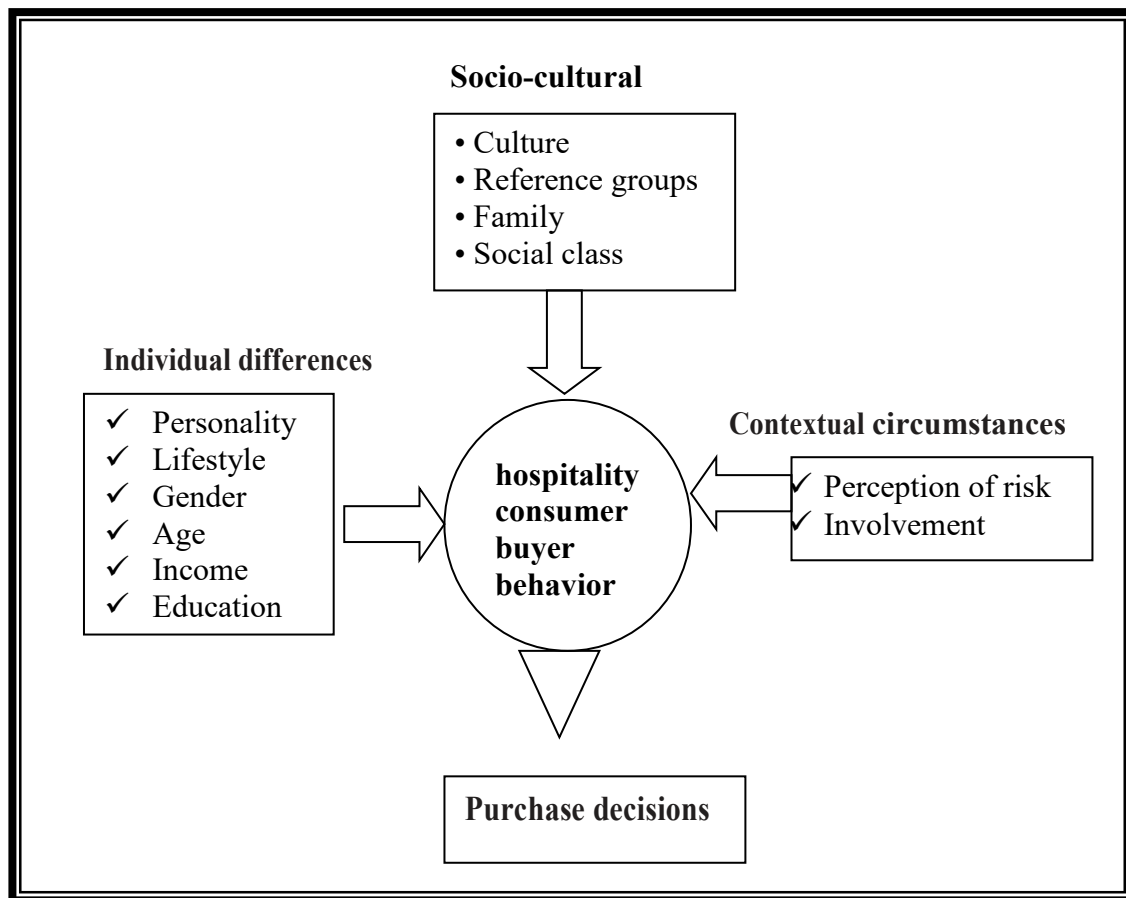


Figure 1.1 Influences on individual hospitality consumers

Socio-cultural influences

We will now discuss how culture, family, reference groups and social class influence buyer behavior.

Culture All of us are born into a culture. Culture can be thought of as the shared values and beliefs that help individuals to understand how society functions. These values and beliefs provide us with guidelines for behavior. Our culture is expressed in and reinforced by learnt behaviors such as consumer behavior. Culture is passed from generation to generation as part of the socialization process we undergo when growing up. Some of the factors that make up culture include:

✓ Human needs	✓ Geography	✓ Climate
✓ History	✓ Social Organization (individualism versus collectivism)	✓ Family and food
✓ Language	✓ Economics	✓ Education
✓ Religion	✓ Architecture	✓ Customs and habits
✓ Art		✓ Attitudes



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Family:- Families have a huge influence on consumer behavior. Our adult preferences for food, beverage and leisure activities are largely products of the influences of our childhood. The composition of a household affects the amount of disposable income – and, typically, higher disposable income leads to higher household expenditure on hospitality and tourism services.

Reference groups' Individual consumer behavior is also influenced by our identification with or membership of groups. A distinction is made between primary groups and secondary groups. **Primary groups** are those in which we interact face-to-face with other members – for example, family, friends and classmates. **Secondary groups**, being larger or dispersed, do not experience that face-to-face interaction; they include cultural and nationality groupings, business associations and alumni. Reference groups can be classified in three useful ways:

- 1 **Membership groups.** These are groups to which we belong. Your choice of holiday destination is influenced by your membership groups of classmates and family.
- 2 **Aspirational groups.** We want to be (seen to be) associated with these groups. If you want to be thought of as a gourmet, you might choose to dine or work at high-priced restaurants.
- 3 **Disassociative groups.** We want not to be (seen to be) associated with these groups. If you do not want to be thought of as a student, you may choose to wear business clothes to functions.

Reference groups perform *two functions*: they *set and enforce standards*, and they *act as points of reference* for individuals to compare their behaviors. Within peer groups and communities, individuals whose opinions are most respected influence others. These people are described as 'opinion leaders'. In hospitality and tourism, travel writers and food critics are critical opinion leaders whose positive or negative comments in local and national media can boost or destroy demand for individual hotels and restaurants.

Socio-economic class All countries have social class systems (also known as social grading or socio-economic classifications), though some are more formal than others. Class systems are important influences on consumer behavior. Social class is linked to education, occupation and income, and provides a broad segmentation base for market segmentation. However, social class is not strictly homogeneous and there are wide differences in the attitudes, interests, opinions and therefore purchase behavior of individuals within the same social class category.

Individual differences

Individual differences that influence buyer behavior are discussed under the headings of age and gender, education and income, personality, and lifestyle.



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Age and gender: -A person's age clearly influences needs and wants. Young adults have very different interests, tastes and income levels compared with people in their sixties and seventies. Older people tend to think of a 'good meal' in traditional terms and as a formal dining occasion, whilst younger people tend to be much more experimental in their food tastes and look for a more informal dining experience.

Women and men can have different needs and wants, and gender can therefore influence an individual's purchase behavior. Often, women feel less safe and secure than men when traveling and staying in hotels. Men have a different approach to consuming food and beverages (in terms of taste and portion size) compared to women. You can clearly identify these gender differences when viewing adverts on the television.

Education and income:-Education influences job opportunities and income, and also shapes our values, beliefs, attitudes, interests, activities and lifestyle. Students who go to university meet a variety of different people, often from foreign countries. They develop their analytical and intellectual competencies and learn a wide range of transferable skills, as well as studying a subject in greater depth. They also gain a broad education, which provides them with enhanced employment prospects. This enables graduates to eventually earn higher salaries in their workplace.

The level of income helps to determine the amount of consumer disposable income available for discretionary purchases. People with higher income levels spend proportionately less on household necessities, and therefore have more disposable income. This has considerable influence on holiday and dining out expenditure patterns.

Personality or psychographic attributes: -An individual's personality can influence the type of products purchased. People in the same family can, because of their different personalities, have different purchase & consumption habits especially in more individualistic societies. Personalities are often described in terms of the individual's position on a number of scales, such as:

Sociable-----	Shy
High self-esteem -----	Low self esteem
Assertive-----	Submissive

Lifestyle:-An individual's lifestyle is a powerful influence on the purchase of discretionary products like travel and dining out. Lifestyle is a reflection of an individual's personality and social influences. We can describe a lifestyle in terms of a person's activities, interests and opinions. Activities include work, shopping, sport and entertainment, hobbies and travel. Interests include family, the home and garden, watching TV, food and fashion. Opinions – about our own culture, other cultures, ourselves (and self-belief), social and political issues, business and economics, and even about the future – inform our lifestyle



Contextual circumstances

Sometimes, socio-cultural influence and individual differences are less important than contextual circumstances in influencing our behaviors. Two concepts that are helpful for understanding the role of context are perception of risk, and involvement.

Perceived risk:-A consumers' perception of the risk associated with buying a hospitality product influences the purchase decision. Perceived risk exists when the consumer is uncertain about the consequences of a purchase, or about the decision itself. The perceived risk is higher when a consumer has little experience or knowledge about the product, has low self-confidence about making a purchase decision, or faces significant long-term consequences as a result of buying the product. There are different types of perceived risk, including financial, social and psychological risk:

- **Financial risk** occurs when there is a large amount of money at risk. It is linked to major hospitality purchases – organizing a wedding day or planning a significant holiday. The larger the amount of money involved, the greater is the perceived financial risk.
- **Social risk** is linked to product symbolism, and relates to hospitality products that have a social significance for the consumer. The choice of where to have dinner sends social signals to the other diner(s).
- **Psychological risk** occurs when consumers perceive a threat to their self-image and self-esteem. In Asian societies the concept of 'face' is very important, so consumers are very concerned about making the correct hospitality purchase decisions to avoid losing face in front of their family and friends

Buyer decision-making process

If marketers are to influence customer demand, they need to understand how customers make buying decisions. The starting point for decision-making is when a consumer recognizes that he or she has *a need* that is not currently being satisfied. The need may be caused by internal conditions (feeling hungry) or motivated by external stimuli (seeing an advertisement). If the decision involves a low involvement product, the consumer's response is more likely to be a routinized buying decision feeling hungry at lunchtime and visiting the local sandwich shop. If the decision involves a high involvement product, the consumer will have to search for a solution. This search process can be internal or external. An internal search uses our memory to recall previous experiences (or information) to provide a satisfactory solution. If the internal search does not provide a solution, then the consumer has to engage in an external search.

Consumers evaluate alternative ways of solving the problem, weighing the alternatives against their own set of criteria. In hospitality, some of the criteria used by consumers include location, quality, convenience, reputation, price and availability. After evaluating options, the



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consumer makes a buying decision – assuming that the price is affordable, and the time to purchase and consume the hospitality product is available.

After the transaction has been completed, the consumer assesses whether the product actually satisfied the relevant needs, and this post-purchase evaluation influences the consumer's propensity to repeat purchase and to recommend positively (or negatively) the hospitality product. If a customer who is not satisfied complains and the company is able to recover the situation, the customer can repeat purchase and positively recommend the product. However, if the complaint is not handled effectively, the unhappy customer is likely to tell many more people about a bad experience than a good experience. Unfortunately most unhappy customers do not complain, so the hospitality company has no chance to recover the situation.

<i>Hospitality consumer decision-making process for a high involvement or high perceived risk product</i>	
<i>Process</i>	<i>Example</i>
Perception of need	Engaged couple planning a honeymoon
	Search travel agents and Internet, ask family and friends for advice on alternative honeymoon holidays in various destinations
Evaluation of alternatives	Agree 'decision criteria' – these include the budget, number of days on the honeymoon, where to go (domestic, short-haul, long-haul), what type of holiday (sun and sea or culture; all-inclusive or go-as-you-please), which destinations
Purchase	Make the decision and buy the honeymoon
Post-purchase evaluation	Upon returning home, evaluate the consumption experience, which will inform future anniversary holiday decisions and whether to recommend the destination and accommodation to family and friends

Understanding customer expectations

An important concept for marketers is *customer expectation*. Customers have expectations of hospitality encounters, which marketers must meet if customers are to be satisfied.

Customer beliefs

Customers form beliefs about what a hospitality experience will be like. Customers' beliefs are formed by a combination of different influences, including culture, reference groups, word-of-mouth, previous experience, marketing communication, and individual personal characteristics. Whilst individual customer beliefs can be idiosyncratic (such customers are often called eccentric because of their unusual behavior), different national cultures have a strong influence on customers' belief systems, which in turn influence customer expectations.



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For example, international tourists who come from high service cultures (like Japan and Taiwan) have higher expectations when traveling abroad and staying in hotels, while the expectations of travelers from countries with the limited service culture (like some of the East European countries) have lower expectations.

There have been a number of attempts to understand and classify expectations. One scheme suggest that there are four different types of expectation:

- 1 The ideal level – ‘**what can be**’
- 2 The predicted level – ‘**what will be**’
- 3 The minimum tolerable – ‘**what must be**’
- 4 The deserved level – ‘**what should be**’ (this is the level that customers think is appropriate given what they have invested in finding and buying the product).

Parasuraman and his colleagues (Zeithaml *et al.*, 1993) have suggested that customer expectations fall within a *zone of tolerance* ranging from ‘what must be’ (minimum tolerable) to ‘what can be’ (desired level). It is also suggested that customers are willing to accept a level of performance that falls within a *zone of indifference*. This zone ranges around the customer’s judgment of what is a reasonable expectation of the supplier.

Zone of tolerance

During and after service performance, customers compare their expectations to their perceptions of the service they have received. However, the special characteristics of service in the hospitality industry mean that the quality of service delivery fluctuates. Customers who are knowledgeable about the variability in hospitality service can have greater tolerance for the variations in a service performance (i.e. a wider zone of tolerance). On the other hand, there are customers who are much less sympathetic and therefore have a lower tolerance to service fluctuations. This range of tolerance represents a customer’s propensity to accept variable service standards and still be satisfied with the service offered.

A number of factors influence the customer’s level of tolerance, including the customer’s personality and current circumstances, the importance of the purchase occasion, and the characteristics of the product and the price paid. The levels of perceived risk and involvement can explain variations in the zone of tolerance. Clearly, customers have different levels of tolerance at different times. As individuals we can all have mood swings, and so sometimes we feel more tolerant and relaxed about service quality whilst on other occasions (for reasons we do not always understand) we can be less tolerant and become more easily upset by service quality failings. Customers who have a time constraint will be intolerant of service failure.



Organizational markets

Whilst individual consumers represent a significant proportion of hospitality customers, especially for smaller hospitality companies, the larger hospitality organizations cater for the needs of organizational markets. These include business companies generating corporate travel and corporate meetings; professional and trade associations; convention, exhibitions and trade fairs; tour groups; aircrew; and other miscellaneous types of volume bookings. In tourism and hospitality, some of these activities are linked under the heading of the MICE market (Meetings, Incentives, Conference and Exhibitions).

Organizations have a different approach to the buying process compared to individual consumers. These differences include the following:

- The number of participants involved in the organization's purchase decisions tends to be greater
- The users are not always the buyers
- The complexity of the arrangements (coordinating hundreds or thousands of people's travel, accommodation, catering and entertainment needs is not a simple task)
- The technical requirements, involving conference and banqueting arrangements, audiovisual and stage facilities, and exhibition stand details, are complex.

Organizational buyer behavior researchers have identified several roles in group purchase decisions: users, influencers, deciders, buyers and gatekeepers. These roles are collectively known as the 'decision-making unit' (DMU):

- **Users** are the guests who actually stay in hotels
- **Influencers** are people who are close to the decision-maker and can influence any part of the decision, such as location, hotel, and food service
- **Deciders** are the people who actually make the decisions – the manager, executive or director
- **Buyers** are the people who make and pay for the booking
- **Gatekeepers** are people who control the flow of information to other members of the DMU – secretaries or personal assistants (PAs) often play a key role as gatekeepers in their organizations.

The buying process in organizations is more formalized, with varying degrees of bureaucratic and/or committee reporting structures. A professional approach is required when discussing or negotiating bookings with these types of organizations. The value and volume of organizational bookings varies, but for many of the major hospitality companies the MICE market represents a key element in their business.



1.3 Select market segments to meet marketing objectives, and choose and apply new segmentation criteria

Market segmentation

We have established that understanding individual consumer behavior and organizational market behavior helps us to understand customer expectations. Marketers use this information to identify potential customers having similar needs and wants, and describe these customers as *target markets*. This process of identifying subsets of consumers who have distinct, homogenous demand characteristics is called **market segmentation**. There is a broad consensus that segmentation is the starting point for developing effective marketing strategies because:

- Trying to target all consumers is not cost-effective (remember, some consumers may never want to buy your hospitality product)
- Identifying the characteristics of target markets enables a company to design and develop the hospitality offer to satisfy customers more effectively.
- Concentrating a company's limited marketing resources on key markets leads to a more focused and cost-effective marketing strategy
- Segmentation improves profitability by maximizing customer satisfaction, and generating repeat and recommended sales.

However, there are difficulties for hospitality firms trying to establish effective segmentation strategies, due to:

- The costs of carrying out marketing research
- The lack of flexibility in hospitality products
- The additional costs of developing and communicating separate offers for different target markets
- The complexity of constantly changing consumer behavior
- The problem of targeting different and often incompatible target markets who use the premises at the same time.

The key point is that market segments are inherently unstable. Their membership, size, value and volume change in response to changes in the PESTE environment. We will now review the segmentation process, followed by a discussion of key hospitality segmentation variables.

The segmentation process

There is a logical sequence that can be followed during market segmentation. The stages of the segmentation process are discussed here in more detail.

- 1 **Specification.** The market to be researched and segmented needs to be clearly identified, taking a broad definition of consumers' needs and wants in the sector.



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- 2 **Establish segmentation criteria.** A set of criteria needs to be developed against which the various segmentation opportunities can be evaluated for market attractiveness. Segmented markets should be:
 - **Discrete:** –can the segment be described as having a unique set of shared requirements and expectations requiring a specific marketing program?
 - **Measurable** – can the market size be measured in terms of value and/or volume, growth rates and market share of current players?
 - **Of a profitable size** – does the segment have sufficient profit potential to justify the investment? By careful analysis, companies can often identify smaller, more profitable ‘niche’ markets within larger market segments. For single-unit hospitality companies, the market will primarily be focused on the company’s micro-environment and depends upon the local characteristics of demand and existing/potential competitors.
 - **Accessible** – can the segment be reached via distribution and marketing communication channels? There is no point in targeting a segment if the company cannot communicate with potential consumers
 - **Compatible** – marketers should ensure that any new target markets are compatible with existing target markets.

- 3 **Generate segmentation variables.** Segmentation variables provide the basis for classifying consumers into different market segments. Hospitality segmentation variables include
 - Purpose of visit;
 - Geo-demographics;
 - buyer, user and lifestyle characteristics;
 - Price; and time.

In hospitality, a wide number of variables are used to build a more detailed profile of the target markets. The more detailed the segmentation data, the greater the understanding of potential customers.

- 4 **Develop market segment profiles based on segmentation variables.** Detailed market segment profiles include the size of the market in terms of value and volume, customer purchase details (frequency of visit, average room/food/bar spend, number in party), consumer characteristics (benefits sought, price sensitivity), & accessibility/responsiveness to marketing programs.

- 5 **Evaluate the company’s competencies.** The company needs to ensure that it has the competencies and resources to serve and satisfy the segment’s needs & wants profitably. This approach suggests that there is a precision in the analysis of market segments, which is not strictly true. Many hospitality markets are fragmented, and it is difficult to calculate the volume and value of a market segment accurately. Market share can be even more



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difficult to ascertain accurately. The benefit of using segmentation analysis in hospitality operations is to identify consumer trends to establish which market segments will become attractive in the future and which market segments are becoming less attractive now.

Hospitality segmentation variables

Segmentation variables are the basis for classifying consumers into different market segments. The primary segmentation variable used by virtually all hotel and lodging companies is *purpose of travel*. The three main categories are *business*, *non-business* (variously defined as leisure, holiday, personal, or social) and *visiting friends and relatives* (VFR). Each of these main categories can be further subdivided in to several distinct market segments, but a key point to remember is that the *same person* can have different customer needs and wants depending upon whether the purpose of travel is business or non-business. Each micro-segment will have its own market demand factors and individual characteristics with implications for hospitality providers.

Business

Business customers tend to:

- Be less price-sensitive, since the employer generally meets hospitality and travel expenses
- Be more likely to stay for one night, or only a few, on each trip
- Be more frequent, or regular, users of hotel accommodation
- Stay at establishments that are within a reasonable (10–30 minutes) travel time of their place of work – hence the higher demand for business accommodation close to commercial, industrial, and retail areas
- Be less seasonal – business travel patterns are less dependent upon weather and holiday schedules.

The business travel segment contains business trips that are unavoidable, like sales meetings with customers and technical visits to factories by engineers. Other trips are more discretionary, for example attending a conference or exhibition.

Leisure

Leisure customers tend to:

- Be much more price-sensitive than business travelers, since they are paying for the accommodation out of their own taxed income
- Be more likely to stay longer on each trip – short breaks are normally at least a couple of days, two-week holidays are common, and longer holiday periods are not unusual
- Be less frequent users of hotel accommodation (unless they are also business travelers)



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- Stay at establishments that are close to leisure amenities and tourist attractions hence the demand for cultural, rural and seaside resort hotels
- Be much more seasonal, both in terms of climate and the time of year.

There are some business and leisure travel markets that overlap. For example, international conferences and exhibitions often include an element of free time, to be enjoyed as a leisure period. The incentive travel sector uses the appeal of free, and often luxurious or adventurous, leisure travel to motivate and reward performance in business markets.

Visiting friends and relatives

From an accommodation demand perspective, this segment does not generate significant volumes of business for hotels since people tend to stay in the homes of their friends and relatives. This market is more important to tourism establishments in the day-visitor leisure and recreation sectors, and to restaurants and bars.

Geographic

A simple segmentation variable is identifiable from a customer's home address and/or country of origin. National governments require hotels to collect passport details from international visitors, and these data provide important marketing information about the types of international markets being served. Geographic segmentation variables within a country's domestic market include cities, counties, states and regions.

The benefits of segmenting consumers using geographic variables include the following:

- Hotel guest registration data makes it easy to identify customers' addresses
- Nationality is a universally recognized method of categorizing visitors in international tourism marketing
- The special needs and wants of consumers from particular regions can be researched and products can be specifically developed to satisfy those needs and wants
- Media channels, which depend upon advertising revenues, provide audience statistics and demographic data that profile potential consumers within their catchment area. This data can be used to target marketing communications campaigns cost-effectively.

Demographic

Demographics is the study of population characteristics, and to a large extent relies on data collected by governments during censuses. Market research companies in developed countries utilize the census data to develop sophisticated consumer profiles. One of the key influences in changing the demand for tourism products is the change in birth and survival rates, which alters the age structure of populations. This 'grey' market is creating new leisure and tourism opportunities for hospitality companies, while the relative declining youth market creates difficult challenges for companies targeting younger people. Demographic



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variables include age, gender, family size and structure, ethnic origin, religion, nationality and socio-economic class

Buyer needs and benefits

The idea of segmenting markets according to the benefits sought from products is well established. Examples of benefits which buyers look for in hospitality products include:

- *Convenience* – this is often linked to location and speed of service
- *Luxury* – this is naturally associated with high levels of service and high prices
- *Children-friendly accommodation* – families traveling have specific needs (like informal, low cost dining facilities)
- *Improved health facilities* – spa resorts offer exercise and dietary regimens for the benefit of their health-oriented patrons.

A number of different ‘benefits’ can be combined together to provide the total solution to a customer’s set of problems. All-inclusive holiday resort hotels not only provide the accommodation and food elements of holiday, but also all the sporting activities, excursions, leisure and entertainment facilities, and even alcoholic drinks, in a safe environment. This process of creating product/price benefit bundles should be based on a deep understanding of customer needs

Price (or rate)

Price sensitivity is a crucial segmentation variable in hospitality markets. Each hospitality market segment has its own specific pricing dynamics, which need to be understood. Research and analysis should determine what consumers can afford to pay and what they are willing to pay. The price consumers are willing to pay plays a key role in determining the design, facilities and amenities, and the standard of décor, fixtures and furniture in planning a new product concept.

In hospitality, the link between price and quality in different product classes is strong. Consumers looking to be pampered in a luxurious environment expect to pay higher prices, while consumers looking for basic products expect to pay lower prices. Whilst the price/quality difference between product class extremes (for example, the expensive, gourmet restaurant versus the cheap and cheerful café) is clearly apparent to consumers, the difference between adjacent product classes (for example, a four-star hotel and a three-star hotel) can be virtually indistinguishable. This can lead to customer confusion, as the relative value for money between competing offers is not transparent.



Why segmentation?

The main reason for segmentation is that *buyers are too numerous, widely scattered, and varied in their needs and buying practices*. Segmentation passes through the following three stages.

- 1. Mass Marketing:** Seller mass produces, mass distributes, and mass promotes. The argument for mass market is that it will lead to the lowest cost and prices and create the largest potential market.
- 2. Product- Variety Marketing:** The seller produces two or more products that have different features, styles, quality, sizes, and so on. The product line is designed to offer variety to buyers rather than to appeal to different market segments. The argument for product-variety marketing is that consumers have different tastes that vary over time. Consumers seek variety and change.
- 3. Target marketing:** The seller identifies market segments, selects one or more, and develops products and marketing mixes tailored to each selected segment.

Today, many companies are moving away from mass marketing and product- variety marketing toward target marketing. Target marketing helps sellers to find better marketing opportunities and allows companies to develop the right product for each target market.

Definitions

Some of the important definitions of market segmentation are given below.

- (1) Marketing segmentation is a process of dividing a market into distinct groups of buyers on the basis of needs, characteristics or behavior who might require separate products or marketing mixes”.

Philip Kotler

The American Marketing Association

- (2) Market segmentation consists of taking the total heterogeneous market for a product and dividing it into served sub markets or segments each of which tends to be homogeneous in all significant aspects.

William A. Stanton

Thus, market segmentation is the process of subdividing of the target market into subgroups of consumer population with identifiable, distinct and homogeneous characteristics with a view to develop and pursued distinct and differentiated marketing programmes for such subgroup in order to enhance consumer satisfaction and the profit position of business.



Features

On careful analysis of the above definitions, we may obtain the following characteristic features of market segmentation.

1. **Process:** Market segmentation is a process of subdividing the target market for firm's goods and services into subgroups of consumer population.
2. **Segments:** Consumers of products of services of a firm differ in their wants, resources, geographical location, buying attitudes, buying practices, etc. Hence, they are divided into homogeneous groups and subgroups having distinct features. Each of these subgroups are called segments. Thus, a marketing segment is a meaningful consumer group having distinct feature and similar want.
3. **Object:** The object of doing market segmentation is to enable the business firm to focus properly on the specific consumer needs of each segment and to maximize the consumer satisfaction and profits of business.
4. **Special market mix:** By doing market segmentation firms attempt to fulfill the needs of different consumer groups through proper marketing mix consisting of products, price, promotion and distribution.
5. **Use of bases:** For segmenting the firm's market various bases are used, such as region, age, sex, income levels, occupation, religion, consumption level, culture, etc. of consumers.
6. **Target marketing:** Market segmentation helps a firm to do target marketing. A firm can identify the most attractive market segments that can be effectively served through appropriate products, prices, promotion, price and distribution channel. Thus the firms, instead of scattering their marketing efforts, are focusing on consumers, who have greater interest in the values they create best.
7. **Flexible:** The segmentation of markets is flexible in nature as it goes on changing with the change in business environment and market conditions.
8. **Strategy:** Market segmentation is a consumer oriented strategy, whereby a business firm devices a special market mix as per the needs of consumers in each market segment in a target market of the firm.

Market Segmentation Strategy

Business marketing managers must determine what strategy to use for different market segments. Three alternative market-selection strategies are:

- 1 undifferentiated strategy,
- 2 differentiated strategy, and
- 3 Concentrated strategy.



Undifferentiated Marketing Strategy (mass marketing)

Uses the concept of "*market aggregation*," wherein the total market is treated as if it were one *homogeneous* market segment. Marketing management creates a single marketing mix to serve potential customers within this market. This approach focuses on *common needs* among buyers, rather than on how buyers' needs differ.

Differentiated Marketing Strategy

A differentiated marketing strategy attempts to distinguish a product from *competitive products* offered to the same aggregate market. By differentiating its product or product line, the firm identifies several potential target markets. Each of these target markets may be attractive in demand but may differ from one another substantially in other important aspects (such as size, product application, and technical expertise).

Major hospitality organizations adopting a differentiated segmentation strategy identify the *differences* between the needs and wants of various market segments, and develop individual marketing programs to satisfy the needs and wants of each market segment. The *advantages* of a differentiated approach, compared to mass marketing, include the opportunity to increase sales and market share by providing more bedrooms in several different hotels in the same location, with each hotel serving different market segments. The development of specific marketing programs for each segment should enable hospitality operators to satisfy customers better than a mass marketing approach, and generate higher repeat and recommended sales.

The *disadvantages* of a differentiated strategy are mainly cost-based. The cost of developing different marketing programs for separate market segments is higher with separate design and build costs, different purchasing schedules, more specialized staffing and different marketing communication activities. The following costs are likely to be higher when a firm elects to pursue a differentiated marketing strategy:

1. **Product modification costs** - Modifying a product or product line to serve different segment requirements usually involves additional research and development, engineering, and/or special tooling costs.
2. **Production costs** - For each product, the longer the production setup time and the smaller the sales volume, the more expensive it becomes. For a product sold in large volume, however, the higher costs of setup time can be quite small per unit.
3. **Administrative costs** - The firm must develop separate marketing plans for different segments, usually necessitating additional effort in marketing research, forecasting, sales analysis, promotion planning, and channel management strategy.
4. **Inventory costs** - Managing inventories is more costly generally than managing an inventory of only one product.
5. **Promotion costs** - In trying to reach different market segments with variations of the promotional mix, each segment may require separate creative advertising planning, sales strategy, and so forth.



Focused or concentrated or niche marketing

Hospitality companies that concentrate their marketing programs on a single market segment adopt a concentrated or focused segmentation strategy. This strategy can also be called a *niche marketing* strategy. Hospitality operators can either focus on a specific market segment, for example the luxury leisure market, or adopt a geographic concentration where all the company's outlets are focused within a specific geographic region. Because of their focus on a single segment, this strategy enables hospitality operators to really understand the needs and wants of their customers in that market segment.

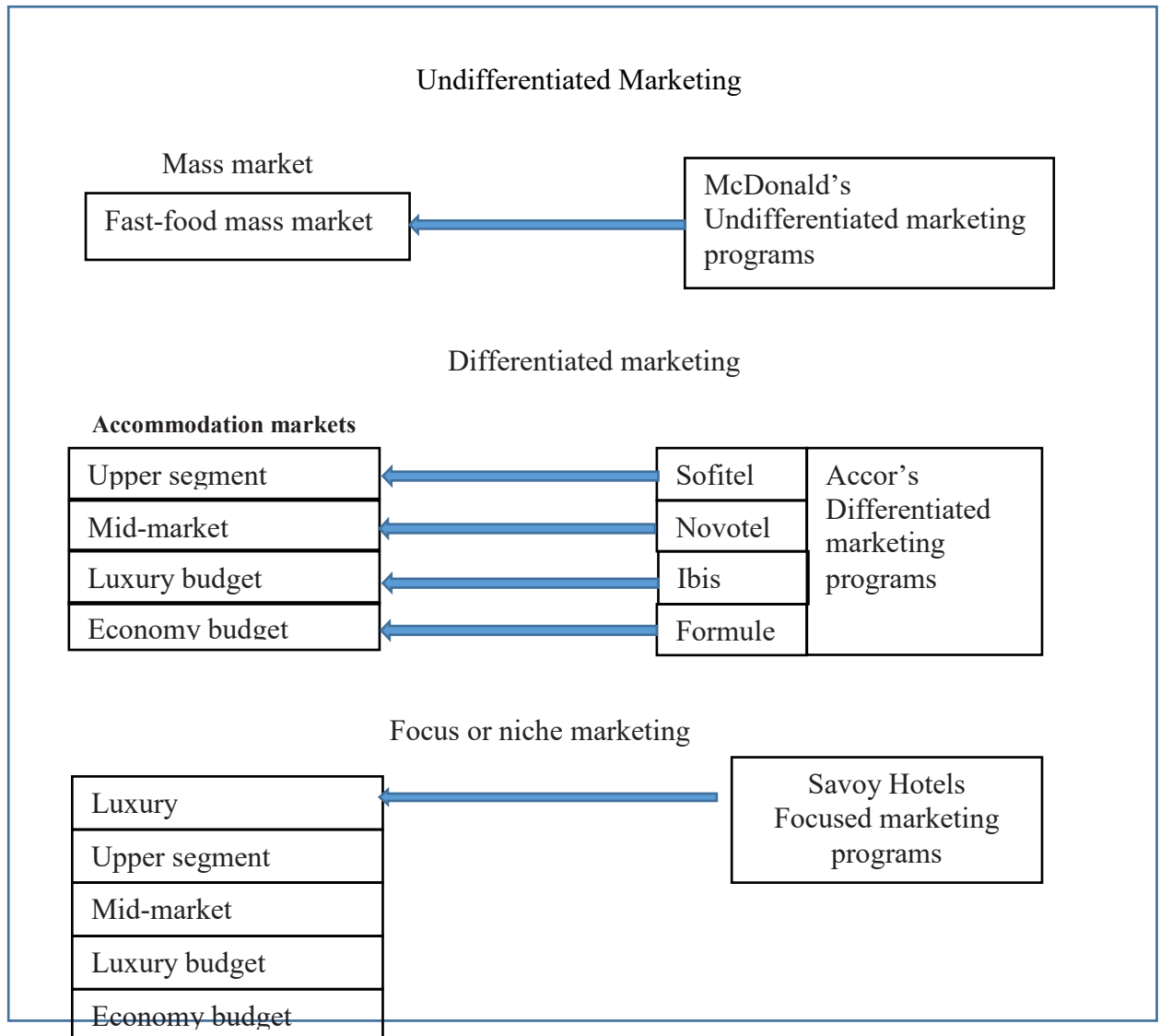


Figure Segmentation strategies in hospitality



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Industrial market segmentation can assist firms in several areas:

- **Market analysis**-developing a better understanding of the total marketplace, including how and why customers buy.
- **Market selection**-making a rational choice of market segments that best fit the company's capabilities.
- **Marketing management** - developing strategies, policies, and programs to meet the needs of different market segments profitably and to give the company a distinct competitive advantage.

Requirements for effective market segmentation

Five criteria must be met for pinpointing a market and its subcategories. The market and its specific segments should be:

1. **Measurable**:-Measurability means that information on location and other characteristics of buyers is available.
2. **Substantial** – A given market is substantial when it is sufficiently large in size and /or is likely to have future potential.
3. **Accessible** – Accessibility means that a supplier can retain old customers and pinpoint new ones.
4. **Stable** – Stability implies that customers have staying power and that a relationship can be established between supplier and clients.
5. **Compatible** – Compatibility is the degree of similarity between sellers and buyers in regard to risk taking, service standards, and corporate style.
6. **Unique** in its response, so that it can be distinguished from other market segments



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Self-Check 1

Written Test

Name: _____

Date: _____

Directions: Answer all the questions listed below. Illustrations may be necessary to aid some explanations/answers.

1. write and discuss importance's of marketing:
2. discuss the two criteria of Market demand is normally measured
3. list and describe with your own words about Key marketing components
4. what are the differences and similarities between all Management orientations
5. what situation or characteristics had Influences on consumer buyer behavior
6. list and discuss decision-making unit' (DMU):
7. discuss segmentation process as per their logical sequence



2.1 Define the target market in terms of the consumers to be included as prospective users of a product or service, and the selected market segments

Hospitality target markets

Companies need to evaluate the potential of market segments using the following criteria:

- 1 **Market data:** - size, growth, accessibility, consumer needs and wants and benefits sought, customer power.
- 2 **Competitor analysis** – number of competitors, their market share, capabilities, resources, strengths and weaknesses, differentiators and profitability, and the potential for new entrants.
- 3 **Internal company audit** – capability of servicing the market segment, compatibility with existing and future segments, compatibility with the company’s resources and values.

Major hospitality firms planning to enter a new market segment will invest in detailed marketing research to evaluate fully the attractiveness of competing market segments before deciding which to enter. The smaller operator will adopt a less formal process. Once selected, the market segment is defined as a ‘target market’ for which the company designs an appropriate marketing program. Target markets are groups of consumers, with similar needs and wants, for whom a marketing program is specifically developed to satisfy those needs and wants.

Hospitality companies target several different market segments at the same time, but each target market should have its own marketing mix program. Hospitality operators generally recognize that the ‘Pareto Rule’ – the principle that about 20 percent of the users of a product account for about 80 percent of volume sales and profits – works for hotel companies. Heavy users of hotel accommodation represent the highest profit potential target market. However, a hotel company’s prime target markets are also going to be the competitor’s prime target markets, and the relatively small number of heavy hotel users is therefore highly sought after. Throughout this chapter, we have provided examples of hospitality organizations targeting market segments. There are two broad classes of target markets; consumer markets and organizational markets. Each requires a different marketing approach, because buyer behavior differs between individuals and organizations.

How to Find Your Most Lucrative Prospects

Your hotel target market is one of the most effective ways of growing your business. If you’re interested in finding more prospects who will fall in love with your business, you’ll



first need to get to know who you're attracting and why. With this information, you'll be well on your way to figuring out your ideal target market.

From there the sky's the limit really! You can use your research to improve marketing, book more rooms, and get an edge on the competition. But first, let's get on the same page about what a target market really is and why every hotel needs to have one.

What is a hotel target market?

A *target market* is a group of people who share similar wants and needs. They might even share similar demographics like median age, race, or income level. Target markets are often sub groups that businesses try to appeal to in marketing and sales since they are the people who are most likely to be interested in your product or service.

A *hotel target market* refers to the specific type of people or groups who you already do a lot of business with. Or maybe they're a type of customer you'd like to attract more of. Either way, every hotel must align their marketing and sales efforts if they want to attract and book more of these ideal guests.

What is hotel target market segmentation?

In a nutshell, *hotel market segmentation* is a way of dividing potential guests into groups based on a set of shared characteristics. General marketing strategies will point to age, race, income, and general personality traits when creating these groups. For hotel marketing, segmentation is often prioritized by a particular group's likelihood of booking.

There are some common types of hotel target market segmentation. But industry research and historical sales data are also great ways to discover target audience profiles that are unique to your business.

What are some main types of hotel target market segmentation?

Unlike most other industries, hotels are defined by each of the following segmentation types. These details combine to create a great outline for your ideal target market.

If any of the following areas seem out of place compared to the others, you can easily spot the weakness and make adjustments where necessary so everything works together as one cohesive guest experience for your target audience.

- ❖ **Location.** Is your hotel in a big city or a rural town? By the beach or land locked? Walking distance from an amusement park or a popular conference center?
- ❖ **Size.** It doesn't matter whether you're a boutique bed & breakfast or part of a name brand hotel chain, as long as you understand why someone would prefer staying at a place with your max capacity.
- ❖ **Preferred Amenities.** We all know that person who refuses to book a hotel if they don't have a hot tub. Even if it's in the middle of the desert. During a heat wave. Certain groups of people are going to have amenity preferences. Once you define your target market you can work to add whatever is missing.



- ❖ **Traveler Type.** A business professional has different interests than a family of five with young children. Knowing which type of traveler your hotel currently attracts is yet another clue into who your target market is or should be.

Every hotel offers a unique combination of characteristics. So while these categories are a good starting point, you'll need to do a little more digging to understand exactly who frequents your hotel now and who you'd like to do more business with in the future.

Seven ways to identify your target market

It's time to get your hands dirty with a little active market research. Here are some cost effective ways to uncover and define your hotel's target market.

1. Survey your customers

Surveys help you get information straight from the horse's mouth, so to speak. An easy way to get consumer feedback, surveys offer a glimpse into the psyche of current guests. Having this information will help you define what kinds of people or groups currently stay at your hotel. Once you have that, you can figure out what attracted them to your business in the first place just by asking.

You can automatically survey guests using SMS texting, email, or verbally by integrating it with your check out process. The key is to make it short and sweet. Anything more than five questions is overkill and easily ignored. Popular target market survey questions include:

- How did you hear about us?
- What did you enjoy most about your stay?
- Which of the following most influenced your decision to book with us?
- Would you recommend our hotel to a friend?
- What was the purpose of your most recent visit?

These and other thought provoking questions should come with a set of multiple choice answer and an "other" section with space to leave a comment. Keep track of this info and use it to further define your hotel's personal target market or markets.

2. Enable customers to create profiles

This is one of the oldest marketing tricks in the book for good reason. Creating a fake profile of a person who is most likely to stay at your hotel is both a creative and effective tool for understanding your target market. It also presents a visual to help sales and marketing get a better idea of who they should be aiming to please. Outline who they are, what they're like, their occupation, and anything else you deem relevant.



3. Imagine your audience's point of view

We touched on this a little bit earlier when we mentioned traveler type. But understanding target market demographics is about more than just listing education levels and hobbies. It's about going one step further and getting into the heads of the people you'd most like to have stay at your hotel.

First, what personal touches will you add to your hotel to make it the obvious choice for new parents? Things like relaxing and private breast feeding stations in the lobby could be the tipping point for many potential guests who fit these demographics.

The point is to do more than just define demographics – use them to anticipate your guests' every little need.

4. See what online reviews say

Not all online reviews are created equally. But that doesn't mean you can't still uncover a few hidden gems in your TripAdvisor ratings. Guests will often elaborate on why they were staying at your hotel, what they expected to experience, and what they loved the most about your location. It's all there, you just need to take the time to look for it.

5. Understand website visitors' demographics and more using Google Analytics

Google Analytics is free to use and offers some incredible information. This tool can show you who visits your site, where each site visitor is located, what they click on, how long they stayed on each page, and so on. Basically there is a lot of useful data here. It takes a little getting used to but once you get the hang of interpreting the facts and figures you'll get a better idea of who you're attracting to your website and whether or not they fit your most ideal target market.

6. Use Sales & CRM software to track your customer interactions

Again, when it comes to finding your hotel target market, data is your best friend. And no one knows your hotel's history like a great sales and CRM software. Quality programs like Social Tables offer easy-to-learn systems for capturing and assessing sales data. That data is then turned into customizable visual reports. So a hotel sales & CRM (customer relationship management) software can help you get a better idea of who your target market is but it will also let you gain visibility into every stage of your sales pipeline. Talk about a win-win!

7. Seek out opinions being shared on social media

Social media helps gather target market information the same way online reviews do. People love sharing their opinions on Facebook, Twitter, and Instagram. Plus each website offers its own insights tools and opportunities for honest feedback. Mine your social profiles for market research gold then use your newfound knowledge to make your content even more appealing to your target market.



Main takeaways: targeted guest marketing

At the end of the day, finding your most lucrative prospects is all about having the right information and using it wisely. Here are some things to keep in mind as you discover your unique hotel target market:

1. **Specificity is power.** The more you learn about who your guests are the better you can service the needs of future guests and attract similar clientele.
2. **You already have everything you need.** The tools you already use every day can help you better understand your target audience.
3. **Defining your hotel target markets make marketing and sales easier.** Stop spinning your wheels with broad campaigns and start becoming hyper aware of who each piece of content is really for. You'll see better results faster with this method.

No matter how you define your target market, make sure you have access to all the data you need.

2.2 Identify available strategic marketing options and select targeting strategies that best meet the requirements of the marketing plan

Once target segments are identified, the marketing manager selects a targeting strategy that will be the best fit for reaching them. Targeted marketing enables the marketing and sales teams to customize their message to the targeted group(s) of consumers in a focused manner. The targeting strategy is where the marketing mix comes together to create the right offer and marketing approach for each target segment. A summary of common targeting strategies is provided in the table below.

Strategy	Target Market	Example
Mass marketing	Everybody everywhere	Target
Differentiated marketing	Large groups within the total market	Costco, Sam's Club
Niche marketing	High penetration within smaller, specialized segments	Trader Joe's, Whole Foods
Micromarketing	Individual customers or localized microsegments	Groupon

Mass Marketing

Mass marketing, also called *undifferentiated marketing*, involves marketing to the entire market the same way. Mass marketing effectively ignores segmentation and instead generates a single offer and marketing mix for everyone. The market is treated as a homogeneous aggregate. Mass marketing aims to reach the largest audience possible, and exposure to the product is maximized. In theory, this would directly correlate with a larger number of sales or buy-in to the product.

Mass marketing tries to spread a marketing message to anyone and everyone willing to listen. Communication tends to be less personal, as evidenced by common mass-marketing



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tactics: national television, radio and print advertising campaigns; nationally focused coupons; nationally focused point-of-purchase displays. The success of mass-marketing depends on whether it is possible to reach enough people, through mass-communication techniques and one universal product offer, to keep them interested in the product and make the strategy worthwhile. While mass-marketing tactics tend to be costly because they operate on a large scale, this approach yields efficiencies and cost savings for companies because it requires the marketing team to execute only one product offer and marketing mix.

Differentiated Marketing

A differentiated marketing strategy is one in which the company decides to provide separate offerings to each different market segment that it targets. It is also called multi-segment marketing. Each segment is targeted in a particular way, as the company provides unique benefits to different segments. The goal is to help the company increase sales and market share across each segment it targets. Proctor and Gamble, for example, segments some of its markets by gender, and it has separate product offerings and marketing plans for each: Secret-brand deodorant for women, and Rogaine (a treatment for hair loss) for men.

When it is successful, differentiated marketing can create a very strong, entrenched market presence that is difficult for competitors to displace because of consumers' strong affinity for products and offers that meet the unique needs of their segment. A differentiated strategy can be a smart approach for new companies that enter a market and lure customers away from established players to capture share in a large overall market. Often, established companies become vulnerable to new competitors because they don't give sufficient attention to the perfect marketing mix for any given market segment.

However, differentiated marketing is also very expensive. It carries higher costs for the company because it requires the development of unique products to fit each target segment. Likewise, each unique product and market segment requires its own marketing plans and execution: unique messages, campaigns, and promotional tactics and investments. Costs can add up quickly, especially if you are targeting a lot of unique market segments.

For a large company, the cost of this kind of marketing is well worth it, since its products are sold all over the world. An example of its differentiated marketing strategy are the many surprising variations of the famous Oreo cookie developed for the Chinese market. Consumers there can enjoy Oreos with cream flavors such as green-tea ice cream, raspberry-blueberry, mango-orange, and grape-peach. All of these Oreo formulations have been heavily market tested and are based on the unique preferences of Chinese consumers.



Niche Marketing

Niche marketing (also called concentrated marketing) is a strategy that targets only one or a few very defined and specific segments of the consumer population. The goal is to achieve high penetration among the narrowly defined target segments. For example, the manufacturer of Rolex watches has chosen to concentrate on only the luxury segment of the watch market.

An organization that adopts a niche strategy gains an advantage by focusing all efforts on only one or a small handful of segments. All of their market analysis, product development, marketing strategy, and tactics concentrate on serving that select part of the market. When they do it well, this approach can provide a differential advantage over other organizations that don't concentrate all their efforts on the "niche" segment(s). Niche targeting is particularly effective for small companies with limited resources, as it does not require the use of mass production, mass distribution, or mass advertising. When a company is highly successful in desirable "niche" market segments, it can be very profitable.

Micromarketing

Micromarketing is a targeting strategy that focuses even more narrowly than niche marketing. It caters to the needs of individuals ("individual marketing") or very small segments in a targeted geography ("local marketing"). Micromarketing can be very powerful by giving consumers exactly what they want, when they want it. However, to achieve large-scale success with this approach, companies must figure out how to meet highly individualized needs efficiently and profitably.

Individual marketing is sometimes referred to as "mass customization" or "one-to-one marketing." With this approach, companies offer consumers a product created to their individual specifications. For example, Build-A-Bear Workshop invites children to create their own custom stuffed animals. A child can select the type of animal, from teddy bear to unicorn, along with color, size, clothing, and other accessories.

Achieving wide-scale success with individual marketing requires product providers to develop production strategies and an entire marketing mix that can ramp up as demand grows. Frequently this involves offering a baseline product with parameters customers can customize to fit their needs. On the Web site www.mymms.com, for example, you can order M&M candies in colors of your choice, custom-printed with words or images you select. The advent of digital print technologies has also made mass customization a viable targeting strategy for companies like Vista Print and Sticker Mule. They provide custom print materials, stickers, decals and other printed products for businesses and individuals using designs created and uploaded by customers. Their primary messaging emphasizes custom products designed by and for individual customers, matching their unique needs and preferences.



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Local marketing is a targeting strategy focused expressly on a small, clearly defined neighborhood or geographic area. Organizations using this technique strive to generate a strong local presence, and targets may include any person or organization within that small area.

Groupon and Amazon Local are excellent examples of local marketing. Both online services partner with local businesses to promote timely offers and special pricing for individuals living in a designated geographic area. Limited-time and limited-quantity deals may include restaurant meals, spa treatments, performances, recreational activities, lessons, hotel accommodations, and a wide variety of other local area products and services. These local marketing companies earn revenue when consumers purchase and redeem the special offers in their neighborhood or city.

Applying the Marketing Mix to Target Segments

With any of the strategies described above, the marketing team must come together to develop a marketing mix tailored to the needs of each segment being targeted. This marketing mix is the unique combination of product, promotion, place, and price designed expressly to fit a designated market segment.

THE MARKETING MIX



This course will explore each element of the marketing mix in further detail in other modules. However, the following questions can help you start down the path toward shaping the marketing mix to fit your target segments.



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Marketing Mix Element	Targeting Criteria
Product	What would make the ideal product for your target segment? What special features or capabilities are critical for this segment? What unique problems does your product help this segment solve?
Promotion	What are the best ways to get your target segment's attention? What do you want this segment to remember about your product?
Place / Distribution	Where does this segment look or shop for your product? What is the best way to get your product to your target customers?
Price	What price(s) are your target customers willing to pay for your product? How much is too expensive? How much is too cheap?

As you consider each of these questions, you generate ideas for altering the marketing mix to appeal to your target segment.

In reality, marketers can segment the market using any base or variable provided that it is identifiable, substantial, responsive, actionable and stable

- ❖ *Identifiability* refers to the extent to which managers can identify or recognize distinct groups within the marketplace
- ❖ *Substantiality* refers to the extent to which a segment or group of customers represents a sufficient size to be profitable. This could mean sufficiently large in number of people or in purchasing power
- ❖ *Accessibility* refers to the extent to which marketers can reach the targeted segments with promotional or distribution efforts
- ❖ *Responsiveness* refers to the extent to which consumers in a defined segment will respond to marketing offers targeted at them
- ❖ *Actionable* – segments are said to be actionable when they provide guidance for marketing decisions

Segmentation base	Brief explanation of base (and example)
Demographic	Quantifiable population characteristics. (e.g. age, gender, income, education, socio- economic status, family size or situation).
Geographic	Physical location or region (e.g. country, state, region, city, suburb, postcode).
Geo-demographic or geoclusters	Combination of geographic & demographic variables.
Psychographics	Lifestyle, social or personality characteristics. (typically includes basic demographic descriptors)
Behavioural	Purchasing, consumption or usage behaviour. (e.g. Needs-based, benefit-sought, usage occasion, purchase frequency, customer loyalty, buyer readiness).



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Contextual and situational	The same consumer changes in their attractiveness to marketers based on context and situation. This is particularly used in digital targeting via programmatic bidding approaches
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Consumer target markets

Consumer markets can be defined as travelers who use hotels and restaurants, as individuals, couples, families or small groups of people, for business or leisure purposes. Consumer markets have an influence over their choice of hospitality provider, set their own budget, and pay from their own resources. Examples of consumer markets include FIT (‘free independent travelers’ or ‘foreign independent travelers’), individual woman business travelers, international travelers, older people, single people, the gay market, and celebrities (the new rich).



**HOUSEKEEPING AND LAUNDRY SUPERVISION LEVEL IV
PROFILE THE MARKET**

Self-Check 2

Written Test

Name: _____

Date: _____

Directions: Answer all the questions listed below. Illustrations may be necessary to aid some explanations/answers.

- 2.1 write three criteria that Companies uses to evaluate the potential of market segments
- 2.2 What are some main types of hotel target market segmentation?
- 2.3 write and discuss the Seven ways to identify your target market
- 2.4 list, describe and differentiate the main strategic marketing
- 2.5 explain each Segmentation base



3.1 Identify consumer characteristics in standard statistical terms and/or the descriptive terms used in media selection in the consumer profile

An Introduction to Target Audience Profiles (And Why They Matter)

Your target audience is a group of potential customers for your business. It encompasses all those who are most likely to respond positively to your promotions, products, and services.

To understand those potential customers, you can create a ‘target audience profile’, which is a description of their most common characteristics. This often includes key demographics such as location, age, gender, and income. Trying to sell without knowing your audience is like driving with your eyes closed. Analyzing your customer base and determining commonalities among the many individuals enables you to more specifically target your marketing efforts, which can result in more sales.

Target audience profiles (also known as ‘personas’), offer direction for your marketing and make it easier to achieve consistency in your messaging. If your products match with what your audience is looking for, you are much more likely to drive conversions.

How to Build a Target Audience Profile (In 4 Steps)

You probably already have some idea of who your customers will be. You may use customer feedback, testimonials, or other social proof as part of your marketing efforts already, which is a good place to start.

However, having a comprehensive target audience profile will help you to better define what your customers are looking for, and decide how you can serve their needs. Fortunately, creating a useful profile isn’t hard, and simply requires a bit of time and research.

Step 1: Create Broad Descriptions of Your Ideal Customers

Before you look at specific demographics, you’ll want to consider what is important to your customers, and what makes them want to do business with you. This is where customer reviews may come in handy, as well as any existing data or analytics you have on your current customer base. First, consider your customers’ attitudes toward your product. How do they feel about it, and what problems does it solve for them? Some other questions to think about at this stage include:

- ❖ Why have they chosen your product over your competitions?
- ❖ Do your customers need coaching to understand the value of your product, or is it clear upfront?
- ❖ Do they care more about the product or its features?



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For example, let's say you sell help desk software so businesses can better manage employee and customer communication. Consider the following profile: Based on this broad profile, we can assume that some important selling points for Larry would include pricing and scalability. Since Larry's business is small, he needs whatever product he chooses to be affordable, but he also wants it to be able to grow with his business.

Step 2: Research Your Potential Customers' Demographics

Now that you have some broad descriptions of your potential customers, you can begin to add in further detail. Including demographic information in your target audience profiles will help you to better understand your customer base. Some basic demographics may be easy to identify. If you sell beauty products, for example, your audience is likely to be primarily women. Other demographics may require more research to identify, such as:

- Age
- Location
- Job and income
- Family status
- Preferred social media sites

Once you have this information, you'll be better able to understand the motivations of your target audience.

Step 3: Identify the Needs and Problems of Your Target Audience

By now, you have a good idea of who your ideal customers are. Next, you'll need to identify their needs and 'pain points'.

Put yourself in the shoes of your potential customers, and look at your products or services from their point of view. What motivates them to buy? Some other things to consider include:

- What concerns might they have that your product helps them feel better about?
- How does your product solve a problem they're facing?
- What are they worried about that might prevent them from buying your product?

Consider your customers' needs based on this information, and you'll have a much better idea about how to present your products in a way that makes them appealing. Knowing your target audience may also help you to better define your niche in the market.

Step 4: Determine Where Customers Will Find You

Last but not least, it's important to think about how customers will find your company or offerings. It doesn't matter how great your products are if your customers can't find them and don't know that they exist.

Think about how your customers are likely to stumble across your business. This requires finding out where they already spend their time online, and asking questions such as:

- What websites do they visit?
- What blogs do they read?
- Which social media sites do they frequent?



- What are the likely search terms they use?
- What content appeals to them?

What matters is to reach out to your audience in spaces they're already familiar and comfortable with. This increases your odds of finding the right people and grabbing their attention.

Without knowing who your target audience is, much of your marketing efforts may fall on deaf ears. Building a target audience profile will enable you to create more meaningful content that resonates with potential customers.

To build a target audience profile, simply follow these four steps:

1. Create broad descriptions of your ideal customers.
2. Research your potential customers' demographics.
3. Identify the needs and problems of your target audience.
4. Determine where customers will find you.

3.2 Use demographic and/or psychographic descriptions in the consumer profile in accordance with the requirements of the marketing plan

The consumer market pertains to buyers who purchase goods and services for consumption rather than resale. However, not all consumers are alike in their tastes, preferences and buying habits due to different characteristics that can distinguish certain consumers from others. These particular consumer characteristics include various demographic, psychographic, behavioralistic and geographic traits. Marketers usually define these consumer characteristics through market segmentation, the process of separating and identifying key customer groups.

Demographic Characteristics of Consumer Markets

Characteristics of consumer markets based on demographics include differences in gender, age, ethnic background, income, occupation, education, household size, religion, generation, nationality and even social class. Most of these demographic categories are further defined by a certain range.

Companies often identify these demographic characteristics through market research surveys used to discover which demographic groups comprise the majority of their customer base. Companies can then target their advertising towards these demographic groups.

Psychographic Characteristics of Consumer Markets

Consumer market characteristics can also be psychographic in nature. Psychographic characteristics of consumers include interests, activities, opinions, values and attitudes. Obviously, many magazines are geared toward a consumer's interest. For example, prenatal magazines target expectant mothers who are interested in learning more about caring for a baby.



Additionally, consumer activities can include participation in martial arts or basket weaving. Opinions and attitudes can be both specific and general. A company may better understand consumer opinions and attitudes after conducting a focus group, and can use that information to tailor advertising or marketing campaigns. Consumer values can pertain to how a group of individuals feels about certain social issues, which can be of interest to nonprofit or charitable organizations.

Behavioralistic Characteristics of Consumer Markets

Behavioralistic characteristics can also be garnered through marketing research. Behavioralistic characteristics of consumer markets include product usage rates, brand loyalty, user status or how long they have been a customer, and even benefits that consumers seek. Companies like to know how often their consumers visit their restaurants, stores or use their products.

Company marketing departments usually try to distinguish between heavy, medium and light users, whom they can then target with advertising. Marketers like to know which customers are brand loyalists, as those consumers usually only buy the company's brand.

Geographic Characteristics of Consumer Markets

Consumer markets also have different geographic characteristics. These geographic characteristics are often based on market size, region, population density and even climate, according to the article "Market Segmentation" at netmba.com, a online business reference site. A small retailer may find opportunities in a small market in which larger competitors have no interest. Companies that sell beachwear will likely sell more products in warmer climates. Consumers in different regions of the country also have different tastes in food and style.

Identifying the characteristics of customers who use hospitality products provides marketers with a profile of current users. These customer profiles can then be analyzed to identify attractive market segments for targeting purposes. There are a number of user characteristics that are important to hospitality operators, and these are described here.

Usage status

This characteristic categorizes consumers in to non-users, potential users, first-time users, regular users (who can be either light, medium or heavy users) and lapsed users. Marketing communication campaigns can be developed to target the different user categories, to encourage first-time visits, regular patronage, or repeat visits after lapsed patronage. Understanding the different usage patterns enables marketing communication campaigns to be designed to influence the category of user.



Frequency

In business markets, frequent travelers – people who stay away from home on business travel for five or more trips per annum are a highly attractive segment because their lifetime value is high. Hotels strive to encourage regular and repeat customers, and over time hoteliers can build strong, long-lasting, special relationships with their ‘regulars’. The importance of repeat and regular business customers has long been recognized by hotel groups. Indeed, 2 percent of Travel Inn’s revenue is from frequent guests who stay for more than 200 nights per year in Travel Inn hotels. Frequent guest promotions, often linked to loyalty programs, have been designed to reward frequent guests for their patronage.

Given the lower frequency of leisure trips, a regular customer might return to a favorite leisure hotel infrequently. A distinction needs to be drawn here between those hotels catering for long stay, long haul holidays and those catering for short leisure breaks within a couple of hours traveling time of the customer’s home. The long haul guest might only return once per year, if that indeed, a highly satisfied customer may only return once every five years whereas the short break leisure guest might return to a favorite hotel three or four times per year. One consequence of this user factor is that hotels targeting leisure customers need to allocate a higher promotional spend to attract a wider customer base, or distribute their product via tour operators and travel agents.

Brand loyalty

A key objective of frequent guest programs is to build brand loyalty amongst those business travelers who are heavy users of hotel accommodation. Consumers’ loyalty to hospitality brands varies. Research suggests that hospitality customers can be categorized in the following

Hard-core loyal	Guest only stays at one preferred hotel brand
Split loyal	Guest stays at two or three brands on a regular basis (these customers may have preferred hotels in different locations, which belong to different brands)
Shifting loyal	Guest stays at one brand on a number of visits; then moves to another hotel brand for a number of visits; and then moves to another hotel brand etc.
Switchers	Guest has no loyalty to any brand; these customers may make their hotel choice based on the lowest price available, or best rewards offered at that time, or simply like to stay at different hotels



Purchase occasion

The type of purchase occasion influences the consumers' needs and wants. Many hospitality banqueting and restaurant products are aimed at the special family occasions that mark every important event in our lives birth, coming of age parties, weddings, special birthdays, retirement functions, wedding anniversaries and funerals. The honeymoon market is often used as an example of a special holiday purchase occasion

Size of party

Hospitality managers recognize that party size, which has a considerable influence on the needs and wants of hospitality consumers, can be used as a segmentation variable. Clearly, groups of travelers have different check-in, check-out, dining, drinking, meeting and entertainment requirements compared to individual travelers. Companies that specialize in volume hospitality operations develop the facilities and skills necessary to cater for large scale events. Sensible smaller outlets should avoid taking bookings from larger parties, which they know they cannot cater for effectively, to avoid alienating their regular customers.

Lifestyle (or psychographics)

Psychographic segmentation is a classification of consumers according to their personality traits and lifestyle. It is based upon detailed marketing research into the activities, interests and opinions (AIO) of consumers, which can be linked to geodemographic variables to provide consumer profiles. Marketing research analysts combine individual responses to questions about a person's AIO with details about his or her geo-demographic characteristics, and then cluster consumers in to groups with similar responses to form psychographic profiles of market segments. The data collated from each psychographic segment provides a detailed picture of where consumers live; what education, occupation and income they enjoy; what their activities, interests and opinions are; what media they buy; and what products they purchase. There have been numerous studies investigating psychographic consumer profiles, Proponents believe that psychographic segmentation:

- Develops a deeper knowledge and understanding of consumer behavior
- Is a good predictor of consumer behavior
- Enables companies to design products better to meet consumer needs
- Provides the opportunity to develop cost-effective marketing campaigns for selected target markets.

Critics contend that psychographic segmentation:

- Is unable accurately to define lifestyle variables
- Develops lifestyle segments that are not strictly homogeneous
- Is very expensive – research costs are high because of the detailed face-to-face interviewing techniques at home
- Is not effective because people change occupation and move homes frequently.



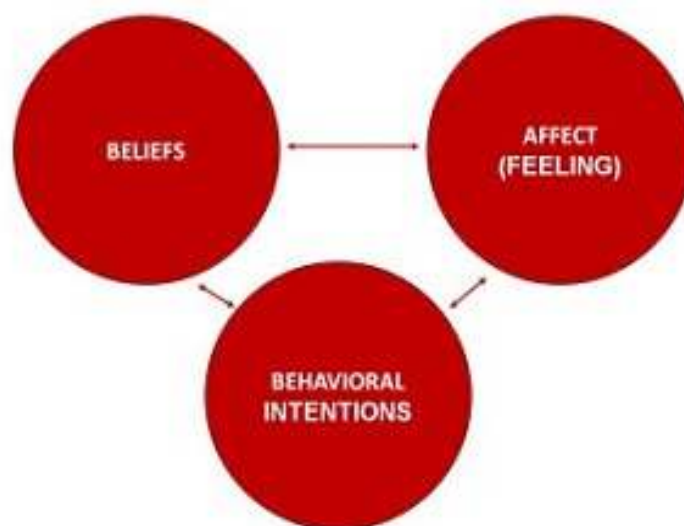
Time

There are two aspects concerning the role of time as a market segmentation variable. First, from a seasonality perspective, hospitality operators need to understand why consumers patronize hotels in restaurants during quieter periods in order to develop effective marketing campaigns to increase sales during low season periods. Some older people, who do not live with children and have flexible holiday arrangements, enjoy relaxing in a quiet, peaceful environment, and can be considered a potential target market for holiday/hotel organizations in the low season

The second aspect of time, in this context, refers to the advance booking period – the time between the customer booking and then actually consuming the hospitality product. This time period is an important segmentation variable, because the length, whether it is a couple of hours in advance or several years away, influences the design of the marketing program aimed at capturing the customer. The marketing program targeting a convention planner who is booking an international conference to be held in three years' time will be different to the marketing program targeting an impulse diner who wants to eat out this evening.

3.3 Describe consumer attitudes to products or services being offered

Consumer attitude may be defined as a feeling of favorableness or un-favorableness that an individual has towards an object. As we, all know that an individual with a positive attitude is more likely to buy a product and this results in the possibility of liking or disliking a product. Consumer attitude basically comprises of beliefs towards, feelings towards and behavioral intentions towards some objects.



Belief plays a vital role for consumers because, it can be either positive or negative towards an object. For example, some may say tea is good and relieves tension, others may say too much of tea is not good for health. Human beliefs are not accurate and can change according to situations.



Consumers have certain specific **feelings** towards some products or brands. Sometimes these feelings are based on certain beliefs and sometimes they are not. For example, an individual feels uneasy when he thinks about cheese burst pizza, because of the tremendous amount of cheese or fat it has.

Behavioral intentions show the plans of consumers with respect to the products. This is sometimes a logical result of beliefs or feelings, but not always. For example, an individual personally might not like a restaurant, but may visit it because it is the hangout place for his friends.

Functions of Attitudes

The following are the functions of attitudes

- **Adjustment Function** – Attitudes helps people to adjust to different situations and circumstances.
- **Ego Defensive Function** – Attitudes are formed to protect the ego. We all are bothered about our self-esteem and image so the product boosting our ego is the target of such a kind of attitude.
- **Value Expression Function** – Attitudes usually represent the values the individual possess. We gain values, though our upbringing and training. Our value system encourages or discourages us to buy certain products. For example, our value system allows or disallows us to purchase products such as cigarettes, alcohol, drugs, etc.
- **Knowledge Function** – Individuals' continuously seeks knowledge and information. When an individual gets information about a particular product, he creates and modifies his attitude towards that product.

Models of Attitude

The following are the models of attitude

- **Tri-component Model** – According to tri-component model, attitude consists of the following three components.
- **Cognitive Component** – the first component is cognitive component. It consists of an individual's knowledge or perception towards few products or services through personal experience or related information from various sources. This knowledge, usually results in beliefs, which a consumer has, and specific behavior.
- **Affective Component** – the second part is the affective component. This consists of a person's feelings, sentiments, and emotions for a particular brand or product. They treat them as the primary criteria for the purpose of evaluation. The state of mind also plays a major role, like the sadness, happiness, anger, or stress, which also affects the attitude of a consumer.
- **Conative Component** – the last component is conative component, which consists of a person's intention or likelihood towards a particular product. It usually means the actual behavior of the person or his intention.



**HOUSEKEEPING AND LAUNDRY SUPERVISION LEVEL IV
PROFILE THE MARKET**

Self-Check 3

Written Test

Name: _____ Date: _____

Directions: Answer all the questions listed below. Illustrations may be necessary to aid some explanations/answers.

- 3.1 discuss the steps to be taken to Build a Target Audience Profile
- 3.2 Illustrate consumer characteristics include various demographic, psychographic, behavioralistic and geographic traits.
- 3.3 Describe consumer attitudes to products or services being offered



**INFORMATION
SHEET-4**

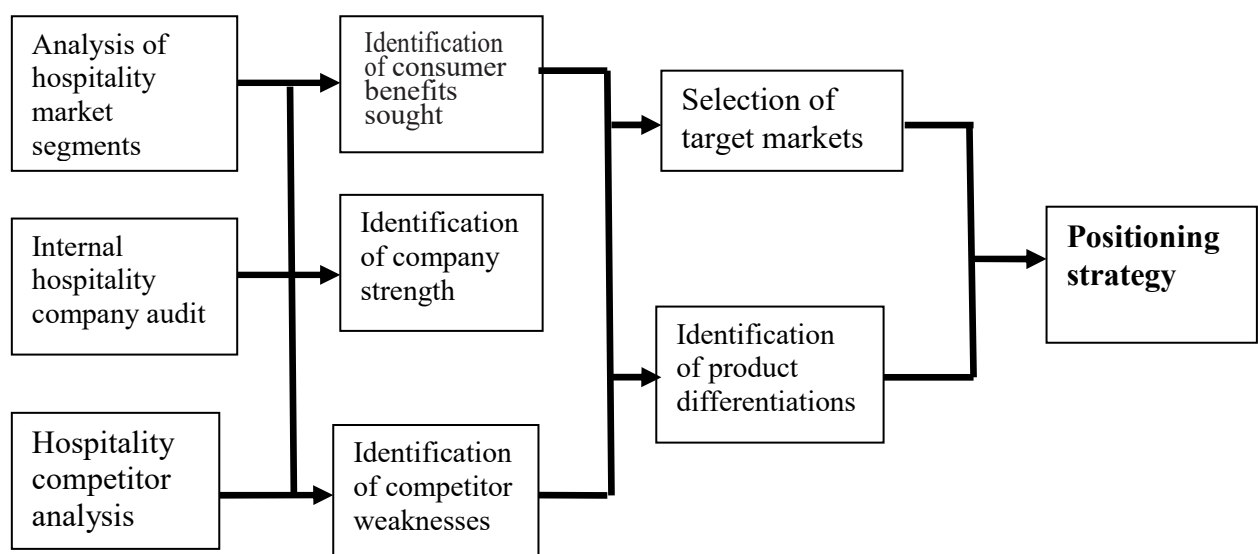
LO4 DEVELOP A POSITIONING STRATEGY

4.1 Identify available positioning strategies and choose a strategy to meet marketing requirements and consumer profile

The selection of target markets provides a focus for the development of positioning and differentiation strategies. It is difficult for companies to compete effectively in today's crowded, media-dominated marketplace, where consumers are bombarded by thousands of messages from hundreds of commercial, non-commercial and government organizations on a daily basis. This intense competitive environment forces hospitality firms to try and create a distinctive marketing offer that will help the company to stand out and be noticed by its target markets.

The dilemma for hospitality operators is that there are virtually no real differences between the core products offered by rivals in the same product class. Generic products, which do not have any real differences, are described as commodity products. The original commodity products were items like table salt and drinking water. In hospitality, the tangible elements of a hospitality experience – a bed, a meal, a drink – are so similar that they can be considered commodity products, and this means that it can be extremely difficult to provide a product offer that is genuinely different to that of your competitors. An innovation or improvement which one company introduces is often quickly copied or imitated by the competition.

However, hospitality consumers do recognize that some products and companies have very distinct images compared to their rivals, and those companies have worked hard to cultivate that image. This process, the design and maintenance of a distinctive position in the minds of target markets, is the focus of a positioning strategy.



The process of segmentation, targeting and positioning in hospitality (adapted from Lovelock, 2002)



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Positioning strategy is the process whereby hospitality companies try to develop a distinctive and favorable position in the minds of target markets, compared to competitors. The purpose of positioning is to ensure that target markets clearly understand what the product, service or brand stands for in the marketplace. Figure above demonstrates the link between segmentation, targeting and positioning.

Marketing research and analysis of the market segments should lead to an understanding of what consumers really want. The internal audit should identify the company's strengths, which can be developed into product or service differentiators. The competition analysis should identify competitors' weaknesses and possibilities for effective product or service differentiation. The marketer then evaluates the three separate analyses, with the aim of establishing a match between the benefits sought by consumers, the strengths of the company, and the weaknesses of competitors. The process culminates in the articulation of the company's desired position in the marketplace, which is designed to produce a competitive advantage.

Product or service differentiators are tools used by hospitality marketers as part of the positioning process. Product or service differentiation helps to distinguish between the tangible (and/or intangible) product characteristics of the service offer from competitors in the same product class. Again, the purpose is to create a competitive advantage attractive to selected target markets. The attributes that hospitality companies seek in order to differentiate themselves from competitors include location, quality, price, range of facilities and services, parking, safety/security, and, for frequent travelers, reward programs. The product or service differentiators may only be minor in nature they may not even be real but when articulated effectively over a period of time, they help the brand to stand out from competitors in the mind of the target markets.

There are two different approaches to positioning: objective and subjective (Ries and Trout, 1986).

Objective positioning

Objective positioning refers to the tangible, real or physical attributes that a hotel or restaurant offers customers. Attributes like the size of a budget motel bedroom, the facilities in a luxury hotel bathroom and the menu items on a fast-food restaurant menu are objective. The purpose of objective positioning is to use a tangible attribute as the main differentiator to distinguish your offer from competitors. Looking at the examples of attributes – the bedroom, the bathroom facilities, the menu – it is easy to see that any positioning statement based on these commodity product attributes can be easily imitated by competitors in the same product class. For this reason, objective positioning is not considered to be an effective long-term differentiator.



HOUSEKEEPING AND LAUNDRY SUPERVISION LEVEL IV PROFILE THE MARKET

However, surveys of hospitality advertising reveal that all sectors of the industry, from international luxury hotel chains to local independent restaurants, use objective positioning images in their promotional campaigns. Unfortunately, managers fail to understand that pictures of their empty bedrooms and restaurants or, even worse, pictures with their staff pretending to be customers look the same as thousands of other hotel bedrooms and restaurants.

Subjective positioning

Subjective positioning focuses on the intangible aspects of the offer or experience. It is important to note that the perceived image of a hospitality company may not necessarily reflect the true or real state of the product or service offered. What matters is the customer's perception of the service. If the customer believes that a company's hospitality offer is high quality, with exceptional value, then the customer is right – and the offer is high quality, with exceptional value, to that target market. Subjective positioning offers hospitality operators more opportunity to position their company effectively because the basis of the positioning strategy is linked to intangible attributes, which are more difficult for competitors to imitate.

There are two approaches to subjective positioning, and the approach selected depends on whether the product is more *tangible-dominant* or *intangible-dominant*. Where hospitality products are tangible-dominant (for example, the hotel bedroom) and there is little if any difference between the competitors' offers, marketers aim to differentiate their product by stressing intangible attributes. This is not an easy task.

The second approach to subjective positioning focuses on intangible-dominant products. The intangible attributes of hospitality are the service, the atmosphere, the reputation, the history, the impressions, and the image. Given that these attributes are abstract, how can hospitality marketers position their intangible products positively in the minds of consumers? One answer is to 'tangibilize the intangible' – in other words, to provide tangible evidence that reinforces the position the company is aiming to attain. Hyatt's subjective positioning strategy aims to create an exotic, grand, majestic and distinctive image for its hotels by focusing on innovative modern architecture in the building of their atrium-style hotel lobbies.

This relatively minor product differentiator was consistently used in Hyatt's promotional campaigns, and succeeded in positioning Hyatt, in the minds of consumers, as a more exotic hotel than its competitors. Today, many hotels in the Hyatt's product class provide spacious atrium-style lobbies, but Hyatt still maintains its original and distinctive image.



Positioning strategies

Positioning strategies are designed from answers to two basic questions:

- 1 ***Against whom should you position?*** These are usually other brands in the same competitive group, for example, Burger King positions against McDonald's. They will be competitors against whom you can demonstrate competitive advantage.
- 2 ***How should you position?*** This provides the basis for your competitive efforts. Burger King, for example, positions itself as a healthier burger option because its burgers are flame broiled, not fried.

The following positioning strategies in hospitality companies have been identified:

- ❖ ***Product feature or special attributes.*** This strategy focuses on a tangible-dominant feature – for example, the largest function suite in the area might position a company in terms of space, grandeur and style.
- ❖ ***Price/quality.*** This positioning strategy for a luxury property might focus on the high quality, high price, exclusive image; for a budget property, the focus might be a standard quality at a lower price, implying better value for money in the economy product class.
- ❖ ***Customer benefit.*** This type of positioning proposes solutions to solve customers' problems – for example, Seoul's Hotel Shilla advertising campaign emphasizes the quality, choice of menu, convenience and efficiency of their 24-hour room service to international business travelers.
- ❖ ***Use or usage.*** This is a positioning strategy that focuses on the reasons why consumers use a product, and is often targeted at specific markets – for example, a resort hotel with a championship golf course targets executives who enjoy mixing business with sport.
- ❖ ***User.*** This positioning strategy focuses on the class of user, e.g. Families, younger people, religious people, well-off older people – and emphasizes the product's appeal to the class of users; it will often feature endorsements by celebrities pertinent to the target market.

Positioning new hospitality ventures

In new hospitality ventures there is likely to be a much greater focus on the positioning strategy, in part because financial backers will expect the marketing plan to be well formulated before advancing any loans. A new venture provides the hospitality company with the opportunity to plan the new concept using marketing research methods, and then to position the offer more effectively.



Positioning existing properties

In hospitality, there is a key difference between developing positioning strategies for existing properties and those for new ventures. In existing hotel and restaurant operations, a number of factors are fixed. These include the location, the geo- demographics of the catchment area, the property's current facilities, size and standards, the customer mix, and the property's historic image. These fixed factors are not easily changed, and the positioning strategy must take into account which strategy best fits the needs of the business and potential markets.

Repositioning

It is not unusual for hospitality operations to re-examine their current position in the marketplace and decide to reposition their property. The reason for repositioning may be:

- ❖ Falling sales (often a symptom of customer dissatisfaction)
- ❖ An opportunity to service an emerging market segment
- ❖ The threat of competition eroding market share.

The process for developing a repositioning strategy is similar to that of developing a positioning strategy for a start-up operation, with one caveat. In trying to reposition a hospitality property, there is the danger of sending out confusing signals to existing and potential target markets. This can damage the business by alienating existing customers, who do not like the changes. They might even abandon the property. If the lost customers are not replaced with new customers quickly enough, the business can rapidly lose sales and profitability. Repositioning can involve the company in significant capital expenditure to alter the physical product, and may require changes in the personnel to implement the new strategy. For these reasons, repositioning can be a risky strategy, but the alternatives are either to continue trading in a deteriorating, downward spiral, or to dispose of the property.

Positioning maps

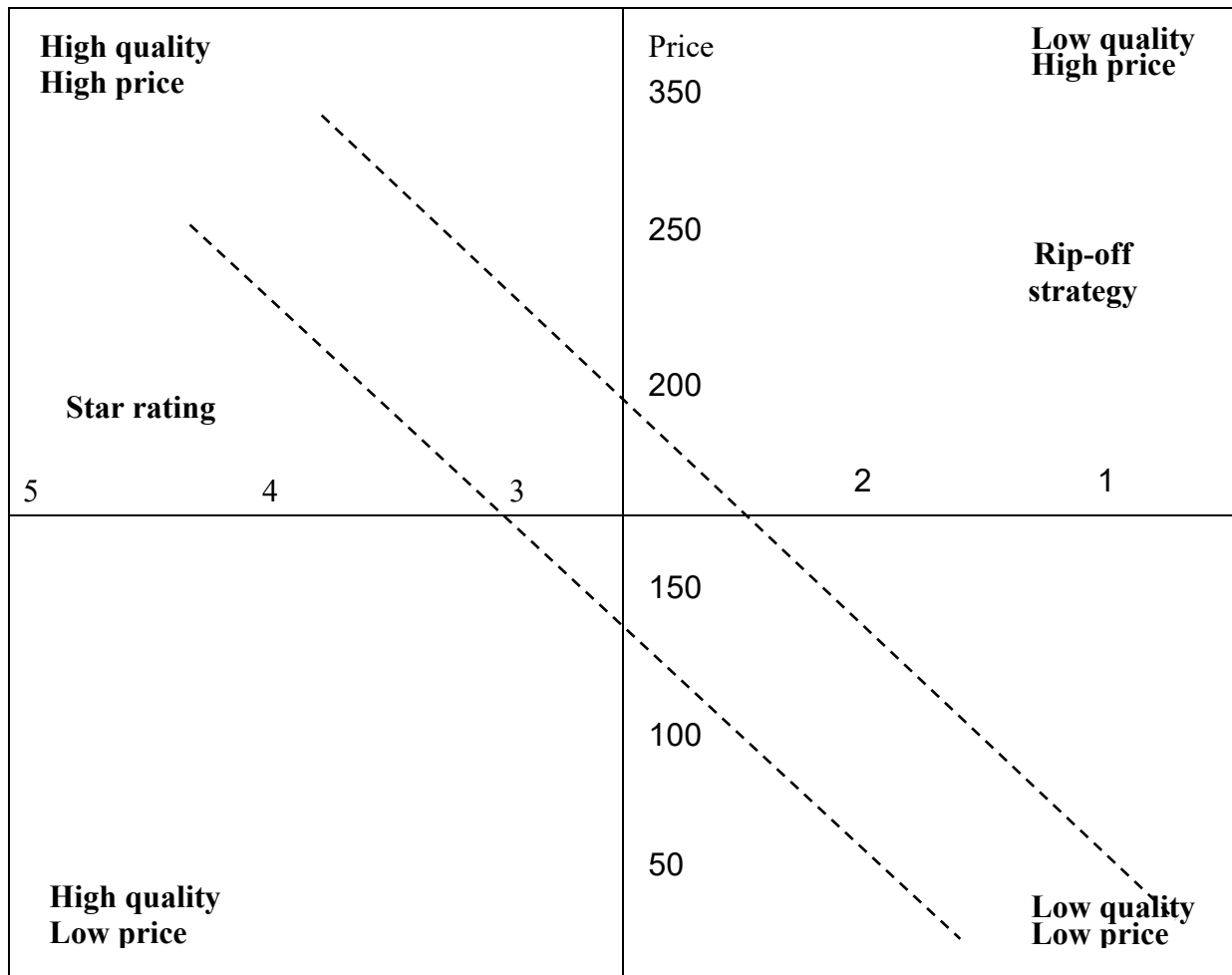
Positioning maps, also called perceptual maps, are tools used by marketers to plot consumer evaluations of competing hospitality products using two or more attributes. The attributes used to map competitors are variables that are important to consumers, and can include price, quality, location, reputation, and value for money, quality of food and service, conference and banqueting facilities, and availability of car parking (Dev *et al.*, 1995). Quantitative research using websites, guidebooks, hotel tariffs and brochures provides useful competitor information. Qualitative consumer research can be undertaken using focus groups of hotel users to evaluate the quality of food, personnel and service items amongst competitors.

Sophisticated statistical packages analyze the data and draw up a series of perceptual maps using two or more dimensions as the axes. Positioning maps are used to identify the strengths



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and weaknesses of hotels and their competitors over a series of measures. Figure below provides an illustration of a positioning map using hotels' quality and price points from budget to luxury. Note the relationship between quality and price, where luxurious hotels charge higher prices and budget hotels charge lower prices.



Normally a unit must stay within its price/quality product class, which is indicated by the dotted lines on the map. If a hotel is charging more than the price/quality norm it could be accused of 'ripping-off' customers, unless there is another factor, for example a convenient location, which compensates for the higher price charge. If a hotel is offering genuinely higher quality at a lower price (five-star quality at three-star prices), this strategy is not sustainable in the long run.

Positioning maps can be used to track changing competitive positions over time. This is useful, because the marketing environment does not remain static and consumers' perceptions will change in response to competitors' actions. Hotels constantly battling for competitive advantage continue to adapt their positioning strategies



Positioning

Positioning is defined as the act of designing the company's offering and image to occupy distinctive place in the target market's mind. A simple example of positioning would be If I say An expensive TV, what comes first to your mind probably will be A Sony or A Samsung TV whereas if i say a cheaper or VFM TV (value for money TV) you might think of an Onida or a Videocon. Thats positioning. Why is it that you have called out these respective names only? That is because how the brands are positioned in your mind in terms of awareness.



The main points that you should remember are:

- Positioning is the final part of the SEGMENT – TARGET – POSTION or STP process
- Positioning is undoubtedly one of the simplest and most useful tools to marketers.
- Positioning is all about 'perception'. As perception differs from person to person, so do the results of the positioning map e.g. what one perceive's as quality, value for money in terms of worth, etc, will be different to any other person's perception. However, there will be similarities in certain cases.
- After segmenting a market and then targeting a consumer, next step will be to position a product within that market. It refers to a place that the product offering occupies in consumers' minds on important attributes, relative to competing offerings. How new and current items in the product mix are perceived, in the minds of the consumer, therefore re-emphasizing the importance of perception!! New Product-need to communicate benefits.



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The most attractive positioning that can be targeted in general is:

- (a) **Prospectively profitable:** the segment's characteristics (e.g. price levels, growth rate) and competitive environment (e.g. number of competitors, basis of competition) are conducive to a growing pool of profits.
- (b) **Homogeneous** within the segment, i.e. members are relatively similar with respect to attitudes, buying criteria, media habits, etc.
- (c) **Heterogeneous** across segments, i.e. members in different segments have fundamental differences and act accordingly.
- (d) **Accessible:** members can be reached effectively with communications, and shop in outlets through which products can be efficiently distributed.
- (e) **Winnable:** the company's distinctive strengths match the segment's requirements and provide an advantage versus competition, so the company can reasonably expect an acceptable share of the industry profits.

Strategy

There is considerable confusion in management literature regarding the various terms used in strategic management. A recent survey by the American Management Association revealed that respondents found it difficult to define policy, and differentiate between strategy, policy and objectives, further compounding the difficulty.

According to Andrews, strategy, policy and objectives embrace a range of statements from the "broad" and "important" to "narrow" and "unimportant". Policies get merged into procedures and procedures into rules. Strategies get blended into tactics, resulting in an "end-means continuum". This can be illustrated by the following example.

Suppose a company decides upon a sales growth of 35 per cent and desires to achieve this by acquiring other companies, instead of introducing new products. Acquisition in this case can be considered as a strategic option chosen by the company. The company will then have to decide on the size of the firm to be acquired. If it decides on acquiring a small company, this becomes the objective.



What is Strategy?

The word strategy has entered the field of management more recently. At first, the word was used in terms of Military Science to mean what a manager does to offset actual or potential actions of competitors. The word is still being used in the same sense, though by few only. Originally, the word was derived from Greek ‘Strategos’, which means generalship. The word strategy, therefore, means the art of the general.

When the term is used in military sense, it refers to action that can be taken in the light of action taken by opposite party. According to Oxford Dictionary, ‘military strategy is the art of so moving or disposing the instruments of warfare (troops, ships, aircrafts, missiles, etc.) as to impose upon the enemy, the place, time and conditions for fighting by oneself. Strategy ends, or yields to tactics when actual contact with enemy is made’.

In management, the concept of strategy is taken in slightly different form as compared to its usage in military form; it is taken more broadly. However, in this form, various experts do not agree about the precise scope of strategy. Lack of unanimity has resulted into two broad categories of definitions: strategy as action inclusive of objective setting and strategy as action exclusive of objective setting. Let us see some definitions in these two categories in order to conceptualize strategy properly.

“Tomorrow always arrives. It is always different. And even the mightiest company is in trouble if it has not worked on the future. Being surprised by what happens is a risk that even the largest and richest company cannot afford, and even the smallest business need not run.”

Peter Drucker

Strategy has Four Components

1. First, strategy should include a clear set of long term goals.
2. Second components are that it should define the scope of the firm i.e. the types of products the firm will serve etc.



3. Thirdly, a strategy should have a clear statement of what competitive advantage it will achieve and sustain.
4. Finally, the strategy must represent the firms' internal contest that will allow it to achieve a competitive advantage in the environment in which it has chosen to compete.

Positioning Strategy

Positioning strategies can be conceived and developed in a variety of ways. It can be derived from the object attributes, competition, application, the types of consumers involved, or the characteristics of the product class. All these attributes represent a different approach in developing positioning strategies, even though all of them have the common objective of projecting a favorable image in the minds of the consumers or audience. There are seven approaches to positioning strategies:

1) Using Product characteristics or Customer Benefits as a positioning strategy

This strategy basically focuses upon the characteristics of the product or customer benefits. For example if I say imported items it basically tell or illustrate a variety of product characteristics such as durability, economy or reliability etc. Lets take an example of motorbikes some are emphasizing on fuel economy, some on power, looks and others stress on their durability. Hero Cycles Ltd. positions first, emphasizing durability and style for its cycle.

At time even you would have noticed that a product is positioned along two or more product characteristics at the same time. You would have seen this in the case of toothpaste market, most toothpaste insists on 'freshness' and 'cavity fighter' as the product characteristics. It is always tempting to try to position along several product characteristics, as it is frustrating to have some good characteristics that are not communicated.

2) Pricing as a positioning strategy

Quality Approach or Positioning by Price-Quality – Lets take an example and understand this approach just suppose you have to go and buy a pair of jeans, as soon as you enter in the shop you will find different price range jeans in the showroom say price ranging from 350 rupees to 2000 rupees. As soon as look at the jeans of 350 Rupees you say that it is not good in quality. Why? Basically because of perception, as most of us perceive that if a product is expensive will be a quality product whereas product that is cheap is lower in quality. If we look at this Price – quality approach it is important and is largely used in product positioning. In many product categories, there are brands that deliberately attempt to offer more in terms of service, features or performance. They charge more, partly to cover higher costs and partly to let the consumers believe that the product is, certainly of higher quality.



3) Positioning strategy based on Use or Application

Basically this type of positioning-by-use represents a second or third position for the brand, such type of positioning is done deliberately to expand the brand's market. If you are introducing new uses of the product that will automatically expand the brand's market.

4) Positioning strategy based on Product Process

Another positioning approach is to associate the product with its users or a class of users. Makes of casual clothing like jeans have introduced 'designer labels' to develop a fashion image. In this case the expectation is that the model or personality will influence the product's image by reflecting the characteristics and image of the model or personality communicated as a product user.

Lets not forget that Johnson and Johnson repositioned its shampoo from one used for babies to one used by people who wash their hair frequently and therefore need a mild people who wash their hair frequently and therefore need a mild shampoo. This repositioning resulted in a market share.

5) Positioning strategy based on Product Class

In some product class we have to make sure critical positioning decisions For example, freeze dried coffee needed to positions itself with respect to regular and instant coffee and similarly in case of dried milk makers came out with instant breakfast positioned as a breakfast substitute and virtually identical product positioned as a dietary meal substitute.

6) Positioning strategy based on Cultural Symbols

In today's world many advertisers are using deeply entrenched cultural symbols to differentiate their brands from that of competitors. The essential task is to identify something that is very meaningful to people that other competitors are not using and associate this brand with that symbol.

7) Positioning strategy based on Competitors

In this type of positioning strategies, an implicit or explicit frame of reference is one or more competitors. In some cases, reference competitor(s) can be the dominant aspect of the positioning strategies of the firm, the firm either uses the same of similar positioning strategies as used by the competitors or the advertiser uses a new strategy taking the competitors' strategy as the base.

A good example of this would be Colgate and Pepsodent. Colgate when entered into the market focused on to family protection but when Pepsodent entered into the market with focus on 24 hour protection and basically for kids, Colgate changed its focus from family protection to kid's teeth protection which was a positioning strategy adopted because of competition.



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Self-Check 4

Written Test

Name: _____

Date: _____

Directions: Answer all the questions listed below. Illustrations may be necessary to aid some explanations/answers.

- 4.1 describe each process of segmentation, targeting and positioning in hospitality
- 4.2 list and discuss the two approaches of positioning
- 4.3 write and discuss identified positioning strategies in hospitality companies
- 4.4 list and discuss Positioning Strategy



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