

**19****TOURISM MARKETING**

Marketing is one of the most important functions of management. Marketing teaches you the techniques and strategies to promote products and services. Marketing management is concerned with the skills to analyse, plan, coordinate and implement various strategies towards the accomplishment a customer's requirements and the firm's objectives. In a highly competitive market like tourism, you would be interested to improve your market share and expand your business. You must remember that in tourism you are required not only to sell tourism services but also dreams. You must be fully equipped to do the job keeping in view the objectives of your organisation and its customers. This, you can do better through a proper understanding of marketing management. This is precisely what will be discussed in this lesson. It will introduce you to the concept of marketing, its application in tourism, the nuances of marketing functions, marketing environment, pricing strategies, advertising, channels of distribution, management of customer relationship.

**OBJECTIVES**

After studying this lesson, you will be able to:

- discuss the concept and Functions of Marketing for Tourism
- describe the role of Marketing Environment for Tourism
- discuss Pricing Strategies
- recognise Advertising and Sales Promotion
- identify Distribution Channels for Marketing and
- describe the role of Customer Relationship Management.

19.1 CONCEPT AND FUNCTIONS OF MARKETING

Human activities can be broadly divided into two categories— economic and non-economic activities. Economic activities are performed to earn livelihood,



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such as business, employment or a profession. Business, being an economic activity, is carried out primarily with an aim to earn profits. A business organisation is involved in providing goods and services to consumers. Any business would be useless if the goods produced are not sold in the market. The success of a business organisation largely depends on how efficiently the products and services are delivered to the customers. In order to make the products available to consumers, number of activities such as product designing, packaging, warehousing, transportation, branding, advertising, pricing and selling are required. So the sum total of all those activities that direct the flow of goods and services from producers to consumers is referred to as marketing.

19.1.1 What is marketing?

People are generally confused about marketing and use selling as synonym of marketing. Some compare marketing with advertising, pricing and selling. It must be noted that marketing is much more than advertising, selling or promotion of a product. In fact advertising, packaging, pricing and selling are functions of marketing. Marketing is a comprehensive term and includes a set of ongoing activities necessary to create and stimulate consumer demands and to direct the flow of goods and services from producer (one who makes) to consumer (one who uses) in the process of distribution.

American Marketing Association defines marketing as, “The performance of business activities that direct the flow of goods and services from producer to consumer or user”. However the British Institute of Marketing defines marketing as: “The management process responsible for identifying, anticipating and satisfying customer requirements profitably”.

“Marketing is a societal process by which individuals and groups obtain what they need and want by creating, offering and freely exchanging products and services of value with others. Marketing is an ongoing process of discovering and translating consumer needs and desires into products and services, creating demands for these products and services, meeting the consumer and his demand through a network of marketing channels and expanding the market base in the face of competition”(*Phillip Kotler*). Marketing in its most simple form can be described as a process of achieving voluntary exchanges between customers and producers.

Some scholars have defined marketing in relation to tourism as follows:

According to *Gilbert* “Marketing within tourism becomes the application of marketing process to the specific characteristics which apply to the tourism

industry and its products.” In the words of *Krippendorf*, “Marketing in tourism is to be understood as a systematic and co-ordinated execution of business policy by tourist undertakings whether private or state owned at the local, regional, national or international level to achieve optimal satisfaction of the needs of identifiable consumer groups, and in doing so to achieve an appropriate return”.

It can be said that tourism marketing is the process of achieving voluntary exchanges between tourists and organisations — Tourists who want to buy products and services and organisations which offer the products and services. For example tourism marketing involves activities like designing a tour package, promoting a tour package and selling the package. Tourism marketing can also be understood as a process which begins with understanding the needs of tourists (consumers) that can be satisfied by offering a suitable product or service (for example, a tour package).

An analysis of the above definitions of marketing makes it clear that tourism marketing is not a separate discipline, but it adopts the basic principles of marketing which have been developed and practiced in relation to the marketing of other consumer products and services.

19.1.2 Marketing and Selling

As mentioned earlier people often confuse marketing with selling whereas the two are entirely different. Differences between marketing and selling can be summarised as follows:

Marketing	Selling
<ul style="list-style-type: none"> ● is “market oriented approach” ● starts with the buyer and focuses on the needs of the buyer. ● is satisfying the needs of the customer. ● is a broader term and includes selling. ● consumer determines price, price determines cost. 	<ul style="list-style-type: none"> ● is “product oriented approach” ● starts with the seller and focuses on the needs of the seller. ● is preoccupation with seller’s need to convert product into cash. ● is a part of marketing. ● cost determines price.



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19.1.3 Features of Tourism Marketing

The success of any segment of travel and tourism industry depends on how well the products and services are marketed. Tourism being a service industry, marketing of services is different from most of the products because what is being sold is an experience rather than a tangible product. Tourism marketing is concerned about understanding the needs of its potential customers (tourists) and satisfying those needs by offering a suitable product. In this section we will briefly discuss some features of tourism products.

1. **Inseparability:** Services are consumed and experienced by a customer simultaneously and as such makes it impossible to demonstrate the product being offered before it is actually consumed. For example, a tourist who is travelling from Delhi to Mumbai will consume the services offered by the airline and at the same time feel the experience.
2. **Perishability:** This is another important aspect of tourism products. Tourism products are intangible in nature and cannot be stored like the other tangible products. For example, if a bus having a capacity of 50 seats leaves with 30 filled seats only, the vacant seats cannot be stored and therefore become useless or so to say they perish.
3. **Ownership:** In tourism products, a customer buys only the experience. The transfer of ownership does not take place. For example in case of tourism products like hotels, houseboats and aeroplanes, the customer experiences only the stay in a hotel or a house boat but does not own the product.
4. **Heterogeneity:** The other aspect of tourism products is their heterogeneity. Tourism products are a combination of several services provided by people. The high involvement of humans' results in variation in behaviour from one consumer to another. For example, an employee at a bank counter, may not behave in the same manner with every customer.

19.1.4 Functions of Marketing

An organisation before achieving its desired goals has to go through a series of marketing functions. The understanding of marketing functions or marketing tasks becomes very essential to understand the subject of marketing. In this section we will discuss marketing functions which can be considered as a system where interaction occurs between an organisation and a customer.

The main marketing functions or tasks of marketing are discussed with special reference to tourism marketing. The functions are as follows:

- (a) Market Research.
- (b) Product Planning and Development.

- (c) Segmentation.
- (d) Promotion.
- (e) Selling.

Market Research

Market research is the systematic investigation of the facts relevant to various aspects of marketing. It helps in identifying the needs of the customers. It involves study of different markets and customers such as their tastes and preferences and what they are willing to buy and when they are likely to buy. It is a systematic collection of information relating to supply and demand for a product or a proposal. Identifying customer needs is very important especially in tourism business. Therefore, organisations involved in tourism business need to know who their potential tourists are, where they come from, their likes and dislikes, etc. so that a product can be designed according to their needs. This information will help an organisation to offer a product which can be effectively sold in the market.

Product Planning and Development

Product planning and development is concerned with identifying customers' needs, developing new products and improving the existing products in order to meet the needs of customers. Tourism product is a composite product; it is the sum-total of a country's tourist attractions, its natural beauty, climate, history, culture, transport, accommodation and entertainment. Information collected through market research can help organisations to redesign existing products. For example a new tour package can be offered to a particular group of tourists.

Segmentation

Segmentation is a process of identifying groups of buyers of a total market with different buying needs or requirements. It identifies and analyses the socio-economic, life styles and motivational characteristics of potential buyers into useful categories and launches advertising and promotional campaigns for these selected groups. Segmentation helps tourist organisations to design and offer products to a particular segment as per the needs of that segment. For example, if a tourist organisation designs tour packages for religious tourists it means the organisation is providing a product for a particular segment.

Promotion

Promotion refers to a mechanism of communicating, to informing, persuading and influencing the customers to buy a product. The objective of promotion is

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to make the customers aware of the product so as to create demand for the product. Promotion is the mix of various communication activities which tourist organisations carry out with a view to motivating or influencing the target customers. Various techniques that are used in promotion include advertising, publicity, personal selling, and sales promotion.

Selling

Selling is the process of helping customers to buy the products and services that an organisation offers at a price to earn profit for the business. The basic purpose of all marketing activities is to sell the goods and services. Selling helps the business to satisfy the needs of customers. A business can sell its products and services through the following selling methods.

Some common selling techniques are:

- Direct Selling - Salesperson sells directly to customers.
- Retail Selling - Products are offered through a shop that customers can visit.
- Agency Selling - An agent sells products and services on behalf of a supplier.
- Tele-sales - Products and services are sold directly on the telephone without face to face contact.
- Door to door selling - Salespeople visit potential customers at their homes and sell to them directly.
- Business to business selling - Businesses sell directly to other businesses.
- Mail order selling - Customers buy directly from a catalogue without seeing the product firsthand.
- Online Selling - Products and services are sold directly on the internet.

Marketing Mix

Once a firm has decided its overall competitive marketing strategy, it is ready to begin planning the details of the marketing mix. Marketing mix is defined as a set of controllable marketing tools that a firm blends to produce the response it wants in the target market. It consists of everything the firm can do to influence the demand for its product. It constitutes the core of the organisations marketing system which includes four basic decision areas known as the “four P’s” of marketing .These are:

- Product,
- Price,

- Promotion, and
- Place (distribution)

These are four controls which have to be used very carefully by a marketing manager to achieve organisational goals. An organisation's success depends on good formulation of its marketing mix. Each of the four P's include many important sub-elements. **Product** is the heart of marketing mix and speaks about its unique features. It also includes pre-sale and post-sale services and the satisfaction it provides to the customer. **Price** signifies the value of a product. A desired quality with a reasonable price would attract the customers. **Place** refers to the place and time. It stands for activities undertaken by the firm to make the product accessible and available to target consumers. Finally **Promotion** speaks about how to improve sales with the help of various activities such as advertising, personal selling, sales promotion etc.

A best mix of above variables like right product at a right price, at a right place with a right promotional activity would yield the best results for a product. Since tourism and its related activities constitute service, the marketing mix for tourism, like any other service, would have three more elements in addition to these four P's; which create a new dimension in their marketing strategy. These include (1) People, (2) Physical Evidence and (3) Process.

People

As the people are involved in offering services to customers, their performance plays a vital role in tourism sector. The behaviour and attitude of the service personnel in a hotel, transport or a travel agency plays a key role while performing the services which are visible to the tourists. They play an important role in attaining customer satisfaction.

Physical Evidence

The common element in all services including tourism services is that they are tangible, physical, and controllable aspects of any service sector. Physical evidences can be used to build a strong association in the mind of tourists and also to differentiate the service from that of competitors. This element relates to the external and internal appearance of any tourism related organisation. For example, the customer in a restaurant would look for hygienic food in addition to the external and internal appearance of it.

Process

The tourist would look at the quality aspect in a service apart from the process time. A quick service with a quality is always preferred by a customer. If a



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tourism firm fails to satisfy this, a customer would switch over to the competitor who serves the tourist better. Thus, an efficient process, which would reduce the customer time without deteriorating the quality, should be adopted by a tourism organisation to retain the tourists.



ACTIVITY 19.1

Talk to an administrator in a tourism service business and determine the significance of marketing in that firm. Summarised the finding in the form of a report.



INTEXT QUESTIONS 19.1

1. What is marketing?
2. Give two differences between marketing and selling.
3. What is tourism marketing?
4. What do you mean by Segmentation?
5. Name various selling techniques.
6. What constitutes Marketing Mix?

19.2 MARKETING ENVIRONMENT

Marketing of tourism services does not take place in an isolated vacuum. A tourism organisation exists in a context. Therefore to carry out any tourism business, it is important to understand all the factors related to the business and properly understand their impact on it. There are many environmental factors and forces which have significant impact on any business. Organisations are more dependent on their environment where:

- Required resources are not widely available,
- Those resources are not evenly distributed, and
- Increasing connectedness disturbs elements of the environment and the linkage among them.

All the factors internal as well as external form the business environment. Hence, understanding the business means understanding its environment. The environment is more uncertain and more difficult to understand when:

- It is more differentiated,

- It is fast changing, and
- There are numerous interconnections among its various elements.

According to *Philip Kotler*, “Marketing environment consists of the internal factors and forces, which affect the company’s ability to develop and maintain successful transactions and relationships with the company’s target customers”.

In the words of *Skinner*, “Marketing environment consists of all the forces outside an organisation that directly or indirectly influences its marketing activities, includes competition, regulation, politics, society, economic conditions and technology”. Marketing environment refers to all the constituent forces which exist in an environment and influence the functioning of a business unit. The overall marketing environment is divided into two categories i.e Macro-environment and micro-environment.

Macro Environment

Macro environment refers to all those external factors or forces which affect the business and are beyond the control of a business organisation. These factors are political environment, economic environment, demographic environment, technological environment and socio-cultural environment. All these factors have a significant impact on the functioning of a business organisation.

Political Environment

Business decisions are strongly affected by political and legal environment of a particular state or country. Political environment consists of laws, regulations and policies that directly as well as indirectly influence business organisations. Sometimes the laws and regulations of a country create opportunities for the business but may also create certain problems. For example, if Govt. of India allows foreign direct investment (FDI) in retail sector it would certainly affect some business houses and can also create opportunities for some entrepreneurs to start their own ventures.

Economic Environment

The economic environment refers to the consumer’s purchasing power: whether the consumers have a high purchasing power or a low purchasing power. A company can successfully sell its products only when people have enough money to spend. For example during the time of inflation, the value of money goes down and it becomes difficult for consumers to purchase more products. Thus the economic environment has a power to affect the demand structure of any industry or product and tourism industry cannot be an exception in this regard.

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Demographic Environment

Demographic environment refers to population, its size and growth, population across the different regions, age distribution, income levels, educational levels, household patterns, mixture of different racial groups and regional characteristics. Marketers are interested in people because it is people who create markets for them to serve. People differ in their life styles depending on the section of the society or income group they belong to. Life style and income group determines the product people will purchase. This in turn helps business houses to design and offer a product.

Technological Environment

Almost all human activities involve technological intervention which is more prominently visible in business. Every new invention builds a new market and a new group of customers. The introduction of internet helps a tourist to book a hotel in America while sitting in a far flung area of India. The availability of latest technology at a particular destination will determine the tourist inflow for that tourist destination.

Social & Cultural Environment

Values, beliefs, lifestyle, customs, traditions, rites, rituals, etc of a society refer to its culture. Culture is a combination of various factors which are transferred from older to younger generations. The behaviour of people is guided by their culture, family, educational institutions, languages, etc. Society is a combination of various groups with different cultures and subcultures. The behaviour of customers is affected by the cultures they live in and, therefore, it is a matter of concern for marketing managers and needs due consideration. For example, India is a mixture of various sub-cultures which forms the socio-cultural environment for business houses operating in India.

Micro-Environment

Micro environment refers to all those factors which directly affect the ability of a business unit to serve its customers. In other words micro environment is the immediate environment of a firm which includes suppliers, consumers, competitors, and intermediaries.

Suppliers

Suppliers are the people who provide necessary resources needed to produce goods and services. Policies of the suppliers have a significant influence over the marketing manager's decisions. A company needs to build cordial and long-term relationship with suppliers.

Consumers

Consumers are the core of all marketing activities and the main aim of any business is to meet their demands. If a company fails to identify the needs of customers before taking any decisions regarding a product, the company is bound to fail in achieving its objectives. A company's marketing strategy is influenced by its target consumer, in fact it is designed for them.

Competitors

Competitors are the business rivals who run the same business and offer similar products and services in the market. A business has to keep pace with its rivals in order to serve the customer better. A business unit needs to keep a watch on the policies of its competitors so as to improve its services and enhance its market share.

Intermediaries

Intermediaries include wholesalers, retailers, agents, etc. These people help the business to provide products to the consumers. They create place and time utility. A company needs to select an effective chain of middlemen, so as to make the goods reach the market in time.

It is important for all business organisations to understand and analyse the different aspects of environment before designing a product for their potential customers.

**ACTIVITY 19.2**

Visit any travel agency in your city and analyse the effect of internal and external environment on its functioning. How can the agency cope up with the challenges of change in the environment?

**INTEXT QUESTIONS 19.2**

1. What is marketing environment?
2. List the components that form the demographic environment.
3. What is the importance of political environment for tourism?

19.3 PRICING STRATEGIES**What is Price?**

In simple words the price of something is the amount of money that a customer must pay in order to buy it.



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Price is the exchange value of a product or service expressed in terms of money. From the seller's point of view, it is return on the exchange and in economic terms, it is the value of satisfaction. In other words, it is monetary value decided for the exchange of goods and services between buyers and sellers. From the buyer's point of view, the price he or she is willing to pay measures the intensity of the need and the quantity and nature of satisfaction that is expected.

Price of a product can also be seen as a financial expression of the value of that product. For a consumer, price is the monetary expression of the value to be enjoyed/benefits of purchasing a product.

In other words, price is the amount of money customers have to pay to obtain the product and it is a key factor, which affects a company's operation. It plays an important role at all levels of activities of a company and as such a company has to carefully determine the price of its products.

Setting the right price is an important function of effective marketing. It is the only part of the marketing mix that generates revenue. In this section we will discuss how business organisations fix prices for their products.

Penetration Pricing

In penetration pricing an organisation keeps a low price to increase sales and market share for its products. Once the organisation gains a market share the organisation then increases the price of its products. The penetration strategy is used to discourage competitors from entering the market. For example if a mobile phone company wants to offer a new mobile in the market it will offer the mobile phone at a low cost to increase the sale.

Skimming the Cream Price

The organisation sets an initial high price and then slowly lowers the price to make the product available to a wider market. The objective is to skim profits of the market layer by layer. This strategy is usually used in case of innovative products. Companies use this pricing strategy to make customers feel and perceive that the product offered provides them with greater benefits than they will find elsewhere. For example, XYZ company products (like mobile phones and laptops) make customers feel that xyz products are superior to those of its competitors. Therefore, customers happily pay higher prices and purchase xyz products.

Psychological Pricing

This pricing is used to psychologically appeal to the customers. This strategy is used to give an impression of low price to the customers so that they are convinced to purchase the products. For example if a product like a wrist watch costs Rs 1000, it is priced at 999 to give the impression of low price.

Promotional Pricing

In Promotional pricing companies temporarily price their products below cost, to increase short-run sales. Companies offer special prices to increase sales. These offers are conditional and for a of limited duration. For example, Indian Airlines offers a round trip from Delhi to Mumbai for just Rs 2000 provided the interested tourists travel with in a week's time.

Discount Pricing

Discount pricing is a strategy used to increase sales by offering a discount on the price of a product. These prices are offered during a particular season or on purchase of a specified quantity or on a specified amount of purchase. For example, a company offers winter clearance sales when the winter season is about to end or if a customer purchases goods for rupees 1000 he is given 5% discount. You may also be aware about the practice of BUY TWO GET ONE FREE.

**INTEXT QUESTIONS 19.3**

1. What is price?
2. What do you understand by penetration pricing?
3. What is psychological pricing?

19.4 ADVERTISING

An advertisement is an announcement in media about a product, event, services or jobs etc. to show the advantage or benefits of it and is aimed at convincing other people to buy it.

Advertising is a non-personal or one-way form of communication conducted through paid media under clear sponsorship (*Kotler*). While watching television we generally come across hundreds of advertising messages everyday, which inform us about various products such as mobile phones, tooth paste, soaps, soft drinks and services such as hotels, insurance policies, etc. It is an impersonal form of communication, which is paid for by the marketers (sponsors) to promote specific goods or services.

The purpose of advertising is to build awareness, provoke interest, increase sales and bring about a favourable change of attitude. The main objective of advertising can also be explained with the following abbreviation:

A = Attract the attention, I = Create interest (read), D = Desire (like), A = Action (act), S = Satisfaction.



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The important features of advertising are as follows:

- (i) ***Paid Form***: Advertising is a paid form of communication. For example, the company whose product is being advertised on the television has to pay to the television channel for its space.
- (ii) ***Impersonality***: There is no face-to-face contact between the customer and the advertiser (company). It is, therefore, referred to as impersonal method of promotion. Advertising creates a monologue and not a dialogue.
- (iii) ***Identified Sponsor***: Advertising is undertaken by some identified individual or company, who makes the advertising efforts and also bears the cost of it.

19.4.1 Advertising Media

Advertising media is the channel of communication chosen to convey the message or advertisement from the advertiser to the audience. Medium is the general category of communication vehicle available for communication with target audience. Media is the plural of medium and the communication vehicles referred to are paid to present an advertisement. Media selection is the first step of effective communication with the audience and the effectiveness of an advertisement depends upon the media type. A good media manager decides on how he/she expects the media to work, by measuring a given medium on some evaluative criteria like reach of the media, the frequency of advertising message reaching the audience, continuity of an advertising campaign, media scheduling. Besides, media selection is often a creative art in which imagination and uniqueness of approach is always viewed with respect and admiration. Presence of identity, sense of immediacy, quick response, accountability, local emphasis, prestige factor, graphic opportunities, combination of sight and sound, humour, ability to change messages quickly etc are the criteria for media selection from the creativity perspective. Various audience considerations, timing factors, geographic conditions, competitive factors, control considerations, production factors and financial considerations are the other important factors deciding the media choice.

Following types of advertising media are generally used in tourism business.

- **Press Media**

The medium of print has always held an important place in the world. The power of the written word has been recognised since the era of shared information. In spite of the onslaught of visual medium in the recent years, press still enjoys the top position as a promotional media vehicle especially in the tourism sector. Until very recently, press print was the only medium of travel and tourism advertisement. Nowadays, the visual medium is being

used more often for reaching the public but, nevertheless print media specially trade papers and journals are very important media of tourism advertisement. The prominent press media of advertising include news papers, magazines, posters, business publications, supplements, leaflets, brochures, pamphlets, hand bills etc. No media planner can afford to ignore print media today in their media plans.

- **Broadcast Media**

The broadcast media mainly consists of radio, television, cinema and video. Although **radio** is different from the other three, yet it holds the audience interest like any of its counterparts in the broadcast medium. Nowadays a number of FM channels are coming up. FM Band is very popular among the youth, which has become a prime target for the marketers. The advertising agencies of tourism firms are making catchy jingles and broadcast them on radio to capture the imagination of the audience. The sponsoring of the programmes is also very common. Though television has emerged as a very popular medium of advertising particularly after the coming of many private TV Channels, radio has not yet lost its audience. It was and continues to be the most accessible mode of entertainment and advertising as people from all walks of life tune in to the radio programmes.

There is no doubt that **television** is an expanding medium of advertising. This medium is being extensively used by the marketers and of late the tourism products and services are also being advertised on the TV channels. With the removal of government monopoly on TV and many private players entering the field, television has become the primary source of information and entertainment and thus the most attractive medium for advertising. The tourism firms now have a wide range of satellite channels to choose from for advertising their products and services.

Till the advent of television, **cinema** was the supreme medium of visual entertainment and information. Though the medium has witnessed a deep decline in popularity after the coming up of television, the data indicates that it is still viewed as an attractive and captive vehicle for promotional measures. Many tourist destinations have become popular because of cinema as the films were shot there. Nowadays tourism firms get their own **videos** or **CD ROMs** made for promotion of their products and services. Travel and tour operators and also the sales force of these firms distribute them to the tourists. The expertise and technology to produce videos and CD ROMs is now widely available.

Internet is the latest in the advertising world. Advertisements are regularly posted on various internet sites and also sent to various e-mail addresses. Promotional letters and invitations are sent via e-mail to subscribers. Various



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search engines have specially allocated space for advertisements, which has removed the boundaries of cities, regions and nations to reach millions of people. The travel industry is using net advertising in a big way. Most of the search engines have travel and tour sites and many of these sites eventually provide for online booking.

- **Aerial Advertising**

Aerial advertising concept is very popular in USA and came to India very recently. The aerial banner service involves fibre glass mesh banner held by aluminium alloy rods and towed by a single seater and single engine aircraft flying at 700 ft. to 100 ft. above the ground. The banner message length can be up to a maximum of 40 English alphabets. Through this medium of advertising reaching the audience becomes very effective. Reaching a captive audience like in cricket matches, public rallies etc. is most effective when done through aerial advertising. This medium can also be very effective during many festive occasions and events. Advertising at airports is done mostly through glow signs and show windows. While glow signs offer the benefits of colour, light and motion, show windows demonstrate the products at prominent places.

- **Railway Advertising and Off- the- wall Media**

Since the most important vehicle is transit advertising, railways occupy a prominent place in the minds of advertising media planners. The media mix of railway advertising include station hoardings, railway bridge hoardings, posters, inside carriage advertising, back of passenger tickets, sign below clocks, closed circuit TVs etc. Off- the- wall media of advertising score over other media in terms of noticeability and creativity. This media is still restricted to major towns and cities though the promotion experts are working on making it available in smaller cities and towns as well. Off- the- wall media of advertising include advertising via telephone, aerial banners and lights, balloons, copter media, handbills, direct mail, paper-book advertising, sales tele-conferencing, shopping bags, taxi-cab advertising, theatre –screen advertising, and trademarks etc.

**ACTIVITY 19.3**

1. From your own experience, state how do you come to know about a new hotel, a new tour package or a new tourist destination?
2. Design advertising messages for the following tourism products
 - 3 star hotel
 - Discount on special flight routes
 - A special tour package during holidays



INTEXT QUESTIONS 19.4

1. List three features of advertising.
2. Which media of advertising are mostly used in tourism business?
3. What should be the criteria for selecting an advertising media?

19.4.2 Sales Promotion

Of all the methods of promotion “Sales Promotion” is the only method that makes use of incentives to complete the ‘ push-pull’ promotional strategy of motivating the sales force, the dealer and the consumer in transacting a sale. Sales promotion is a catch-all for all such promotion activities which do not fall into the ambit of advertising, personnel selling, or publicity. In other words sales promotion refers to all activities other than advertising, personal selling, and publicity that motivate consumers to purchase and also involve offers of incentives that are non-recurring in nature. Cash discounts, free samples, exhibition, sales contests, free gift offers, and free sample distribution etc are all examples of sales promotion. Sales promotion includes short-term incentives which are designed to encourage the buyers to make immediate purchase of a product or service. In other words it includes all those activities except advertising, personal selling and publicity that are designed to persuade the consumers and increase sales.

In addition to increasing competition, sales promotion makes an immediate effect on sales. Measurement of the effectiveness of sales promotion is easier as compared to other promotional methods. Further, retailers play an important role in stocking, displaying and selling a product, and sales promotion helps in developing and maintain trade relationships. With a potential to complement and supplement the advertisement function, sales promotion helps realise a number of objectives, prominent among them include the following:

- Increase sales of all products and services in general specially those of slow-moving and new products in particular by increasing their usage,
- Attract new customers and retain old customers,
- Launch new products quickly and make them move faster through dealers,
- Educate customers regarding product improvements and encourage them to purchase from the same product line,
- Motivate dealers to stock and sell more and participate in sales contests and dealer displays,
- Motivate sales force to achieve targets, focus on new products and services and difficult territories,
- Improve manufacturer-dealer relationship.



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Difference between advertising and sales promotion

Advertising	Sales Promotion
Advertising is impersonal in nature	Sales promotion is personal in nature.
It is aimed at creating demand	It is aimed at increasing sale
It targets a huge population at a time	Its scope is limited as compared to advertising
Advertising does not provide immediate feedback	Sales promotion provides immediate feedback to companies

Methods of Sales Promotion

Various sales promotion methods are built around consumers, dealers and members of the sales force. Some aim at producing immediate impact while others aim at delayed impact. Under immediate impact schemes a consumer, dealer and a sales person gets the incentive at the first contact, purchase or on performing a one-time act, like price discounts, free samples, large quantity packs etc. Under the delayed impact schemes he is called upon to comply with the scheme over a period of time, before receiving the full benefit of the scheme, like coupons, trading samples, contests etc. A brief description of some of these sales promotion methods mainly used in tourism sector are as follows:

Discount Coupons: This method is followed for consumer shopping goods such as textiles, household articles, etc. Consumers are allowed to avail discounts on their purchase when they surrender their coupons to the seller.

Free Samples: In this method the companies distribute samples of their product free of cost. This method is most effective in promoting consumers necessities and convenient goods. For example newspapers, medicines, etc.

Trade Shows & Exhibition: Trade shows and exhibitions are conducted to attract the attention of consumers and remind them of the product available in the market.

Of late a great deal of sales promotion activity on the part of hotels, travel agents, airlines, and financial service institutions has been noticed. Price discounts by airlines, chance to fly free through flyers club, premiums by hotels, incentives to travel agents and tour operators, etc are some common sales promotion schemes offered by tourism service providers. Tourism departments go in for destination promotion. They organise contests or offer incentives and awards

for the tour operators for bringing the largest number of tourists, etc. Tourism services, like other services, are perishable and intangible and a service not utilised in time is an opportunity lost forever, be it an airlines seat or a hotel room. The situation, therefore, requires the use of sales promotion schemes particularly in services affected by seasonality or having intense competition. Tourism sector is seasonally affected and discounts are a means to initiate tourists. Tourism services provide tremendous opportunities for joint sales promotion. For example, airlines join hands with hotels and car rentals promoted through travel agents and tour operators.



INTEXT QUESTIONS 19.5

1. Give two points of difference between advertising and sales promotion.
2. State a few objectives of Sales promotion.
3. What are the various methods of sales promotion?

19.5 DISTRIBUTION CHANNELS IN TOURISM INDUSTRY

A distribution channel is considered to be a vehicle that is utilised to make a product or service available to the consumer. The concept of distribution channels is not limited to the distribution of physical goods. Although the principles are the same, the channel distribution for tourism differs significantly from those used for manufactured goods. Tourism services require simultaneous production and consumption, meaning the product is not normally 'moved' to the consumer. A tourism distribution channel may be defined as a total system of linkages between actual and potential tourists and the suppliers. Distribution in tourism is transfer of tour and related facilities from supplier to tourists through a system. Distribution channel is used for indirect selling and it involves all those who are providing the product from the supplier to tourist. The following distribution channels are used in tourism.

Travel Agents

Travel agents are those who buy the product from wholesalers and sell the product to tourists for a commission. Travel agents act as intermediaries between the customer and the supplier and are known as retailers in tourism. Travel agents work in close contact with the tourists and build a personal rapport with the tourists. These agents act as a single local contact point and as such they need not contact many suppliers. Travel agents in some cases make all the arrangements at the destination and also simplify payment in case of international travel.

**Notes**

**Notes****National, State and Local Tourism Agencies**

All travel agencies cannot provide all inclusive packages to their clients in all parts of the world. So these agencies promote tourism in certain geographic areas. They may be sponsored by the state or constitute business associations with the common goal of providing information and promoting tourism in certain regions. Tourist agencies advertise resources and tourist attractions, and help customers to plan their trips providing maps, guides, and bookings.

Tour Operators and Wholesalers

Tour operators are wholesalers, also called consolidators, who buy in large volumes and have access to a surplus inventory on highly discounted rates. Tour operators prepare tour packages and give them to travel agents for selling. They design packages as per the requirements of the market. The wholesalers obtain rates and availability directly from the supplier and create packages with different accommodation and transportation options.

Online Travel Companies

The use of Internet has given birth to new intermediaries also known as cybermediaries. These companies do not physically own the products, they buy from suppliers then display and offer products through internet. The examples of such companies are *makemytrip.com*, *yatra.com*, *cleartrip.com* and *ibibo.com*. These companies sell tourism products like air tickets, railway tickets and hotel rooms etc.

**ACTIVITY 19.4**

Imagine that you are planning to visit North America. How will you proceed? Write an account of the same.

**INTEXT QUESTIONS 19.6**

1. What is a distribution channel?
2. Who are Travel Agents?
3. Name four online travel companies.

19.6 CUSTOMER RELATIONSHIP MANAGEMENT (CRM)

Customer Relationship Management (CRM) is one of the most important topics in the world of business. CRM involves all aspects of interaction that a company

has with its customer, whether it is sales or service-related. In other words customer relationship management (CRM) is a model for managing a company's interactions with current and future customers. It is all about building, maintaining, and sustaining relations with customers. CRM is aimed at customer satisfaction and above all customer loyalty. Companies remain in touch with its existing customers and try to develop contacts with new customers through telephone, e-mail, fax, web, sms, mail and personal contact so that they are served in a better way.

19.6.1 CRM as a Process

CRM as a process involves the following steps:

1. It collects information about its customers.
2. Builds a customer database (detailed information about customers).
3. Obtains the requirements of the customers.
4. Analyses the requirements of the customers.
5. Develops products and services as per the requirements of the customers.
6. Maintains a personal communication with the customers.
7. Offers and delivers products and services through personal communication.

CRM is all about taking personal interest and care of customers during and after the product is delivered to the customer. The process helps both customer and the company to know each other better at every business transaction.

19.6.2 CRM and Tourism (Hospitality) Industry

Application of CRM in the tourism sector is in its early stage of development. Practical use of CRM can be seen in the case of hotels or hotel chains, which actively collect the available data about their guests. All available information about a guest is stored in a separate database and is properly analysed and a profile of each guest is created. Based on the created profile, it is possible to access each guest in a special and personalised way, because the hotel management and staff are familiar with the wishes and needs of guests. When the hotel has enough information about its guests, it can make classification and segmentation of individual guests or groups of guests, and can determine the product needs of each individual customer or group of guests.

**Notes**

MODULE – 5

Management of Tourism
Business



Notes



INTEXT QUESTIONS 19.7

1. What is CRM?
2. How would you make use of CRM?
3. Is CRM necessary for a business?



WHAT YOU HAVE LEARNT

- The sum total of all those activities that direct the flow of goods and services from producers to consumers is referred to as marketing.
- Some people compare marketing with advertising, pricing and selling. But marketing is much more than advertising, selling or promotion of a product.
- Marketing of services is different from most of the products because what is being sold is the consumption of an experience rather than a tangible product.
- The functions of marketing include Market Research, Product Planning and Development, Segmentation, Promotion and Selling.
- Marketing environment refers to all the constituent forces which exist in an environment and influence the functioning of a business unit. The overall marketing environment is divided into two categories i.e Macro-environment and Micro-environment.
- Price is the amount of money customers have to pay to obtain the product or service.
- The most common mediums of advertising are ‘newspapers’, ‘magazines’, ‘television’, and ‘radio’.
- Sales Promotion refers to all those activities other than advertising, personal selling, and publicity that stimulate consumers to purchase.
- A distribution channel is the vehicle utilised to make a product or service available to the consumer.
- Customer relationship management (CRM) is managing a company’s interactions with its current and future customers. It is all about building, maintaining, and sustaining relations with customers.



TERMINAL EXERCISE

1. Define marketing? How does it differ from selling?
2. What are the features of tourism products? Describe the functions of marketing in relation to tourism.
3. What is marketing mix? What are its various elements?
4. What constitutes Marketing Environment? As a tourism professional suggest ways to handle the changing marketing environment.
5. Discuss the main pricing strategies which can be used by tourism organisations.
6. How does advertising differ from sales promotion? Briefly describe the chief sales promotion incentives used in tourism sector. .
7. What are various channels of distribution used in tourism business? List the factors determining their selection.
8. What is the process of Customer Relationship Management? State the significance of Customer Relationship Management for tourism industry?



Notes



ANSWER TO INTEXT QUESTIONS

19.1

1. Marketing in its most simple form can be described as a process of achieving voluntary exchanges between customers and producers.
2. Selling is a part of marketing. Selling focuses on the needs of seller while marketing focuses on the needs of buyers.
3. Tourism marketing can also be understood as a process which begins with understanding the needs of tourists (consumers) that are satisfied by offering a suitable product or service (for example, a tour package).
4. Segmentation is a process of identifying groups of buyers of a total market with different buying needs or requirements.
5. Direct Selling ,Retail Selling, Agency Selling, Tele Sales, Door to door Selling, Business to business Selling, Mail order Selling, and Online Selling.
6. Marketing mix constitutes the core of an organisation’s marketing system which includes four basic decision areas known as the “four P’s” of marketing- product, price, promotion and physical distribution.



Notes

19.2

1. All the factors internal as well as external form the business environment.
2. Demographic environment includes population, its size and growth, population across different regions, age distribution, income levels, educational levels, household patterns, mixture of different racial groups and regional characteristics.
3. Political environment provides the rules and regulations which are to be strictly followed by the companies and cannot be ignored.

19.3

1. Price is the monetary value decided for the exchange of goods and services between buyers and sellers.
2. Penetration pricing is setting a low price to increase sales and market share for products and services of company.
3. The strategy used to give an impression of low price to the customers so that they are convinced to purchase the products.

19.4

1. It is paid form of communication; it is impersonal in nature and has an identified sponsor.
2. Press, Media, Radio, TV, Videos, CD ROMs, Internet, Aerial Advertising, Railway Advertising, Off- the- wall Media.
3. Audience considerations, timing factors, geographic conditions, competitive factors, control considerations, production factors and financial considerations etc.

19.5

1. Advertising is impersonal in nature whereas sales promotion is personal. Advertising is aimed at creating demand while sales promotion is aimed at increasing sale.
2. Main objectives served by sales promotion are:
 - Increase the sales of old, slow-moving and new products and services
 - Attract new customers and retain old customers,
 - Launch new products quickly and make them move faster,
 - Educate customers.

3. Various sales promotion methods are built around consumers, dealers and members of the sales force. Read sec 3.4 to answer this question.

19.6

1. A vehicle utilised to make a product or service available to the consumer.
2. Travel agents act as intermediaries between the customer and the supplier and are known as retailers in tourism.
3. *makemytrip.com, yatra.com, cleartrip.com and ibibo.com.*

19.7

1. CRM is about taking personal interest and care of customers during and after the product is delivered to the customer.
2. We can collect all available information about guests and store in a separate database for proper analyses so that a profile of each guest is created.
3. CRM is necessary for tourism industry so that we come to know what a customer wants.



Notes