

---

# MARKETING HOSPITALITY

---

Third Edition

CATHY H. C. HSU  
TOM POWERS



John Wiley & Sons, Inc.

---

---

# Contents in Brief

---

|           |  |     |
|-----------|--|-----|
|           | Preface  | xix |
| <b>1</b>  | Marketing—Everybody’s Job  | 1   |
| <b>2</b>  | Hospitality Services   | 17  |
| <b>3</b>  | The Macro and Micro Environments of Hospitality Marketing                                  | 41  |
| <b>4</b>  | Market Segmentation and Target Marketing   | 65  |
| <b>5</b>  | Marketing Information and Research   | 93  |
| <b>6</b>  | Marketing Strategy   | 123 |
| <b>7</b>  | The Marketing Plan   | 149 |
| <b>8</b>  | The Hospitality Product  | 169 |
| <b>9</b>  | Place in Hospitality Marketing: Distribution   | 201 |
| <b>10</b> | Place in Hospitality Marketing: Location   | 225 |
| <b>11</b> | The Price of Hospitality   | 245 |
| <b>12</b> | Marketing Communication: Advertising   | 267 |
| <b>13</b> | Marketing Communication: Sales Promotion, Public Relations/Publicity, and Personal Selling | 295 |
| <b>14</b> | Marketing at the Unit Level  | 317 |
|           | Index  | 345 |

---

# Contents

---

Preface      xix

## **1** Marketing—Everybody’s Job 1

---

|  |    |
|--|----|
| <b>Three Approaches to the Market</b>                  | 2  |
| A Product Orientation                                  | 2  |
| A Sales Orientation                                    | 3  |
| A Marketing Orientation                                | 3  |
| <b>Marketing</b>                                       | 4  |
| The Marketing Mix                                      | 5  |
| Marketing as a Social Force                            | 6  |
| Marketing and Society                                  | 8  |
| <b>CASE STUDY 1.1: McDonald’s and the Environment</b>  | 8  |
| <b>Organizing and Managing the Marketing Function</b>  | 9  |
| The Marketing Department in Multiunit Companies        | 10 |
| Conflicts Between Marketing and Operations Departments | 11 |
| Resolving Conflicts                                    | 12 |
| Internal Marketing                                     | 13 |
| <b>Organizing the Marketing Unit</b>                   | 13 |
| <b>Summary</b>   | 15 |
| Key Words and Concepts / Resources on the Internet /   |    |
| Discussion Questions / References                      |    |

## **2** Hospitality Services 17

---

|  |    |
|--|----|
| <b>Hospitality Service Characteristics</b> | 18 |
| Intangibility                              | 19 |

|   |           |
|---|-----------|
| People as Part of the Product                           | 19        |
| Demand Patterns   | 21        |
| Perishability   | 21        |
| Channels of Distribution                                | 21        |
| <b>Hospitality Service Marketing System</b>             | <b>22</b> |
| Three Overlapping Service Systems                       | 22        |
| <b>Service Quality</b>                                  | <b>25</b> |
| Quality Dimensions: Technical and Interpersonal         | 25        |
| Measuring Service Quality                               | 25        |
| Service Quality Gaps                                    | 26        |
| <b>Service Quality Control and the Zero-Defect Goal</b> | <b>26</b> |
| <b>CASE STUDY 2.1: Quality at the Ritz</b>              | <b>27</b> |
| The Cost of Quality                                     | 29        |
| Enlisting the Customer in Quality Control               | 30        |
| <b>Managing Demand Through Queuing</b>                  | <b>33</b> |
| <b>Internal Marketing</b>                               | <b>34</b> |
| Employee Recruitment and Retention                      | 36        |
| A Service Culture                                       | 37        |
| <b>Summary</b>  | <b>38</b> |
| Key Words and Concepts / Resources on the Internet /    |           |
| Discussion Questions / References                       |           |

## 3

# The Macro and Micro Environments of Hospitality Marketing

41

|   |           |
|---|-----------|
| <b>The Macro Environment</b>  | <b>42</b> |
| Economy   | 42        |
| Society and Culture   | 43        |
| <b>CASE STUDY 3.1: “Cuisine Naturelle” for the Health Conscious</b> | <b>44</b> |
| <b>CASE STUDY 3.2: Women on Their Way by Wyndham</b>                | <b>47</b> |
| Politics  | 48        |
| Technology  | 48        |
| Ecology   | 50        |
| <b>The Micro Environment</b>  | <b>50</b> |
| Competitors   | 50        |
| Customers   | 51        |
| <b>Summary</b>  | <b>62</b> |
| Key Words and Concepts / Resources on the Internet /                |           |
| Discussion Questions / References                                   |           |

---

## **4** Market Segmentation and Target Marketing 65

---

|  |    |
|--|----|
| <b>Segmenting and Targeting Markets</b>  | 66 |
| Target Marketing   | 66 |
| Why Segment?   | 67 |
| <b>Types of Segments</b>   | 67 |
| Geographic Segmentation  | 68 |
| Demographic Segmentation   | 69 |
| <b>CASE STUDY 4.1: Targeting Specific Markets Based on Demographic Characteristics</b> | 72 |
| Psychographic Segmentation   | 74 |
| Benefit Segmentation   | 75 |
| Behavior Segmentation  | 75 |
| Combining Segmentation Approaches  | 76 |
| <b>Segmenting Organizational Markets</b>   | 81 |
| Organizational Buying Behavior   | 81 |
| Lodging's Organizational Customer Segments   | 82 |
| <b>CASE STUDY 4.2: The Club Hotel by DoubleTree</b>                                    | 83 |
| Contract Foodservice's Organizational Customer Segments                                | 87 |
| <b>Summary</b>   | 90 |
| Key Words and Concepts / Resources on the Internet / Discussion Questions / References |    |

---

## **5** Marketing Information and Research 93

---

|  |     |
|--|-----|
| <b>Marketing Intelligence</b>  | 94  |
| Internal Company Sources   | 94  |
| Competitor Information   | 96  |
| Marketing Information Systems (MIS)  | 96  |
| <b>Marketing Research</b>  | 96  |
| Secondary Research   | 97  |
| Syndicated Studies   | 98  |
| Primary Research   | 99  |
| <b>Common Concerns in Hospitality Marketing Research</b>                           | 99  |
| Who Are Our Customers?   | 99  |
| Product Research: What Do Our Customers Want?                                      | 100 |
| <b>CASE STUDY 5.1: "The Room That Works": Market Research in Hotel Room Design</b> | 100 |
| Copy Testing   | 102 |
| Tracking Studies   | 104 |

|  |     |
|--|-----|
| <b>The Research Process</b>                            | 106 |
| Problem Definition                                     | 106 |
| Research Design and Implementation                     | 108 |
| Data Analysis and Interpretation                       | 112 |
| Preparation of the Research Report                     | 113 |
| <b>CASE STUDY 5.2: Marketing Research Lays Ground</b>  |     |
| for Turnaround at Round Table Pizza                    | 113 |
| <b>Consumer Information: Mining the Guest Database</b> | 115 |
| Tracking Guest Transactions                            | 115 |
| Frequency Marketing                                    | 116 |
| Using the DBM Program                                  | 117 |
| <b>Summary</b>   | 120 |
| Key Words and Concepts / Resources on the Internet /   |     |
| Discussion Questions / References                      |     |

## 6

## Marketing Strategy

123

|  |     |
|--|-----|
| <b>Strategic Marketing</b>   | 124 |
| Strategic Versus Functional Marketing                              | 125 |
| Corporate Hierarchy  | 126 |
| <b>Corporation Strategic Planning</b>                              | 127 |
| Company Mission  | 128 |
| Portfolio Analysis and Identification of SBUs                      | 129 |
| SWOT Analysis  | 132 |
| SBU Mission and Strategies   | 133 |
| <b>CASE STUDY 6.1: Low-Cost Focus Strategy: Southwest Airlines</b> | 136 |
| <b>CASE STUDY 6.2: International Expansion in Foodservice</b>      | 139 |
| Positioning  | 142 |
| Functional Strategies and Plans                                    | 143 |
| <b>Strategy in Small Firms</b>                                     | 144 |
| <b>Summary</b>   | 145 |
| Key Words and Concepts / Resources on the Internet /               |     |
| Discussion Questions / References                                  |     |

## 7

## The Marketing Plan

149

|  |     |
|--|-----|
| <b>Why Plan?</b>                                   | 150 |
| <b>Content and Development of a Marketing Plan</b> | 152 |
| Executive Summary                                  | 152 |
| Mission Statement                                  | 153 |

|  |     |
|--|-----|
| External Analysis                                    | 154 |
| Internal Analysis                                    | 156 |
| Market Segmentation and Positioning                  | 163 |
| Goals and Objectives                                 | 164 |
| Action Plan  | 165 |
| <b>Summary</b>                                       | 167 |
| Key Words and Concepts / Resources on the Internet / |     |
| Discussion Questions / References                    |     |

## 8

## The Hospitality Product

169

|  |     |
|--|-----|
| <b>The Hospitality Marketing Mix</b>                                 | 170 |
| <b>The Service Offering</b>  | 170 |
| The Core Benefit   | 170 |
| Facilitating Services  | 170 |
| Supporting Services  | 172 |
| <b>Physical Environment: Managing the Evidence</b>                   | 173 |
| First Impression: The Exterior                                       | 173 |
| Lasting Impression: The Interior                                     | 174 |
| Manipulating the Environment   | 174 |
| <b>The Concept as Product</b>  | 176 |
| Restaurant Concepts  | 177 |
| Hotel Concepts   | 178 |
| <b>Branding</b>  | 179 |
| <b>CASE STUDY 8.1: What's in a Name? Brand Equity</b>                | 181 |
| Types of Branding  | 182 |
| <b>CASE STUDY 8.2: Cobranding Prototype: Lodging and Foodservice</b> | 184 |
| <b>CASE STUDY 8.3: Birth of a New Brand</b>                          | 186 |
| Brands in Institutional Foodservice                                  | 189 |
| The Power of Branding  | 190 |
| <b>Product Life Cycle</b>  | 191 |
| Responses to Maturity  | 193 |
| <b>New Products</b>  | 194 |
| New Product Functions  | 194 |
| Defining New Products  | 195 |
| New Product Development  | 196 |
| New Product Hazard: Cannibalization                                  | 197 |
| Independent Operations   | 198 |
| <b>Summary</b>   | 198 |
| Key Words and Concepts / Resources on the Internet /                 |     |
| Discussion Questions / References                                    |     |

---

**9**
**Place in Hospitality Marketing: Distribution** 201
 

---

|   |     |
|---|-----|
| <b>Place and Places</b>                                   | 202 |
| The Concept of Distribution                               | 202 |
| Channels of Distribution                                  | 203 |
| <b>Lodging Distribution Systems</b>                       | 205 |
| The Need for Distribution in Lodging                      | 205 |
| Reservation Systems in Lodging                            | 206 |
| The Future of Reservations                                | 207 |
| Lodging Channels of Distribution                          | 208 |
| <b>CASE STUDY 9.1: Selling Through Channels</b>           | 213 |
| <b>Distribution in Foodservice</b>                        | 215 |
| Franchising in Foodservice                                | 215 |
| Intensive Distribution: Intercept Marketing               | 217 |
| Intermediaries  | 218 |
| <b>Other Intercompany Marketing Agreements: Alliances</b> | 219 |
| <b>CASE STUDY 9.2: Corporate Alliances</b>                | 219 |
| <b>Summary</b>  | 221 |
| Key Words and Concepts / Resources on the Internet /      |     |
| Discussion Questions / References                         |     |

**10**
**Place in Hospitality Marketing: Location** 225
 

---

|   |     |
|---|-----|
| <b>Location Strategies</b>                                    | 226 |
| Clustering  | 226 |
| Location Type: Freestanding or Part of a Larger Unit          | 227 |
| Colocation  | 228 |
| Funnel or Magnet?   | 229 |
| <b>Tactical Issues</b>  | 231 |
| Restaurant Location Evaluation                                | 231 |
| <b>CASE STUDY 10.1: Location and Site Analysis with GIS</b>   | 234 |
| Restaurant Site Evaluation                                    | 236 |
| <b>Hotel Location: The Feasibility Study</b>                  | 239 |
| Site Evaluation   | 239 |
| Market Area Analysis  | 240 |
| Demand Analysis   | 240 |
| Competitive (Supply) Analysis                                 | 240 |
| <b>CASE STUDY 10.2: Lodging Supply and Demand by Location</b> | 241 |
| Other Study Contents  | 242 |
| Informed Judgment   | 242 |



|  |     |
|--|-----|
| <b>Summary</b>                                       | 243 |
| Key Words and Concepts / Resources on the Internet / |     |
| Discussion Questions / References                    |     |

---

## **11** The Price of Hospitality 245

---

|  |     |
|--|-----|
| <b>Pricing Objectives</b>  | 246 |
| Sales-Oriented Pricing Objectives  | 247 |
| Profit-Oriented Pricing Objectives   | 247 |
| Pricing in Nonprofit Operations  | 249 |
| <b>The Determinants of Price</b>   | 250 |
| Demand   | 250 |
| Supply   | 250 |
| Competition  | 251 |
| <b>Pricing Methods in Foodservice</b>                                      | 252 |
| Cost-Based Pricing   | 252 |
| Contribution Margin Pricing  | 252 |
| Demand-Based Pricing   | 253 |
| Break-Even Analysis and Sales Mix  | 254 |
| Selecting the Final Price  | 254 |
| <b>Hotel Pricing</b>   | 256 |
| Cost-Based Pricing   | 256 |
| Room Rate Range  | 258 |
| <b>Yield Management</b>  | 260 |
| Critical Areas of Yield Management   | 261 |
| <b>CASE STUDY 11.1:</b> Marriott International's Revenue Management System | 262 |
| <b>Package Prices</b>  | 263 |
| <b>Summary</b>   | 264 |
| Key Words and Concepts / Resources on the Internet /                       |     |
| Discussion Questions / References  |     |

---

## **12** Marketing Communication: Advertising 267

---

|  |     |
|--|-----|
| <b>Communication Mix</b>                     | 268 |
| <b>Objectives of Marketing Communication</b> | 269 |
| Product Life Cycle                           | 269 |
| Decision-Making Process                      | 270 |
| Stimulating Demand                           | 271 |
| Hierarchy of Objectives                      | 272 |

|   |     |
|---|-----|
| <b>Advertising Goals and Objectives</b>   | 274 |
| Image Versus Promotional Advertising  | 274 |
| Measurable Objectives   | 275 |
| <b>Advertising Planning</b>   | 276 |
| Target  | 276 |
| Message: Unique Selling Proposition   | 278 |
| Advertising Media Characteristics and Alternatives  | 281 |
| <b>CASE STUDY 12.1:</b> City Buses as Moving Billboards                                   | 287 |
| <b>CASE STUDY 12.2:</b> Using Direct Mailings and Due Bills to<br>Generate Business       | 290 |
| Timing  | 290 |
| Budget  | 291 |
| <b>Advertising Agencies</b>   | 291 |
| <b>Summary</b>  | 292 |
| Key Words and Concepts / Resources on the Internet /<br>Discussion Questions / References |     |

# 13

## Marketing Communication: Sales Promotion, Public Relations/Publicity, and Personal Selling

295

|  |     |
|--|-----|
| <b>Sales Promotion</b>   | 296 |
| Types of Sales Promotion   | 297 |
| <b>Public Relations and Publicity</b>  | 302 |
| Public Relations   | 302 |
| Publicity  | 302 |
| Tools of Public Relations and Publicity  | 304 |
| <b>CASE STUDY 13.1:</b> Corporations Care!   | 304 |
| Crisis Management  | 306 |
| The Cost-Effectiveness of PR and Publicity   | 306 |
| <b>Personal Selling and the Sales Process</b>  | 307 |
| Prospecting  | 308 |
| Planning the Sales Call  | 309 |
| The Presentation   | 311 |
| Closing the Sale   | 312 |
| Follow-up  | 314 |
| <b>Summary</b>   | 315 |
| Key Words and Concepts / Resources on the Internet /<br>Discussion Questions / Reference |     |

---

# 14 Marketing at the Unit Level

---

317

|   |     |
|---|-----|
| <b>Basis for Local Marketing</b>                                  | 319 |
| Customers   | 319 |
| Competition   | 320 |
| Operations  | 323 |
| Database Marketing  | 323 |
| <b>Local Marketing in Foodservice</b>                             | 325 |
| Why Is Local Marketing in Foodservice Growing?                    | 326 |
| Local Marketing Issues for Chain Restaurants                      | 327 |
| Establishing a Local Marketing Program                            | 328 |
| Local Marketing Communication Methods                             | 331 |
| <b>CASE STUDY 14.1:</b> Menu Merchandising                        | 333 |
| <b>Property-Level Marketing in Lodging</b>                        | 339 |
| Product   | 340 |
| Price   | 340 |
| Promotion: Marketing Communication                                | 340 |
| <b>CASE STUDY 14.2:</b> Marketing via Books of Historical Fiction | 342 |
| <b>Summary</b>  | 343 |
| Key Words and Concepts / Resources on the Internet /              |     |
| Discussion Questions / References /                               |     |

**Index** 345

---

# Preface

---

This book was written primarily for students in hospitality management programs. Most of these students will work in the industry; many of them already do. Because of the way hospitality businesses are structured, the overwhelming majority of graduates will spend their careers on the operations side of the business. The focus of this text, however, is marketing—not really an activity separate from operations but an *integral part* of it, especially at the unit level. Therefore, we combine attention to the theories and knowledge of marketing with a strong emphasis on applications in hospitality operations.

Certainly, the body of theory and knowledge is important to students. However, being able to put practical experience together with a sound grasp of theory is even more important. After (or even before) graduation, most students will work for a multiunit company, either a chain or a franchise organization. This larger context requires a comprehension of the strategies and planning of the business so that managers can implement such strategies with proper knowledge and an understanding of their purpose. The design of this book strives to help students develop the necessary knowledge through a logical presentation and explanation of concepts and theories and to provide students with real-life examples to help them bridge the gap between theory and practice.

The more immediate concern of graduates and working students is the challenge of day-to-day unit operations, where most people spend several years before moving on to corporate responsibilities. Because of the importance of achieving success at the unit level, this text places significant emphasis on trade sources, such as industry conferences, and the collective wisdom of practitioners garnered from their years of practical experience. The framework for these practical applications, naturally, is provided by the academic knowledge of marketing.

This book was also written for professors who teach hospitality marketing. This text, designed for a one-quarter or one-semester course, can be used in either one of the two types of marketing classes. Most hospitality curricula include two courses in marketing. The first is a principles of marketing course. *Marketing Hospitality* provides the basic foundations of marketing theory necessary for the introductory course when it is taught by hospitality faculty. In many programs, however, the introductory course is taught by business faculty. Hospitality faculty then teach a second course, often

called Hospitality Marketing Management or Advanced Hospitality Marketing. This text is suitable for this second course taught by instructors who wish to emphasize the *applications of marketing*.

A valid concern of instructors is the usefulness and effectiveness of a textbook. Before working on this third edition, a survey of hospitality marketing instructors was conducted to identify desired topics, appropriate approaches, and preferred “add-ons” of a hospitality marketing textbook. Hospitality students’ learning styles have also been researched (by the lead author Cathy H. C. Hsu) over the past 10 years. The findings indicate that hospitality students learn best through hands-on experiences and practical application of ideas. Preferences of both instructors and students were taken into consideration and incorporated into the design of this book. It is only appropriate for authors of a marketing textbook to understand end users’ needs and wants because of the very nature of the subject matter—a subject that focuses on how to satisfy consumers.

Both of us have used the first and second editions of this text in the classroom for several years and have been pleased with students’ reactions. Students (even anonymously) have indicated that they liked the book and found it easy to read. Other instructors who have used the book report similar results. Instructors also like the industry examples and discussion, the detailed and current information, and the overview of the industry. We have worked hard to maintain the strengths of the book. Significant emphasis has been placed on industry examples in the main body of the text. In addition, case studies are used to develop students’ awareness of contemporary issues and practices related to the subject matter of the various chapters. Examples are drawn primarily from foodservice and lodging operations. When practices are different in the two sectors, topics are analyzed separately. Additional illustrations are derived from travel and tourism businesses such as airlines, casinos, and tour operators.

To reflect instructors’ preferences and changes in service marketing practices, virtually all chapters have been rewritten and reorganized. Students are provided with an overall picture of the marketing activities in hospitality organizations in Chapter 1. Chapter 2, “Hospitality Services,” was added to offer a systematic review of the differences between products and services. Students are introduced to the differences early so that they will have a more focused perspective when evaluating the internal and external environmental factors as reviewed in Chapter 3. The discussions of consumer behavior and marketing research in Chapters 3 to 5 have been expanded to include a more detailed examination of the underlying principles.

Chapter 6, on marketing strategy, has also been redesigned to focus on the increasingly important issue of strategic planning. Students are then taken through a step-by-step process of developing a marketing plan in Chapter 7. The discussion of marketing mix elements has been updated to reflect current industry practices. The yield management concept is explained in more detail, and the actual calculation of pricing has been minimized, based on the suggestions of a number of instructors. The emphasis in the second edition on branding, distribution, and unit-level marketing is retained in this edition. A list of Internet resources is provided at the end of each

---

chapter, allowing instructors and students to visit the Web sites of the various companies and associations mentioned in the chapters.

An *Instructor's Manual* (ISBN 0-471-35737-5) with test questions accompanies this textbook. The *Instructor's Manual* includes course syllabi, objectives, lecture outlines, key words and concepts with definitions, Internet exercises, answers to the Discussion Questions in the textbook, and Classroom Discussion Exercises. In addition, there are several Field Research Projects. The Test Bank and PowerPoint slides are available to qualified adopters at [www.wiley.com/college](http://www.wiley.com/college).

*Cathy H. C. Hsu*  
*Tom Powers*  
*March 2001*

---

# Acknowledgments

---

This edition of the *Marketing Hospitality* could not have been completed without the assistance of many individuals. First of all, I would like to thank Tom Powers for giving me the opportunity to work on the revision as coauthor. I can only imagine how much thought and love he invested in the first and second editions. I am honored to be chosen to continue to carry the torch of such a legend in hospitality education. Tom has provided tremendous guidance, not only with regard to content but also in the area of writing perspectives and strategies, throughout the revision process. He has given me the freedom to change and be creative, and yet kept me focused and on the right track. I learned tremendously from Tom and am in his debt.

I would also like to thank the Department of Hotel, Restaurant, and Institution Management and Dietetics (HRIMD) at Kansas State University (K-State) for its financial support in terms of facilities, supplies, and research assistants. The encouragement of Dr. Judy Miller, head of the HRIMD, is sincerely appreciated. The productive environment she has created made the completion of this project possible, and the congeniality of my colleagues at K-State made it an enjoyable one.

Dr. Li-Chun Lin, University of Tennessee, assisted with the survey of hospitality marketing instructors to identify topics included in their courses, the sequence of content areas covered, and supporting materials desired by instructors. The survey results were used in planning this revision. My research assistant, Dr. Jeong-Ja Choi, who was a doctoral candidate at K-State during the revision process, deserves special recognition. She spent countless hours conducting research and checking references. A special thanks to Ms. Lisa DeNicola, who was an undergraduate student at K-State, for her persistence and hard work in obtaining photographs and permissions of all copyrighted materials.

Finally, I would like to thank my family for their encouragement. I am extremely grateful for the understanding and moral support of my husband, Dr. Thomas S. C. Sun, the persistence and work ethic that I learned from my dad, and the optimistic personality that I inherited from my mom. I am thankful and blessed.

Cathy H. C. Hsu

A number of colleagues across North America have generously given their time to review portions of this book. We appreciate the invaluable comments provided by Terence McDonough of Erie Community College and other anonymous reviewers. Their objective evaluation of the content identified areas for improvement.

JoAnna Turtleaub, Senior Editor at John Wiley & Sons, encouraged us to undertake this revision and has provided valuable advice. We would also like to thank all the editorial and production staff who have worked on this edition for their professionalism and dedication.

We appreciate the cooperation and support of all companies and individuals who provided us with their advertisements and photographs and granted us permission to use them in this edition. These print materials are an integral part of the book.

We are in debt to many colleagues and friends who have given us ideas, reviewed portions of the book, and provided invaluable comments. Their assistance and friendship are treasured.

*Cathy H. C. Hsu and Tom Powers*