

## 4. Marketing

Marketing is often thought to be only selling and advertising. However, marketing consists of many other functions that can be seen far more important than just the exchange of goods. (Kotler & Amrstrong 2004: 5)

The American Marketing Association defines marketing as follows:

*“Marketing is the activity, set of institutions, and processes for creating, communicating, delivering and exchanging offerings that have value for customers, clients, partners and society at large.”* (Middleton et al. 2009: 21)

Today, more than ever, marketing has put emphasis on satisfying the customer needs. The customer tends to make decisions on buying a product or a service based on their perception of the value and satisfaction that the product or service delivers. From the company’s point of view the goal of marketing is to first build and then manage profitable customer relationships. In order to achieve this it is not enough only to first market the product and then sell it but make sure that the product being sold will meet the standards and be enough to fulfill the customer’s expectations. Therefore the company must be aware and understand their customers; their needs, wants and demands. That is why many companies put a lot of effort and money into making different kinds of customer surveys analyzing their customers’ behavior and learning about the different way of delivering the superior customer value and satisfaction. (Kotler & Armstrong 2004: 5-7)

### 4.1 Marketing mix

The marketing mix is one of the major concepts in modern marketing and is often brought up in general discussions of marketing. Marketing mix is a set of marketing tools that a company uses to pursue its marketing objectives in the target market. When a company is making decisions on marketing they generally fall into four controllable categories known as the 4 P's: product, price, place and promotion.



Figure 3: The four P's of the marketing mix (Kotler 2004: 58)

As shown in the figure 3; in Kotler's Marketing mix chart the target market is placed in the middle. The main idea of marketing is to influence and persuade the consumer to buy and use the company's product or service. In order to get customers to do so a company uses the four P's as a mixture in order to influence the demand for its products. (Kotler 2004: 56-57)

In the hospitality industry the products are primarily designed to satisfy the needs and wants of business and leisure travelers. As part of the marketing mix for

example a hotel room can be seen as a product that the company sells to consumers. Hotel rooms can vary in quality or in services they offer and is targeted to consumers who usually have the need for a specific type of room. For example a businessman can have different kind of needs from a hotel room than a leisure traveler.

In the hospitality industry the place of business is many times the key to success. A hotel's location is important for visitors and therefore they usually examine carefully which hotel and where they choose. The location of the hotel affects the transportation possibilities, how accessible it is for example from the airport or the city center. (Bowie & Buttle 2004: 26-27)

Pricing decisions influence the demand and profitability. In a hotel setting for example the rack rates and agreeing to discount for key accounts are crucial and require a lot of attention and careful consideration.

Promotion is usually the function of most marketing and sales departments and it includes all the tools that a company can use to communicate with customers. A hotel can for example use different websites to advertise their products and services and also use brand identification to their advantage. (Bowie & Buttle 2004: 28) Brands help consumers to identify what the product or the company is, for example people relate the Hilton Hotel chain with luxury and good quality. That helps the hotel chain when they are planning their marketing strategy. (Bowie & Buttle 2004: 208)

#### ***4.2 Market segmentation***

In marketing it is almost impossible to succeed by handling all the consumers as a big "one size fits for all" mass. Market segmentation recognizes that people differ in many ways like in their needs, attitudes and lifestyles. (Middleton et al. 2009: 97) Through market segmentation companies divide their market into smaller segments. All of the segments have specific needs and by dividing the market those needs can be met more efficiently with products and services that match their unique needs. (Kotler 2004: 239)

There are many ways to segment a market. Different segmentation variables are used, both alone and together, in order to classify consumers into different segments. Kotler defines four major variables that are generally used in marketing; geographic, demographic, psychographic and behavioral variables.

Geographical segmentation divides the market into different geographical units such as cities, regions, countries or climate and population density. By this way when a company is deciding which units to operate and market, they can pay attention to geographical differences in needs and wants. For example a major clothing store chain can pay attention to their selection in stores in northern areas where it is colder and the need for warmer clothes is greater than in areas located more south. (Kotler 2004:239)

Demographic segmentation consists of dividing the market into groups based on variables such as age, gender, family size, income, occupation, education, religion, race and nationality. Demographic factors are the most popular bases for segmenting customer groups. This is partly because customer wants are closely linked to variables such as income and age. Also, for practical reasons, there is often much more data available to help with the demographic segmentation process. (Kotler 2004: 240-241)

Psychographic segmentation divides the market into different groups based on social class, lifestyle or personality characteristics. People can be in the same geographical segment meaning that they may for example live in the same city; they can even be of same age. But one may be a student and another a worker. This affects their lifestyles greatly and therefore also has an effect on the buying behaviors of the people.

Behavioral segmentation divides buyers into groups based on their knowledge, attitudes, uses and responses to a product. Behavioral segmentation has the advantage of using variables that are closely related to the product itself. When a company knows when and why customers are buying their products, they can link their marketing to that. For example some holidays like on Valentine's Day or at Christmas people tend to buy certain things related to the occasion; many

companies prepare special offers and advertisements for those holiday occasions. (Kotler 2004: 244)

In hospitality industry these same segmentation variables can be used but there is also a wide range of subgroups that for example almost all of the hotels use. Hotels usually use only one variable when segmenting these subgroups and that is the purpose of travel. By defining the purpose of travel hotels can classify many subgroups such as corporate/business clients, visitors on group package tours, independent and leisure vacationers. By acknowledging different segments a hotel can target their services more effectively. (Middleton et al. 2009: 97-99)

### ***4.3 Relationship Marketing***

Relationship marketing is a form of marketing that emphasizes customer retention and satisfaction. It switches the focus from the recruitment of new customer to the retention and recovery of existing ones. Relationship marketing differs from other forms of marketing in that it recognizes the long-term value of customer relationships and extends communication. (Middleton et al. 2009: 92) The world of marketing today is more customer-centered. As companies must compete in a more competitive marketplace they have to know their customers' needs and wants in order to get new customers, then keep and grow them by delivering greater value for them. (Kotler 2004: 54)

When planning a relationship marketing strategy one must take into account that not all customers want a relationship with the company. That is why it must be carefully considered which types of customers are usually more likely to repeat their visit in a hotel or a restaurant. Some customers are aware of the wide choice of competitor products and services and do not want to limit their options and tie themselves only to one company but prefer to switch their custom accordingly. Other customers are not interested in any type of relationship with any company; they simply look at the best quality, value and convenience available at the time of purchase. (Bowie & Buttle 2004: 298-299)

Building close relationships with key customers should be mutually rewarding for both the customer and the company. For example to companies that have a lot of employees working on the road and moving constantly hotel accommodation becomes a major expense. That is why it is profitable for the company to choose a particular hotel or a hotel chain and arrange a fixed price for their employees staying at the hotel. That price is usually lower than the regular rate in the hotel so the company saves money and the hotel gets a steady income from the company's employees staying there. (Bowie & Buttle 2004: 299)

#### **4.3.1 Different stages of customership**

When planning relationship marketing it is important to know which ones of the customers are regulars, who are staying at the hotel just for that one time and who visit the hotel on more irregular bases. In other words, it is important to know your customers. When developing relationship marketing there are different classification systems that can be used to define customers. At simplest customers can be divided into four different categories. First are the loyal customers who purchase the company's services regularly. Second are the customers who purchase the services and products occasionally but also use competitors' services. Third are the "not yet"-customers who have been targeted by the company's marketing but have not yet purchased their services. Fourth are the customers who used to use the company's services but are no longer, for some reason, doing so. (Rope & Pöllänen 1995: 131-132)

Depending on which category the customer belongs to the marketing strategies are very different. A company does not necessarily market their services to loyal customers in the same way as they do to occasional customers. The main objective when planning marketing to loyal customers is to ensure the continuity of the customership by keeping the loyal customers happy and invest in direct marketing. When dealing with occasional customers it is important to start forming that long lasting relationship for example by targeting the market efforts to sell the loyal customer's program. The potential "not yet" customer should be

enticed to use the company's services for example by marketing some special offers. (Rope & Pöllänen 1995: 133-135)