

UNIT 1: UNDERSTANDING SERVICE CONCEPT OF SELLING AND MARKETING

“A market consists of all the potential customers sharing a particular need or want who might be willing and able (i.e., propensity to) to engage in exchange to satisfy that need or want”.

According to Philip Kotler (2004)

A. Market: The markets can be of many types e.g., physical consumer markets (the local vegetable market), physical commercial markets (wholesalers, distribution agencies), non-physical markets (e commerce, media markets), financial markets (trade exchanges, stock brokers) and also the illegal trading markets (unauthorized trading).

Market deals with one or more from the following suggestive list:

- Goods
- Services
- Events
- Experiences
- Personalities
- Place
- Organizations
- Properties
- Information
- Ideas and Concepts

B. Marketing:

Adcock et al

The right product, in the right place, at the right time, and at the right price“

Kotler 1980

Marketing is the human activity directed at satisfying human needs and wants through an exchange process“

Kotler 1991

Marketing is a social and managerial process by which individuals and groups obtain what they want and need through creating, offering and exchanging products of value with others“

American Marketing Association

Marketing is the process of planning and executing the conception, pricing, promotion, and distribution of ideas, goods, and services to create exchanges that satisfy individual and organizational goals.

Marketing is an organizational function and a set of processes for creating, communicating and delivering value to customers and for managing customer relationships in ways that benefit the organization and its stakeholders.

Characteristics of Marketing:

- It yields profits.
- It leads to satisfaction.
- It is ever evolving.
- It is always objective / target based.
- It is an amalgamation of disciplines like economics, sociology, statistical analysis, consumer behavior and management etc.

The concept of marketing revolves around achieving the individual and organizational goals being attained in time to keep ahead of the competitors and to be more effective in creating a brand image with a goal to satisfy the needs, wants and demands of the target markets.

Marketing Management:

Management of marketing activities becomes imperative because the process involves engagement of human resources, capital and additional expenditures incurred to make it result oriented. All these resources need optimum usage as they can be exhausted faster if not monitored properly; thereby leading to losses or lower profit margins.

Philip Kotler: "Marketing Management is the analysis, planning, implementation and control of programmes designed to bring about desired exchanges with target audiences for the purpose of personal and of mutual gain. It relies heavily on the adoption and coordination of product, price, promotion and place for achieving responses.”

HOSPITALITY MARKETING:

Hospitality Marketing differs from generalized marketing as the products and services offered are diverse, intangible, and heterogeneous and have the shortest shelf lives. *Hospitality marketing is collection of efforts focused towards the increase of revenue in the hospitality industry. It deals with various segments of the hospitality industry e.g. hotels, restaurants, resorts, theme parks and other entertainment and accommodations operations promoting their products or services.*

The concept of marketing can be viewed from social and managerial perspectives. So Marketing is a social and managerial process by which individuals and groups obtain what they need and want through creating and exchanging products and value with others. At its simplest, marketing can be defined as exchange transactions that take place between the buyer and the seller. Marketing is the management function, which organizes and directs all those business activities involved in assessing and converting customer purchasing power into effective demand.

The components of marketing concept are as under:

a. Satisfaction of Customers: In the modern era, the customer is the focus of the organization. The organization should aim at producing those goods and services, which will lead to satisfaction of customers.

b. Integrated marketing: The functions of production, finance and marketing should be integrated to satisfy the needs and expectations of customers.

c. Profitable sales volume: Marketing is successful only when it is capable of maximizing profitable sales and achieves long-run customer satisfaction.

Scope of Marketing: The scope of marketing can be understood in terms of functions that an entrepreneur has to perform. These include the following:

a. Functions of exchange: which include buying and assembling and selling?

b. Functions of physical supply: include transportation, storage and warehousing

c. Functions of facilitation: Product Planning and Development, Marketing Research, Standardization, Grading, Packaging, Branding, Sales Promotion, Financing.

NEED

It is a state of felt deprivation of some basic satisfaction. The state of longing for a basic requirement without which the survival is difficult e.g. food, clothes and shelter. With the modern times needs are characterized by the ability to compete thus include additional factors like education, health and entertainment etc. These needs are not pushed instead the consumer is automatically directed to make such purchases.

WANT

These are wants for specific products that are backed by ability to afford them. The need to satisfy hunger is basic food as per prevalent traditions but an urge to go and have food from a vendor outside becomes a want. Using basic cleanser for soiled utensils like ash, sand and plain water are now replaced by bars and liquids such as Vim and Pril, etc. The water we drink usually is now also available in bottled units which is trendy. The FMCG industry has given a boost to general needs and wants.

DEMAND

This is the desire for specific satisfiers of our deeper needs and wants. One stage ahead of want is demand when one is capable of higher income generation and is exposed to such culture of spending even when it isn't necessary. The expenditure is incurred not just to satisfy a deeper need but also the ego. E.g., the moving from point A to B in a city is possible by local transport like city bus but in company of colleagues one goes ahead with the use of taxi service.

We can derive that needs, wants and demands are factors that assist a potential customer decide the types of products and services one would use; giving a fair idea to the organization to customize their offerings.

Importance of Marketing

- Since marketing is consumer oriented, it has a positive impact on the business firms. It enables the entrepreneurs to improve the quality of their goods and services. Marketing helps in improving the standard of living of the people by offering a wide variety of goods and services with freedom of choice, and by treating the customer as the most important person.
- Marketing generates employment both in production and in distribution areas. Since a business firm generates revenue and earns profits by carrying out marketing functions it will engage in exploiting more and more economic resources of the country to earn more profits.
- A large-scale business can have its own formal marketing network, media campaigns, and sales force, but a small unit may have to depend totally on personal efforts and resources, making it informal and flexible. Marketing makes or breaks a small enterprise. An

enterprise grows, stagnates, or perishes with the success or failure, as the case may be, of marketing. “Nirma” is an appropriate example of the success of small-scale enterprise.

Characteristics of Hospitality & Tourism Business

There are certain characteristic features that make hospitality marketing distinct from general marketing like intangibility, seasonality, inconsistency of demand and delivery by guests and service staff respectively etc. The guests in hospitality industry are more conscious of what is being offered against the price paid for.

1. Seasonality: Seasonality affects the hospitality business the most the demand changes with a change in seasons, months of the year, weekdays and weekends, holidays and vacations of family members, and even during the different times on any given day. The maximum movement happens in Indian hotels between 8 am to 12 noon. The afternoons and evenings are relatively less crowded as most of the guests have already arrived. The rush in food and beverage service outlets in meal timings is another example of sales and supplies changing within a day's operation. The demand for hotel accommodations sees an upward trend in vacations when families travel together. Weekend travel with friends has changed the way the clients spend their days in or out of the usual place of residence. The hotels experience peak occupancy in the months of December and January esp. the Christmas and New Year Celebrations. Indian hotels also have unusually high occupancies when the marriage's season sets in. The customers too are more demanding and hotels have to adopt to the demands as this income is add on to business in the year. The challenge for marketing is to increase demand in low season periods and to deflect over-demand from peak periods to other times.

2. Intangibility: This feature distinguishes hospitality offerings from others substantially as they cannot be experienced— heard, seen, smelt, tasted or touched — prior to being purchased. The guests cannot compare the products and services offered by a hospitality organization on the spot with other brands as in case of buying tangible products like a cell phone or a television from a multi-brand showroom. They have to physically move out and visit the other location or brand to experience the differences. The hospitality businesses have difficulty assessing the quality expected by customers for a similar product or service at two different times. It is also a challenge to make an offering through the promotional materials that neither raises the expectations to be too high to match nor make it too low to discourage purchases.

Perishability: A popular saying, “A room lost once is lost forever” appropriately describes the pressure on all employees of a hotel as the numbers of rooms in a hotel, number of covers in a restaurant are fixed. One cannot generate the lost sale on the next day. The hospitality products and services cannot be stored unlike the manufactured goods in a warehouse thus making them

hugely perishable. The inventory has to be efficiently managed to counter the fluctuations of demands at any time of the business with keeping guest satisfaction at highest levels. Therefore, the hotels in India usually have a dual tariff system wherein the prices are lower from April to September and revised between October to March. This helps in optimizing the sales when the year-long comparative is done. Hotel room bookings are managed by creating blocks where particular rate, duration and meal package restrictions may be applicable.

4. Inseparability: Hospitality products and services cannot be separated in terms of production and consumption. They are produced and delivered at the same time, at the same location but by different individuals. A guest who wishes to experience the hotel accommodation, food services, banquet facility or a discotheque has to come to the venue itself. This leads to the fact that each employee should be very well trained and skilled to handle a hotel guest. Their interactions are continuous with the guests and may result in a positive or negative influence at any time.

5. Variability: It is defined as the change in quality of delivery of a service to a hotel guest by a staff member at varying times of operation e.g., the same steward may not be as efficient the beginning and end of a lunch session in a restaurant that witnesses large customer turnover owing to fatigue and continuous demands of clients. Similarly, the product appreciated by one guest may not be appreciated by the other as their preferences may be different despite no change in the quality of product or service offered by the hotel. E.g., same customers order the same meal, which is cooked by the same chef and served by the same staff, in the same restaurant, at the same time of the week. The resulting meal experience can be very different from being perfect one week to being disastrous the next week. Again, two different sets of customers could be served the same meal, at the same time, in the same restaurant and by the same staff, but because of their different knowledge, experience, personal character and feelings, could have very different experiences. A guest's knowledge of hospitality products and services also affects the satisfaction levels e.g. a client knowing the exact temperature of serving a red wine would definitely point it out if there is variation.

6. Interdependence: The demand for hospitality products and services is directly dependent on the other variables such as travel arrangements, accommodation, attractions and facilities of a destination. If the customer is satisfied with the hospitality products and services but not with the other variables there is a lesser possibility of recommending the destinations to other persons though the hospitality operators have delivered the best. The attractions at a destination, infrastructural facilities, word of mouth, overall image of the destination etc. play an important role in influencing the hospitality sector demand. And these two cannot be separated from each other. Thus to accommodate this interdependency all entities have to come together and respond amicably to stabilize the customer satisfaction and demand in return.

7. Supply exceeds demand: The ease of entering into hospitality business has directly created competition amongst brands at different levels. Independent hotels, standalone properties at certain places hold major share of business due to varied reasons like historical presence, local influences, authentic food and facilities, unique architecture or simply being the only big player in the market. The government has also encouraged investments in tourism sector esp., in the last two decades where multiple brands have come to India and have changed the quality of services by upskilling of existing staff and by upgrading the existing facilities and standards.

Key Terms

Product: A product is always a tangible item made available to the buyers for use, acquisition or attention. It is anything that can be offered to satisfy a need or a want. This can be sold to a consumer by an individual.

Service: A service is always an intangible offering made available to the buyers to use for a limited period. This cannot be sold to a consumer by an individual but needs others also to contribute in creating a memorable experience. Thus, a person, place, activity, organization and an idea can be termed as vehicles of services.

Value: This may be defined as the difference between the benefits that the customer gains from owning/ or using a product and the cost of obtaining the product. The values may be related to individual, services, products or image.

Satisfaction: This is dependent on a product's perceived performance in delivering value relative to buyer's expectations. If it does not match customer is dissatisfied, if it matches the customer is satisfied and if it exceeds the customer is delighted.

Quality: It is defined as "freedom from defects" i.e., the ability of a product or a service to satisfy a consumer by virtue of its features and characteristics.

Customer satisfaction: The extent to which a product's perceived performance matches a buyer's expectations.

Marketing - A social and managerial process by which individuals and groups obtain what they need and want through creating and exchanging products and value with others.

Product: Anything that can be offered to a market for attention, acquisition, use or consumption that might satisfy want or need. It includes physical objects, services, persons, places, organizations and ideas.

Selling Concept - The Selling Concept proposes that customers, be individual or organizations will not buy enough of the organization's products unless they are persuaded to do so through selling effort.

Service: Any activity or benefit that one party can offer to another that is essentially intangible and does not result in ownership of anything.