



CHAPTER 4

THE PRICE IN TOURISM MARKETING

In the previous chapter, attention was given to the first element of the Four P's in the marketing mix, namely the tourism product. This present chapter entails an explication of the second element, that of the price of tourism products.

In the tourism sphere, pricing is complicated due to the fact that the individual tourism business unit only provides a part of the total offering. Although the hotel, the restaurant and the entertainment centre determine prices independently for their respective offerings, the tourist buys a total product of which the preceding tourism business units each provide a part (Heath, 1987).

Based on this fact, this chapter will provide a general overview of the price of the tourism product, not only from the viewpoint of the tourism industry, but also for the various relevant business units.

THE IMPORTANCE AND ROLE OF PRICE

Along with the product, price tends to be a key component of strategy and in some cases can be the most important component of the marketing mix (Luck & Ferrell, 1986). Price is the only element in the marketing mix that produces revenue; the other elements produce costs. Furthermore, pricing and price competition was rated as a number one



problem facing marketing executives in the mid 1980's (Marketing News, 1986).

The price of a product is usually the first consideration for the consumer. Therefore, it is obvious that pricing should be an important decision in any business. It directly affects not only revenue, but also profitability. Further, appropriate pricing aids proper growth, as the development of mass markets depends to a large extent on price.

The pricing can be considered as an art of business management. Too high a price may mean no business, while a lower price may lead to an unprofitable operation. In addition to this easily understandable fact, there is another interesting phenomenon. In many cases, the price also indicates a product's quality. If the Mercedes car, for example, was priced in the same range as the Fiat or Toyota, the Mercedes would lose some of its quality image. Many studies indicate that consumers use the price of a product as an important indicator of its quality. They also observe that consumers (tourists) tend to rely on price more frequently in making an important decision, especially when they lack the self confidence in making the decision.

It may happen that tourists are sceptical of tourism destinations that charge significantly less than comparable tourism destinations. They may wonder what is wrong with the tourism destination and assume that other more expensive tourism destinations offer better tourism facilities. This



price-quality relationship will have to be taken cognisance of by regional tourism organisations and tourism business units when determining prices for regional tourism offerings (Heath, 1987).

Furthermore, price affects the extent of promotional support to be allocated to a product. However, price is just one component of the marketing mix that improves the business and influences tourists' choices. The persuasion of the product attraction is provided by the total structure of strategies of all the marketing mix elements. The effect of price is very significant; nevertheless, it could not succeed without the co-operation of other elements (i.e. product, promotion and place). Regional tourism organisations and the tourism business units should therefore strive to create value for the tourists by integrating all four elements of the marketing mix and not focus solely on price. Integrated marketing strategies imply that the various elements of the marketing mix are formulated and implemented with the objectives of those strategies clearly in mind. Pricing decisions are no exception to this principle.

PRICING OBJECTIVES

Pricing objectives should be closely aligned to marketing objectives, which should in turn be derived from overall corporate objectives. Essentially, objectives can be defined in terms of profit or numbers of tourists. The profit objective may take the shape of either a percentage markup on cost or prices or a target return on investment.



The number of tourists (volume) objective is usually specified as a desired percentage of growth in sales or as a percentage of the market share to be achieved.

Sometimes businesses define their pricing objectives in such general terms as image-building (i.e. pricing should project a certain image of the product / company), stability (i.e. pricing should realise a stable level of sales and profits), and ethics (i.e. the setting of the price should meet the ethical standards of good and fair business).

Kotler (1988) indicates six major business objectives that a company can pursue through its pricing, namely: survival, maximum current profit, maximum current revenue, maximum sale growth, maximum market skimming and product quality leadership.

In addition to the above-mentioned general objectives for normal industry, there are a variety of ways of defining pricing objectives in the tourism sphere such as the objectives indicated by Heath (1987):

- making a tourism product "visible";
- building tourism traffic;
- creating interest and excitement about the offering;
and
- enhancing the image of the region and its tourism offerings.

Heath (1987) explains further that tourism business units establish various objectives to be accomplished by their price strategies. They may include pricing for results, for market penetration or for positioning. It is to be expected that more than one objective will normally be involved, and



some objectives will conflict with each other. In regional tourism this aspect poses a major problem. This is so, because as indicated earlier, although tourism business units such as hotels, restaurants and entertainment centres often set prices independent of each other they are supplying a part of the total tourism product. Seen from the tourists point of view, this situation can create uncertainty if, for example, a tourist visits a destination and finds that the price of accommodation and transportation is reasonably priced, while the price of entertainment and events are, according to his perception unreasonably priced. This type of uncoordinated pricing can create a distorted image of the region as a tourism destination and hamper future patronage. In this regard a regional tourism organisation can play a major role in guiding and directing the tourism business units in coordinating their pricing objectives and strategies so as to present a well balanced, satisfactorily priced offering to the tourist that will comply with his preconceived expectations.

PRICING FACTORS

In setting price objectives and furthermore pricing, there are a number of factors that must be considered. The more significant of these are:

- a) the planned market position for the tourism product;
- b) the stage of the life-cycle of the tourism product;
- c) cost-analysis;
- d) elasticity of demand;
- e) the competitive situation;
- f) the strategic role of price; and
- g) other factors.

The planned market position for the tourism product

At the first steps of marketing activities, as indicated previously, there are identifying market segments, selecting target markets, and developing market positions. Market position means the place the tourism product is intended to take up and does take up in the consumer's eyes and in comparison with competitors. It refers to the consumer's perceptual positioning of the tourism product : in other words how the tourism product is "seen" in relation to others available. Clearly, price is an important element in the marketing mix influencing this position. Tangible products may occupy a particular position by virtue of their physical characteristics (e.g.. a grade of industrial steel tubing). Services such as tourism products, on the other hand, are more often "positioned" on the basis of their intangible attributes. Gitlow (1978), for example, suggests that price quality relationships may exist in a market like that for most services. Price would influence market position.

The stage of the life cycle of the tourism product

The price of the tourism product will also relate to its life cycle. For example, in introducing a new tourism product an organisation could opt to set low prices or price discounts and allowances to penetrate markets and gain rapid market share. Alternatively an organisation could opt to charge high prices to build the quality image, and on the other hand, to make as much profit as possible in a short



time (skimming policy). In different stages of the life cycle the tourism product could be priced by different relative policies. Therefore, the life cycle concept is a considerable analytical tool for the pricing of tourism product.

Cost analysis

Cost is one important factor in price determination. Generally speaking this also prevails for the organising and provision of travel and transport, accommodation and catering, and leisure, recreation and business facilities. These, together with tourism promotion, are the elements which add up to the complete tourism industry anywhere. The various sectors are interdependent, and must work together to attract and serve the customer of the tourism industry.

Spending money in this way, to attract tourists and to cater for them, represents investments in tourism. And tourism investments are also known as the costs of tourism. The visible investment (e.g.. travel and transport, accommodation and catering, leisure and recreation) in tourism are sometimes known also as tourism infrastructure, or the physical changes which must be made in order to cater for visitors. Most of these costs arise long before the benefits from tourism start to flow in. The other type of investment which is required is investment in tourism promotion. Although this is less visible to the residents at the destination, it is of equal importance to having a good tourism infrastructure. For example, tourism



advertising and promotion are necessary before a potential tourist destination can attract large numbers of visitors. Without such investment, the hotels and tourist attractions of destinations could be empty (Davidson, 1989).

Many more investments or costs are involved in maintaining a tourism industry and in providing services for tourists. These costs are known as ongoing costs. They are equally important to the operation of a successful tourism industry (e.g.. staff training, employees educating and public services providing).

The impact of costs on pricing strategy can be studied by considering the following three relationships :

- 1) the ratio of fixed / infrastructural costs to variable ongoing costs;
- 2) the most economic / proper scale available to a business unit; and
- 3) the cost structure of a business unit vis-a-vis competitors.

Appropriate pricing strategies and methods could be selected through consideration of these different relationships.

Elasticity of demand

Customer demand for a tourism product is another key factor in price determination. Demand is based on a variety of considerations among which price is just one. These considerations include the ability of customers to buy, their willingness to buy, the place of the product in the customer's lifestyle; prices of substitute products; the

potential market for the product (whether there is an unfulfilled demand in the market or if the market is saturated); the nature of non-price competition; consumer behaviour in general and segments in the market. All these factors are interdependent, and it may not be easy to estimate their relationships accurately.

Demand analysis involves predicting the relationship between price level and demand, and simultaneously considering the effects of other variables on demand. The relationship between price and demand is called elasticity of demand, or sensitivity of price, and it refers to the number of tourists buying a tourism product that would be demanded at different prices.

Price sensitivity should be considered at two different levels: total industry price sensitivity and price sensitivity of a business unit. Industry demand for a product is elastic if demand can be substantially increased by lowering prices. If lowering price has little effect on demand, it would be considered inelastic. An individual business unit's demand is derived from the total industry demand. Clearly, it is vital for a tourism organisation to understand how elastic or inelastic demand for its product is in response to price change. Elasticity may impose limitations on certain price options.

Nagel (1987) identified the factors which affect the price sensitivity:

- Unique value effect - Buyers are less price sensitive



when the product is more unique.

- Substitute awareness effect - Buyers are less price sensitive when they are less aware of substitutes.
- Difficult comparison effect - Buyers are less price sensitive when they cannot easily compare the quality of substitutes.
- Total expenditure effect - Buyers are less price sensitive the lower the expenditure is as a ratio to their income.
- End benefit effect - Buyers are less price sensitive the less the expenditure is to the total cost of the end product.
- Shared cost effect - Buyers are less price sensitive when part of the cost is borne by another party.
- Sunk investment effect - Buyers are less price sensitive when the product is used in conjunction with assets previously bought.
- Price quality effect - Buyers are less price sensitive when the product is assumed to have more quality, prestige or exclusiveness.
- Inventory effect - Buyers are less price sensitive when they cannot store the product.

These assumptions and parameters are, however, not above questioning or criticism. For example, Stabler (1990) argues that tourism is not easily analysed within the standard conceptual framework of consumer price theory, or trade theory in the case of foreign travel and tourism. Price theory is unsuitable because it cannot encompass multiple commodities, the introduction of new commodities, quality changes or generated demand. Trade theory is inadequate because it assumes factor immobility and, in a spaceless model, usually omits transport costs which are a significant factor of tourism travel.

Nevertheless, it is obvious that the tourism organisation has to determine its price by consideration of the influence from the elasticity of demand in the market.

The competitive situation

The nature of the market structure is another factor to consider in setting prices. The market structure in an industry can be analysed with reference to such factors as the number of the same horizontal chain of tourism business units in the industry, the relative sizes of different members of the industry, the differentiation of tourism products, and ease of entry.

Generally speaking, a competitive situation can be categorised as one of five industry structure types. These are pure monopoly, pure oligopoly, differentiated oligopoly, monopolistic competition, and pure competition. Coltman (1989) has explained these situations as follows:

When there is a monopolistic, or near monopolistic competition, the manager has greater flexibility in determining prices and may indeed tend to charge more than is reasonably fair. In these situations, however, the customer still has the freedom to buy or not buy a total or partial tourism product. Also, in most monopolistic free enterprise situations in which high prices prevail, other new entrepreneurs are soon attracted to offer competition.

In a more competitive but not completely competitive situation, there often exists an oligopoly in which a few



large businesses share most of the market. A pure oligopoly consists of a few companies offering essentially the same attributes of products, while in the differentiated oligopoly companies offer products that are partially differentiated. In a oligopoly there may also be one major or dominant business and several smaller competitive businesses, but the dominant business is often the price leader. An oligopolistic situation could arise in a resort area where there is one major hotel, surrounded by several motels catering to a slightly lower income level of customer.

Most tourism businesses, however, are in a monopolistic competition or even a pure competition. A monopolistic competitive industry consists of many competitors able to differentiate their offers in whole or part. And a pure competitive industry consists of many competitors offering the same product and service. In these situations the demand for the products of any one supplier is highly sensitive to the prices charged. In such situations there is little to choose from a price point of view, from one supplier to the next. Prices, therefore, tend to be highly competitive. Competitive situations are most obvious in the accommodation, food service, tour wholesaler and travel agency sectors of the industry. Where there is close competition, competitive pricing will often prevail without thought to other considerations. Unfortunately, an operator practicing competitive pricing may fail to recognise that its particular product is superior in some ways to its



competitors' and could command a higher price without reducing demand.

Other parts of the marketing mix

Pricing policies have a strategic role aimed at achieving organisational objectives. Thus, the pricing decisions on any particular product should consider the other major parts of its marketing mix.

- The product

We have observed that the price of a product is influenced substantially by whether it is a new item or an older established one - the stage of the life cycle. Also of importance is the effect of the price and product quality relationship - the psychological aspects of pricing. In addition, all of the characteristics and policy of the particular product should be considered in the pricing.

- Channels of distribution

The channels selected and the types of middlemen used will influence a manager's pricing. A product suppliers selling both through wholesalers and directly to retailers or even the ultimate users often sets a different price for each of these different classes of customers. The price to the wholesalers is lower because they perform activities that the product supplier otherwise would have to perform itself.



- **Promotional methods**

The promotional methods used, and the extent to which the product is promoted by the supplier or middleman, are still other factors to consider in pricing. If major promotional responsibility is placed upon retailers, they ordinarily will be charged a lower price for a product than if the suppliers advertise it heavily. Even when a supplier promotes heavily, it may want its retailers to use local advertising to tie in with national advertising. Such a decision must be reflected in the supplier's price to these retailers.

Any pricing strategy must of course fit in with the way in which other elements of the marketing mix are manipulated to attain strategic ends.

Other factors

Several important factors indicated by Coltman (1989) can also influence pricing policies:

- **Product quality**

There is, for most businesses, a direct relationship between product quality and the customers' perceived value. If this relationship does not exist, consumers will not buy. When a product does provide good value for money, and there is a demand for it, a higher price can usually be obtained.



- **Method of product distribution**

When the products (e.g. airline seats or hotel rooms) are heavily marketed through travel agencies, the commission to be paid to the travel agency must be a consideration in pricing.

- **Seasonality**

This is generally an important consideration in the family vacation market in which school vacations cause high demand at certain times and prices can be raised during peak periods without reducing that demand.

- **Psychological considerations**

Psychological pricing is sometimes used in pricing products. We see this when airline seats are priced R2 999,99, restaurant meals at R7,99 and hotel rooms at R99,99. It seems to be easier to sell products if the last two digits of the price end in 99 rather than being rounded off to the next whole rand number.

METHODS OF PRICING

While market demand might set a ceiling and costs set a floor to pricing, competitors' prices and possible price reactions help the firm establish where its prices might be set (Kotler, 1988).

It is clear that the methods of pricing must consider many aspects. Generally speaking, there are three kinds of



orientations in the consideration of pricing methods. From the literature it is apparent that pricing strategies can be cost orientated, competition orientated, demand orientated or a combination of these approaches (Kotter and Fox, 1985).

Cost orientated pricing

Cost oriented pricing arrives at a tentative price based strictly on costs - either marginal costs or total costs. Cost oriented pricing is popular for situations where costs are relatively easy to determine and can be considered as being fair to both tourists and tourism business units. With this type of pricing tourism business units do not take advantage of tourists when the demand rises, yet they receive a price that covers cost. In practice, the popularity of cost oriented pricing rests on its administrative simplicity, perceived fairness and competitive harmony.

Competition orientated pricing

When a tourism business unit sets its prices mainly on the basis of what competitors are charging, its price policy can be described as competition orientated. If a tourism business unit intends adopting a competition orientated pricing strategy, an analysis should be made of competitive pricing strategies so as to determine (Heath, 1987):

- How competitors are strategically positioned on a relative price basis and the extent to which price is used as an active part of the marketing strategy;
- Which regions and tourism business units represent the



most direct competition (actual and potential) for the target markets under consideration; and

- What are the key competitive regions and tourism business units probable responses to the alternative price strategies being considered.

A tourism business unit may choose to charge the same price as competition, a higher price than competition or a lower price. The distinguishing characteristic is that the tourism business unit maintains its price position in relation to its competitors.

Demand orientated pricing

Demand orientated pricing sets prices based on the level of demand rather than on costs. The tourism business unit determines how much value tourists see in the tourism offering and prices accordingly.

Heath (1987) indicates that in the tourism sphere value is both a subjective and relative concept and in the case of pricing, implies that the appropriate concept is the perceived value held by the tourist. The premise of demand based pricing is that price should reflect the perceived value of the offering in the tourist's mind.

An increasing number of companies are basing their price on the product's perceived value. They see the buyer's perception of value, not the seller's cost, as the key to pricing. They use the non price variables in the marketing mix to build up perceived value in the buyers' minds. Price is set to capture the perceived value (Nimer, 1975). Shapiro and Jackson (1978) also give us a similar



explanation, namely that the marketer must determine the highest price that the customer would be willing to pay for the product. In addition, Forbis and Mehta (1981) contend that the price should entail the relative value a given product offers to a specific customer in a particular application - that is, the maximum amount a customer will be willing to pay, assuming he is fully informed about the product and the offerings of competitors.

Several pricing methods can be derived from the different orientations. In general, Kotler (1988) indicates the methods as follows:

- **Mark up pricing**

The most elementary pricing method is to add a standard mark up to the cost of the product. Construction companies submit job bids by estimating the total project cost and adding a standard mark up for profit.

- **Target return pricing**

Another cost orientated pricing approach is target return pricing. The firm tries to determine the price that would yield the target rate of return on investment. Perceived value pricing fits in well with modern product positioning thinking. A company develops a product concept for a particular target market with a planned quality and price. Then management estimates the volume it hopes to sell at this price.



- **Going rate pricing**

In going rate pricing, the firm bases its price largely on competitor's prices, with less attention paid to its own cost or demand. The smaller firm follows the leader, charges the same, more or less than the major competitor(s).

- **Sealed bid pricing**

Competitive orientated pricing also dominates where firms bid for jobs. The firm bases its price on expectations of how competitors will price rather than on a rigid relation to the firm's costs or demand. The firm wants to win the contract, and this requires pricing lower than the other firms. In the case of organisational customers, the tourism business units sometimes are asked to use this kind of pricing method.

Coltman (1989) also indicates some pricing methods for tourism business units, and considers that there is no single method used by all tourism suppliers to price their products. Suppliers may use a number of methods, such as follows:

- **Intuitive method**

The method requires no real knowledge of the business (costs, profits, prices, competition, the market). The operator just assumes that the prices established are the right ones. This method has no advantages.



- **Rule of thumb methods**

This is, for example, where restaurant should price its menu items at 2.5 times food cost to achieve a 40 percent cost of sales. This approach may have had validity at one time, but should not be relied on in today's highly competitive environment because it pays no attention to the market place (competition, offering value for money, and so forth).

- **Trial and error method**

With this method, prices are changed up and down to see what effect they have on sales and profits. When profit is apparently maximised, prices are established at that level.

- **Price cutting method**

Price cutting occurs when prices are reduced below those of the competition. To use this method, demand must be elastic. In other words, the reduction in prices must be more than compensated for by selling additional products.

- **High price method**

This method deliberately charges more than competitors do and to use product differentiation (emphasising such factors as quality) that many customers equate with price.

- **Competitive method**

It means matching prices to those of the competition and then differentiating in such areas as location, atmosphere



and other non price factors. This method is referred to as the follow-the-leader method or going-rate pricing method.

In addition, the tourism business units could avoid determining their prices independent of each other by co-ordinated price making.

SUMMARY

In summary, there is no one method of establishing prices for all tourism products. Each establishment will have somewhat different long-run pricing strategies related to its overall objectives and will adopt appropriate short-run pricing tactics depending on its market situation.



CHAPTER 5

DISTRIBUTION IN TOURISM MARKETING

INTRODUCTION

So far, two of the Four P's of the marketing mix, namely the product and price factors, have been dealt with in the preceding chapters. The third P, place or distribution, is the subject of this chapter. As with the previous chapters, it will be endeavoured to contextualise the nature and dynamics of this important marketing mix element within the specific context of the marketing of tourism.

DISTRIBUTION CONCEPTS AND DEFINITIONS

Distribution is the "place" element of the 4P's constituting the marketing mix.

Discussions of place decisions for physical items have spawned a range of terms used to describe the area of concern. These include : channels; distribution; place; location; delivery and coverage. These terms are often used interchangeably when describing product marketing (Cowell, 1988).

Although this study is concerned with the product of tourism - an intangible sum of services - most of the terms used with regard to physical and tangible products also apply in this specific context.

There seems to be much confusion about the definition of the marketing distribution channel. Sometimes, it is thought of as the route taken by products as they move from the producer or supplier to the consumer or other ultimate users. Some define it as the path taken by the title to goods as it moves through various agencies. Still some others describe the marketing channel or distribution in terms of a loose coalition of business firms who have banded together for purposes of trade. Many other definitions also exist. Stern and El-Ansary (1982) and Kotler (1988) suggest the following definition of the marketing channel:

Marketing channels can be viewed as sets of interdependent organisations involved in the process of making a product or service available for use or consumption.

Although this definition provides a clear image about the marketing channel, this chapter will predominantly use Rosenbloom's (1983) definition for further explaining in detail. The marketing channel is defined by Rosenbloom (1983) as :

The external contactual organisation which management operates to achieve its distribution objectives.

There are four key terms in the definition which should be especially noted. These are (1) external, (2) contactual organisation, (3) operates, and (4) distribution objectives. We can explore further from these points.

The term external means that the marketing channel exists outside of the product supplier. In other words, it is not part of a tourism business unit's internal organisation structure. Operation of the marketing channel therefore often involves the use of inter-organisational operation (operating more than one business unit) rather than intra-organisational operation (operating one business unit) (Warren, 1967; Evan, 1969).

Contactual organisation refers to those business units or parties who are involved in negotiatory functions as a product or service moves from the supplier to the ultimate user. Negotiatory functions consist of buying, selling and transferring title to products or services. Consequently, only those business units or parties who engage in these functions are members of the marketing channel (Bucklin, 1972).

The third term in the definition - operates - is meant to suggest involvement by operation and management in the affairs of the channel. This involvement may range from the initial development of channel structure all the way to some of the details of the day to day management and operation of the channel. When management operates the external contactual organisation it has made a conscious decision not to let this organisation simply run by itself. This does not mean that management can have total control of the channel. On the other hand, by operating the channel,

management is acting to avoid undue control of its actions by the channel.

Finally, distribution objectives - the fourth key term in the definition. This means that management has certain distribution goals in mind. The marketing channel exists as a means for reaching these goals. The structure and management of the marketing channel are thus in part a function of a business unit's distribution objectives. As the objectives change, variations in the external contactual organisation and the way management attempts to operate it can also be expected to change.

The functions to be performed in the field of distribution involves: collecting or concentrating the outputs of various producers or suppliers, sub dividing the outputs into the amounts desired by customers and then putting the various items together in the assortment wanted (which together are called equalising), and dispersing this assortment to consumers. In a few cases, these concentrating, equalising and dispersing tasks are simple enough to be done by the producer and the final consumer working closely together. In most cases, however, the producer and the consumer are not able to work out the proper quantity and assortment. That is the main reason for the existence of distribution systems.

In addition to the functions of distribution, creating utility is also a contribution of distribution.



Distribution aid in the creation of time, place and possession utilities.

In view of the general description of distribution above, we can now compare and distinguish between the distribution function in the tourism and manufactory industries.

In manufacturing, distribution involves the packing and packaging of the finished product and its shipment to the customer via different channels of distribution. In tourism the product is made up of different supply components, most of which have to be located at the resort. So, distribution is concerned with taking the tourist to the tourism product (Foster, 1987).

Foster (1987) indicates further that, prior to this, there is the need to distribute all the information needed (through brochures, leaflets and letters of advice) to potential customers to allow them to make a decision in favour of the seller (tour operator or travel agent) making the offering. Finally, customers have to receive confirmation of the reservations and eventually their tickets have to be sent to them. So, distribution in tourism involves the despatch of a lot of paperwork. The introduction of the computer has simplified and speeded up this work.

METHODS OF DISTRIBUTION

A distribution channel for our purpose is the sequence of firms involved in moving a product from the supplier to the

consumer or even taking a tourist to the tourism product as indicated in the prior statement. The usual generalisation made about service distribution is that direct sale is the most common method and than channels are short. Direct sale certainly is common in some services markets, but many service channels contain one or more intermediaries. It would be incorrect to suggest that direct sale is the only method of distribution in services markets. Intermediaries are common. Some of these intermediaries assume ownership risks; some perform roles that change ownership; some perform roles that enable physical movement (Cowell, 1988). Furthermore, Rathmell (1974) suggests that there is no uniformity in the functions performed by intermediaries.

In spite of the lack of uniformity however, it should not conceal the fundamental truth that organisations operating in services markets have two main channel choice options.

Cowell (1988) indicates the options as the same as those given in most literature for producers of physical items, i.e. direct selling or selling via intermediaries. In practice, organisations may use both options.

Direct selling

Cowell (1988) provides a comprehensive overview of the direct selling of service products. He illustrates the advantages of the direct selling, such as:

- maintaining better 'control' over how the service is provided or performed. (Loss of control may be a disadvantage of dealing through intermediaries.)



- obtaining distinguishable service product differentiation in what are otherwise be standard and uniform markets through real personal service;
- obtaining direct feedback from customers on their existing needs, how those needs are changing and their perceptions of competitor's market offerings.

Where direct selling is due to the inseparability of service and provider, then the provider of the service may face problems. Among these are:

- problems of expanding the business and coping with high workloads where the services of a particular individual may be in demand;
- sometimes direct sales mean limited geographic market coverage, particularly where a large personal element of service is involved and technology cannot be used, to any great extent, to bridge the gap between the service organisation and its customers.

Direct selling may of course be accomplished either by the customer going to the service provider or by the provider going to the customer.

Selling via intermediary(ies)

Ronald (1968) presents a most interesting historical discussion of the intermediary in the distribution system. He indicates that a question that has been asked since the time of ancient Greece is : why do middlemen so often stand between producers and the ultimate users of products?

We can answer the historical question by way of two basic concepts. These are (1) specialisation and division of labour and (2) contactual efficiency.



- **Specialisation and division of labour**

The first clear exposition of the principle is generally attributed to Adam Smith's classic book, **The Wealth of Nations**, published in 1776. In this book Smith cited an example from a pin factory. He noted that when the production operations necessary in the manufacture of pins were allocated among a group of workers so that each worker specialised in performing only one operation, a vast increase in the output of pins resulted over what was possible when the same number of workers each performed all of the operations.

The logic of this principle can be applied to the distribution situation, particularly when more than one firm are involved. By breaking down a complex task into smaller, less complex ones, and allocating them to parties who are specialists at performing them, much greater efficiency results.

- **Contactual efficiency**

The reason for this is that the use of intermediaries has eliminated the need for direct contact with consumers, thereby greatly reducing the number of contacts needed.

From the economic system's point of view, the role of middlemen is to transform the assortments of products made by producers into the assortments wanted by consumers. Producers make narrow assortments of products in large quantities. But consumers want broad assortments of



products in small quantities. In the distribution channels, intermediaries buy the large quantities of many producers and break them down into the smaller quantities and broader assortments wanted by consumers. Thus intermediary play an important role in matching supply and demand.

Many forms of intermediary are now common in services market. They include (Cowell, 1988):

- Agents

Common in markets like tourism, travel, hotels, transport, insurance, credit and employment and industrial services.

- Dealers

Intermediaries trained to perform or provide a service and franchised to sell it.

- Institutional middlemen

Arise in markets where services must be or are totally provided by intermediaries like the stock market or advertising.

- Wholesalers

Intermediaries in wholesale markets like merchant banks or laundry and dry cleaning services for industry.

- Retailers

Examples include photographic studios and shops providing dry cleaning services.

The possible forms of intermediary are many. In some service transactions a number of service organisations may be involved. This study will use the hotel trade - one important component of the tourism product - and its service channels for a concise example of the role and functions of an intermediary.

Hotels increasingly utilise indirect channels of sale in spite of the traditionally direct nature of their services. The examples shown by Cowell (1988) include the following:

- Travel agents

Travel agents may contract with a hotel on behalf of customers. Increasingly though, they deal through other intermediaries who may hold blocks of rooms or act as agents for the hotels (e.g.. tourist offices).

- Tour operators

Tour operators reserve blocks of rooms to sell through their retailers (e.g.. travels agents) or direct to the public (e.g.. Portland Holidays).

- Tourist boards

Tourist boards may act as booking agents for hotels competing in a particular regional market.

- Hotel representatives

Hotel representatives act as sales agents, usually for non competing hotels (e.g.. resorts).

- Airlines

Many hotel groups are now integrated with airlines to provide a complete package. Integration may involve ownership or a close working relationship.

- Centralised reservation systems

Many franchised groups (Best Western) or chain hotels (e.g. Reo Stakis) are centralised reservation systems.

In addition to the above, hotels themselves may act as intermediaries to sell other services like car rentals, tour guides, theatre and concert seats.

THE TOURISM DISTRIBUTION SYSTEM

Based on the concepts and methods of distribution described above, this study will begin the discussion of the tourism distribution system by viewing its industrial structure.

Channel structure

The concept of channel structure is one that is often vaguely defined in the marketing literature. Authors tend to emphasise a particular dimension of channel structure and then proceed to a detailed discussion without explicitly defining what they mean by channel structure itself. But Rosenbloom (1983) gives us the definition of channel structure as:

The group of channel members to which a set of distribution tasks has been allocated.

That is, given a set of distribution tasks which must be performed to accomplish a firm's distribution objectives, the manager must decide how to allocate or structure the tasks. Thus, the structure of the channel will reflect the manner in which he or she has allocated these tasks among



the members of the channel. Now we get the reason that the most typically discussed dimension is the number of levels of intermediaries in the channel.

Each middleman that performs some work in bringing the product and its title closer to the final buyer constitutes a channel level. Since the producer and the final consumer both perform some work, they are part of every channel. We will use the number of intermediary levels to designate the length of a channel (Kotler, 1988).

The different channel levels can be described and illustrated as follows:

| | | | | | | | | | |
|---|----|---|----|---|----|---|----|----------------------|-----------------------|
| M | -- | C | | | | | | (Zero level channel) | |
| M | -- | R | -- | C | | | | (One level channel) | |
| M | -- | W | -- | R | -- | C | | (Two level channel) | |
| M | -- | A | -- | W | -- | R | -- | C | (Three level channel) |

Where: A = Agent
 C = Consumer
 M = Manufacturer
 R = Retailer
 W = Wholesaler

Channels normally describe a forward movement of products. For tourism products, we can also talk about backward channels. According to the referable statement of Zikmund and Stanton (1971), the recycling of solid wastes is a major ecological goal. Although recycling is technologically feasible, reversing the flow of materials in the channel of distribution - marketing trash through a "backward" channel - presents a challenge. Existing backward channels are primitive, and financial incentives are inadequate. The consumer must be motivated to undergo a role change and

become a producer - the initiating force in the reverse distribution process.

From this viewpoint, tourism could be treated as a "backward" channel in the tourism distribution system.

Ancillary structure

Since we have described the distribution system as including only those participants who perform the negotiating functions of buying, selling and transferring title, those who do not perform these functions are not part of the channel structure. We will consider these non-member participants (facilitating agencies) as belonging to the ancillary structure of the marketing channel.

Rosenbloom (1983) defines the Ancillary structure as the group of institutions and parties that assists channel members in performing distribution tasks.

The facilitating units do not play a part in the channel decisions that ultimately control the distribution of goods and services to their target market. The role of facilitating agencies is rather one of providing services to the channel members once the basic channel decisions have been made.

To illustrate this, use will once again be made of the hotel industry as an example.

The hotels must establish relationships, negotiate and work with the independent intermediaries (e.g.. tour operators,

travel agents); while those units making up the ancillary structure are insurance, finance and construction firms, or even advertising services. The decisions which the channel members make and how well they are able to work together over time will ultimately determine how successful they are in marketing the services available to their market. Thus, the channel members who comprise the actual channel structure have an important and often long term commitment to the success of the channel.

On the other hand, the ancillary structures, are outside of the channel decision making process and they generally do not have as great a stake in the channel as the channel members.

The tourism distribution system in the industry structure

In order to provide a complete model for the tourism distribution system from an industrial viewpoint, it is essential to combine the concepts of channel structure and ancillary structure. Clearly, the distribution functions cannot succeed without interaction between all the components in the industrial structure.

In this structure, accommodation, transport / carriers, and attractions are the components acting on behalf of the tourism product. The product can flow through the links that tie channel members, such as tour operators and travel agents, to the ultimate consumers - tourists. On the other hand, the product also can flow directly to the tourists

(zero level channel). The support services are the ancillary structure of the distribution system. And of course the channel members comprise the channel structure which is the primary core of the distribution system.

In addition, there are opportunities for vertical and horizontal integration in the distribution system. With the first, organisations at different levels of the channel are merged into a composite enterprise (e.g. tour operators taking over travel agents). In the second case, mergers and takeovers occur between companies on the same level of the channel (e.g. tour operators merging). Usually, there is also the vertical co-ordination. Heath (1987) indicates that a vertically coordinated channel led by tour operators is one in which the tour operator's power of control over the channel comes from contractual or financial commitments with retail travel agents. Franchising is an example of such a system.

THE INTERMEDIARIES OF TOURISM DISTRIBUTION

When tourism product is sold through intermediaries, this is often known as using a channel. Generally speaking, there are two main channels of distribution in a tourism industry : tour wholesalers (or tour operators or tour packagers) and travel agents. In addition, there are also other speciality companies such as incentive travel firms and franchised agencies. The roles and operation of different intermediaries in the tourism industry will be discussed and described as follows.



Tour wholesalers or tour operators

Coltman (1989) gives us a comprehensible distinction between tour wholesalers and tour operators :

A tour operator can generally be differentiated from a tour wholesaler by the scale of operations. A tour operator is usually an independent entrepreneur but a tour wholesaler is a company. The tour operator might put together only a handful of tours per year, with a limited number of travellers (e.g. 20) on each. The operators makes all the arrangements for the travellers, just like the wholesaler does. However, the operator, or a delegate, will accompany each tour and act as a tour leader, making sure that all arrangements are in order for each stage of the tour, acting as a tour guide and solving any problems as they arise.

But almost all the other authors discuss the wholesale level of a channel only by the term of "tour operator". For example, Foster (1985) states that the tour operator is in effect the wholesaler of the industry or 'bulk' purchaser of tourism products. Therefore, we can understand that "tour wholesaler" is considered as a larger tour operator and the "tour operator" is the smaller one in most of the literature.

The wholesale level of the tourism distribution channel has existed since the middle of the nineteenth century, but has only recently become a major component of the tourism industry. The tour operator's role expanded considerably when wide-bodied jet aircraft were introduced in the early



1970's and required more people than ever to fill airline seats and hotel rooms built to accommodate the airline passengers. In addition, as people learned that tour packages were generally cheaper than if the individual tourist put together and paid for the various parts separately, the consumer demand for these packages increased.

Tour operators buy or reserve in bulk, accommodation, international and local transportation and the various sources of both local or overseas suppliers of goods and services as necessary and combine them into various packages (hence "package tours") in order to sell to the consumer at a profit. They sell these at a single price, individually to consumers and travel agents. Some tour operators make it a condition for dealing with a specific travel agent that the latter will take some stated minimum number of tours from them annually, that is, guarantee a certain volume of business.

If the tour operators only accept direct bookings from individual customers, they may save the commission for travel agents. But, on the other hand, the risks and costs and even the ambition to cover more or all locations of the market, will make the alternative difficult. Consequently, some smaller tour operators do however limit their activities to specialist areas or operations and depend mainly on direct sales. The larger operators able to make larger block bookings, are in a stronger bargaining position

with tourism product suppliers (e.g.. airlines and hotels). As a result they can obtain much better bulk reservation terms, the benefits of which are usually passed on to the customer in lower prices. And Foster (1985) indicates a very interesting phenomenon that in smaller and Third World (developing) countries there may be only one largish tour operator and this is often state owned.

In addition, tour operators need to plan one or two years ahead, to ensure that all elements of a tourism product (package tour) are packaged and brochures printed in time. This means that they have to estimate the number of customers they are likely to attract a year or two years later. This can be very difficult, and often tour operators over estimate this number with the result that more tourism products are offered than there are customers wishing to take them. When this happens, the tour operators have no choice but to cut the prices from those appearing in the brochures. This is good news for last minute tour seekers, but bad news for the tour operators (and travel agents who earn less commission). Davidson (1989) indicates that, in these circumstances, tour operators often go out of business after the customers have paid for their holiday or when customers are overseas on holiday.

In Britain, to protect the public against this problem, a special emergency fund was set up by ABTA, the Association of British Travel Agents. So, if travel agents wish to sell the products of a tour operator who is a member of ABTA,



then the agent must be a member also. In the USA, the equivalent organisation to ABTA is the American Society of Travel Agents (ASTA). And because the USA is a major tourist generating area for international tourism and travel, the membership is not confined to retailers based in the USA. Many principals and agents in other countries are also members.

Travel agents

Travel agents are the retailers of the tourism industry. Their role differs from that of retailers in the other industries in that they do not usually purchase travel facilities in advance for resale to the customer. When a customer has decided on the tourism product they want, the travel agent will approach the tour operator on the customer's behalf.

Buck (1990) states that the travel agent has no product of his own to sell, but only the quality of his service. Thus, the travel agent is to a large extent dependent on the tour operator for his continued existence. Any changes in the trading arrangements between operator and agent, such as the withdrawal of a product, pricing policies, terms of trade and methods of distribution will cause considerable pressure on the agent. These pressures will manifest themselves to a greater or lesser extent depending on the inherent profitability of the agent. Consequently, both travel agent and tour operator need to react to this new pressure in such



a way that ultimately quality is improved at a minimal increase in price.

After World War II, the dramatic growth of the airlines meant the airlines could not provide enough sales outlets of their own. Thus the specialist travel agency began to flourish. The travel agency today is probably the most important link in the tourism distribution network. The travel agency is the final contact between those who wish to sell tourism products and those who wish to buy them. Travel agencies are the primary channel of distribution for other travel suppliers (Coltman, 1989).

The work of travel agents' staff is very similar. The main points are listed below.

1. Advise clients on
 - Resorts / destinations
 - Carriers (international and local)
 - Accommodation
 - Tour operators and travel organisations (rail, shipping etc)
 - Other travel facilitiesall on a worldwide basis unless the agent is specialising in a limited area or type of holiday / business travel.
2. Plan itineraries - simple and complex for multi-stop-over independent trips.
3. Make necessary reservations for all travel facilities.
4. Calculate airline and other fares accurately and make out / issue travel tickets, accommodation and other vouchers.
5. Maintain and display effectively, stock of brochures.
6. Maintain accurate records of reservations, sales, etc.
7. Correspond in writing and by telephone and telex with travel principals and customers.



8. Handle customer complaints and negotiate on these with principals on behalf of the customers.

Source : Foster (1985 : 64).

In addition, travel agents also provide Ancillary services (e.g.. obtaining foreign currency and travellers' cheques, passports and visas and arrange insurance), and the knowledge expected of the staff increases the need for professionally trained people to replace untrained, eager amateurs.

The income of agents is not dependent only on the commission earned (usually 9 to 10 percent) from tour operators and carriers. There is also the commission from the sales of Ancillary services. If they have their own package tours there will be the profit from the careful short term investment of deposits and any pre-payments received from customers. As deposits are now expected some eight or more weeks before departure, with payments to principals not due more than four weeks in advance, a reasonable addition in income is possible given the substantial funds that pass through agency hands (Foster, 1985).

Other types of travel agencies

- Franchised agencies

Franchising is used by some agencies as a marketing strategy. By joining a franchise organisation, an otherwise independent agency can benefit from the franchise organisation's expertise, operating system and national advertising. A franchise organisation is also likely to be

able to use its size to negotiate for higher commissions from suppliers such as airlines and hotels. These higher commissions can be participated in by the individual franchised agency. To join a franchise organisation, the individual agency normally has to pay an initial entrance fee, plus an annual royalty normally expressed as a percentage of sales.

- Agency co-operatives

Some independent agencies that do not wish to go the franchise route have formed associations or co-operatives. Two of these are GIANTS (Greater Independent Association of National Travel Services) in the USA and INTRA (Independent Travel Retailers Associated) in Canada. Individual members of these co-operatives can benefit from higher commissions negotiated by the head office through bulk buying. Individual agencies pay an annual membership fee to the head office, but not an ongoing royalty based on sales, as is the case with a franchise.

It is possible that, with the continued growth of chain agencies, franchise and co-operatives, the purely independent travel agency entrepreneur will find it more and more difficult to survive financially.

- Incentive travel agencies

Incentive travel can be described as the lure of a trip to motivate employees to work. The group sizes can vary from as few as 10 on a particular trip to as many as 1 000. The



fast growth of incentive travel spurred the creation of a number of incentive travel organisations (sometimes referred to as motivational houses) that specialise in the arrangement of incentive trips on behalf of the companies involved. Many of these travel organising firms belong to their own association : The Society Of Incentive Travel Executives (SITE). SITE defines incentive travel as a "modern management tool used to achieve extraordinary goals by awarding participants a travel prize upon attainment of their share of the uncommon goal". For example, a manufacturing company might offer certain employees free trips for achieving sales goals.

Incentive travel motivational houses negotiate with suppliers such as airlines, cruise companies, hotels and car rental companies and develop a total cost per trip, to which they add a markup (generally in the 15 to 20 percent range) that they charge the company. The markup covers the organisation's costs and provides it with a profit. The organisation thus acts as a specialised type of tour wholesaler on behalf of the company so that the company (just as an industrial consumer) does not have to be involved in all the details of arranging the incentive trips for its employees. In many cases, the incentive travel firm assist in developing and promoting incentive programs to motivate the employees of the companies (Coltman, 1989).



CHAPTER 6

PROMOTION IN TOURISM MARKETING

INTRODUCTION

The last element of the marketing mix as described in the Four P's model, is the promotion of products and services. This chapter entails a description of this marketing element within the context of tourism marketing.

The general term promotion is used to cover every method of communication between a seller and purchasers or prospective purchasers to convince them to buy the seller's products. Therefore, promotion is particularly important in the tourism business for the following reasons:

- Product demand is usually seasonal and needs to be stimulated in the off season.
- Product demand is frequently price sensitive and subject to general economic conditions.
- Customers usually have to be prompted to buy without first viewing the product.
- Brand (consumer) loyalty is not usually intense.
- Most products are subject to severe competition.
- Most products can be easily substituted.

An existing business that is successful has an established demand for its products. This established demand, nevertheless, needs to be supported by continued promotion. However, increased business for an existing tourist supplier, and new business for the new supplier, must generally depend on created demand, or promotion that

attracts new customers or old customers to new products. For a new destination or supplier, it is critical that any promotional materials be informative. Without this information it is difficult to persuade potential tourists that they should use the products. Information is needed to attract the consumers' attention and they guide them into making a decision.

With most products the consumer is able to see and inspect the item before purchase. This is not the case with the tourism product for the most part, although travel and promotion videos or films can play a role in giving potential customers a preview. For most tourism products, however, the challenge is using promotion as a means of communication. This communication problem is compounded by the fact that in most cases the vacation or travel decision has to be made by the purchaser long before the journey actually begins.

Promotion is sometimes referred to as persuasive communication and is intended to attract attention, create interest, create a desire and initiate action by:

- advising potential new customers of the business and its products;
- reminding present customers of the products offered;
- persuading both present and potential customers that they need a particular product now and that it should be purchased from the advertiser.

The mission of promotion is to inform, persuade, and modify the behaviour of potential tourists - that is, to encourage



those potential customers to take a trip that they have not taken before or to change from taking one type of trip to another type. Alternatively, promotion may be oriented to reinforcing the customers' existing behaviour by having them continue to travel to a destination that they have visited before.

Persuasive promotion attempts to change attitudes and behaviour and to cause the reader (or listener) to make a purchase. Reinforcement promotion is used to remind people, after they have made a purchase, that they made the correct decision.

THE BUYING DECISION PROCESS

The aim of the promotion activities is to provide people with sufficient, relevant intelligence to prompt them to take positive action by making enquiries, placing orders and making purchases. Other factors influence their decision processes. These include prices, net discretionary income available and the political and economic conditions of the home and host countries. However, not all consumer 'needs' are converted into 'wants' and thus purchases.

Nevertheless, tourism industry suppliers must still develop products and marketing strategies that influence consumers to buy those products and receive satisfaction from the purchase decision. Therefore those activities involved in promotion need to be aware of consumer behaviour. Consumer behaviour comprises all the acts of individuals in obtaining

and using products, including the decision processes that occur before and after those acts. An understanding of these decision processes is indispensable to those who make marketing decisions that involve trying to influence potential purchasers to buy products from them.

The process by which people arrive at their decision to buy a certain tourism product from the wide selection available is described by Foster (1985). There are four groups of factors that are involved in this decision process. First, there are the socioeconomic determinants (the socioeconomic status of the person; the resultant influences of this; their personality traits, attitudes and values) which establish the motivations, needs, desires and expectations of the would-be traveller. Second, are the characteristics of the destination (the cost and value of the amenities and attractions offered; type and range of travel opportunities offered; the quality and quantity of the information available on the resort) which influence the image of the resort. Third are all those factors which provide promotional stimuli and thus promotional impact (advertising, sales, promotions, literature and tours offered, recommendations of friends and the travel trade). Finally, there are the other influencing variables. These include the confidence of the would-be tourist in the travel trade and their own past travel experience. Also important is how they see the risks (health, travel, political) that are involved and the time and cost constraints the decision maker has to accept. All these create the necessary travel

desires and the search for relevant information needed to allow the right decision to be made. With this information, the potential customer then has to assess the alternatives possible before arriving at a final decision on which to buy a tourism product.

The decision process for tourism usually spans a few months. So the activities of the promotion or communication must be timed to create awareness of the package on offer, perhaps making potential customers discover their need for a specific, especially unusual holiday before they have made their decisions about their vacations. The promotional activities should also continue for a period to heighten interest and desire for a holiday. This ensures that the operator and travel agent will achieve their target market shares.

Information is sought from tour operators and travel agents on what is available, the possible resorts and the accommodation, scenery, attractions and the weather they would encounter. Consumers will then spend several weeks, as a rule, considering the details and having family discussions on what they should do. Therefore, the intended promotion activities and the whole marketing operation needs to be carefully planned and timed for success.

PROMOTION PLANNING

Promotion is an investment, rather than an expense. Successful promotion is planned and does not just happen.

It should be planned anywhere from six months to a year ahead. The promotion plan needs to be based on the overall marketing plan and should occur only after packages, channels of distribution, budgets, prices and other matters have been established.

The planning of promotional activities in the tourism industry, while much improved in recent years, still needs a more systematic approach. Many executives of individual business units still consider that marketing a promotion work is the responsibility of someone else, a government department, tourist boards and others. They seem to think it is solely the responsibility of tourist boards to bring customers to their door. They do not appear to realise that an integrated and co-operative effort by all members of the industry is vital if a high degree of success is to be achieved.

There are four steps in the promotion planning process:

- Step 1 Identifying target audiences
- Step 2 Determining promotional objectives and tasks
- Step 3 Determining the promotional appropriation
- Step 4 Determining the promotion mix.

STEP 1 - IDENTIFYING THE TARGET AUDIENCE

The promotion planning must be started with a clear, pre-determined target audience. The audience may be potential buyers, current users, deciders or influencers. It may be individuals, groups, special publics or the general public. The target audience will heavily affect the promotional

activities on what will be made, how it will be made, when it will be made, where it will be made and who is to make it.

In the tourism sphere, target audiences should be selected to receive messages. Decisions must be made as to whether both the tourism intermediaries, such as travel agents and tour operators, and the tourists are to receive the messages.

STEP 2 - DETERMINING PROMOTIONAL OBJECTIVES

The general purposes of promotion in tourism marketing are much the same as in other kinds of marketing, namely to:

- a) build awareness and interest in the tourism product and the tourism business units;
- b) differentiate the tourism product and the tourism business unit(s) from competitors;
- c) communicate and portray the benefits of the tourism product available;
- d) build and maintain the overall image and reputation of the tourism organisation and / or business units;
- e) persuade customers to buy the tourism product.

Ultimately, the purpose of any promotional effort is to sell the product through informing, persuading and reminding.

But it should be clear that these general objectives vary according to not only the nature of each industry and product but also the different target audiences. The promotional objectives will vary for different targets as follows:

- The travel trade
 - Develop or correct the image of the country / resort as a desirable vacation destination.
 - Provide comprehensive information and sales aids.
 - Assist tour operators and travel agents in the sales development of the various packages.

- Potential visitors
 - Create awareness of the range of opportunities and the region's attractions.
 - Motivate consumers to seek further information about travel opportunities from the travel trade.
 - Inform consumers of the programmes and offers available.
 - Develop and improve the country / resort image as a desirable holiday base.

- Visitors
 - Inform visitors of the information centres and other assistance available from all those enterprises involved in the travel and tourism business.
 - Counteract unfavourable reactions to service deficiencies by providing systems to deal with complaints, criticisms and suggestions and inform visitors to the effort of the industry to control and improve the quality of the tourism services.

- The media
 - Ensure that the relevant publications carry newsworthy information on tourist development plans, the availability of new and expanded services and the activities of the national tourist organisation.
 - Assist the news media (travel sections of newspapers, magazines) to give accounts of travel opportunities and attractions available.

In conclusion, after the target audiences have been identified, promotion objectives and tasks should be

determined. The objectives should state what is to be accomplished and what tourist responses are desired. Furthermore, promotion objectives must state the desired end result; the promotion tasks must indicate what should be done to achieve it; and the promotion mix selection must state what instruments are to be used. In addition, the tourism organisation must meet the information needs of the tourism business units and other publics involved and / or influenced by tourism.

STEP 3 - DETERMINING THE PROMOTIONAL APPROPRIATION

It is extremely difficult to establish promotional appropriations. Management lacks reliable standards for determining (1) how much to spend on advertising or personal selling in total or (2) how much to spend on specific activities within each area. An even more serious problem is that management cannot assess the results of its promotional expenditures.

Coltman (1989) gives us considerable guidelines. He explains that promotion budgets are often established as a percentage of sales. Guidelines are available as to the amount of money that various tourism enterprises spend on their promotion budgets in relation to their total annual sales. Some of these guidelines are:

- tour wholesaler 10 to 20 percent;
- travel agency 4 to 6 percent;
- airline 3 to 7 percent;
- hotel 2 to 5 percent;

- restaurant 2 to 3 percent;
- resort destination 3 to 6 percent;
- government tourist office 50 to 80 percent.

These figures do not include what a specific enterprise must spend. They are only industry averages.

However, there are other ways of arriving at a budget. Sometimes it is useful to base a promotion budget on past successful efforts. Past experience should show how many times a message has to be exposed and how much cost has to be exhausted to obtain the desired result and the budget should allow for this.

Heath (1987) considers that although it is apparent from the literature that there are various ways in which a promotional budget can be determined those that have particular relevance to regional tourism are the affordable method, the competitive parity method, and the objective-and-task method. These methods are explained as follows:

- The affordable method

Many tourism organisations set the promotional budget at what they think they can afford during a particular period. The promotion with this method is that it ignores the impact of promotion on tourism patronage. It can also lead to an uncertain annual promotion budget, which can make long range strategic marketing planning difficult.

- Competitive parity approach

The method is to match the promotional expenditures of competitors. Sometimes only one is followed. In other cases, management will have access to industry averages through its trade association, and these will become business unit bench marks. The method is weak on at least two counts. First, the competitors may be just as much in the dark regarding how to set a promotional budget. Second, the promotional objectives and strategies may be quite different from those of its competitors because of differences in the business units' strategic marketing planning.

- The objective-and-task method

The most appropriate method to determine the regional promotional budget is the objective-and-task method. This method requires that the regional tourism organisation formulates the regional promotion objectives as specifically and functionally as possible, that the tasks necessary to accomplish the objectives be determined and then an estimate be made of the costs involved in performing these tasks. In regional tourism the tasks refer to the application of the various promotion elements. Once the regional promotion objectives are clearly outlined and the amounts needed to attain the objectives have been established, the promotion mix can be determined.

STEP 4 - DETERMINING THE PROMOTION MIX

In marketing, the 'Promotion Mix' consists of advertising, personal selling, publicity (or public and press relations), and sales promotion. The combination of these four types of promotions or techniques is known as the 'communications mix' because in their various specialist ways they are involved in communicating information to potential customers. Their aim is to provide people with sufficient, relevant intelligence to prompt them to take positive action by making enquiries, placing orders and making purchases.

The term promotion mix refers to how the various promotional methods and activities available are used in combination to achieve the best effect. Which methods and activities of the promotion mix are used will vary with each supplier depending on the following:

- present and projected market share by segment;
- characteristics of the market segments the suppliers are trying to reach;
- type of product being promoted;
- amount of money available for promotion;
- competitive position;
- geographical origin of potential customers.

The promotion mix must also take into account that tourism product suppliers may have two or more target markets. For example, many hotels and airlines have the business travellers as the target market during the week and the family traveller on weekends.



Sometimes, more expensive forms of promotion must be used to reach certain potential customers. For example, a hotel often has to use personal selling (the most expensive form of promotion), causing high travel costs, in order to book a major convention at its property. Personal selling using sales seminars and workshops is also often necessary to reach the travel trade. For example, a cruise line wishing to promote to as many agencies as possible in a city that is a good market for potential cruise customers may find it expensive, but nevertheless profitable, to host a sales workshop for the travel agency sales people.

The promotion methods and activities used in the promotion mix are discussed in detail below.

PROMOTION MIX

This section deals with the promotion mix of the tourism product. At first, generally speaking, primary promotion includes the following (American Marketing Association, 1960):

- Advertising

Defined as "any paid form of non-personal presentation and promotion of ideas, goods or services by an identified sponsor".

- Personal selling

Defined as "the personal presentation of ideas, goods or services in a conversation with one or more prospective purchasers for the purpose of making sales".

- Publicity

Defined as "the non-personal stimulation of demand for a product, service or business unit by planting commercially significant news about it in a published medium or obtaining favourable presentation of it on radio, television or stage that is not paid for by the sponsor".

- Sales promotion

Defined as "those marketing activities, other than personal selling, advertising and publicity that stimulate consumer purchasing and dealer effectiveness, such as displays, shows and expositions, demonstrations and various non current selling efforts not in the ordinary routine".

These four types of promotion are the traditional market or dominated ways of influencing sales for products and services.

From an overall view, it is essential that co-ordinate the elements in the promotional mix, and co-ordinate promotion with the other elements in the marketing mix in order to reach the target market. Each of the elements of the promotional mix will now be discussed in the context of tourism marketing.

ADVERTISING

Another simple but precise definition of advertising is: The action of calling something to the attention of the public, especially by paid announcements (Burdus, 1986). In addition

to the previous definition of advertising, this is an important element for explanation.

Advertising consists of all the activities involved in presenting to a group a non-personal, oral or visual, openly sponsored message regarding a product, service or idea. This message, called an advertisement, is disseminated through one or more media and is paid for by the identified sponsor.

We should note some important points in connection with these definitions. First, there is a significant distinction between advertising and an advertisement. The advertisement is the message itself. Advertising is a process - it is a program or a series of activities necessary to prepare the message and get it to the intended market. Another point is that the public knows who is behind the advertising because the sponsor is openly identified in the advertisement. Also, payment is made by the sponsor to the media that carry the message. These last two considerations differentiate advertising from propaganda and publicity (Stanton, 1984).

The task of advertising in tourism is to attract potential customers' attention and cause them to visit a destination or use a supplier's product. The principles of advertising a tourism product are basically the same as for selling any other type of product except for some special hurdles that are unique to the industry. One of these hurdles is the



intangible nature of the tourism product because the advertiser is primarily selling an experience.

In addition, advertisements should relate to the supplier's mission statement and objectives, and any advertising messages produced should try to communicate this philosophy in them. For example, a supplier has to decide what promises it can make and keep, the expectations it can fulfill, and the benefits it can offer that are unique to that operation and that a competitor cannot easily duplicate. This is an ongoing process because tourism businesses can emulate each other when they see that a particular benefit promoted by one of them succeeds. This means that the supplier that first developed and promoted the benefit now has an obsolete product and must begin the cycle again.

There are three levels of decision making that are required in the selection of advertising media. First, management must determine what general types of media to use. In the process of selecting the media to use in a campaign, management must consider the advertising characteristics of the main classes of media. The major types of media such as newspapers, magazines, direct mail, radio, television and outdoor advertising are all available for selecting. Second, after the media being chosen, will they be of the special-interest type or of the general-interest type? Finally, the specific medium must be chosen. For example, the management that decides first on radio and then on local

stations now must decide what specific station to use in each city.

Some of the factors to consider in making media decisions are as follows:

- Objective of the advertisement

Media choices are influenced both by the purpose of a specific advertisement and by the goal of an entire campaign.

- Media circulation

Media circulation must match the distribution patterns of the particular tourism product. Consequently, the geographic scope of the market will influence the choice of media considerably. Furthermore, media should be selected that will reach the desired type of market with a minimum of waste circulation.

- Requirements of the message

The medium should fit the message.

- Time and location of buying decision

The medium should reach prospective customers near the time they make their buying decisions and the places where they make them.

- Cost of media

The costs of the advertising media should be considered in relation to the amount of funds available and the circulation of the media.

The role that advertising plays in business activities will remain significant. The form and the content of the message will change with time, but the needs for enterprises to communicate with their customers through paid-for time and space will remain with every industry such as tourism.

PERSONAL SELLING

Personal selling consists of individual, personal communication, in contrast to the mass, impersonal communication of advertising, sales promotion and the other promotional tools. Consequently, compared with these other tools, personal selling has the advantage of being more flexible in operation. Sales people can tailor their sales presentations to fit the needs and behaviour of individual customers. Also, sales people can see the customer's reaction to a particular sales approach and then make the necessary adjustments on the spot. A second merit of personal selling is that it permits a minimum of wasted effort. In advertising, much of the cost is devoted to selling the message to people who are in no way real prospects. In personal selling, the management has an opportunity to pinpoint its target market far more effectively than with any other promotional device.

The major limitation of personal selling is its high cost. It is true that the use of a sales force enables a business to reach its market with a minimum of wasted effort. However, the cost of developing and operating a sales force is high. Another disadvantage is that personal selling is often limited by a company's inability to get the caliber of people needed to do the job. At the retail level, many business units have abandoned their sales forces and shifted to self-service for this very reason.

PUBLIC RELATIONS AND PUBLICITY

Public relations is an attitude expressed by placing priority on the public at large when business decisions are made. It is a form of promotion that sometimes does not have to be paid for other than in time and has a credibility sometimes not generated with other forms of promotion. Nevertheless, it should be coordinated with other methods used in the promotional mix to maximise both sales impact and use the budget.

Public relations is both an internal and an external opportunity for increasing sales. Internal public relations includes how customers and employees are treated, because both groups can be goodwill ambassadors for a business. External public relations includes general community and travel trade relations. Good community relations cover relations with those who are not currently customers or employees and may never be. Good travel trade relations is

concerned with having good relations with tour wholesalers, travel agencies, transportation companies and others.

Publicity is part of public relations. It means letting people know, and generation publicity about, the good things the business is doing by releasing news items or photographs to local newspapers, radio stations, and even television stations. For example, if a hotel sponsors a sports team, participates in a charitable event, has some celebrity visitors or is the site for making a film, the local news media or travel trade press might like to know about this. The stories written must be newsworthy and not resemble an advertisement in order for the to be acceptable to the news media. Words and pictures go a long way in creating community goodwill that is part of public relations, and this type of promotion can be carried through with little or even without cost.

All publicity needs to be planned on an ongoing basis. An occasional publicity effort is ineffective. It has to be planned around events that could happen as much as a year ahead. Some large tourism suppliers employ professional firms on a contract basis to arrange their publicity.

Publicity delivers its own unique type of message that is different from and more subtle than other types of promotion. Its major advantage is that it can create a public awareness and acceptance of the product and make other sales efforts easier.



SALES PROMOTION

While advertising aims at a steady long term improvement in sales with the growth held when the campaign ends, sales promotions are short term activities. They seek to boost sales at peak demand periods to ensure the firm obtains its market share and are used to help launch a new product or support an ailing or modified one. These sales gains are not usually maintained when the sales promotion ends and sales volume may in fact drop below previous levels. This is because promotions aim to advance sales that may normally be made at some later time. Thus, they just bunch up the sales rather than achieve a real, permanent increase in total annual sales.

For the tourism industry the main sales promotions are the brochure, leaflets, point-of-sale display, and direct mail material. Brochures are normally bulky, expensive items which are really catalogues of the packages available. They need careful planning of the layout, number of colours and quality of the paper used. They should echo the theme and message of the advertising and other promotional material if an integrated and effective total campaign is to result.

Sales letters are useful to tour operators when trying to increase the interest of travel agents and potential customers in their products. Travel agents can also use them effectively on potential customers, particularly people who have been customers in previous years.



The sales promotion personnel of a product supplier may work with three different groups - consumers, dealers and distributors, and other sections of the marketing department. Similarly, retailers engage in sales promotional program activities aimed at consumers. A supplier's sales promotional program that is directed toward consumers may be divided into two groups of activities - those intended to inform consumers and those intended to stimulate them. To inform consumers, business units will prepare booklets, give demonstrations and offer consulting services.

Within the supplier's marketing department, the sales promotion division can prepare sales manuals, demonstration kits and other selling aids used by the sales people. Also in the field, the sales force can concentrate on product selling, while the sales promotion people do all the missionary work with dealers. The sales promotion department can aid the advertising people by preparing displays and other point-of-purchase advertising materials.

For all these reasons, marketing managers must carefully consider the role that sales promotion can play in the marketing mix. The activity should not be submerged in other departments that are concerned primarily with advertising or the personal sales force.



CHAPTER 7

CONCLUSION

For the tourism industry, especially destination area based organisations, the marketing of tourism products is beset by uncertainties. Even in those cases where the marketing activities are accurately and successfully achieved, and the tourists who visit a particular area or resort have an enjoyable holiday. Those same tourists are likely to go elsewhere for their next holiday. Tourists demonstrate a high propensity to visit new destinations on each holiday, and even where a repeat visit is made to a general destination region or country, new resorts will likely be selected.

This reflects the case of substitution of tourism products between destinations. In a growing market, resorts attract new or generated business (e.g. persons taking a first holiday abroad, etc.), but in a static market resorts are very much more dependent upon diverted business, i.e. holiday makers attracted from other resorts. In this context, the importance of professional marketing is clear. Tour operators based in tourism generating areas are better placed because they can pick and choose which destinations to include in their programmes.

It is clear from the contents and analyses in this dissertation that there is a large and growing volume of

work accumulating on many of the aspects of tourism investigated here. Large quantities of factual information on the characteristics of tourism as an industry, as an activity, and as a legitimate field of policy have been gathered in the twenty odd years since it began capturing the attention of analysts and policy makers. It is, however, equally clear that yawning gaps in understanding remain. In particular, there is an absence of an explanatory framework that incorporates the diverse and separate elements of the marketing process in tourism marketing.

The central suggestion of this dissertation is that marketing as an approach, and specifically the Four P's of the marketing mix, can provide such a coherent framework. As early as 1973, Medlik and Middleton (1973) applied some of the conceptual ideas drawn from marketing to the tourism product, and tourism promotion in both private and public sectors have been staffed by executives with a marketing background.

However, to be successful as an analytical structure, such marketing should offer a means of relating supply and demand, facility and use, the tourism place and the tourist. It should provide a basis for conscious management intervention, and for avoiding the clear cut and in practice rather sterile distinction between the theoretical study of tourism as a social phenomenon and the tourism industry, or between the commercial goals of the private sector and the

wider responsibilities of public organisations. A future research agenda therefore must concentrate on the causal relationships between the elements.

The marketing mix can be understood as a set of marketing tools that is used to pursue its marketing objectives in the target market, and must in turn be related on the one side to the existing goals of public and commercial policy, and on the other to actual or expected behaviour of visitors. It is easy to state in marketing terminology that the marketing mix satisfies the target tourists with particular tourism products, but it is much more difficult to actually trace the relationships between all the marketing elements. Neither product nor consumer can be isolated from the elements of the marketing mix and the community in which each is set and within which each interacts.

Therefore, the marketing approach adopted should be a community or societal one (Mill & Morrison, 1985; Murphy, 1985) which focuses on the satisfaction of tourist needs while respecting the long-term interests of the destination community.

This dissertation only provides an exploratory analytical framework for future and further research. It is hoped that through the application of the integrated framework, the interesting and important social phenomenon of tourism can be studied in a more systematic way.