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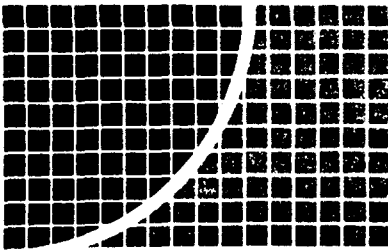
TOURISM MARKETING

A SEMINAR FOR THE TOURISM INDUSTRY
IN THE NORTHWEST TERRITORIES

PREPARED BY:
THE ECONOMIC PLANNING GROUP OF CANADA

FOR THE:
TRAVEL INDUSTRY ASSOCIATION OF
THE NORTHWEST TERRITORIES

MARCH, 1984



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Offices in Ottawa, Toronto
Regina, Calgary and Victoria

March, 1984

Welcome to the Tourism Marketing Seminar.

This manual has been designed as a study aid and reference manual for use in conjunction with the Tourism Marketing seminars in Rankin Inlet, March 5 - 9, and in Hay River, March 12 - 16, 1984. It has been prepared by The Economic Planning Group of Canada for the Travel Industry Association of the Northwest Territories.

The seminar program consists of 10 "modules" or sections and is designed to be given over a 4 - 5 day period. In addition to lectures covering the content of the manual, several case studies have been included as follows:

- Case #1: Marketing Plan for the Rankin Inlet Lodge/
Ptarmigan Inn.
- Case #2: Pricing a Property; The Concorde Hotel
- Case #3: Packaging a Wilderness Excursion Product
- Case #4: Developing a Regional Advertising and
Promotional Plan

Participants are encouraged to read ahead of the instructor and to prepare questions for him/her. A discussion period will be held at the completion of each module to answer any questions, and to discuss the contents in a less formal manner. Participants will be asked to offer commentary on their own experiences and views during these discussion periods.

The cases will be dealt with at appropriate points during the seminar, generally following the relevant module. During the first day of the seminar, participants will be allocated to small workshop groups of some 6 - 8 persons. Participants should, individually or in their group, review the case information in advance and be prepared to document their solution to the case with their group in a "workshop" format during the seminar. The results of the work of some, or all, of the groups may then be reviewed with the whole class.

Participants will be asked to evaluate the seminar program at its completion. Evaluation forms will be distributed at the beginning of the seminar so that participants can complete their evaluation at the end of each day. In addition to the individual evaluation, a general evaluation of the program will be considered by the class as a whole during the last day.

We have enjoyed preparing this manual and look forward to working with each of you during the seminar.

Yours truly,
THE ECONOMIC PLANNING GROUP OF CANADA

S. Gordon Phillips
Vice-President

Joanne Sigurdson
Associate



THE ECONOMIC PLANNING GROUP

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PROPOSED SEMINAR PROGRAM

Monday Afternoon	Introduction, organize workshop groups, review evaluation form, etc. Module 1: Introduction to Marketing Discuss cases.
Tuesday	Module 2: Tourism Markets Module 3: Situation Analysis Module 4: Developing Marketing Strategies and Plans Case #1: Marketing Plan for the Rankin Inlet Lodge or the Ptarmigan Inn.
Wednesday	Case #2: (optional) Pricing a Property Module 6: Marketing Management Module 5: Packaging Case #3: Packaging a Wilderness Excursion Product
Thursday	Module 7: Advertising Module 8: Brochures Module 9: Sales Promotion, etc. Case #4: Developing a Regional Promotion Plan/or a Promotion Plan for the Rankin Inlet Lodge/Ptarmigan Inn Banquet
Friday Morning	Module 10: Travel Trade Marketing Seminar Evaluation

SECTION A

**INTRODUCTION TO TOURISM/HOSPITALITY
INDUSTRY MARKETING**

MODULE 1 : INTRODUCTION TO MARKETING

MODULE 2 : TOURISM MARKETS

MODULE 1

INTRODUCTION TO MARKETING



THE ECONOMIC PLANNING GROUP of Ghana

MODULE 1

INTRODUCTION TO MARKETING

1. BACKGROUND

Before we define what marketing is, let's consider the broad perspective that we face at the present time in the tourism industry. You will agree that the following events have happened in tourism since World War 2:

- The international tourism industry has gone through a period of astronomical growth over the past 30 to 35 years. Prior to about 1950, travel was reserved for the very wealthy, people who had the money and the time to travel by ship and rail, at higher relative costs.
- Now tourism and travel have become part of the lifestyle of the middle and lower middle classes of all industrialized nations. It is no longer a luxury but is now considered a necessity of life.
- Dramatic technological changes, particularly in air travel and extensive ownership of the automobile, have brought the relative cost of travel down to the means of all but the poorer members of society. Concurrently, rising incomes and large increases in

disposable income in particular have accounted for this rapid growth.

- Although tourism is expected to continue to grow strongly until the end of the century, the rate of growth has been slowing as the industry has started to reach a state of maturity.
- A growing market is a forgiving market as far as excellence is concerned. However, as we are now in a period of consolidation where companies, to continue to prosper, will do so only by leading the competition in terms of the quality of their planning and marketing. Strategies for increased market share, differentiation and specialization and for market segmentation will become increasingly important, as will the need to become increasingly responsive to changes in market demands.
- Obviously some destinations have been in the slow growth cycle for years, while others will continue to grow rapidly in the coming years. The principles we deal with in this seminar will assist in either case, in optimizing the benefits available to firms and travel zones in the marketplace.

Certainly, tourism has grown very rapidly in NWT during this period. A report entitled "Community Based Tourism: A Strategy

for the Northwest Territories Tourism Industry: Summary Report" reflected this growth trend by quoting the following statistics:

- In 1959, only an estimated 500 tourists visited NWT.
- By 1969, this figure had grown to 12,500 pleasure travellers.
- By 1981-82, this figure grew even more to around 35,000 pleasure travellers. Total person trips, including those made by business travellers, were approximately 106,000. In addition to this, NWT residents made about 75,000 person trips in NWT in the same period.

These statistics show that the growth in tourism in NWT is slowing, indicating that the industry has entered a new phase in its development. We might call this the "mature" phase - a phase where marketing is of paramount importance.

What, then, is marketing? There are many definitions contained in a growing library of marketing textbooks. When you cut away all the niceties that each author has used to make his or her definition unique, you're left with one basic fact - marketing is philosophy or frame of mind that a tourism manager has to adopt to be successful in today's business environment. People refer to this philosophy or frame of mind as a "marketing orientation". All of you must have a "marketing orientation" irrespective of whether you operate a hotel, lodge, escorted tours, or manage a regional tourism association; it is a must in today's business environment.

2. BASIC PRINCIPLES AND THE FOUR P's

One of the leading authors in the marketing field, Philip Kotler, offers the following definition of marketing :

"Marketing is the analyzing, organizing, planning and controlling of the firm's customer-impinging resources, policies and activities with a view to satisfying the needs and wants of chosen customer groups at a profit."

Often these activities and the basic management philosophy from which they result are referred to as the "marketing concept." The assumption behind this concept is that the ultimate success of any business enterprise is dependent upon finding customers and giving them good value and satisfaction. This may sound very simple and basic to you, but you should realize that there are still many businesses which do not accomplish this goal.

As a tourism manager, you should realize that the twin aims of marketing are as follows:

- i. To recognize, identify and assess the existing and latent demand for facilities and services which your business or region provides or could provide.
- ii. To direct your organization's efforts to develop, provide, distribute and promote these facilities and services to selected market groups.

Now that we've told what marketing is and you know what it takes to be "marketing-oriented", let's test your current marketing perceptions. Ask yourself the following questions:

- (a) Do you know who your present customers are?
- (b) Do you know where your present customers live?
- (c) Is your business or region set up to serve the needs and desires of your key guests?
- (d) Do you respond to changes in the market?
- (e) Is there a firm commitment and example from the top in your business or region that the customer comes first?
- (f) Do you believe that all parts of the marketing system in your business or region must be functioning well for marketing to be effective?

If you honestly answered yes to all six of the above questions, then you can consider yourself to be marketing-oriented.

You will recall that we said that one of the aims of marketing was to "direct your organization's efforts to develop, provide, distribute and promote facilities and services to selected market groups." Many marketing textbooks refer to these activities as the "four P's of marketing", i.e., product,

place, price and promotion. These are the four classical components or steps in marketing any facilities or services. Later in the seminar, we'll be talking about another two important "P's" in tourism marketing, namely packaging and programming; the seventh "P" of marketing in tourism is people.

Christie-Mill and Morrison, in their book "The Tourism System", state that a tourism destination is "a mix of interdependent elements" including attractions, facilities, services, infrastructure, transportation and hospitality resources. The tourism "product" in the NWT or in your region of NWT includes all six of these elements. Later in this module, we shall talk more about the tourism "product" and the unique features of tourism "product" marketing. For now you should realize that your product is just one of a range of products which your destination has to offer to customers. You are probably highly dependent on the suppliers of many of these other products in ensuring that your business or zone is marketed successfully.

In a tourism context, "place" refers to the means of travel and access (infrastructure and transportation) to the tourism "product", the geographic locations of attractions, facilities and hospitality resources, and the "channels of distribution" that customers can use to buy your tourism experience. Tour wholesalers, tour operators and travel agents are the key "channels of distribution" in tourism.

"Price" represents the dollar value that the customer must pay to purchase a tourism experience and the component costs within this total price tag. If you own an individual tourism business you represent one of these component costs.

"Promotion" is perhaps one of the most easily recognizable of the "four P's of marketing". It represents the mixture of activities by which a business or association makes customers aware of its tourism product and attempts to persuade them to visit. These activities include advertising (use of media), personal or direct selling, sales promotion, publicity, public relations and merchandising. These activities are all components of a destination's or business's "marketing mix", which we review in detail later.

If you own or manage a tourism business you should be aware of the "big picture" at the destination level and recognize your operation's role within it. You should also realize that your individual business has its own parallel set of "four P's" (and the three other "P's" of tourism marketing) which are the main components of your marketing activities.

3. THE TOURISM PRODUCT

Earlier we talked about the tourism product at the destination level as consisting of "a mix of interdependent elements" including attractions, facilities, infrastructure, transportation and hospitality resources. Certainly, this is one valid way of defining tourism from the supply side of the picture; but what about the customer's view of the product? Using our newly-honed marketing orientation, we would turn this around to say that the tourism product is the mixture of benefits which customers perceive they will receive at the destination or at the individual businesses within it. Thus, our tourism product is not necessarily the hotels, lodges, restaurants, rooms, meals, or transportation services you provide; although you probably would say that these are your products. Under the marketing

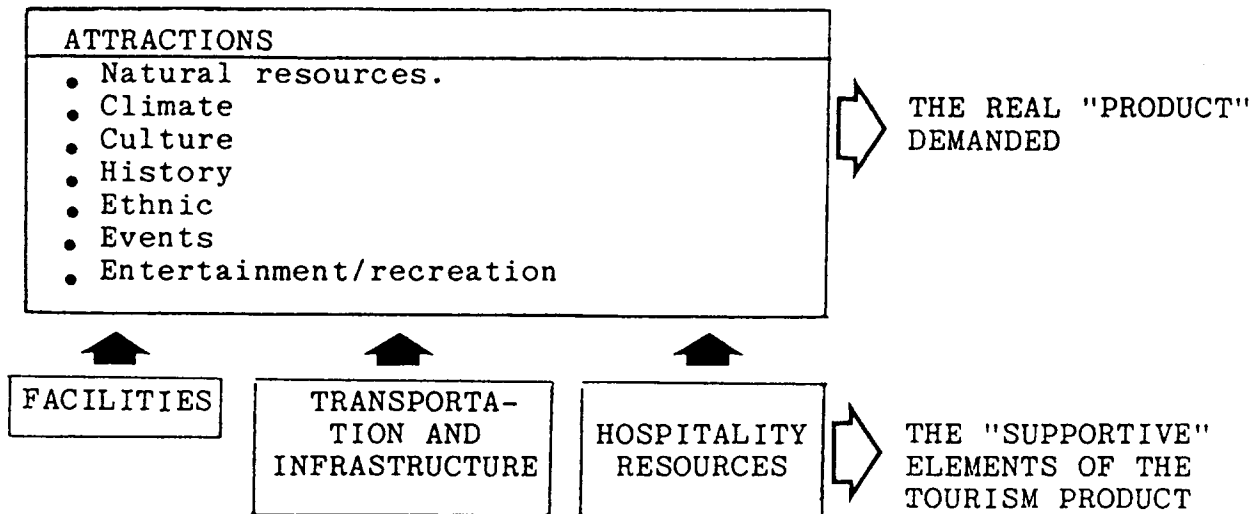
concept, what really counts most is how your customers feel your offerings will benefit them by satisfying their needs and wants. In a whitewater rafting operation, the users are not buying the rafts or the food they receive, rather they are satisfying their needs for adventure and excitement. In your hotels, the guests are not buying the beds and the other room furniture, rather they are satisfying their needs for overnight accommodation in comfort, relaxation and cleanliness.

Should you be selling rafts and beds; or adventure, excitement, comfort, relaxation and cleanliness? You'll probably agree that many existing tourism businesses have a product rather than a marketing orientation, thus they sell the quality and quantity of their rafts and bedrooms, rather than the quality of the experience these provide to the customer. The answer to the question is that you must gear all your marketing activities to customers' needs and wants.

Another way of looking at the tourism product is that it represents the full range of attractions, activities, facilities, experiences and services required or desired by the customer in a given purchase decision or travel experience. It also includes elements outside of the travel period itself, such as booking, ticketing, information, travel documents and so on.

When you consider the reasons why pleasure travellers visit the NWT, you will no doubt agree that their real demand is for the "free" elements of the tourism product that your destination offers, including your natural resources, climate, culture, history and ethnic mosaic. These are unquestionably unique and are the true "draws" of your destination. The other product elements including lodge/hotel rooms, meals and transportation

services are "supportive" in that they have to be purchased by pleasure travellers for them to enjoy the "free" elements; they are, therefore, a means to an end rather than the end itself. We can also then define the tourism product in the following diagrammatic fashion:



Many tourism managers fail to grasp this apparently simple concept and as a result their marketing activities are not as effective as they could be. They concentrate on selling the physical attributes of their facilities or services, rather than on the real "demand-generators".

When we review this question further, you'll no doubt agree that what really determines travel purchase behaviour is the mental image that the customer has of the destination, whether this image reflects reality or not. By and large, this mental image is created by the following three inputs:

1. Past experience and personal knowledge.
2. Reports and advice received from friends and relatives.

3. Information available or recalled.

These three inputs in turn determine customer's awareness of the tourism product, their attitudes towards it and their expectations of the benefits they will receive from it.

You have probably heard the expression "sell the sizzle, not the steak." This is not just applicable to restaurant operators; it is relevant to all of you. In marketing a tourism product, you must create an expectation that the customer will receive a rewarding and pleasurable experience. In order to do this, you must first implant an awareness of the potential experience in customers' minds, then you must try to influence their attitudes toward your particular product by showing them how your product will satisfy their needs and wants, and, finally, you must motivate them to make purchase decisions.

This brings us to "programming" and "packaging" - they are the second last two "P's" in what we might call the "seven P's of tourism marketing". All of the points that we have made previously should not only have an impact on your marketing programs, but also on the product itself that you have to offer or could offer. If you have not already realized it, there are probably a variety of activities and experiences in your destination that you could program or package for your guests - surely these will add to the attractiveness of your particular tourism product. We shall discuss vacation packaging in detail later in Module 5. By programming we mean the organization of events, activities and support services for your guests.

Cruise ship operators are leaders in programming and are, therefore, a good example of this for you to consider. They don't just leave passengers to their own devices when they board ship, but they organize and provide a wide variety of recreational, educational, entertainment activities and shore excursions for them. It is these programmed activities that are the primary benefits that the cruise passenger expects and receives; the transportation of the cruise, on the other hand, is almost meaningless. You can probably think up other good examples of excellence in programming. Many resorts and resort lodges have become very successful due to programming, including Club Med. Even hotels, restaurants and bars have increased their business volumes by doing more programming.

Those tourism operators who can develop and offer interesting or exciting program and support services, in conjunction with their existing facilities and services, will have a greater impact on the marketplace. They will, in fact, be creating new "products" in the eyes of their potential customers.

4. UNIQUE FEATURES OF TOURISM MARKETING

Marketing in the tourism industry is unique; it differs in a number of important respects from the marketing in other industrial sectors.

Tourism, first of all, is a service. An intangible experience is being sold, not a physical good which can be inspected prior to purchase. Being a service, production and consumption of the service takes place at the same time. In manufacturing goods are produced, stored and sold. The "inventory" process serves as a way of linking these stages of production and consumption. Tourism supply cannot be stored. Unlike a can

of food which, if it is not sold one day can be sold the next, if an airline seat, hotel room or restaurant seat is not sold today that particular sale is lost forever. Although the inventory cannot be stored and adjusted to changes in demand, the capacity to produce these tourism services must be developed ahead of time. This puts a great deal of pressure on producers to effectively plan the proper amounts of facilities and, having developed those facilities, keep them as fully used as possible. This in itself creates another kind of problem, for tourism supply is relatively fixed. The resources and infrastructure of a destination cannot change as quickly as can tourist demand.

A second important point is that the service provided - a vacation - is in fact an amalgam of several products and services. A vacation has a transportation component, a lodging component, a food and beverage component, an attractions component, an activities component and so on. These components are usually offered by different firms and may be marketed directly to the tourist or combined into a package where they are offered as one vacation but the services are supplied by different firms. This lack of control over the entire vacation means that a great deal of interdependence results. A satisfied tourist results from many independent businesses each providing a satisfying part of the total vacation. The marketing efforts of each of the parts are thus affected by the efforts of the others providing a part of the vacation. The satisfaction provided is also a function of the human element providing the service. This also is very difficult to control in terms of the consistent quality of service provided.

A third factor concerns the role of travel intermediaries (channels of distribution). Because most tourist services are located at distances far from their potential customers, specialized intermediaries - organizations which operate between the producer and the tourist - are often necessary to bridge the gap. Additionally, the fact that many tourism producers are relatively small means that they cannot afford to set up their own retail outlets. Thus, while in most industries the producer exerts much control over every stage in the development and delivery of the product, in tourism, the travel intermediaries can influence if not determine which services should be offered, to whom, when, and at what price. The role of government organizations, such as National Tourism Offices and provincial/territorial tourism departments is also more significant in tourism.

Other features of tourism marketing which make it unique include the following:

- Complex and diverse motivations determine consumer choice; there is a large element of irrationality involved in purchase decisions. This makes it difficult to determine the most effective marketing approach and appeals.
- Pricing, promotion and product policies are extensively influenced by intermediaries, often with limited flexibility for the supplier.

- The customer has to buy the product without seeing it or trying it. His risk and uncertainty are therefore higher and his dependence on information is acute.
- The supplier and customer usually have different views of what "product" is involved. The supplier sees his product as being his facility or service (i.e., "bums in seats" for an airline) whereas the consumer sees it being the attractions and the overall experience. (This accounts for the success of packages)
- The interdependence of the services of different suppliers causes problems in providing a consistent and high quality experience to the consumer. Poor service in one component damages the whole product.
- The labour intensive nature of most tourism services cause difficulties in maintaining service quality - the human element is a major factor.
- Demand is highly elastic with respect to price and income while supply is highly inelastic.
- Seasonal demand variations are acute.

- Uncontrollable and often unpredictable external factors can have a major impact on tourism - an energy crisis, a currency devaluation or political turmoil can affect tourism activity dramatically.
- The low level of customer loyalty to suppliers makes for an unstable market.
- Demand patterns are changing continuously because of external factors and new technology.
- The high proportion of fixed costs in most tourism operations increases their financial risk in the face of fluctuations in demand and seasonality. Their location often limits the possibility of alternative uses for the facilities.
- Demand is difficult to predict because of external factors and the diversity of human motivations involved with consumers.
- Competition is strong and the availability of substitute leisure activities is very extensive.
- Suppliers bear the brunt of promotion and marketing activities because travel agents won't recommend a particular product.
- Peaks in demand often result in a lower level of quality and service, with the resultant

negative effects on customer's attitudes.

- The quality of management and marketing of tourist facilities usually suffers from the small size of the businesses involved. They don't have the skills, resources or the attitude to employ proper techniques. Custom and tradition tends to predominate.
- It is difficult to adapt the marketing technology used in other industries to tourism. Little tourism marketing technology exists.

MODULE 2

TOURISM MARKETS



THE ECONOMIC PLANNING GROUP of Canada

MODULE 2

TOURISM MARKETS

1. OVERVIEW OF TOURISM MARKETS

One of the basic principles of marketing referred to in Module 1 was "market segmentation" or the task of breaking down the overall market into segments or groups, and then targeting in on one or more of these groups. In Modules 3 and 4, you are shown how to practice market segmentation; in this module, we review and describe the various segments of the tourism market, and some of the important trends within them.

Another aspect of tourism markets is the "travel trade", who may not directly be our customers but who may influence them and who can sell our product for us. In Module 1, the travel trade was referred to as the "channels of distribution" in tourism and as the travel "intermediaries".

2. SEGMENTATION

Market segmentation in tourism is based upon the following four assumptions:

1. The market for business and pleasure/ personal travel trips is made up of several individual segments each of which has its own unique needs and preferences relative to these trips.

2. Potential travellers can be grouped into segments, whose members have similar and identifiable characteristics.
3. A single tourism product offering, e.g., a fishing trip to the NWT, will appeal to some segments of the market more than to others.
4. Firms and organizations involved in tourism can more effectively market their facilities and services by developing specific product offerings to appeal to specific segments of the market.

What we are basically saying is that it is wrong to try to be all things to all people; each individual tourism business and region has its own range of market segments to which it has the greatest potential appeal. Let's call these market segments your "target markets", at which you are going to aim all of your marketing activities. Many marketing experts call this the "rifle approach" to marketing, where you take aim at a specific target or targets. The opposite of this is the "shotgun approach", where you spread your marketing efforts thinly over the tourism market as a whole. Obviously, by now you will realize that the "rifle approach" is the soundest of these two alternatives. The great advantage of market segmentation, or "rifle approach", is that you can tailor your facilities and services, your marketing appeals and promotions to fit closely to the needs and interests of potential visitors in your target markets, thereby increasing your chances of success.

Since you know their needs and wants, you can appeal to them in a manner which you are confident will have the greatest impact upon them.

Before you decide that a given market segment is going to be your target, you must check its "viability", in other words will it return sufficient profit to your business or to your region. Not all of the potential market segments that are available to you will be viable. There are six criteria which you can use to evaluate the viability of market segments and these are as follows:

1. MEASURABLE

You must be able to make a reasonably accurate estimate of the size of the market segment, i.e., the number of potential visitors.

2. ACCESSIBLE

You must be able to reach the market segment through promotion and/or through the travel trade without major difficulties.

3. SUBSTANTIAL

You must be sure that there are enough potential visitors in the market segment to justify the expenses you will encounter in appealing specifically to them.

4. DEFENSIBLE

You must be able to defend your opinion that the characteristics of the market segment

are unique enough to justify a special marketing program.

5. DURABLE

You must be quite sure that the market segment will maintain its unique characteristics over a sufficiently long period of time, i.e., try to avoid "fads".

6. COMPETITIVE

You must be sure that you have or could have advantages over your competitors in serving the needs and wants of the market segment.

The most common method used in tourism to segment the overall business and pleasure/personal travel market is a "geographical" one. This happens due to the following reasons:

- (a) It is generally accepted that travellers' motivations and behaviour patterns differ from region to region.
- (b) It is usually easy to identify and measure geographic markets, and also affordable to aim marketing programs at them.
- (c) Published travel statistics are normally presented using geographic breakdowns.
- (d) On the other hand, other types of segmentation often require statistics that are not so readily available, or that may necessitate expensive research to obtain.

Despite its common usage in tourism, geographic segmentation, on its own, is normally not the best approach. There are six general categories of "segmentation criteria" which can be used in tourism, only one of which is geographic. The six are as follows:

1. PURPOSE OF TRIP SEGMENTATION.
2. CHANNEL OF DISTRIBUTION SEGMENTATION.
3. SOCIO-ECONOMIC/DEMOGRAPHIC SEGMENTATION.
4. PRODUCT-RELATED SEGMENTATION.
5. PSYCHOGRAPHIC SEGMENTATION.
6. GEOGRAPHIC SEGMENTATION.

Exhibit 1 presents a list of the variables or factors that can be used under these four headings to segment the overall business and pleasure/personal travel market. We will be dealing with the topic of segmentation in greater detail in Module 4. For the meantime, you should realize that the most effective way to segment the tourism market normally involves the use of several segmentation criteria concurrently.

In the balance of this module we will consider aspects of the first two types of segmentation. The others will be covered in Module 4.

3. PLEASURE - PERSONAL TRAVEL MARKETS

It is difficult to establish exactly why people take pleasure-personal travel trips. Sometimes, many of these travellers

Since you know their needs and wants, you can appeal to them in a manner which you are confident will have the greatest impact upon them.

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1. MEASURABLE

You must be able to make a reasonably accurate estimate of the size of the market segment, i.e., the number of potential visitors.

2. ACCESSIBLE

You must be able to reach the market segment through promotion and/or through the travel trade without major difficulties.

3. SUBSTANTIAL

You must be sure that there are enough potential visitors in the market segment to justify the expenses you will encounter in appealing specifically to them.

4. DEFENSIBLE

You must be able to defend your opinion that the characteristics of the market segment

may not themselves grasp the true reasons for their trips, and others among them, if they do know the reasons, may be unwilling to divulge them to the researcher. It is very hard, therefore, for you to accurately determine which needs and wants these pleasure-personal travellers are trying to satisfy. On the other hand, you know that the business traveller is primarily travelling to conduct business or to attend a meeting or convention.

One first step we can take in dividing up pleasure-personal travel markets is into "individuals" and "organized groups". The latter division includes pleasure travellers who arrive in the NWT in groups that are organized by a company or association. For example, Horizon Holidays of Toronto, is a travel trade company which organizes and escorts tour groups to and within NWT; Majestic Tours, Maupintour and Golliger's Tours are three others. Our other segment, the "individual" pleasure-personal travellers includes individual people, couples, family groups, or groups of friends, who generally organize their own trips and who travel in smaller groups than the "organized" visitors. These "individuals" may also have made use of some of the travel trade firms, particularly travel agents and the airlines.

Perhaps the best way you can now start to look at this market is to examine how the tourism industry and its advisors perceive it. You can be assured that if a pleasure-personal travel market is substantial, someone has already put a label on it and written about it in a magazine or book. The family travel market, the sports fishing travel market, the elderly travel market, the handicapped travel market, the resort traveller market, the cruise market, the ski travel market, the timesharing vacation travel market are but a few of these groups that have been

earmarked for special attention in articles, books and studies prepared by knowledgeable industry people. The travel market and product trends that are discussed later in this chapter clearly show the overall pleasure-personal travel market is becoming increasingly fragmented, as the number of identifiable segments grows steadily from year to year. To prove this take a quick look at the magazine rack in your local newsstand. You'll find that there are many more special interest magazines there than there were ten years ago.

A greater variety of factors are involved in the determinants of pleasure travel demand, in the motivations of the consumer, and in the manner in which he makes a purchase decision. Furthermore, irrational factors can play a large part in the process as well. I must caution you that, although a great deal of effort and time can be spent in trying to determine what kind of consumer is going to buy which kind of tourism product in what manner, the complexity and individuality of the forces at work make this a very difficult and often impractical effort. We can only hope to gain some insight into the processes at work.

A wide range of variables affect the existence and nature of the demands of the consumer. The following list is fairly comprehensive:

1. Information available and recalled
2. Past experience
3. Perceived opportunities or alternatives available
4. Motives and interests
5. Personality characteristics
6. Personal values
7. Existing attitudes and opinions
8. Geography - where consumer is located

9. Cultural influences
10. Social class and influences
11. Reference groups
12. Family
13. Financial situation - disposable income
14. Time available
15. Climate - at home and at destination
16. Age and health
17. Nature of work
18. Population density
19. Technology
20. Architecture
21. Quality and intensity of promotional efforts
22. Images and expectations

The motivation to purchase a tourism product is influenced by all of the foregoing general demand determinants but the selection among alternatives will be largely determined by more specific factors such as:

1. Price
2. Destination attractions, facilities and services, relative appeals of the travel product
3. Accessibility
4. Pre-travel information and services
5. Images and associations relative to the tourism product.
6. Perceived risks

The motivation to purchase a tourism product is generated by a perceived need or desire on the part of the consumer. Basically the motivation is a desire for a change from day to day routines, pressures and lifestyle. Tourism is not the only alternative available to him, but it is an extremely

attractive alternative to most people for using their available leisure time and disposable income. The motivations manifest themselves in one or more of the following areas of personal interest:

1. Ethnic - to see how others live, work and play
- to return to the place of birth or ancestral home
2. Cultural - learning about and experiencing the lifestyle of other, different cultures
3. Historical - to see evidence of former cultures, works of art and monuments
4. Environmental - scenery, climate
5. Recreation and Health
6. Entertainment
7. Social or Ego Enhancement
8. Interpersonal - visiting friends and relatives
9. Escape, adventure and pleasure

Usually several of these motivations are at play in a given situation.

A number of de-motivators are at work as well in varying quantities in different people. To the extent that they out balance the tourism motivators, a non-tourism alternative will be selected. The tourism de-motivators are:

1. Insecurity in strange places
2. fear of travel
3. lack of language
4. loss of security of home

THE ECONOMIC PLANNING GROUP of Canada

5. cost
6. limited time available
7. poor health and old age
8. family obligations
9. alternative demands on money

Recognizing the wide variety of influences and factors involved in consumer travel decisions, it is no wonder that consumer decisions often have a largely irrational component - and that tourism suppliers have generally despaired of attempting to predict the likely response of different market sectors to the offering of a new tourism product. The only practical way to come to grips with these issues is to observe the actual response of different market sectors or travel groups to specific tourism products and to marketing appeals. The actual motivations or influences affecting behaviour can then be inferred from the behaviour resulting.

The inferred motivations can be used in establishing promotional appeals.

4. BUSINESS TRAVEL MARKETS

In most Canadian and U.S. tourism destination areas, business travel is the "bread and butter" market for the tourism industry for much of the year. As with the pleasure-personal travel, business travel has many component segments and the number of these also appears to grow from year to year. The business travel market can broadly be segmented in the following way:

1. REGULAR BUSINESS TRAVEL

- Executive business travel market.
- Commercial/salesperson travel market.
- Government travel market.
- Businesswomen travel market.
- Other regular business travel markets.

2. BUSINESS TRAVEL RELATED TO MEETINGS, CONVENTIONS AND CONGRESSES

- Convention travel market:
 - international associations;
 - continental associations;
 - national associations;
 - regional associations.
- Corporate meetings travel market.
- Trade show travel market.

3. INCENTIVE TRAVEL

4. "HYBRID" (BUSINESS + PLEASURE-PERSONAL) TRAVEL

The available statistics for the NWT indicate that business travellers outnumber pleasure-personal travellers by several times to one, although, as mentioned in Module 1, the pleasure-personal travellers have steadily increased in relative importance. Obviously, if you operate an urban hotel, motel or motor hotel, you don't have to be reminded about the importance of business travellers; they probably are your "bread and butter"! What should be realized, however, by all tourism managers is that business travel is changing rapidly and that new marketing opportunities arise each year.

5. THE TRAVEL TRADE

You will remember in Module 1, that one of the "four P's of marketing" was said to be "place" and that the "channels of

distribution" in tourism had a key role to play in this respect. The best way to start looking at the travel trade is to consider for a moment how you as a tourism operator or zone manager can put across your marketing appeals to your selected target markets. Obviously, as a supplier of attractions, facilities, hospitality resources or transportation, you can do this directly by advertising and promoting to your potential customers and paying for this yourself. You can also do it indirectly by channelling your messages through the travel trade, the intermediaries between you (the producer) and potential customers. As we often find that the role of travel trade organizations is misunderstood by tourism operators, we will spend some time reviewing this topic.

Nature of the Tourism Industry

The automobile industry is characterized by a small number of very large suppliers of automobiles. They effectively control not only the creation of their products but also their marketing and distribution. Each manufacturer, along with his exclusive dealers, provides the full range of products and services desired by a purchaser of an automobile and controls and manner in which these are presented to the customer.

The tourism industry, by contrast, is made up of a large number of small and medium-sized suppliers. It is a highly decentralized industry, whose members act independently in a generally unco-ordinated manner. Complementary product suppliers often have competing or contradictory marketing programs and each supplier has control only over the products or services he provides. Generally, most suppliers are too small and unsophisticated to do a proper job of marketing their products.

The result of this situation has been the growth in the importance of travel intermediaries; the travel agents, tour operators and wholesalers, as well as the involvement of governments and other tourism organizations as active participants in the marketing process. They have provided the integration and coordination of component parts of the tourism "product" on behalf of the customer, and have provided the means for suppliers to reach their potential markets. In fact, the intermediaries have a disproportionate influence in the tourism marketing process. Marketing to the intermediaries has become as important, or in some cases more important, than marketing to the customer. The influence of these intermediaries often extends back to the influence or control of the pricing, promotion and product policies of the tourism product suppliers.

Types of Tourism Market Intermediaries

The following are the eight major travel intermediaries:

1. Travel agents
2. Tour operators
3. Wholesalers
4. Travel clubs, associations
5. Official tourism organizations
6. Sales representatives
7. Brokers
8. Airlines

Often the travel intermediaries are more effective as marketers of travel products. They are usually located in the market area involved and are, therefore, more knowledgeable about the unique demands and travel pattern of their market. They can also assemble products most appropriate to their market.

They can relieve some of the need for a supplier to build his own marketing organization and they can be a valuable source of marketing ideas and intelligence.

1. Travel Agents

Travel agents sell about 80% of all airline tickets and an even higher percentage of all packaged tours. They represent a smaller proportion of hotel bookings, but a higher portion of the vacation bookings for destination resort hotels.

Travel agents in effect, create a customized "package" of tourism services for their customers. They make the necessary reservations, handle all pre-payments and deposits, issue tickets and other necessary documents, provide information and advice and generally assist travellers in making their decisions and arrangements. They provide all of these services at no cost to the customer, but obtain commissions from the travel suppliers, ranging from 7.5% on regular airline bookings, up to 20% for other services. The normal commission for hotel bookings and tour bookings is 10%, although many suppliers pay them overrides based on volume of bookings.

Technically, the travel agent is an agent for the supplier but, in practice he functions as an agent for the consumer. The consumer tends to be loyal to his travel agent, whereas he is not generally loyal to any supplier.

With a few exceptions, a travel agent is reluctant to recommend any particular supplier to their customer as they have no control over the quality of service given by the supplier and in most instances do not have personal knowledge of the facilities or

services. The exceptions are where several of their customers have reported very favourably to them about a particular supplier, or where an agent is sponsoring and promoting a departure of a particular tour. As a result, they rarely "sell" a destination product, but rely on the customers to make their own decisions based on the brochures and other information they are able to provide. They are "order-takers", not marketers. When you consider the myriad of products they have to know something about, the fact that they have little time available for product education and that travel counsellors are generally poorly paid, semi-clerical employees, it is not surprising that they are not more marketing-oriented.

The implications of these facts are that you, as a supplier, cannot depend on travel agents to market this product for you. While it is important that you provide them with a supply of brochures and an awareness of the primary attractions and features of your product, you must do the marketing job yourself or with other intermediaries.

Some large travel agencies and chains market tour products under their own name. The tours can either be their own or a tour operator's product. A few of them have been quite successful, but generally they are not nearly as successful as they will tell you. The problem is that they rarely do a thorough job in planning their tours and are unable to get other travel agencies to sell their products. Suppliers, therefore, have to be very careful in block-booking space for a travel agent's own tour.

2. Tour Operators

Tour operators create their own products which are complete

travel packages involving the products and services of a number of suppliers. Their products are the closest match to what the consumer perceives the travel product to be.

The tour operator books blocks of space with suppliers, assembles the components in an interesting and coherent manner and offers the package at a single, attractive price on selected dates.

A good tour operator can, therefore, be a powerful ally of a supplier in generating indirect demand for the supplier's product, and in doing a large part of the marketing job for him.

Tour operators sell primarily through travel agents, although some of them will take some or all of their bookings directly from the customer. Generally, the latter type of operator is already dealing directly with the public in another area of his business, (i.e., airlines, motor coach companies and railways), and operates tours only as a secondary business as a means of increasing sales of the transportation service.

The disadvantages of having a tour operator sell your product are as follows:

- (a) The supplier has no control over the quantity, timing, marketing and pricing of the tour product.
- (b) Many tour operators are disreputable in their business dealings, are on shaky financial ground or have a poor track record in reaching their proposed sales objectives (the tour operator does not share the hotel's risk in having rooms unoccupied).

- (c) The tour operator will use his bargaining power to obtain the lowest possible rate from their suppliers.
- (d) Business can be switched to a competitor on short notice.
- (e) The tour operator usually wants your best facilities in the peak tourist season.
- (f) Your product can be misrepresented, but the blame and difficulties occur on your doorstep.

The implications for the supplier are that care must be taken in accepting booking requests from tour operators to ensure that their expectations are realistic and that they are reputable, that you should not tie up a disproportionate share of your facilities with tour groups, and that you insist that they provide regular reports of their booking status.

3. Wholesalers

Wholesalers act as agents for suppliers, providing a reservations and selling service in a given geographic area, usually at a great distance from the supplier's base of operations. They work exclusively through travel agents and, in effect, represent the supplier in that area, as an agent. Unlike tour operators, wholesalers do not create their own products nor do they book blocks of space.

The advantage of using wholesalers is that they are selling your product, not theirs, and they do so on a commission basis so your marketing cost is directly related to sales. Wholesalers

are worthwhile in markets where suppliers cannot justify their own selling and reservations function. In some instances, wholesalers will require a minimum commission for a given year to ensure that their time and effort is covered, and some of their marketing costs may be charged back to the supplier.

The disadvantages are that wholesalers sell the products that are the easiest to sell and make them the most money. Your product may or may not be adequately represented by wholesalers and you have little control over the quality of their efforts and staff. You have limited flexibility in that your marketing program must conform to the wholesalers' and you must remember that they are promoting their image, not yours. They are also usually selling your competitors' products and won't therefore recommend anybody's.

4. Travel Clubs and Associations

These organizations work on behalf of their own members in arranging packages of interest to them. Frequently the packages are special interest products. There is usually no continuity within these organizations and normally their packages are arranged on a one-time basis only. Often you are dealing with unprofessional organizers who can mishandle the arrangements with a negative reflection on you, the supplier.

5. Official Tourism Organizations

Travel agents, tourism operator associations and government travel promotion bodies play an active and important role in marketing tourism. Often only they have the size, financial resources and breadth of mandate to promote an area or a country's attractions.

Associations sponsor trade shows, enabling suppliers and tour operators to present their products to travel agents. Examples are the ASTA and NBA trade shows. They often will also sponsor consumer shows in given geographic areas.

Government agencies in Canada are active in tourism advertising and promotion activities, particularly in non-domestic markets. They are usually the primary representative of their tourism industry outside of their region. The NWT Department of Economic Development and Tourism performs this role for you. The Department's marketing programs are described in some detail in their publication entitled "Community Based Tourism: A Strategy for the Northwest Territories Tourism Industry". According to this publication, the Department's marketing programs fall into four distinct categories - information programs, consumer promotion programs, trade promotions programs and assistance for industry promotions program. The six zone travel associations in the NWT, (i.e., Arctic Coast, Big River, Keewatin, Northern Frontier, Western Arctic and Baffin) also play an important role in marketing tourism in your region.

Another very important official tourism organization is Tourism Canada, Canada's national tourism organization. Tourism Canada's marketing mandate is basically to maintain and enhance the Canadian image as well as promoting Canada as a desirable travel destination. It maintains offices in Canada, the U.S. and overseas in order to achieve these marketing objectives. The specific marketing activities which Tourism Canada undertakes itself or in conjunction with the territories/provinces and the private sector are shown in Exhibit 2.

EXHIBIT 2

TOURISM CANADA'S MARKETING PROGRAM

1. CANMAP
This program is designed to assist Canada-based or foreign-based tour wholesalers, tour operators, transportation companies, automobile clubs, travel suppliers or influencers who currently offer Canada package tours or have the interest and capability of developing and marketing Canada package tours.
2. VISIT CANADA PROGRAM - TRADE
A program providing financial assistance to tour producers towards the cost of their travel to specific Canadian destinations with the intention of developing new tour areas and seasons and/or improving or expanding existing tours. The trips are almost always cost-sharing ventures with a carrier and the provinces and/or the private sector.
3. FAMILIARIZATION TOURS
Regional Offices and/or DEA posts will purchase and negotiate transportation and/or tour components for groups of carefully selected travel influencers, who will travel to or in Canada to familiarize themselves with Canadian marketing priority areas and products. Tours will take two forms: education with destination specific, and product testing with product specific.
4. VISIT CANADA PROGRAM - MEDIA
A program providing familiarization tours of Canada for those who it is determined are in the best position to research, prepare and place reports of Canada's vacation attractions.
5. MARKET AND MARKETING RESEARCH
A series of market research studies, conducted on a regular basis, which examine socio-economic, demographic, travel trends and attitudes towards Canada as a travel destination, in major international markets and within Canada, as input for the development of annual Marketing Plans. In addition, Tourism Canada's advertising campaigns are pre- and post-tested amongst a representative sample of defined consumer target markets. Pre-tests are conducted to appraise consumer response to a selection of proposed advertisements, while post-tests assess the effectiveness of executed advertising campaigns in reaching stated communications objectives.
6. PUBLIC RELATIONS
To create in the media, consumer, travel influencer, and meetings and incentive travel decision-makers, an awareness of Canada as an attractive accessible and competitively-priced travel destination.
7. TRAVEL COUNSELLING AND DISTRIBUTION SERVICES
Travel counsellors provide advice and information on travel to and within Canada to prospective visitors, media and travel trade. Service is provided by direct contact, telephone and mail. The service of acquiring and distributing travel literature and promotional material produced by Tourism Canada, other federal departments, provinces, territories, regions, municipalities and the private sector, is the responsibility of Tourism Canada's distribution centre in Yarmouth, Nova Scotia.
8. FILMS
The Canadian Travel Program (CTP) is a formalized and long-standing federal/provincial program. It does not produce films, but rather encourages its provincial members, and through them, film producers, to produce films that will effectively promote travel to and within Canada. Through cost-sharing arrangements, qualified films are versioned, prints made. Tourism Canada then undertakes the promotion and distribution of such films, in cooperation with the National Film Board of Canada.
9. AUDIO-VISUAL - PHOTO
The production of audio visual presentations using either in-house expertise or private sector production houses.
10. MEETINGS & INCENTIVE TRAVEL SALES DEVELOPMENT
The planning and execution of seminars, workshops, marketplace and trade show promotions in cooperation with other public and private sector partners, targeted against planners and decision-makers in the meetings and incentive travel market.
11. MEETINGS AND INCENTIVE TRAVEL SITE INSPECTION
Association, corporate and incentive decision-makers are considering a Canadian site for a future event. The site inspection visit is used to familiarize the prospective buyer with the Canadian product and to enable the buyer to make the final decision.
12. RETAIL TRAVEL AGENT DISPLAY CONTRACTS
Through negotiated contract with window display specialist firms in selected U.S.A. and Overseas markets, the installation of Canadian travel displays in travel trade outlets and in other high consumer traffic areas. Tourism Canada offices work directly with consumer merchandising groups with their own window display specialists, who hold special Canada-oriented promotions.
13. BUSINESS DEVELOPMENT AIDS
The production and distribution of displays and merchandising aids to support the field offices' display contracts and other promotional activities.
14. TRADE SHOWS - CANADIAN SUPPLIER PARTICIPATION
The planning for and organizing of Canada's presence, in cooperation with provincial and related Canadian trade partners in positioning and maximizing Canada's presence at key travel trade influencer conferences and marketplaces.
15. RENDEZ-VOUS CANADA
A four-day marketplace at which the demand elements of both Canadian and foreign travel (i.e., wholesalers, brokers and operators) meet individually with the supply elements of Canadian tourism industry (i.e., ground operators, carriers, accommodation companies, events and attractions officials, etc.)
16. MARKET INTELLIGENCE GATHERING
The starting of seminars, marketplaces, sales blitzes, educational sessions, in cooperation with public and private sector partners, targeted against travel influencers abroad and in Canada, to further acquaint them with the availability and sales potential of Canadian travel products.
17. TRAVEL TRADE SUPPORT ACTIVITIES
A three day marketplace held in Canada which will give the demand elements of Canadian travel (i.e., wholesalers, brokers and operators) an opportunity to meet in business sessions with the supply elements of the Canadian Tourism industry (i.e., carriers, accommodation companies and ground operators of a specific region).

6 & 7. Sales Representatives and Brokers

Sales representatives (supplier's salesmen) and brokers (independent salesmen representing several suppliers on a commission or fee basis) perform the same kind of role as wholesalers, but they do not provide a reservations service. They simply act as sales representatives, calling on travel agents, participating in trade shows and using other direct selling techniques.

The broker route shares the same disadvantages as using a wholesaler, but the absolute cost is normally substantially less than having a salaried salesman for a sales territory.

8. Airlines

Airlines have become intermediaries through their efforts to generate more traffic on their airline. They offer their own tours, will help promote a tour operator's tours, will share advertising and promotion costs, run familiarization trips, provide a reservations service and will give out a supplier's brochure during their sales calls. They charge nothing for these services. Their support and assistance can, therefore, be extremely valuable.

Again, it is difficult to say conclusively what is the best formula to use in your choice of travel trade channels and, indeed, on the best mixture of direct and indirect selling. The correct or optimum formula for you in marketing your tourism product will depend upon the following five factors:

- (a) The nature of your tourism product.
- (b) The type of customers and their locations.
- (c) The number of potential customers in a given area.
- (d) Your resources.
- (e) Your objectives and policies, and the marketability of your product in the eyes of travel intermediaries.

6. TOURISM MARKET AND PRODUCT TRENDS

As pointed out in Module 1, tourism has undergone significant changes since World War II and is expected to continue to change during the 1980's and beyond. The trends that have influenced travel in Canada and that will continue to do so can be divided into two groups - "external" and "internal" trends. The external trends are ones over which you, as suppliers, have no direct control, while the internal trends are ones over which you can exert some control or influence.

The major external trends which have affected tourism during the 1970's and 1980's have been changing demographics, changing general economic conditions, energy supply-demand changes and changing values and lifestyles. In Exhibits 3 to 6, the major trends occurring under each of these four headings have been shown along with their impacts upon tourism.

CHANGING DEMOGRAPHICS

TRENDS

EXPECTED IMPACT ON TOURISM

◇ MORE PERSONS OVER 65

- BUS TOURS WILL CONTINUE TO RAPIDLY INCREASE IN POPULARITY
- INCREASED DEMAND FOR PACKAGED VACATIONS
- MORE DEMAND FOR "OFF-PEAK" VACATIONS

◇ MORE PERSONS IN THE 20-39 AGE BRACKET

- INCREASED NUMBER OF VERY "MOBILE" PEOPLE WITH MORE TO SPEND ON VACATIONS AND GREATER INCLINATION TO TRAVEL,
- MORE CHILDLESS, TWO-JOB FAMILY UNITS - MORE VACATIONS OF SHORTER DURATION
- MORE DEMAND FOR "OFF-PEAK" VACATIONS
- MORE BUSINESSWOMEN TRAVELLING

◇ FEWER CHILDREN AND TEENAGERS

- THE EMPHASIS ON THE TRADITIONAL SUMMER VACATION WILL DECREASE
- MORE DEMAND FOR "OFF-PEAK" VACATIONS
- MORE BUSINESSWOMEN TRAVELLING

◇ MORE ADULT AGE SINGLES

- MORE GROUP TRAVEL;
- MORE DEMAND FOR VACATION FACILITIES CATERING TO THE SINGLES MARKET
- MORE DEMAND FOR "ADVENTURE" TRAVEL EXPERIENCES

EXHIBIT 4

CHANGES IN GENERAL ECONOMIC CONDITIONS

TRENDS

EXPECTED IMPACT ON TOURISM

◇ ECONOMIC GROWTH RATES WILL CONTINUE TO BE SLOWER THAN IN THE PAST IN NORTH AMERICA

- WILL CONTRIBUTE TO THE MOVE TOWARDS A "CONSERVER SOCIETY" (IMPACTS SHOWN LATER)

◇ CONTINUING HIGH RATES OF INFLATION IN NORTH AMERICA

- INCREASED DEMAND FOR SIMPLE, LOW-COST VACATION FACILITIES AND SERVICES

◇ CANADIAN \$ WILL CONTINUE AT A DEVALUED LEVEL RELATIVE TO THE U.S. \$ AND MAJOR EUROPEAN CURRENCIES

- CONTINUING GROWTH IN TRAVEL TO CANADA BY EUROPEANS
- INCREASED LEVELS OF TRAVEL WITHIN CANADA BY CANADIAN RESIDENTS

CHANGING VALUES AND LIFESTYLES

TRENDS

◇ MORE IMPORTANCE ATTACHED TO INDIVIDUALISM, SELF-IMPROVEMENT, SELF-EXPRESSION AND INTELLECTUAL ENRICHMENT

◇ GREATER CONCERN AND APPRECIATION FOR THE NATURAL ENVIRONMENT

◇ MOVE TOWARDS A "CONSERVER SOCIETY" OR "VOLUNTARY SIMPLICITY"

EXPECTED IMPACT ON TOURISM

- INCREASED INTEREST IN TRIPS WITH EDUCATIONAL COMPONENTS
- GREATER INTEREST IN HISTORICAL, CULTURAL AND INDUSTRIAL ATTRACTIONS AND EVENTS
- MORE TRAVEL FOR THE PURPOSE OF LEARNING AND/OR IMPROVING A SPORTING OR OTHER SKILL
- INCREASED INTEREST IN PHYSICAL FITNESS ACTIVITIES (E.G. CANOEING, HIKING, BICYCLING, CROSS-COUNTRY SKIING, ETC.)
- GREATER DEMAND FOR WILDERNESS EXPERIENCES OF A NON-CONSUMPTIVE VARIETY, E.G. NATURE PHOTOGRAPHY, HORSEBACK TRAIL RIDING, WILDERNESS CAMPING, WILDERNESS CANOEING, NATURE VIEWING, SAILING, ETC.
- DEMAND FOR CONSUMPTIVE USES SUCH AS SPORTS FISHING AND HUNTING WILL NOT ENJOY THE SAME, HIGH LEVELS OF GROWTH
- A FUEL-CONSCIOUS SOCIETY WILL DEVELOP THAT WILL PLACE A GREAT DEAL OF EMPHASIS ON FUEL CONSERVATION - HEAVILY CONSUMPTIVE TRAVEL MODES WILL DECREASE IN POPULARITY

EXHIBIT 6

ENERGY SUPPLY-DEMAND CHANGES

TRENDS

EXPECTED IMPACT ON TOURISM

◇ RAPIDLY INCREASING PRICE OF GASOLINE

- GENERALLY, LESS USE OF THE PRIVATELY-OWNED AUTOMOBILE FOR VACATION PURPOSES, THIS WILL BE PARTICULARLY TRUE FOR LONG-DISTANCE TRAVEL;
- INCREASED DEMAND FOR PACKAGED AND FULLY-INCLUSIVE VACATIONS
- GREATER USE OF PUBLIC TRANSPORTATION AND NON-PERSONAL TRANSPORTATION FOR VACATION PURPOSES; I.E. BUS, AIR-PLANE, TRAIN, SHIP AND RENTAL CAR
- LESS VACATIONS OF THE TOURING VARIETY AND MORE SINGLE DESTINATION TRIPS;
- LENGTHS OF STAY AT DESTINATIONS WILL BE LONGER
- PEOPLE WILL MAKE FEWER TRIPS AND THESE WILL BE CLOSER TO HOME

◇ PERIODIC SHORTAGES OF GASOLINE

- TOURIST-DEPENDENT REGIONS THAT ARE A LONG DISTANCE FROM THEIR MAJOR MARKETS MAY EXPERIENCE SIGNIFICANT DECREASES IN VISITOR TRAFFIC

◇ SMALLER, LIGHTER CARS

- VISITOR SERVICE BUSINESSES THAT ARE HIGHLY DEPENDENT ON PASSING HIGHWAY TRAFFIC WILL SUFFER MOST
- MORE DEMAND FOR "TOTAL" OR "DIVERSIFIED" RESORT AREAS OR RESORTS, I.E. ONE-STOP VACATIONS
- MORE DEMAND FOR "DESTINATION" AND LESS FOR "EN ROUTE" CAMPGROUNDS, CAMPGROUND DESIGNS WILL HAVE TO BE SIGNIFICANTLY ALTERED
- COMPROMISES WILL HAVE TO BE MADE IN THE TRAVEL EXPERIENCE, I.E. MORE SPENT ON TRANSPORTATION, LESS ON FOOD AND ACCOMMODATION
- MAY LEAD TO DECREASES IN COTTAGING

SECTION B

MARKETING PLANNING AND MANAGEMENT

MODULE 3 : SITUATION ANALYSIS

MODULE 4 : DEVELOPING MARKETING STRATEGIES
AND PLANS

MODULE 5 : PACKAGING

MODULE 6 : MARKETING MANAGEMENT

MODULE 3

SITUATION ANALYSIS



MODULE 3

SITUATION ANALYSIS

1. THE MARKETING PLANNING PROCESS

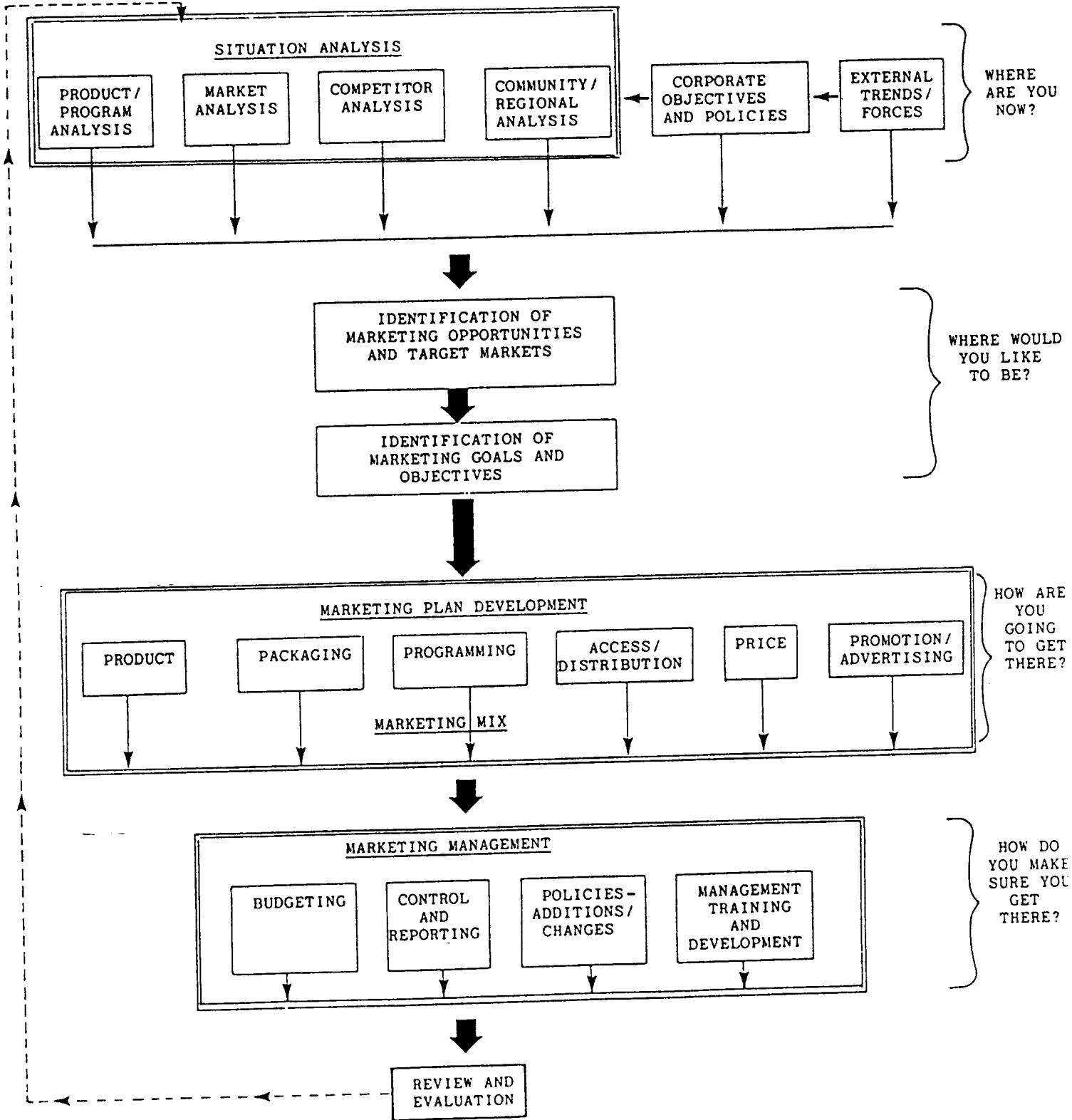
In this second major segment of this seminar, the two inter-related topics of "marketing planning" and "marketing management" are reviewed. We begin with the "marketing planning" process of which the "situation analysis" is just the first step. Modules 1 and 2 have given you the background to the marketing concept and certain basic information on tourism markets. This module and the seven remaining ones describe the procedures you should use in designing, implementing, managing and monitoring the marketing plans that you will develop.

If you decide to begin the "marketing planning" process this implies that you have determined to adopt a future orientation to your business or your region. Exhibit 7 graphically illustrates the marketing planning process as it relates to tourism. As you can see, the marketing process should always answer four very basic questions and these are as follows:

<u>QUESTIONS</u>	<u>TECHNIQUES</u>
1. Where are you now? - - - - -	SITUATION ANALYSIS
2. Where would you like to be? - - - - -	GOALS AND OBJECTIVES
3. How are you going to get there? - - - - -	MARKETING PLAN
4. How do you make sure you get there? - - - - -	MARKETING MANAGEMENT

EXHIBIT 7

THE MARKETING PLANNING PROCESS



Marketing planning is, in reality, corporate or organizational planning. Marketing planning is based on the marketing concept and therefore, on the premise that the ultimate success of any enterprise is dependent upon its ability to satisfy the needs and wants of its customers, and to do so at a profit. Hence, it is planning in which the primary focus is directed to the marketplace. The process is designed to ensure that all parts of your organization are directed to fulfill objectives and programs that are not only marketing-oriented, but that have been carefully established based upon an evaluation of marketing opportunities. Whereas this description may sound simple and may, to some, be self-evident, we can assure you that few tourism organizations accomplish this objective. Most tourism organizations make marketing decisions on an ad hoc basis, with little coordination among their marketing programs and activities. Little attention is given to the synergy and mutual reinforcement of different marketing activities. There is often a lack of concentration of effort, a lack of customized approaches to different market segments and a lack of continuity in marketing programs.

Some of the reasons why many tourism suppliers do not follow the marketing planning process are felt to be as follows:

- tradition-oriented thinking ("we've always done it this way in this industry");
- use of subjective judgements ("seat-of-the-pants planning");
- a reluctance to try new ideas or to question past programs ("it worked before for us, why won't it work again?");
- a lack of interest in and support for planning at senior management levels ("we don't need to plan");
- doubts as to the usefulness of planning activities ("why should we waste our time planning for the future when we can hardly cope with the present?");

- insufficient attention to obtaining reliable, up-to-date and comprehensive market statistics ("we neither have the time nor money to gather market statistics isn't that the government's job anyway?");
- insufficient time and resources devoted to planning ("we don't have the time or money to plan");
- a lack of coordination between planners and those responsible for execution and control ("management draws up the plan and then just drops it on our desks").

Using the marketing planning process, you match your organization's resources to the opportunities in the marketplace and do so far enough in advance to allow for the timely implementation of the actions you are required to take. It forces you as tourism managers to commit yourselves to realistic objectives, to use these objectives in setting immediate and long-term goals and to develop programs for action to attain these goals. At the same time, it provides a framework for marketing management by providing for decision-making, budgeting, control and performance evaluation.

2. SITUATION ANALYSIS

The "situation analysis" is the first step in the marketing planning process. It is called a situation analysis because it means that you have to carefully evaluate the present situation in your business or region. Why do you need to do this? Basically, you have to because, as some marketing experts have said, "It's impossible to know where you're going in the future, if you don't know where you've been in the past". Your evaluation of the present and past situation should cover your tourism product(s), programs, competitors, community, region and your current customers (if applicable). Below, a review of each of these topics of evaluation is given.

Evaluation of Your Product, Programs and Markets

As Exhibit 7 showed, the basic objective of the situation analysis is to answer the question "where are you now?" You will have three basic purposes in doing this analysis - evaluating the product(s) and programs you have to sell compared to those of your competitors; finding out what your present/past/future customers think of them and identifying the potential of the markets available to you.

Obviously, the way you do this analysis will vary according to whether you own or operate an individual tourism business, or if you are a zone travel association manager. The scope of your evaluation will undoubtedly be far greater if you manage a zone.

If we assume that you operate a lodge, hotel, motel or other type of accommodation facility, you must consider all of the following factors in your product analysis:

1. SIZE

- a. number of guest rooms, guest capacity
- b. frontage or acreage.

2. FACILITIES

- a. different types of guest rooms - number of each, maximum number of guests for each type.
- b. food and beverage facilities - number of seats.
- c. group business facilities - number of rooms, capabilities for meeting and for dining.
- d. guest service facilities - parking, laundry, room service, transportation, ice makers, coffee makers, etc.
- e. recreational facilities - swimming pool, golf, bowling, skiing, boating, fishing etc.

3. PROGRAMS OFFERED

- a. packages
- b. guest services
- c. special programs and events

4. PHYSICAL CONDITION

- a. age of property.
- b. condition of interior, exterior, structure.
- c. cleanliness and state of repair.

5. ATMOSPHERE

General impression the property creates; style, warmth, hospitality, well kept, run down, etc.

6. LOCATION

- a. size of town/city and immediate area.
- b. nearby industries, business centers, attractions and other sources of guests.
- c. proximity to expressways, highways, airports and other transportation forms.

7. TYPES OF BUSINESS ATTRACTED

When is business:

- a. best-time of year; day of week; hours of the day.
- b. slowest-time of year; day of week; hours of the day.

If you are a zone travel association manager, your analysis should deal with the attractions, facilities, transportation, infrastructure and hospitality resources contained in your zone, i.e., the broad "tourism product" that was discussed in Module 1. Your concern is an amalgum of individual tourism products and programs which you will have to inventory.

Now that you have assessed what you have to offer, it's time to turn your attention to your present and past customers. You should review the following checklist and be able to answer all six of the questions before moving ahead:

 PROCEDURE FOR ANALYZING PRESENT AND PAST MARKET DEMAND

- | | |
|---|---|
| 1. <u>WHO</u> ARE YOUR CUSTOMERS? | <ul style="list-style-type: none"> . Total number of customers . Socio-economic/demographic characteristics . Psychological characteristics . Market segments and their relative sizes . Party sizes |
| <hr/> | |
| 2. <u>WHERE</u> DO THEY COME FROM AND TRAVEL TO? | <ul style="list-style-type: none"> . Geographic origins (provinces/states and cities/towns) . Geographic destinations on trip |
| <hr/> | |
| 3. <u>HOW</u> DO THEY PLAN THEIR TRIPS, AND TRAVEL TO AND WITHIN THE DESTINATION? | <ul style="list-style-type: none"> . Trip planning procedures . Sources of information used . Booking procedures . Use of the travel trade . Trip routes and carriers/transportation/infrastructure used |
| <hr/> | |
| 4. <u>WHEN</u> DO THEY TRAVEL, FOR HOW LONG AND WHEN DO THEY MAKE THEIR TRAVEL DECISIONS? | <ul style="list-style-type: none"> . Season of travel . Weekday versus weekend . Lengths of stay/spending . When do they decide to travel? . Who decides they will travel? |
| <hr/> | |
| 5. <u>WHY</u> DO THEY TRAVEL? | <ul style="list-style-type: none"> . Purpose of trip . Recreation and other activities desired . Important motivations for travel . Travel influencers |
| <hr/> | |
| 6. <u>WHAT</u> DO THEY THINK ABOUT YOUR PRODUCT(S) AND PROGRAMS? | <ul style="list-style-type: none"> . Ability to satisfy their needs and wants . Perception of quality and need for improvements in your product(s)/programs . Perception on need for new product(s)/programs . Attitudes to/evaluation of competitors |
-

Having reviewed the above checklist, many of you might be thinking that you neither have the time, money nor inclination to gather together such an extensive amount of information. What if we told you that it probably will be the best investment of your time and money that you will ever make? Why? There are two reasons. First, your present and past customers are normally your best potential group of future customers and the easiest to attract. Second, word-of-mouth advertising is generally recognized as the most powerful promotional tool in tourism - you'll want to make sure that your past/present customers' "comments" about your business or region are, in fact, positive.

The information can be collected in a variety of ways. Accommodation facilities and tour operators can gather it by having well designed reservation/booking forms, registration cards and in-room questionnaires. Travel association zones can get it by having good registration records at information booths and by asking other information-seekers (by mail and telephone) a selected list of questions. Special surveys can also be carried out by mail, telephone, in person or by using the focus group technique. In Module 4, a more detailed discussion of market research techniques used in tourism is given.

Evaluation of Your Competitors

Having inventoried your product(s)/programs and characterized your past/present customers, you should then critically evaluate your competitors. Your competitors are all those firms and organizations seeking to serve the same market segments as you are. Thus, they're not necessarily just the "guys down the road" but they may also include businesses and other organizations operating outside of the

NWT. For example, if you operate a fishing lodge, your competitors for sports fishermen are probably located in several Canadian provinces and states of the U.S.A. In fact, your colleagues in the NWT may serve to help or complement your business rather than compete with it.

You should evaluate your competitors carefully for the following reasons:

-
- | | |
|---------------|--|
| 1. COMPARISON | <ul style="list-style-type: none"> . To determine how the quality and quantity of your product(s) and programs compares to those of your competitors (following the same checklist as that on Page 50) |
|---------------|--|
-
- | | |
|-------------------------------|--|
| 2. OPPORTUNITY IDENTIFICATION | <p>No-one usually has a patent on an idea:</p> <ul style="list-style-type: none"> . To identify market segments that competitors are successfully appealing to. . To identify product(s) and programs that competitors are successfully marketing. . To identify promotional, packaging and pricing techniques that competitors are using successfully. . To identify channels of distribution that competitors are using successfully. . To identify opportunities for cooperation with competitors. |
|-------------------------------|--|
-
- | | |
|---|---|
| 3. IDENTIFICATION OF YOUR UNIQUE SELLING POINTS | <ul style="list-style-type: none"> . To identify the most important competitive advantages you have over your competitors in terms of satisfying the needs and wants of your common target market segments. . To provide ideas for your promotional efforts based upon these competitive advantages |
|---|---|
-

You should try to obtain the exact same information on your competitors as was described above in the product/program market analysis for your own business or region. Of course, you might not be able to get the same calibre and level of detail of information, but you should be as resourceful as you can in trying to acquire it. You should at least visit your competitor's businesses or regions and develop a first-hand knowledge of what they have to offer. Use your own present and past customers to give you an impression of your competitors and their reaction to what your competitors have to offer. Use your telephone and ask for your competitors' brochures, rates and any other promotional literature. Look out for the advertisements of your competitors in magazines, newspapers, guidebooks and radio/television and determine what themes and competitive advantages they are trying to put across.

There are other sources of "market intelligence" about competitors. For example, if they own a hotel you could count the cars in their parking lot and note where the license plates are from. You could check their restaurants periodically and take a head count. There are many legal ways you can do this if you are both resourceful and creative.

Evaluation of Your Target Markets and Future Marketing Opportunities

Given the importance of this issue, it will be dealt with in greater detail in Module #4.

Evaluation of Your Community and Region

Now look at your community and your region, since they will have many clues as to the future directions you should take in your

business or region. If you are highly dependent on regular business travellers, you must evaluate the current health and future prospects of the businesses and government agencies in your community or region. Additionally, your community and region probably offers other product(s) and programs that you can add to your own and, in so doing, better satisfy the needs and wants of your customers. In fact the NWT Department of Economic Development and Tourism has identified "community based tourism" as one of the major themes for your industry in the future. The Department has defined this concept in the following way:

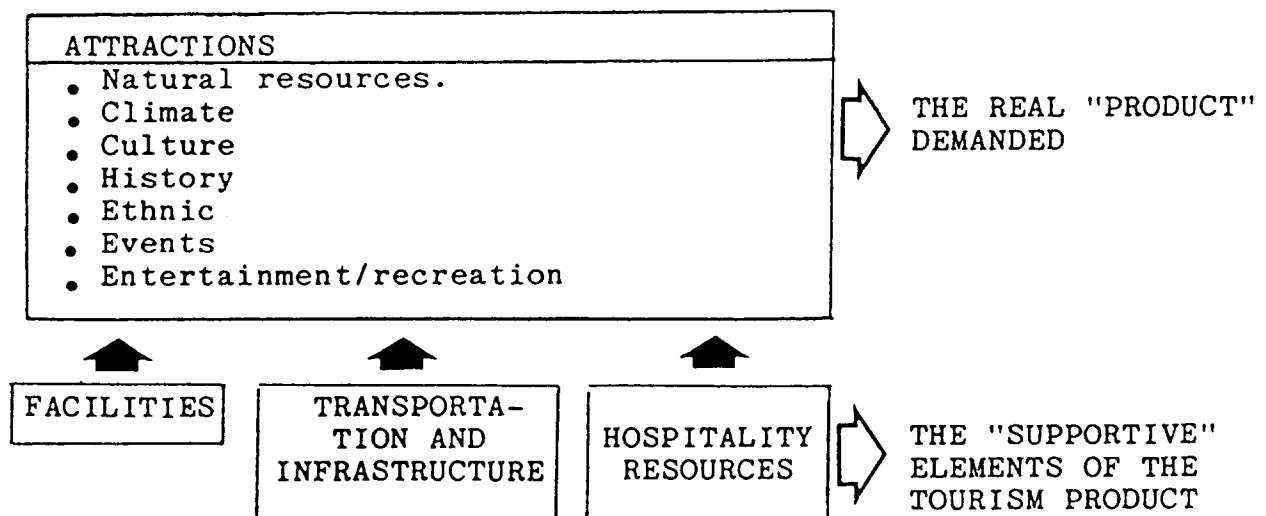
"Many tourists are prepared to travel and stay in NWT communities if they are assured of being welcomed, and if they are provided with quality opportunities to explore, enjoy and learn about our communities' cultural heritage and the natural landscape that surrounds them. Community based tourism can provide the visitor with excellent value and a unique and precious vacation experience: that of being part of a community different from his or her own.

Community based tourism is a term which describes a tourism industry focused on the community, with tourism opportunities and infrastructure centred in and around the community. Community based tourism programs will involve all activities in and around communities including hunting and fishing; but emphasis will be placed on activities in which visitors will be provided with an opportunity to learn, observe and experience a unique land and its culture. The visitors would purchase tours from community businesses, to learn about the community, the surrounding land, and its history.

By encouraging tourists to use our communities as "base camps"

for their visit, and by developing points of interest close to the communities, local operators can increase the use of existing services, lessen the need for constructing new tourist facilities, increase local benefits and facilitate local control. Additionally, through community based tourism, communities can direct the planning, growth and nature of tourist operations within their jurisdictions."*

If you refer back to Module 1, one of the important points that was made there was that the real tourism-demand generators are usually free of charge and individual tourism businesses do not necessarily own them. You will recall that this point was put across through the following diagram:



* Source: Department of Economic Development and Tourism, "Community Based Tourism: A Strategy for the Northwest Territories Tourism Industry", (Yellowknife, NWT, June, 1983)

The above diagram clearly demonstrates the reason why the Department has adopted this theme and the importance of your community and region to all of you. In evaluating your community and region, you should consider all five of the tourism product elements, (i.e., attractions, facilities, transportation, infrastructure and hospitality resources). You should try to spot new opportunities for vacation packages, promotions and cooperative advertising in doing this analysis. You should also make sure you identify the competitive advantages or "unique selling points" of your community and region; they may provide a new and better focus for your own marketing activities.

Corporate/Organizational Objectives and External Trends/Forces

Exhibit 7 shows that your corporate or organizational objectives and external trends and forces must also be considered in preparing your situation analysis. If you own a business, these objectives are simple to define; you want to make a financial profit. However, if you manage a travel zone or work for the Department of Economic Development and Tourism, your objectives will not be so simple. In this case, you will have to take into account and ensure compatibility between your objectives and those of other organizations.

Module 2 talked in part about the external trends and forces which influence tourism. You should also take these into account in your situation analysis.

It is essential that the work carried out in the situation analysis be both thorough and objective, since the success of the marketing planning effort rests on this foundation. It is also essential that you have the commitment and involvement of senior management in the

planning process. It is not good enough to relegate these activities to a "junior group" of researchers outside the mainstream of the organization's activities. The result of such an effort, excellent as it might be, usually falls on deaf ears of senior management who will have preconceptions covering most points reviewed in the situation analysis.

You should also evaluate each of your facilities and services in terms of the contribution to the overall marketing of your operation and in terms of their profitability. If you operate a business, you should make up a mini-profit and loss statement for each of the services, allocating revenues, direct costs and indirect costs to each. Services that are not in themselves profitable or which don't make an important contribution to overall marketing success should be dropped.

Articles describing two examples of situation analysis are available from the instructor, one for a highway motor hotel and one from an urban hotel. The first example was taken from the June and July, 1976 issues of Lodging magazine published by the American Hotel and Motel Association. The second is a situation analysis questionnaire (called a "marketing audit") used by the Westin Hotel group in the early 1970's.

MODULE 4

DEVELOPING MARKETING STRATEGIES AND PLANS

The next step in the marketing planning process is to develop a marketing strategy and a marketing plan. Basically, what these two techniques do is answer the important question of "where would you like to be?"

However, before we talk about strategies and plans, it is important to discuss how you can identify future marketing opportunities and how you should select target markets. This is really part of the "situation analysis" process in that we are now trying to match products with available markets and identify opportunities. It addresses a transitional question, which might be described as "where could we be?"

1. MARKETING RESEARCH TECHNIQUES IN TOURISM

The situation analysis discussed in Module 3 dealt with only existing and past customers, and did not explore future potential new customers for your business or region. Before you develop any marketing strategies and plans, you must consider past, present and potential customers and market segments.

The Federal, Provincial and Territorial Governments in Canada are very active in tourism marketing research. They are undoubtedly the best sources of marketing research information at the present time. With the exception of very large tourism business, marketing research techniques have not been extensively used in Canada by individual businesses or associations.

Exhibit 8 provides a partial listing of the marketing research techniques available. It also shows the general type of research and the sources of data for each technique. It is beyond the scope of this seminar to describe all these techniques in detail; many of these, indeed, should only be attempted by experienced market researchers and statisticians.

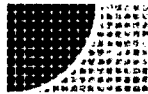
Tourism Canada maintains The Tourism Research and Data Centre (TRDC) (formerly The Tourism Reference and Data Centre) in its Ottawa offices. The TRDC contains the most comprehensive collection of tourism-related information anywhere in Canada, and now has over 6,000 books and other documents on the subject. Exhibit 9 describes the types of services provided by the TRDC. One of the key services is that of data searches which the TRDC staff will carry out on your behalf. Let's say you had decided that cross-country skiers were a potential customer group that you would like to consider. Simply by giving the TRDC the "description" of cross-country skiing, they could then give you a complete computer printout of all their books and other documents on this market segment/activity.

There are a number of steps which you should follow in all your research into potential customer groups and these are as follows:

1. Define the marketing opportunity or customer group.
2. Develop specific research objectives, i.e., questions that you want answered.
3. Identify marketing research techniques and sources of information.

MODULE 4

DEVELOPING MARKETING STRATEGIES AND PLANS



THE ECONOMIC PLANNING GROUP *of Canada*

PARTIAL LIST OF MARKETING RESEARCH TECHNIQUES
AVAILABLE IN TOURISM

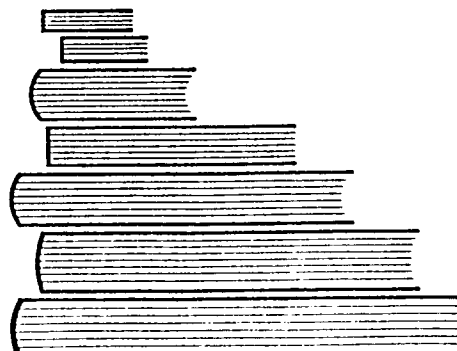
AREAS OF RESEARCH	TECHNIQUES AVAILABLE	SOURCES OF DATA	
A. Present Customers			} Part of Situation Analysis
1. Customer mix	. sales analysis	. sales records . registration	
2. Customer profiles	. sales analysis . questionnaires	. registration . questionnaires	
3. Market Penetration	. competitor analysis . awareness surveys . image surveys	. observation . brochure . sales call feedback . questionnaires . interviews	
4. Decision/purchase process		. questionnaires . interviews with customers, travel trade members	
B. Potential Customers			
5. Market Definition	. demographic analysis	. published census data and statistical studies . border surveys . mailed questionnaires . questionnaires to customers . trade publication	
6. Consumer motivations	. behavioristic techniques	. questionnaires . projective techniques . indepth interviews . focus group interviews . lifestyle studies . market testing	
7. Advertising effectiveness		. test advertising . media surveys . coupons . codes	
C. Forecasting			
8. Sales forecasting	. statistical techniques . regression analysis . experimental smoothing	. sales data	
9. Behaviour forecasting	. econometric models . input/output models	. from other research	
D. External Factors			} Part of Situation Analysis
10. Economic trends		. mass media . trade publications . studies and articles . expert opinions	
11. Social trends			
12. Political/legal trends			
13. Special events and situations (i.e., energy)			
E. Travel Trade			} Part of Situation Analysis
		. trade publication . expert opinions . interviews with travel trade	
F. Technological Change and New Products			
		. trade publications	
G. Product analysis			
		. complaints feedback from sales personnel . questionnaires . internal analysis	

SOURCE: Economic Planning Group of Canada

Canada

Tourism Reference and Data Centre . . .

. . . when you need information on the tourism industry in Canada



The Tourism Reference and Data Centre (TRDC) maintains the most comprehensive collection of tourism-related information in Canada.

While this information has been compiled primarily to assist the industry and officers of the Canadian Government Office of Tourism, it is also available, at no cost, to other government departments and the general public.

Our holdings of more than 5,000 books and documents include research papers, statistics, surveys, analyses, journals, conference proceedings, speeches, proposals, feasibility studies, legislation, guide books, bibliographies and more. As well, TRDC maintains a complete collection of reference material, including atlases, gazeteers, dictionaries, year books, business directories, newsletters and trade papers.

Information on this material is held in a data bank which can be accessed by TRDC staff or by the users of remote terminals in other parts of the country.

Data searches
TRDC staff will conduct data base searches for research documents so that users can access quickly exactly the information they need.

The computer system at TRDC is a bilingual, bibliographic information storage and retrieval system which allows users to search the holdings using 1,500 key words or "descriptors". Information is classified into eight major sectors: transportation, accommodation, conventions, hospitality services, events and attractions, recreational activities and facilities, education and tourist-related enterprises.

The descriptors can be used singly or in combination to produce the information required. Searches can be undertaken, for instance, by subject, author, sponsor, date, document type, geography or various combinations of these.

Loans and reference
Most books and reports in the TRDC holdings can be borrowed, except for reference material and rare publications. The loan period is generally two weeks. TRDC will undertake inter-library loans for users of CGOT material and arrange loans from other libraries for in-house users. Clients who wish to acquire their own copy of a particular report may be referred to an appropriate source of supply.

The Centre is in close contact with provincial tourism libraries across Canada and will liaise with association and institutional libraries for information, as required.

Acquisitions
TRDC subscribes to more than 100 periodicals and journals. Copies of the tables of contents of certain periodicals are circulated regularly among CGOT officers and are available for reference to members of the industry, on request. As well, lists of new books received at TRDC are distributed to CGOT officers every two or three months.

Acquisitions are listed by descriptors and published each year in a catalogue, which is available at the Centre.

THRICE
Within the TRDC data base, the Tourism and Hospitality Resource Centre for Education (THRICE) maintains a wide spectrum of information on training and careers in the tourism, hospitality and recreation sectors of the travel industry. This information is of special interest to educators, industry personnel and government agencies.

Our experienced staff is ready to help you find the information you need. Call, write or drop in to see us at any time, 7:30 a.m. to 5:00 p.m., Monday through Friday.

Tourism Reference and Data Centre
3rd Floor West
235 Queen Street
Ottawa, Ontario
K1A 0H6
(613) 995-2784



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4. Develop a research plan and the questionnaires/forms for the collection of information.
5. Prepare a sample design (if appropriate).
6. Execute the plan and conduct field work (if appropriate).
7. Analyze the data.
8. Prepare a report of findings and recommendations.

It was pointed out in Module 3 that, in fact, your present and past customers are usually your best potential source of future customers. Thus, at the absolute minimum, any business or organization involved in tourism should collect and review the following information:

1. Sales statistics by season, geographic area and type of customer
2. Profit and loss statements for each product and program, i.e., "profit centre"
3. Short questionnaires for visitors to gather information on demographics, satisfaction with services, travel habits
4. Post-visit, mailed questionnaires to a sample of guests

5. Complaints records
6. Sales call reports of salesmen
7. Enquiries records (mail, telephone and in-person)
8. Coupon returns and enquiries from advertising
9. Turnaway statistics (accommodation facilities, campgrounds, tours, etc.)

2. SELECTING TARGET MARKETS

We have now examined the existing situation and researched potential future customer groups, and are, therefore, in a position to select the target markets to be addressed in your marketing strategies, objectives and plan.

Your target markets are the market segments which you determine as being the most "viable" for your business or organization. In Module 2, a list of six criteria was given to be used in judging the viability of the various markets potentially available to you, namely that they must be measurable, accessible, substantial, defensible, durable and competitively advantageous to you. Why set up a specialized vacation package that is very expensive for you to develop and promote, if the number of users that you foresee is not substantial enough to pay for your investment in the package? Why go after any new target market if you cannot reasonably estimate its size and/or be able to promote directly to the potential customers within the group? Try not

to fall victim to the "80:20 rule", where you fall into the trap of putting 80% of your time and financial resources into attracting 20% of your customers; but try to match your resources as closely as possible to relative shares of your target customer mix.

3. MARKETING STRATEGIES

The next step is to define a marketing strategy for each selected target market. The three most commonly used marketing strategies are "differentiation", "segmentation" and "differentiation/segmentation". These are described below:

1. Differentiation: This strategy emphasizes the differences between your business and other tourism businesses. Emphasis is placed on pointing out how your operation or region is different from your competitors'. The location, services offered or facilities may have special qualities. Your "unique selling points" (USP's) are emphasized in marketing. A USP is something which can be used in marketing that will set your business apart from the rest. Your USP's should be highlighted in all your advertising.
2. Segmentation: The second strategy is based on the idea that the total market consists of a number of smaller segments which have distinct characteristics, i.e., the concept of market segmentation. This we considered in some detail in the last module. Out of all the people who may be possible visitors, you may want to market only to certain types.

Some tourists may be interested in recreational activities. In marketing your enterprise, you could emphasize your recreational facilities in hope of attracting these people. Others may be interested in low rates, and still others in package deals. Instead of directing your marketing campaign to everyone in general, you would choose particular segments that would be interested in what your business can offer.

3. Differentiation/Segmentation: A combination of the differentiation and segmentation approaches. After you have determined which market segments are best for your operation, you likely will have to also emphasize your USP's to be successful. Your tourism business will need to appeal to these segments by explaining why you are special, and why they should visit your establishment.

You can see the true value of doing the situation analysis and subsequent evaluation of potential new target markets, as these preliminary steps give you a good indication of which product(s) and programs will be unique and different in the marketplace, and which are likely to have the greatest impact.

4. MARKETING GOALS AND OBJECTIVES

The next step in the marketing planning process is to establish marketing goals and objectives. The difference between a marketing goal and an objective is really a question of time; you should attain an objective in the short-term, the various short-term objectives lead to a long-term goal. An objective can usually be stated more concretely than can a goal, since it

should describe a measure of progress towards the goal.

To review the process you have just been through, and the steps required to complete the marketing planning process, review Exhibit 10.

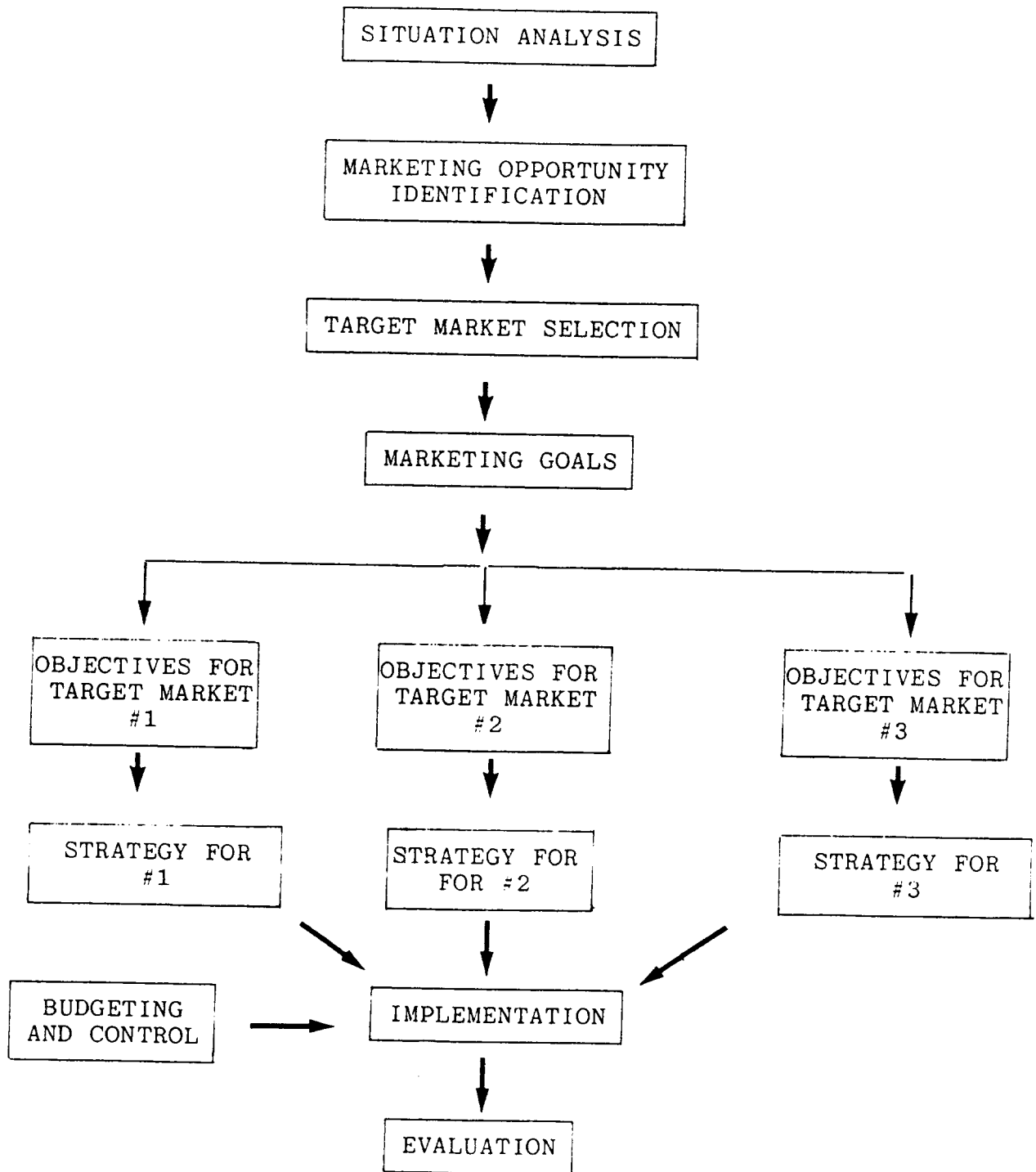
The goals and objectives should have the following characteristics:

- (a) They should be as specific as possible.
- (b) They should be stated in terms of your desired end results.
- (c) They should be expressed in quantitative terms where possible to assist you in evaluating your actual results.

You should not base the goals and objectives on the basis of your last year's results, but rather you should formulate them upon your situational analysis and your evaluation of marketing opportunities.

Let's say you operate a hotel in an urban community and Target Market #1 is the business conference/meeting market. You decide to use a differentiation strategy based upon your USP that your operation has the only custom-designed, conference/meeting room in town. You haven't really pushed this fact before but your previous analysis indicates that you might increase your existing business by 25% if you did feature this competitive advantage in your promotions. You decide to use the 25% increase in Target Market #1 customers as your objective for that market.

THE MARKETING PLANNING PROCESS



5. DEVELOP STRATEGIES AND DETERMINE RESOURCE ALLOCATION

The next step in the process is the preparation of basic strategies to accomplish the objectives and goals. Here again senior management must carry the ball. We are concerned with the allocation of money and time in developing the market opportunities selected, as well as the allocation of responsibility to different individuals and departments. It also involves the development of the detailed programs required to implement the plan.

Each department and individual with responsibility for implementation should become involved in the following planning and decisions:

- (a) selection of target groups within the market sectors.
- (b) development of specific marketing and promotion programs to accomplish the goals.
- (c) setting out a timetable for action.
- (d) preparation of individual action programs and quotas.

6. BUDGETING AND CONTROL

Once management endorses the plan, each responsible department or individual is responsible for preparing a detailed budget

within the resources allocated. The budget provides a quantitative yardstick against which actual performance will be measured, as well as an instrument to control the actions of individuals. In the absence of a proper marketing plan, companies tend to budget based on what their competition is doing, on a given percentage of sales (which is backwards), on what they spent last year or on industry standards. None of these methods are appropriate.

Various initiatives designed to monitor and control the process will also be required. These are discussed in Module 6.

7. EVALUATION

The marketing planning process provides specific and quantitative yardsticks to measure success and to evaluate the work of the individuals involved.

A program of incentives can be built into the plan to reinforce its internal impact and to solicit greater cooperation from the individuals involved. This subject is also considered further in Module 6.

8. MARKETING PLANS

Once you have defined marketing goals and objectives, a strategy for each target market, a budget and a control and evaluation program, you should document your marketing plan. A marketing plan is essentially a written document, with a specified time frame, which details all the activities and programs you decide to undertake to achieve your goals and objectives. It answers the question, shown in Exhibit 7, of "how are you going to get there?" In Modules 7 to 10, the various elements of the "marketing mix" will be discussed. The "marketing mix" is

really the heart of your marketing plan, as it represents the product, programming, distribution, pricing, promotional and packaging activities that you intend to use in implementing your strategy for each target market.

Several principles should be followed in completing the plan. First, if the planning process is to be effective and if performance is to be evaluated against a plan, management at all levels of the company must see its objectives and goals as being valid and realistic. All managers should therefore be involved in development of the plan and should be given the appropriate authority in its administration. Communication among these managers will similarly be important in coordinating activities. These are difficult things to accomplish, since any new goals or objectives defined by top management may be resisted by other levels of management, particularly if an individual or department is threatened in any way. A properly executed planning process can aid in overcoming some of these stumbling blocks, but for it to be successful it must be accompanied by a vigorous control and enforcement procedure as well.

It is important to have a single person responsible for the overall development and implementation of the marketing plan; in order to ensure the coordination of efforts among different activities.

It is equally important that all staff be aware of and understand the marketing plan, even if they are only indirectly involved.

It is important that the plan be committed to writing to ensure that everyone has common terms of reference as well as a full understanding of the background analysis and rationale involved.

Basically the benefits of marketing planning can be summarized as follows:

- (a) it ensures that programs and activities are compatible with the objectives defined by senior management.
- (b) expected individual program results can be related to their contribution to overall objectives and goals.
- (c) it minimizes the risk of counter productive or minimal value programs,

and most important of all;

- (d) it ensures that the company's efforts are directed to respond to defined market opportunities.

For those of you who have studied "Management by Objectives" (MBO) or Zero Based Budgeting, you will recognize that the full benefits of these management methods are accomplished in a properly executed marketing planning process.

9. PRODUCT AND PROGRAM DEVELOPMENT

In this concluding part of Module 4, we are going to briefly

review three key marketing plan elements, namely product/program development, pricing and cooperative marketing.

Product and program development concerns decisions relating to the addition of new products or programs or changes to existing ones. You will realize from what we have said beforehand that you should only make additions or changes if they will serve viable target markets available to you and do so at a profit. Some of these decisions may be so major, e.g., an expansion to your buildings, that you will need to carry out a detailed economic feasibility study on them. However, small or large, the following steps should be taken and key questions answered:

Steps

1. Estimate present and future demand (total and your expected share).
2. Determine start-up and ongoing costs.
3. Determine the likely "life" of the product or program.
4. Consider the effects on your competition (will they retaliate and how?).
5. Consider the impact on your existing products and programs.
6. Estimate the expected revenues, direct costs, incremental indirect costs and profitability of the proposed new product or program.

Key Questions

1. Is the new product or program desired by one or more of your organization's viable market segments?
2. Will the product or program satisfy customers from other market segments as well?
3. Does the new product/program fit in with your existing facilities and services and the image of your product?
4. Does your organization have the necessary skills to develop and manage this service?
5. Will the service contribute to the growth of your organization?

10. PRICING

Price is a very important selling and motivating feature in the marketing mix in tourism. Demand for most tourism products is highly price-elastic and numerous substitution possibilities are available. Price variations have a strong appeal to customers and they will substitute to save money.

The importance of price as a marketing instrument is further reinforced by the fact that price changes can be made more quickly than changes in other elements of the marketing mix, and the travel trade will usually respond and push advertised price savings.

As you will no doubt realize, price is not only a marketing mix element; it is also a primary determinant of revenues and profitability. You must, if you own or operate a tourism

business, be able to choose the correct pricing methods and to optimize profitability through the correct balance of volumes, costs and prices.

There are two general groups of pricing methods available to you - the "unsophisticated" and the "sophisticated", and a variety of specific methods within each category. Some of the typical questions you might be faced with when deciding upon your prices are as follows:

- If your biggest competitor drastically cuts his rates to get more business, can you afford to follow his lead? Can you afford not to?
- Can you afford to accept a large reservation from, say, a bus-tour operator, even though the operator insists on a large discount? Can you afford to turn the business away?
- How much extra would you have to charge to recoup the costs of a proposed renovation?
- Should you add a swimming pool?
- Should you raise your prices to cover increased operating costs?
- Are your prices fair and appropriate at the present time?

A good pricing method will permit you to answer these questions

properly. However, before we look at these methods, we will briefly review the "unsophisticated" methods which don't answer these questions but are in more common use.

Unsophisticated Pricing Methods

Despite the fact that they are commonly used in Canada, you should avoid using most of the "unsophisticated" pricing methods, or at least do not use them as your only pricing method.

- Intuitive method. We might call this the "gut feel" approach. It requires no research into costs, competitive prices or market expectations - just some common sense.

Disadvantages: Your intuition may be excellent, but how do you know if you are making a satisfactory profit? If you set your prices too low, you will probably earn less than you should. If you set them too high, you may lose business, so again you will be earning less than you should.

Advantages: This method has no redeeming features. It should be avoided altogether.

- Competitive method. We could call this the "me-too" method. In this case, research is conducted into competitive pricing, but not into operational cost or market expectations.

Disadvantages: This method does not take into account differences in quality or cost/financing variations from one hotel/motel to another. A

competitive rate may be too low for you to achieve a reasonable profit; or it may be too high based on your hotel/motel's cost structure.

Advantages: Clearly, you have to pay attention to your competitors' prices. However, if used on its own, this method is almost as dangerous as intuitive pricing. It should also be avoided.

- Follow-the-leader method. This is a variation of the competitive pricing method. The difference is that your prices follow those of your largest or most successful competition; rather than those of several of your competitors.

Disadvantages: This method suffers from the disadvantages of the competitive pricing method.

Advantages: Once again, this method cannot be recommended on its own.

- Traditional or rule-of-thumb method. A traditional pricing method is simply one that has been widely used by the lodging industry in the past. For example, one rule-of-thumb used to be that for every \$1,000 of investment, you should charge a room rate of \$1.00.

Disadvantages: The 1-to-1,000 ratio is out of date, since construction costs have risen more sharply than room rates. Anyway, the past is not the best basis upon which to predict the future. Also, this method does not consider operating, financial and other costs; nor does it consider competitive price

levels or market expectations.

Advantages: There are no outstanding advantages to traditional pricing methods - only weaknesses.

- Trial-and-error method. Here, you vary your prices over a period of time to see what volume the different prices generate. The price/volume combination that produces the highest revenue is eventually identified, and your prices are set accordingly.

Disadvantages: If you change your prices too frequently, you can upset your customers, particularly if they are regular customers. An even greater drawback is that there are many other factors affecting demand other than price (e.g., seasonality, growth in competition, general economic conditions and changing vacation patterns). These factors muddy the supposedly direct relationship between prices and volumes.

Advantages: Only if you have a thorough knowledge of costs and other variables can this method be considered effective - and only then for setting restaurant prices. Its use in establishing room rates is much riskier.

- Exclusive method. You may feel that your operation is vastly superior to your competitors' or that you have a clear-cut advantage due to location, accessibility or some other important factor. You may then decide to set prices - normally on the high side - that are significantly different from your competitors'.

Disadvantages: The market has shown that many places are not as exclusive as their prices suggest. Charging a high price does not by itself guarantee exclusivity.

Advantages: This method may work only if your competitive advantage is so strong that it makes your customers pay the exclusive price. But in an increasingly competitive world, the probability of success is low.

- Price cutting. Price cutting here means lowering your prices below competitive levels to gain a bigger market share. (This is not the same as the discounting method, which will be described in a moment.)

Disadvantages: You may get all the business in the world, but you may also lose money if you can't at least cover your variable costs.

Advantages: Price cutting is extremely dangerous if it is done without a thorough knowledge of your costs of operation. It has no inherent advantages if you do not have this depth of knowledge.

Sophisticated Pricing Methods

The "sophisticated" pricing methods are the ones we recommend you use. You will, however, have to do more work and use less of your "gut feel" than you would if you chose one of the previously described "unsophisticated" techniques. The "sophisticated" pricing methods are all cost-based and they require that you use reasonably accurate operating cost data when using them. Two of these are the "target" and "discounting" pricing methods. We are

going to use two examples drawn from Tourism Canada's "Tourism is Your Business: A Financial Management Program for Canada's Lodging Industry"* to demonstrate the use of these two methods. Even if you do not operate a lodging facility, you will see how these same methods can be applied to your business.

Target Pricing With the Hubbart Formula

Target pricing is based on your costs and on the profit levels you want to attain. This means you must have accurate cost figures and you must know what rate of return you need. The Hubbart formula is one target pricing method used by many hotel/motels. It is a cost-based method through which a targeted average rate per occupied room night is calculated. It is best demonstrated by means of an example.

Suppose the owners of the 35-room, full-service Concorde Hotel have established the following from a review of their latest balance sheet and income statement. At the end of year 1;

- The value of their total assets is \$750,000.
- Their long-term liabilities, consisting of a first mortgage on the property, are \$400,000. In year 2, they expect to pay interest on the outstanding principal at a rate of 18%.
- Their current liabilities are \$20,000. The value of their equity is \$330,000 (\$750,000-\$400,000-\$20,000).

* Prepared by The Economic Planning Group for Tourism Canada in 1983.

Based upon these figures and on their management information reports, the owners have drawn up an operating budget for Year 2, which calls for:

- An occupancy percentage of 75% on their 35 rooms. This would translate to 9,581 occupied room nights (75% x 35 rooms x 365 nights).
- An income tax rate of 28% on income before income taxes.
- Food department revenues of \$175,000.
- A cost of food sales equal to 38% of food revenues.
- Beverage department revenues of \$115,000.
- A cost of beverage sales equal to 34% of beverage revenues.
- A food and beverage labour cost equal to 40% of combined food and beverage revenues.
- Other direct food and beverage department expenses equal to 10% of combined food and beverage revenues.
- Telephone department revenues of \$11,500.
- Telephone department expenses equal to 140% of revenues (meaning a loss of 40% on telephone revenues).
- A rooms department efficiency of 68% at the 75% occupancy level.

In addition, the owners have calculated their depreciation, financing and other expenses, and their undistributed operating expenses. These figures (we'll get to the actual numbers in a moment) are based on their year 1 financial statements and on their known fixed costs, contained in the operating budget for year 2. Finally, the owners have set a target

after-tax return on equity of 20%.

So the question is: What average rate per occupied room night must the owners charge in year 2 so that they reach that target after-tax return of 20% on equity? That's where the Hubbart formula comes in. It gives you the answer.

The Hubbart formula is shown in Exhibit 11, and its application to the Concorde Hotel is shown in Exhibit 12. The calculations used in Exhibit 12 require some careful study, but all the numbers used there are drawn from the information on the Concorde Hotel, listed above.

Exhibit 12 shows that the average rate per occupied room night that the owners of the Concorde Hotel must charge is \$45.10. It does this by calculating the room revenues needed to give the desired after-tax return on owners' equity (i.e., \$432,157), and then dividing the required room revenues by the projected number of occupied room nights (i.e., 9,581).

Discounting Method

The other sophisticated pricing method is the discounting method. It is not the same as the unsophisticated price cutting method mentioned earlier. Instead, it is a precision method designed either to attract particular types of business (e.g., bus tour groups) or to attract any types of business at specific times of the day, week, month or year.

The Hubbart formula

Desired after-tax return on equity (\$)

PLUS

Income taxes
 Depreciation
 Insurance
 Municipal taxes
 Interest
 Administrative and general expenses
 Marketing
 Energy costs
 Property operation and maintenance

MINUS

Food and beverage department revenues
 Telephone department revenues
 Other department revenues

PLUS

Food and beverage department expenses
 Telephone department expenses
 Other department expenses

PLUS

Rooms department expenses

ALL DIVIDED BY

Projected number of occupied room nights

EQUALS

Average rate per occupied room night (\$)

SOURCE: "Tourism is Your Business: A Financial Management Program for Canada's Lodging Industry", Tourism Canada.

 Applying the Hubbart formula to the Concorde Hotel

Desired after-tax return on owners' equity	20% x \$330,000		\$ 66,000
PLUS			
Income taxes	$\frac{\$66,000 \times 28}{100 - 28}$		\$ 25,667
Depreciation ¹		28,000	
Insurance ¹		2,000	
Municipal taxes ¹		12,000	
Interest	18% x \$400,000	72,000	
Administration and general expenses ²		40,000	
Marketing ²		20,000	
Energy costs ²		28,000	
Property operation and maintenance ²		<u>35,000</u>	
		\$262,667	\$262,667
MINUS			
Food and beverage department revenues	\$175,000 + \$115,000	\$290,000	
Telephone department revenues		<u>11,500</u>	
		\$301,500	(301,500)
PLUS			
Food and beverage department expenses	38% x \$175,000 + 34% x \$115,000 + 40% x \$290,000 + 10% x \$290,000	\$ 66,500 39,100 116,000 29,000	
Telephone department expenses	140% x \$ 11,500	<u>16,100</u>	
		\$266,700	<u>266,700</u>
			293,867
PLUS			
Rooms department expenses	$\frac{\$293,867}{68} \times (100 - 68)$		<u>138,290</u>
Required room revenues			\$432,157
ALL DIVIDED BY			
Projected number of occupied room nights			9,581
EQUALS			
Average rate per occupied room night			\$ 45.10

¹These are fixed costs that are predicted for year 2. We've assumed the numbers shown.

²These are budgeted figures for year 2. We've assumed the numbers shown.

SOURCE: "Tourism is Your Business: A Financial Management Program for Canada's Lodging Industry", Tourism Canada.

Discounting, like targeting, is a cost-based method of pricing. But it relies more heavily than does targeting on break-even analysis. That's because the basic principle behind discounting is that certain fixed costs are incurred regardless of whether you have any sales. Therefore, if you can attract guests during traditionally slow periods, then you should probably do so; at least some contribution towards meeting your fixed costs will then be made. The trick is to reduce rates close to the break-even point, but to make sure that at all times your costs are covered.

The use of discounting can be demonstrated by the following example of the In-Can Inn. We'll assume that the Inn has 15 rooms and that it has an occupancy percentage of 70%. However, in both November and December, only three rooms are occupied each night. We'll also assume that you are the owner and that one day a tour operator approaches you and suggests that you accept tour guests over a 60-day period in November and December. The tour guests will occupy 12 of your rooms each night. In exchange, the tour operator naturally wants a discount on the regularly advertised room rate, which we'll say is \$21 per night. Should you accept the business? And if so, what kind of discount should you offer?

Certainly, the deal looks attractive, since on average you have been renting only three of your 15 rooms during November and December and it would be good to have the other 12 filled. You could go ahead on that basis alone and make a guess at the kind of discount you should offer. However, there's a much better way of deciding. It requires analysis of your operation, so to that end we've drawn up an operating budget for the In-Can Inn. It covers the next 12 months, beginning with November, and it is shown in Exhibit 13.

Operating budget for the In-Can Inn for 12 months starting in November

<u>Departmental revenues</u>	
Rooms	\$ 80,483
Food	73,113
Beverage	19,088
Telephone	4,010
Total	176,694
<u>Departmental expenses</u>	
Rooms	19,436
Food	62,726
Beverage	10,887
Telephone	4,770
Total	97,819
Departmental income	78,875
<u>Undistributed operating overhead</u>	
Administrative and general	12,545
Marketing	5,478
Energy cost	4,947
Property operation and maintenance	3,900
<u>Total</u>	
	26,870
Income before fixed charges	52,005
<u>Fixed charges</u>	
Insurance	4,000
Municipal taxes	8,000
Interest expenses	26,053
Depreciation	13,500
<u>Total</u>	
	51,553
Income before income taxes	\$ 452

SOURCE: "Tourism is Your Business: A Financial Management Program for Canada's Lodging Industry", Tourism Canada.

Exhibit 14 shows you how you can use the discounting method to determine your prices - i.e., it shows you how to calculate the size of the discount you can afford to offer. To simplify matters, we have assumed that there are no guest expenditures outside the rooms department. This does not change the principles involved. The In-Can Inn example can be applied to any hotel/motel.

Now that you know how to use two of the "sophisticated" pricing methods, here are a list of seven "golden rules" that you should follow when establishing any price:

1. Know the costs involved in supplying each of your products and services.
2. Know the impact of price and cost changes on your sales and profits.
3. Follow competitors only if there is more profitability in it for you.
4. Never price below your variable costs.
5. Don't price gouge.
6. Be sure of the cost impact of new facilities, programs and services that you add.
7. Talk to your customers - base your decisions on their reactions, not on your own value system and perceptions.

DISCOUNTING PRICING AT THE IN-CAN INN

(looking at the rooms department only)

Discounting pricing at the In-Can Inn (looking at the rooms department only)

Step 1. Calculate total fixed costs for the next 12 months, which apply to the rooms department.

From the operating budget for the In-Can Inn, you can see that fixed charges amount to \$51,553. A portion of these fixed charges should be assigned to the rooms department, using the formula:

$$\begin{aligned}
 \text{Rooms department fixed charges} &= \text{Total fixed charges} \times \left(\frac{\text{Rooms department revenues} - \text{Rooms department expenses}}{\text{Total departmental income}} \right) \\
 &= \$51,553 \times \frac{(\$80,483 - \$19,436)}{\$78,875} \\
 &= \$51,553 \times 0.774 \\
 &= \$39,902
 \end{aligned}$$

To the fixed charges attributable to the rooms department must be added those undistributed operating expenses, which are also attributable to the rooms department. That's because some of the undistributed operating expenses are fixed, as long as the In-Can Inn remains open (you have to spend a certain amount on administration, energy costs, maintenance, etc., regardless of the number of room nights you sell, and this amount is fixed.) We have to make some estimates here: We'll assume that \$14,000 of the undistributed operating expenses are fixed, and that 50% of these expenses can be assigned to the rooms department.

That means the fixed portion of the undistributed operating expenses, attributable to the rooms department, is:

$$\begin{aligned}
 &\$14,000 \times 0.50 \\
 &= \$7,000
 \end{aligned}$$

Adding this amount to the fixed charges allocated to the rooms department, calculated above, gives you the total fixed costs for the next 12 months, which apply to the rooms department. This figure is:

$$\begin{aligned}
 &\$39,902 + \$7,000 \\
 &= \$46,902
 \end{aligned}$$

Step 2. Calculate amount of total fixed costs attributable to the rooms department, which would be incurred during the 60-day tour period.

This is calculated as follows:

$$\begin{aligned}
 \text{Rooms department} & & \text{Total rooms department} & & \text{60 days} \\
 \text{fixed costs for} & = & \text{fixed costs for 12 months} & \times & \text{365 days} \\
 \text{60-day period} & & & & \\
 & & = & \$46,902 \times & \frac{60}{365} \\
 & & = & \$7,710
 \end{aligned}$$

Step 3. Calculate total variable costs for the next 12 months, which apply to the rooms department.

From the operating budget, you can see that rooms department expenses for the next 12 months are expected to be \$19,436.

To this amount, you must add the variable portion of the undistributed operating expenses, which can also be assigned to the rooms department. Since we assumed earlier that the fixed portion of the undistributed operating expenses was \$14,000, and since the total undistributed operating expenses, (as seen in the operating budget) was \$26,870, then the portion that can be considered variable must be \$26,870 - \$14,000 = \$12,870.

We will once again assume that 50% of this amount can be attributed to the rooms department. That means that the variable portion of the undistributed operating expenses, attributable to the rooms department, is:

$$\begin{aligned}
 & \$12,870 \times 0.50 \\
 = & \$6,435
 \end{aligned}$$

Adding this amount to the rooms department expenses gives you the total variable costs for the next 12 months, which apply to the rooms department. This figure is:

$$\begin{aligned}
 & \$19,436 + \$6,435 \\
 = & \$25,871
 \end{aligned}$$

Step 4. Calculate variable rooms department costs per occupied room night.

This is calculated as follows, remembering that the In-Can Inn has 15 rooms and an occupancy percentage of 70%:

$$\begin{aligned}
 \text{Variable costs per} & & & & \$25,871 \\
 \text{occupied room night} & = & & & \frac{}{365 \text{ days} \times 15 \text{ rooms} \times 70\%} \\
 & = & & & \$6.75
 \end{aligned}$$

Step 5. Calculate the rooms department variable costs, which would be incurred during the 60-day tour period.

Altogether, the tour operator plans to fill 12 of your rooms over the 60-day period. The number of room nights you would be selling is therefore:

$$\begin{aligned} & 12 \times 60 \\ & = 720 \end{aligned}$$

The variable costs per occupied room night are \$6.75, as calculated in Step 4. Consequently, the total rooms department variable costs are:

$$\begin{aligned} & \$6.50 \times 720 \\ & = \$4,860 \end{aligned}$$

Step 6. Calculate the break-even rooms department revenues during the 60-day tour period.

This is clearly equal to the rooms department total costs - i.e., the sum of the fixed costs and the variable costs. Therefore:

$$\begin{aligned} \text{Break-even rooms} \\ \text{department revenues} \\ \text{during 60-day tour} & = \$7,710 + \$4,860 \\ & = \$12,570 \end{aligned}$$

Step 7. Calculate the break-even average rate per occupied room for the 60-day period.

This is simply the break-even rooms department revenues divided by the number of room nights. Therefore:

$$\begin{aligned} \text{Average rate per} \\ \text{occupied room night} \\ \text{to break-even during} \\ \text{60-day tour} & = \frac{\$12,570}{720} \\ & = \$17.46 \end{aligned}$$

Based upon the calculations, it seems that it would be unwise for you to offer a room rate of less than \$17.46 a night, the break-even rate. However, with an advertised rate of \$21, you could offer the tour operator a 10% discount, so that you would be charging \$18.90 per room night. At \$18.90, you would be earning a profit of \$1.44 beyond your break-even rate.

So should you give the 10% discount? Let's look at your business volumes with and without the tour. We'll assume that you will lose

all your normal room business in November and December, because of the presence of the tour group. Here's how your profit would be affected:

	In-Can Inn without tour business	In-Can Inn with tour business at 10% discount
Fixed costs attributable to rooms department for November and December (60 days)	\$7,710 ¹	\$ 7,710 ¹
Variable costs attributable to rooms department for November and December (60 days)	\$1,215 ²	\$ 4,860 ³
Total costs of rooms department for November and December (60 days)	\$8,925 ⁴	\$12,570 ⁴
Rooms department revenues for November and December (60 days)	\$3,780 ⁵	\$13,608 ⁶
Profit (loss) during November and December	(\$5,145) ⁷	\$ 1,038 ⁷

1. Calculated in Step 2
2. Without the tour group, you normally fill three of your 15 rooms. Variable costs therefore equal \$6.75 (from Step 4) x 3 x 60 days.
3. From Step 5
4. Add lines 1 and 2.
5. \$21 per night x 3 rooms x 60 nights.
6. \$18.90 per night x 12 rooms x 60 nights.
7. Subtract line 3 from line 4.

It is therefore clear that it would be wise to offer the tour operator the 10% discount. This would give you a \$1,038 profit during November and December, compared to a \$5,145 loss that would otherwise be incurred.

But what would happen if the tour operator insisted on a 20% discount? That would mean you would receive \$16.80 per tour group occupied room night - an amount that is below the break-even average rate of \$17.46. Should you accept this arrangement? The new situation, with and without the tour group business, is shown below:

	In-Can Inn without tour business	In-Can Inn with tour business at 20% discount
Fixed costs	\$7,710	\$ 7,710
Variable costs	\$1,215	\$ 4,860
Total costs	\$8,925	\$12,570
Room revenues	\$3,780	\$12,096
Profit (Loss)	(\$5,145)	(\$474)

Even with 20% discount, it seems that you would be better off accepting the business. However, as a general rule, you should not sell rooms at below the break-even average rate per occupied room night. There may be occasions, like that of the In-Can Inn, where it appears to make sense. But if you do so, you must remember that by lowering the contribution margin on rooms (ie., the rooms department income percentage), you may be diluting your total rooms department income target for the year. This dilution has to be made up by adjusting rates for the balance of the year.

Returning to the In-Can Inn example, you'll recall that your rooms department income target was \$61,047 (\$80,483 - \$19,436). If you accept the tour operator's business at a 20% discount, you will have to increase your average rate for the rest of the year. The following steps illustrate how you calculate the required increase. (We again assume you have a 70% occupancy percentage.)

Step 1. Calculate room revenues from tour.

$$\begin{aligned} \text{Room revenues from tour} &= \$16.80 \times 720 \text{ occupied room nights} \\ &= \$12,096 \end{aligned}$$

Step 2. Calculate required room revenues for other 305 days.

$$\begin{aligned} \text{Required room revenues for other 305 days} &= \$80,483 - \$12,096 \\ &= \$68,387 \end{aligned}$$

Step 3. Calculate required average rate per occupied room night for other 305 days.

$$\begin{aligned} \text{Required average rate per occupied room night for other 305 days} &= \frac{\$68,387}{(365 \times 70\% \times 15 \text{ rooms}) - 720 \text{ room nights}} \\ &= \frac{\$68,387}{3832.5 - 720} \\ &= \frac{\$68,387}{3112.5} \\ &= \$21.97 \end{aligned}$$

Therefore, you would have to achieve an average rate per occupied room night of \$21.97 for the remaining 10 months (January-October) in order to accept the tour operator's business at a 20% discount.

SOURCE: "Tourism in Your Business: A Financial Management Program for Canada's Lodging Industry", Tourism Canada.

11. COOPERATIVE MARKETING

Cooperative marketing is essentially a joint effort by two or more tourism operators, travel associations and/or government agencies in a given destination to market to given market segments. Where the tourism destination is geographically distant from its sources of business, as in the case in the NWT, cooperative marketing efforts make even more sense. The "community based tourism" theme coined by the NWT Department of Economic Development and Tourism is an excellent example of encouraging cooperative marketing efforts. The logic behind cooperative marketing is quite simple - there will be a greater impact on the market if marketing dollars are pooled rather than spent in individual pieces (you get "a bigger bang for the buck").

On your own perhaps you don't really have the dollars to make a strong promotional impression in the marketplace, so you put some of your marketing resources together with others who are selling to the same market and who have a complementary or similar product. With cooperative promotional activities it may be able to make the pie bigger for everyone, including yourself, probably with the same total dollar value of expenditures.

There are opportunities for cooperative efforts in each of your marketing mix elements, e.g., in packaging, programming, promotion/advertising and in travel trade marketing. Being aware of the "big picture" in your community and region is the key to spotting these valuable opportunities. A tourist operator should consider cooperative initiatives with at least the following kinds or organizations.

1. transportation companies those bringing tourists to or near your destination.
2. wholesalers, tour operators and travel agents you deal with.
3. local operators of complementary attractions and services.
4. regional tourism associations/organizations.
5. federal/provincial/territorial governments.
6. competitors.
7. Industry trade associations (i.e., outfitters, etc.)

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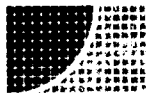
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MODULE 5

PACKAGING



THE ECONOMIC PLANNING GROUP of Canada

MODULE 5

PACKAGING

1. WHAT IS A VACATION PACKAGE?a) The Components of a Vacation Package

A vacation package is a combination of tourism products and services which would usually be purchased independently by the traveller, such as transportation, accommodations, services and entertainment, but which are offered as a single, integrated product at one price, and in one transaction. For a vacation product to be considered a package it normally will include at least two of the major components of:

- transportation (either from the origin point or at the destination)
- accommodations
- entertainment/attractions

Travel packages today can provide the customer with the full range of travel components so that little else remains to be purchased during the vacation; or they can be as basic as an inclusive price accommodation and attraction package, which many hotels offer their guests. The concept of packages is that it will be easier for a prospective customer to buy a travel product in this fashion, and that the overall experience will be appealing.

b) The Advantages/Disadvantages of Vacation Packaging

Advantages

1. Convenience - Travel planning is made easy for the customer who can enjoy the convenience of purchasing a number of the travel components that will make up a full vacation experience through one transaction.
2. Savings - Price/cost efficiencies usually exist in that the operators who develop the package can purchase the components at a discount because of volume buying and they normally pass on some of these savings to the customer to make the "packages" more attractive.
3. Easier Vacation Planning - By purchasing the components of a vacation in advance through buying a package, the customer knows in advance what basic elements their holiday will consist of so that they can plan around the basic package they have purchased and can pre-determine and control their expenditures.
4. Consistent Quality - The vacationer who purchases a travel package for his vacation buys an extra "guarantee" of quality of product and service in that the tour packager also puts the reputation of his company on the line, along with that of those who finally deliver the package components.
5. Supplier Advantage - From a supplier standpoint the travel package can be used to attract shoulder or off-season business and fill rooms that might otherwise be unoccupied

by offering cost-conscious packages. It is also a good means for introducing a new product, since a new attraction, for example, can tag on to more established products in the package.

Disadvantages

1. Inflexibility - Just as the consumer is purchasing the convenience of an all-inclusive tour package, this convenience must be traded-off with the inflexibility of buying pre-set travel components and, perhaps, pre-set dates. For example, if one component of the package such as the hotel room is unsuitable on a trip, one can always switch hotels, but if that hotel is part of a tour package, this type of spontaneous adjustment may be more difficult, if possible at all.
2. Need for "Blind Trust" - When a customer lays down his/her money for a vacation package they are placing their trust in the packager that all components have been selected wisely and that each of the components will be coordinated properly. Unfortunately, many people have been badly burned and had their whole vacation ruined by purchasing an ill-conceived or ill-managed package.

c) Recent Trends in Vacation Packaging

The success of travel packages has lead to substantial increases in recent years in the general awareness and availability of this type of vacation alternative.

Major increases have been seen in the usage of package tours among all age groups and segments, not only the senior citizen markets. The availability of new tour products and the fast-paced lifestyle of the younger market have lead this group to also take advantage of the convenience of packaged travel.

A broader range of tour products has now become available to cover all seasons and a variety of destinations. Popular today are packages that include a resort destination that provides the opportunity to enjoy a variety of activities or learn new skills in one location.

2. TYPES OF VACATION PACKAGES

As diversified and complex an industry as tourism is, so is the variety and complexity of vacation packages offered. Today the travel consumer can purchase a host of package types which are offered by a variety of sponsors.

A brief description of the type and variety of packages including the typical sponsor and type of customer each appeals to, is summarized as follows:

<u>PACKAGE TYPES</u>		
<u>DESCRIPTION</u>	<u>SPONSOR</u>	<u>CUSTOMER TYPE</u>
1. Fly-Drive • A combination of origin-destination air travel plus rental car at destination point.	• wholesalers/ tour operators	• individual

<u>PACKAGE TYPES</u>		
<u>DESCRIPTION</u>	<u>SPONSOR</u>	<u>CUSTOMER TYPE</u>
2. Escorted Tours <ul style="list-style-type: none"> • an itineried travel package, often by motor coach, which usually includes transportation, most meals, and most attraction or entertainment admissions. 	<ul style="list-style-type: none"> • tour operators/ bus companies 	<ul style="list-style-type: none"> • individual/ group
3. Affinity Group Package <ul style="list-style-type: none"> • a specially organized or custom-made vacation package for special interest group travel. 	<ul style="list-style-type: none"> • clubs/special interest organizations 	<ul style="list-style-type: none"> • group
4. Incentive Travel <ul style="list-style-type: none"> • Corporately sponsored group or individual package travel generally used as bonus or incentive. 	<ul style="list-style-type: none"> • corporation or company 	<ul style="list-style-type: none"> • group or individual
5. Local Attractions Package <ul style="list-style-type: none"> • A one-destination package which can include one or more attractions and some services (e.g., meal) usually of short duration (e.g., one-day city tours) 	<ul style="list-style-type: none"> • travel supplier/ attractions operator 	<ul style="list-style-type: none"> • group or individual

PACKAGE TYPESCUSTOMER
TYPEDESCRIPTIONSPONSOR

<u>DESCRIPTION</u>	<u>SPONSOR</u>	<u>CUSTOMER TYPE</u>
6. Extended Attractions Package <ul style="list-style-type: none"> • A longer duration (2-3 days) destination package that usually consists of accommodation, transportation and a couple of attractions. These are often used as additions to other types of travel. 	<ul style="list-style-type: none"> • travel supplier/ tour operator 	<ul style="list-style-type: none"> • group or individual
7. Pre/Post Convention Tour <ul style="list-style-type: none"> • A "tag-on" short or medium duration package which generally includes some selected attractions and services that provide a good cross-section of a city or destination area. 	<ul style="list-style-type: none"> • convention organizer/ tour operator 	<ul style="list-style-type: none"> • group or individual
8. Inbound Group Package <ul style="list-style-type: none"> • A standardized package offered by an operator that may be sold as the destination product in itself or included in a broader vacation travel product. 	<ul style="list-style-type: none"> • tour operators/ wholesalers 	<ul style="list-style-type: none"> • group
9. Foreign Independent Tour (F.I.T.) <ul style="list-style-type: none"> • A special package that can be arranged on an individual basis and can take advantage of special airline fares. 	<ul style="list-style-type: none"> • wholesalers/ tour operators 	<ul style="list-style-type: none"> • individuals

<u>PACKAGE TYPES</u>		
<u>DESCRIPTION</u>	<u>SPONSOR</u>	<u>CUSTOMER TYPE</u>
10. Advanced Booking Charter (ABC) • A pre-sold travel package which generally just includes the destination-oriented travel portion.	• tour operators	• group/individuals
11. Inclusive Tour Charter/Inclusive Tours (ITC) • Packages available to groups or individuals which must include certain components (e.g., at least 2 nights accommodation) to receive the low return airfare.	• tour operators	• group/individuals
12. Other Special Charters • Other special group charters which may be arranged for special events or circumstances - if booked sufficiently in advance also receive special commissions.	• tour operators	• group

3. PRINCIPLES OF DEVELOPING A TOUR PACKAGE

a) Component Selection

A successful tour package very often develops from one major component in which the packager can offer an advantage (e.g., air travel). Other components/elements are then built around

RADISSON
Adventure
WEEKEND



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RADISSON Adventure WEEKEND

Enjoy an exciting blend of luxury and wilderness at the new Minaki Lodge, in the heart of Ontario's vast Lake of the Woods country. It's a wonderful experience anytime, but an unusual experience at the Adventure Weekend rate, available Friday and Saturday nights.

Relax and enjoy a variety of activities including golf, tennis, badminton, volleyball, vita parcours (fitness course), indoor swimming, whirlpool and sauna. And it's an ideal area for hiking and jogging on wooded trails, or fishing in clear Canadian waters. Our Recreational Director and his staff will supervise activities for adults and children, and provide a tour of all facilities, as well as a mystery adventure upon request.

Boats, canoes, small sailboats, paddleboats, windsurfing gear, guides and archery are all available at an additional charge. And day trips for fly-out fishing can be arranged.

Complimentary introductory lessons are available in archery, fitness, tennis, golf, sailing, canoeing, and assorted games and sports.

Nightly, enjoy entertainment in the lounge, a variety of group activities. A full weekend adventure relaxation.

- April 29 - June 18, 1983 ... \$38.50 per night
- June 19 - September 17, 1983 per person, per night
- September 18 - November 12 per person, per night
- STAY OVER SUNDAY NIGHT Subject to availability; not available

*Based on double occupancy and minimum service charge. Tax additional. Rates quoted change without notice. Modified American. This offer subject to space availability; and other discounted rates. Modified American. Group rates available on request.

RESERVATIONS
In Canada, call collect
In U.S., call toll-free

**MINAKI
LODGE**
A Radisson
Lodge

Romantic Adventure

IN THE CANADIAN WILDERNESS

Just the two of you. Your wedding night, your anniversary, or just a quiet time away from home becomes even more special in the outstanding setting of Minaki Lodge. Magnificent Canadian wilderness and elegant luxury combine to give you a memorable time together.

You'll enjoy comfort and privacy in a Deluxe guest room overlooking beautiful Sand Lake. A wide variety of activities, sports and entertainment are available to make your stay enjoyable. Golf, tennis, volleyball, badminton, jogging trails, vita parcours (fitness course), indoor swimming pool, whirlpool and sauna are all at your disposal. Marina activities, canoes, windsurfing, archery, fishing gear and guides. Complimentary introductory lessons are available for archery, fitness, tennis, golf, sailing, canoeing, windsurfing, assorted games and sports. Enjoy entertainment in the lounge and a variety of group activities each evening.

YOUR ROMANTIC ADVENTURE INCLUDES:

- Surprise package in your room on arrival
- Deluxe guest room with king-size bed, overlooking Sand Lake.
- Use of a boat with motor for one day, with a delicious box lunch packed just for you.
- Bicycle built for two for one day.
- Sumptuous Breakfast Buffet in our Dining Room.

April 29-June 18, 1983: \$150 per couple, per night. Additional night (room only): 20% discount off room rack rate.

June 19-Sept. 17, 1983: \$180 per couple, per night. Additional night (room only): 20% discount off room rack rate.

Sept. 18-Nov. 12, 1983: \$150 per couple, per night. Additional night (room only): 20% discount off room rack rate.

All rates quoted in Canadian dollars and subject to change without notice. This package available seven days a week. Advance reservations and deposit required. This offer subject to space availability and not applicable to coupon or other discounted rates. Modified American Plans also available.

RESERVATIONS

In Canada, call collect: (807) 224-4000
In U.S., call toll-free: (800) 228-9822

**MINAKI
LODGE**

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Minaki, Ontario, Canada P0N 1J0



the primary product to enhance its appeal and add to the profitability of the sale. By doing this you not only produce a more saleable product, but may also sell additional components which might not normally be considered by the customer.

The decision of what components to include is a critical one, since this is where the product is designed. There are a variety of choices of what to include in the package. The selection of components will largely depend on the following:

1. The nature and interests of your potential customers;
2. The time and budget available to your potential customers;
3. The nature of and availability of complementary products and services in your regional area;
4. The type and nature of competing vacation products in your region or area.

Given these considerations in laying down the basics of your tour or travel package, the following considerations provide general guide-lines for the variety and number of elements to include in the package;

- Attractions, Events and Activities - include them if they represent the primary motivation for buying the package (e.g., a major event occurring/or a popular local attraction).
- Transportation - include it if it is a group package or if one means of travel can offer a price or time advantage. Transportation can be priced in varying degrees and can include complete transfer from origin, from approximate major centre, or just at the travel destination. Local transfers are usually included.
- Accommodation - Unless the package is only a local attraction offer, accommodation is a basic element generally included.
- Meals - It is generally a good practice to include at least one meal especially if it enhances the package (e.g., Ethnic or local restaurant). On longer packages people will prefer some "free" meal time.
- Drinks - Alcoholic beverages not usually included unless part of a special event (e.g., welcome cocktail party.)
- Taxes - Generally included.
- Tips - Some discretion can be exercised depending on your clientele and the practices of your package suppliers.
- Other Considerations - It is good practice to include novelty items or "freebies" such as flight bags,

fruit baskets or elements of the package type such as golf balls.

b) Supplier Negotiations

Most major suppliers will have standard discounts/commissions which they will offer to the travel trade. Some component suppliers such as attractions (museums/galleries, etc.) may be flexible in their commission offering, depending on the volume of trade you anticipate bringing their way.

It is up to you to negotiate the best arrangement possible for each component to ensure that your final package product will offer an attractive price to your customer while still providing you with a return.

c) Package Pricing

The following steps are involved in pricing a package:

1. Add costs of all variable components on a per person basis, at the cost to you from your supplier.
2. Add fixed costs (e.g., motor coach charter). Divide by 75% of the number of people you expect to get (this gives you a margin of safety and the possibility of additional profit margin if you get more than 75%).
3. Mark up the total cost to cover travel agents commission (10-15%) and your profit
(total base cost of components + profit margin + travel agent commission = sales price.)

d) Package Promotion

Your package will need its own promotion program. The promotional approaches discussed in the later modules will provide some guidance. The most commonly used and most successful central promotional tool for a travel package is a brochure which describes the components of your product attractively. The rest of your marketing and promotion mix will depend largely on how much promotion is being done directly by your supplier or by the travel agents that may sell your product.

MODULE 6

MARKETING MANAGEMENT



THE ECONOMIC PLANNING GROUP of Canada

MODULE 6

MARKETING MANAGEMENT

The successful implementation of your marketing plan is very much dependent on its management; on the organizing, leading, motivating, communicating and controlling aspects of the program. We will not deal with these issues in any great detail in this seminar since we want to concentrate on the "how to's" of marketing, but we will briefly review the main principles or issues involved. Some of them have already been mentioned.

1. MANAGEMENT AND MOTIVATION

For a marketing plan to be a success, management must have a "marketing attitude"; that is, they must see that the satisfying of customers' needs and wants at a profit is the purpose of their business and of their jobs. We discussed the "marketing concept" in Module 1. It is mentioned again here since it is a pre-condition for successful marketing planning and/or implementation.

We mentioned earlier that the owners and management must be personally committed to the marketing plan if it is to have any real effect. Employees will "do as you do, not as you say". In other words, management must be seen to be committed to the plan, as evidenced by their actions.

The necessary ingredients must be put in place by management; enough money, time, manpower, skills and perseverance. A plan on paper is only that, until adequate resources, and the right resources, are put in place.

The plan's objectives must be realistic and obtainable; not just the fantasies of the owner. It must also be understood by the staff.

The motivation of your staff is a key factor. Later, we will talk about the importance of friendly, courteous, helpful and knowledgeable staff to support the image you are trying to create for your business, and to achieve that ultimate goal, customer satisfaction. Their attitude and behavior in their daily tasks and in implementing your plan can make or break your business. To accomplish customer satisfaction your employees must be customer oriented. In turn, they have to be motivated in their jobs and have a sense of importance in the role they are to fulfill. Part of this can be accomplished by your own attitude and behavior, but part of it also relies on the effective use of good management and motivation techniques. Some suggestions are:

1. job descriptions,
2. performance evaluations,
3. care in staff selection- consider attitude and personality as being paramount,
4. regular and strong orientation and training sessions,
5. employee incentives - money, recognition, etc.

Involve you staff in your marketing planning and management process and make sure they receive rewards for their contributions.

Regular updates on programs and the use of awards at intermediate points as the program moves ahead are very important

in sustaining enthusiasm.

The people in your organization who are directly responsible for results of the plan should be paid on an incentive basis; that is, their compensation should be tied to the results of the plan in some fashion such as commissions, bonuses for achieving quotas, etc. It is important, however, that the system be fair and properly matched to the authority the staff really have in the achieving of results.

Positive inducements are far more effective than are negative ones. Threats engender fear and resentment; praise and rewards engender enthusiasm and improved performance.

It is important that authority be matched to responsibility so that people are given the chance to achieve the results they are being held accountable for. This means that you have to delegate authority to others if you want them to act independently in carrying their part of the plan ahead.

2. CONTROL; THROUGH BUDGETING AND REPORTING

Balanced against the need for delegation and independent action is the need for central control by the owners or top management. Control over the spending of money and of time and through the setting and enforcement of policy are necessary. We will deal separately with policy later in this module.

The marketing plan itself provides a "budget" dealing with the spending of time, but a financial budget is first required if the use of money is to be properly controlled. The budget should

incorporate the sales objectives for each of the target markets and separate budgets should be prepared for each profit centre.

By breaking them out into monthly or quarterly increments, these budgets can be used in conjunction with various monthly/quarterly reports and thereby become an effective management tool. Trends and variances quickly become apparent and remedial action can be taken. Regular recognition of individual accomplishments can also be instituted as the plan moves ahead.

A regular reporting program is a necessary management tool for achieving control over the implementation of the marketing plan. These reporting systems should monitor leads, enquiries, bookings, sales, expenses and contribution to overhead for each target market and/or profit centre. The reporting periods, format and content should match those of the budgets being used.

3. REVIEW AND EVALUATION

Periodic reviews of progress must be made, and the plan altered to adapt to realities, new opportunities and to successes and failures. Nothing is static and a rigid plan will quickly become obsolete and inappropriate. Management has to ensure that it is regularly refocused to achieve the best results, and preferably, the desired result.

The budgeting and reporting programs described above are critical in supporting such reviews. However, management should also hold regular meetings with the staff involved in carrying the programs forward to hear of their views on, and experience with, implementation. New information coming from the market and

internally regularly requires a reconsideration of various aspects of the plan. Other communication devices such as memos, newsletters, etc. should be employed as well. The point is: make sure your staff are kept well informed on progress, and that they inform you of successes and failures.

If the management, control and review procedures described in this module are properly followed, the planning exercise will prove to be a success in the eyes of both management and staff, and the learning experience will make the next cycle of planning much easier for everyone. People will be better motivated and will apply themselves to achieving your marketing objectives more enthusiastically.

4. POLICIES

Before we leave the subject of marketing management, we will briefly consider the issues of "policy" and of training.

Policies can be considered as being the "rules" of the organization; the "do's and don'ts" for the staff and customers. Over time, owners and managers tend to add and add policies, often on an ad hoc basis and usually without amending other policy that might be contradictory. Usually, some policies are enforced while others are not.

We are considering this issue here because the policies of an organization can enhance or detract from the success of a marketing plan. A careful review of all policies and rules should be made as part of the planning process, to ensure that all of them contribute to the success of the program and those that conflict with it are modified.

5. TRAINING

Management and/or staff training may be required to ensure that both groups are able to do their part in implementing the marketing plan. Aside from training to give them the skills and specific information they will require, consideration should also be given to attitude/hospitality skills training. Friendliness, concern for the customer, pleasure in giving good service are all "skills" which both management and staff must develop.

SECTION C

COMPONENTS OF THE MARKETING MIX

MODULE 7 : ADVERTISING

MODULE 8 : BROCHURES

MODULE 9 : DIRECT SELLING, SALES PROMOTION,
PUBLIC RELATIONS AND GUEST
RELATIONS

MODULE 10: TRAVEL TRADE MARKETING

MODULE 7

ADVERTISING



THE ECONOMIC PLANNING GROUP of Canada

MODULE 7

ADVERTISING

1. WHAT IS ADVERTISING/WHAT CAN IT ACCOMPLISH FOR YOU?

Advertising is a means of communicating the benefits of your products or services through one of the many possible public communication systems that can be directed either toward the mass market or on a selective basis to specific target markets.

Typical advertising vehicles include print media, such as newspaper and magazines, broadcast or electronic media which includes radio and television, direct mail, brochures and point-of-purchase materials.

Advertising and promotion have traditionally been relied on heavily by tourism operators. The importance of a good advertising and promotional program is reinforced by the following factors:

1. Demand for tourism products is unstable, seasonal, price and income elastic and is determined by a varying combination of objective and subjective, rational and irrational factors. As a result, consumer loyalty is low and purchase is strongly influenced by promotional appeals. Demand is often created by the offering of an appealing tourism vacation product.
2. Opportunities for changing the product in the

short term are very limited.

3. Seasonality increases the need for off-season promotion of business to even out demand.
4. Most tourism products are subject to intensive competition and substitution, so that your tourism product must be kept in the consumers mind if it is to be considered.
5. Promotion can be employed selectively vis-a-vis market segments so that you can communicate your travel product to people who are likely to be most receptive.

It is vitally important that your advertising and promotional programs and strategies be linked to your overall marketing objective so that these tools are utilized as a means to an end rather than as an end in themselves. In the development of advertising and promotional policies and programs one must constantly remember "what they are trying to accomplish" in the broader marketing sense.

Some basic rules to follow in developing your advertising plan are as follows:

1. Review your marketing objectives and strategy plans to re-assure yourself that the instrument of advertising will be able to accomplish something towards these objectives. Refresh your memory on who your target markets and target audiences are, since definition of the audience is the most vital step in launching any type of communication effort.

2. Determine what it is you want to accomplish from an advertising/communications standpoint within the context of your broader marketing objective. For example, do you merely want to inform your potential customers of your product or do you want to convince them your product is better than someone else's? This will provide you with a specific advertising or communications objective that will be different and much more specific than your overall marketing objective.
3. Review the available distribution methods for your product to ensure that you have established a sound distribution system that can deliver the product which you are promoting. There is nothing worse than promoting something that cannot be delivered. The consumer not only needs to know what should be purchased but also how the product is to be received.
4. Determine an appropriate advertising and promotional budget based on what you want/need to accomplish and on what your company can feasibly afford, and not on what your competitors spend or the advertising salesman thinks you should spend. Advertising budgets determined on "objective selling" rather than on industry standards (e.g., % of sales), will be much more directed to your specific requirements. (Sales should be the result of advertising, not the cause of it!)
5. A well-conceived advertising plan must recognize product strengths and attempt to differentiate your

product in some way that will set it above other competitive products. Be careful that your advertising and promotional messages do not endanger the present strengths of your product in the market place.

6. Although your advertising plan should lay out some direction for you in making advertising and promoting decisions, it should remain flexible enough to adapt to new opportunities. Many companies set aside an "opportunity advertising" fund to allow for special promotional opportunities such as magazine or newspaper supplements which meet their marketing goals and objectives.
7. All components of your advertising and promotion plan should work together in a synergistic manner to ensure that they are complementing each other, hence the reason for referring to it as an advertising or marketing "mix".
8. Good advertising, if properly developed, can be utilized not only to create demand for new tourism products but also to reinforce earlier purchases of travel products. Although the travel market can be fickle and in constant search of new vacation opportunities, repeat purchases of good, well-promoted travel products are also common.
9. Carefully examine all potential advertising and promotional vehicles available to you. Do not be coerced by a clever media salesman who earns his/her income on commission. Learn the advantages and usage of a

variety of media and judge for yourself which advertising medium will best suit your needs.

Some common problems encountered in development of an effective advertising plan are as follows:

1. The number of choices and decisions are large, even though advertising and promotion are subordinate to other marketing decisions.
2. Good advertising requires information about markets, customer characteristics and behavior, distribution channels and competitors. As discussed earlier, much of this information is very difficult and costly to obtain.
3. Many characteristics of tourism businesses limit their ability to adapt to changes in the market conditions.
4. It is easy to measure money spent, but difficult to measure results.

Once you have established a shorter term advertising or communication objective, it is useful to then determine an appropriate advertising strategy that will determine the flavour and approach of your media and promotional mix.

The stage of development of your product, i.e., new or established, among other things, will determine what strategy you select.

Advertising strategies can be:

1. Product oriented - illustrating features of the product, user benefits, and product comparisons.
2. Consumer oriented - directed to consumer attitude and interests, life styles, reference group characteristics and subconscious appeals to repressed desires (i.e., sex, power).
3. Image oriented - directed to establishing an exciting personality or identity for the product - often used by governments and associations to promote an area rather than a specific product.
4. Positioning oriented - used to establish a unique niche in the market.

The nature of your product, the characteristics of your target market sector, your overall marketing strategy and the nature of your distribution system will determine the kind of advertising strategy which should be used.

2. AVAILABLE FORMS OF ADVERTISING MEDIA AND THEIR ASSOCIATED CHARACTERISTICS

A variety of advertising vehicles are available, providing the advertiser with a broad range of alternatives in communicating his message to the audience.

The following advertising media will be considered in this section, which will outline the relative characteristics of each:

Print Media

1. Newspapers
2. Magazines
3. Travel Guides and Journals
4. Trade Publications
5. Direct Mail
6. Yellow Pages
7. Outdoor Advertising

Electronic or Broadcast Media

8. Radio
9. Television

Other Types

10. Contra
11. Cooperative

Print Media

1. Newspapers: Have a high geographic concentration and are read by an educated middle and higher socio-economic group which tends to be among the more "involved" elements of society. Studies have shown that the consumer considers the newspaper to be a good place to look for information on travel products and generally uses it as a shopping guide. As newspaper reading tends to become an habitual, daily activity, it is a good method of reinforcing a message. Many newspapers have travel sections and classified sections for resorts and the consumer with an active interest in a travel product will often seek out

these sections. Newspaper advertising is flexible in that ads can be placed on short notice and is therefore good for offering "specials".

The disadvantages of newspapers are that they have a broad readership and, therefore, a lot of waste is involved in that only a small minority of the audience would have an active interest in your advertisement and product. The ad has a short life, in that newspapers are read and thrown out. The quality of advertisement reproduction is often poor especially when photographs are used in smaller advertisements.

2. Magazines: There are many types and each type will vary somewhat in its characteristics. Generally speaking, magazines have a more selective readership, and many special interest magazines exist. They are therefore a very good means of reaching a specialized target market (e.g., skiers, fishermen). Magazines have a much longer life in that they tend to be kept around the home and are often passed on to others, and they have a much higher production quality.

The disadvantages of magazines are the longer lead time required in placing ads and most have a problem in tailoring circulation to your geographic market area. Even magazines with regional editions will generally not be able to match your target area without a lot of spillover. Relative to their longer life, more targeted circulation and better quality, the price of magazine advertising is relatively high.

3. Travel Guides and Journals: These can be a very useful means of advertising or listing your product. Generally, some will be geared to your target market area and their readers are people



RAINBOW COUNTRY

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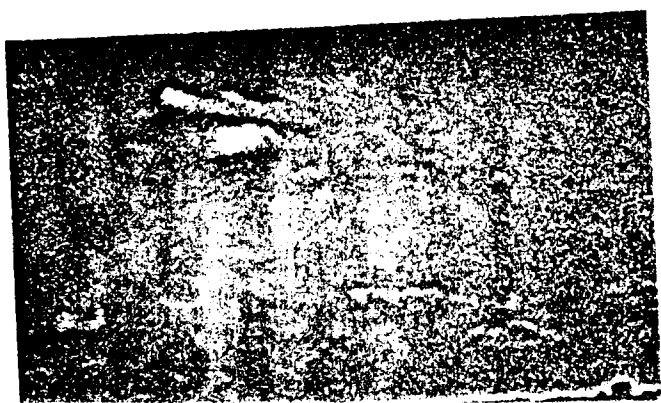


FRENCH RIVER COUNTRY

ONTARIO, CANADA

WASAGA BEACH

a resort for all seasons



who are actively looking for travel information. The audience will generally be small but may have a real interest in your product.

4. Trade Publications: can be effective if you are looking for incentive travel, group meetings, travel agent and tour operator business (the latter two categories will be dealt with in more detail later). Again, problems might exist in directing your advertisements to your market sector.

5. Direct Mail: is one of the more effective mediums for tourism promotion. It can be directed to specific, homogenous groups and contain a specialized message for that group. The quality of the mailing list is most critical. The best sources of mailing lists are usually within your own business and may include:

1. past customers
2. friends and relatives of former customers
3. general inquiries
4. cancellations.

Other obtainable sources include:

1. credit card holders
2. telephone and city directories (business leads)
3. professional directories
4. Chambers of Commerce (business leads)
5. travel agents
6. mailing list companies.

The effectiveness of direct mail can be measured by using coupons, reply cards or a coded address, and mailings can be done on short notice. Mailings are particularly effective

in reaching former guests, in promoting a specialized offer to a specialized market, and in communicating with the travel trade.

The major disadvantage is that mailings have become very expensive at current postage rates. However, special rates can be obtained from the post office if you pre-sort a large mailing by postal code and deliver it to the post office for bulk mailing.

6. Yellow Pages: are an often underrated medium for advertising your tourism product. If you cater to transient and local trade, an ad in the yellow pages can be a very cost-effective means of promotion.
7. Outdoor Advertising: refers to both directional signs or billboards on major arteries leading to your property, as well as general billboard advertisements throughout a geographic area. The former is an effective medium if you cater to transient trade. A disadvantage is that your message in either case has to be short and punchy. Therefore, its primary advantage is for established products with identifiable images. It is often used as a means of reinforcing a newspaper, T.V. or radio campaign.

Electronic or Broadcast Media

8. Radio: has a captive audience at a given moment, and everyone in that audience will receive your message. Usually each radio station will have a segmented audience profile and a defined geographic coverage so that you can target your message accordingly. It is a good medium to reinforce a newspaper

program or to obtain immediate response to special offers. It is also useful in building general awareness of your product through repeated announcements.

Disadvantages of radio are that it is costly and a high frequency of repeated ads are required for impact. Immediate response may be difficult at times, for example, in recording a phone number or recalling an address.

9. Television: is the most powerful of all mediums and is the most effective means of influencing consumer purchase behavior. The combination of visual and audio messages is very effective if properly conceived in communicating the product. Like radio, it has a captive audience and a defined geographic coverage. A disadvantage of television is its very high cost both in advertisement preparation and in air time. Generally, it is reserved for companies which can afford the frequency and ad production costs.

Other Types of Advertising

10. Contra: refers to a product-for-product trade with the advertising medium. Often radio and billboard companies will carry your messages in return for credits in using your product. Travel products lend themselves to this type of advertising in that companies will often use them for sales incentives. They may also use travel products for a prize give-away or simply allow their employees to take advantage of the credits. A disadvantage to contra advertising is that your product will probably be scheduled into off-peak or low audience time but you will also try to do the same. Caution should be exercised to see that you are getting value for value.

11. Cooperative (Coop) Advertising: can be an effective means of extending your budget over a larger program. Coop advertising with travel intermediaries is common and we dealt with that subject a little earlier. It can also be undertaken with other, complementary suppliers in your area, where each participant shares in the cost of the ad, or with government agencies. The only real problem is the dilution in impact involved and your inability to control quantity and content of the ads unless you are coordinating the program.

In general, print messages are retained in consumer's memories longer. Print ads allow the use of in-depth material and the reader can control the time and pace of exposure. Some print mediums provide several re-exposures of the same ad.

Broadcast mediums offer a greater sense of realism and can therefore have a greater impact on consumers. They are good at developing a product image or in improving the image of your product.

Although all media have their time and place, it is generally a good practice to develop a media mix so that each medium can reinforce the other.

3. MEDIA SELECTION

The selection of the appropriate medium for delivering your product will be dependent upon a number of things, but should be focused on the following:

1. your product and its image,
2. your target audience,

3. your advertising objective and strategy,
4. your distribution channels,
5. the relative costs of media in your area.

A basic formula to follow in media selection is to select the media vehicles that will reach your target audience on a most direct basis and with a minimum of wasted coverage.

Also remember that advertising is a continuous process and fickle "one shot" attempts are generally ineffective. Do not select an expensive medium such as television if you cannot afford to carry it through.

Although the selection of the medium that is right for your purposes should by no means be determined by this alone, there are some media that have proven themselves effective for certain products and services and these are summarized below:

PRODUCT	AUDIENCE	EFFECTIVE MEDIA
1. Travel Services (Restaurants, Hotels Lounges)	Individuals/ Groups	Newspapers/ Radio Some Television (depending on proximity of market)/ Billboards for Transient Trade
2. Package Tour Products	Individuals/ Groups	Newspapers/Special Interest Magazines/ Direct Mail
3. Conference/Group Meetings	Groups	Trade Magazines/ Direct Mail
4. Travel Intermediaries	Individuals/ Groups	Direct Mail/ Trade Journals

This list is by no means meant to be all-inclusive, but rather to provide a representative sampling.

In addition to the above considerations in selection of appropriate media, decisions should also be made on the relative cost effectiveness of various media.

Quantitative research data should be obtained to assist in assessing the likely relative impact of different media alternatives. Information should be obtained on:

1. media audience profile,
2. circulation/readership/viewers - numbers,
3. coverage and penetration,
4. cost per 1,000 contacts.

Cost Per Thousand or CPM, is your way of evaluating the cost of each actual advertisement, placed in a particular media option, on the basis of one thousand potential viewers/listeners/readers.

Example I: Magazine X has an estimated circulation of 20,000 readers and the cost of placing an ad in the magazine is \$1,200. The estimated CPM, or actual cost per thousand readers is:

\$1,200 divided by Estimated Circulation (20) or \$60.

Example II: Newspaper Y has an estimated Monday - Friday daily circulation of 300,000 readers. The cost to place an ad in the paper is \$4.00 per line. Assuming the ad is 15 lines, the estimated CPM would be:

Cost of Ad (\$4 x 15) divided by Estimated Circulation (300)
or \$0.20

From these two hypothetical examples, it is easy to see the actual costs involved in placing an advertisement in a particular medium. Your job is to determine the medium that will reach your

market at the most efficient cost. Referring back to the examples, Magazine X has a CPM of \$60.00 and will reach 20,000 people. Newspaper Y has a CPM of \$0.20, and has a market area 15 times greater than Magazine X. However, only you can decide which media option will be more beneficial to your property. The newspaper may appear a better bargain, but it may not be the one your market reads.

The criteria for selection of non-media promotion alternatives are not quantifiable. We have to rely on our experience, competitor activities and their success, pre-testing of possible alternatives and "rules of thumb".

4. DIRECT MAIL AS A FORM OF ADVERTISING

Because of its relative importance and usefulness in the promotion of travel products, direct mail will now be considered separately as an advertising tool.

If properly planned and targeted, direct mail can be almost as effective as a sales call. It can be personalized to match your audience (e.g., past customers) and can include incentives to make your product more appealing to the potential customer.

Unfortunately, poorly designed and presented direct mail has somewhat tainted this medium as "junk mail" but it is still a proven fact that well-designed direct mail advertisements will be treated with as much respect as went into their preparation.

Like any other promotional tool, the reputation of your product and company is at stake when you prepare your direct mail piece.

Be sure to carefully design your piece to your target audience; be cordial but do not insult their intelligence with poorly used gimmicks.

Direct Mail has an advantage over some media advertising because you have complete control over who receives your message. Unlike other forms of media advertising you have a good chance of catching and holding the recipient's attention. The reader may save the direct mail piece for future reference or pass it along to someone else. Only your imagination will restrict the format. Radio is restricted to limited amounts of sound, the newspapers to columns in print. Direct mail can be a decal, a poster, a very personal letter, a pop-up card or fold-outs. You can even add smell and texture to your direct mail advertising or include reply forms.

Some items that can be considered as direct mail materials are as follows:

- personal letters
- newspapers
- brochures
- greeting cards
- postcards
- specialty items: calendars and other give-aways
- special promotions
- enclosures and stuffers: reservation forms, menus
business cards, tent cards, matches, etc.
- flyers
- reprints of advertisements, press releases and
publicity articles
- broadsides (no envelope, large, one-piece fold-open
item).

In addition to the potential usages of direct mail identified earlier in this section, use direct mail as an effective means of announcing special promotions, opening of new facilities, or simply to properly announce the start of your tourist season.

5. USE AND SELECTION OF MARKETING CONSULTANTS AND AD AGENCIES

Deciding when to bring in the experts is often a difficult decision. Many advertising agencies and marketing consultants have minimum sizes of projects that they will consider worthwhile to undertake (i.e., it may not be feasible to get involved with a client who only has \$5,000 to spend on advertising per year). On the other hand, many tourism operators attempt to plan and develop their own advertising and promotional program and they may waste thousands of dollars in badly directed efforts.

The decision on whether to hire a consultant will be your own. A consultant may offer to assist you for a nominal fee at first if your company shows good prospects for future work.

In selecting a consultant or agency, it is a good idea to ask around the industry as to who is available and doing good work. Make sure the firm or individual knows your type of business and the travel industry.

Your agency should not plan and develop your campaign in isolation and independently of your staff. Make sure you involve them in your planning process and insist they experience and get to know your product thoroughly. In turn, be certain that you involve yourself in the planning of the advertising concepts, appeals and information to be presented. Insist that they convince you of the validity of everything they suggest (too

much advertising is very creative, but is not based on researched and valid precepts). If their market research is inadequate, insist that they do some more or do it yourself before you proceed.

"Advertising agencies" can be very beneficial to the small operator who may not have either the time or the talent to create an effective advertising campaign. The "National List of Advertisers" provides information on advertising agencies that will help with your selection. When selecting an "ad" agency, ask them to outline the scope of their services, creative abilities, resumes, client list and billing practices. The agency will advise on, or arrange for, market research, co-ordinate your marketing plan, create ads and campaigns, select media and schedule advertisements. But their success depends on how much information you give them. For instance, what are your facilities and services, your selling points or your market characteristics? What do you hope to achieve? Do not make the agency guess. Your input is critical. Make sure the personality of your operation is expressed in your advertising.

The cost is usually based on a 15% commission of supplier and production costs. An additional creative fee might be based on the artistic fees and labour that went into your project.

There are other sources that may be more realistic for the small tourism operator. What about the local art teacher? Or the typesetter for the local newspaper? Use the talents of the people in your community to design an advertisement. They are probably familiar with your property and may be able to design an ad that really projects your image.

Develop a strong relationship with your consultant so that he/she begins to feel part of your planning and marketing process. Once

you have established this relationship it is usually counter-productive to shop around for new agencies or consultants, unless you are not getting good service or work from your current service.

6. PREPARATION OF ADVERTISEMENTS

In planning an advertising message and designing an advertising layout, it is useful to analyse the following:

1. principal product appeals and features
2. specific information to be presented
3. customer motivation and expectations involved
4. images and mental association to be evoked
5. any overall corporate image factors
6. creative approach and form
7. production specifications

You must also decide, based on your advertising strategy, if it is more important for your advertisement to be more informational or motivational in approach.

A variety of approaches can be used. Some of the more common ones include:

1. two-sided messages (comparisons with alternatives)
- good for educated audiences and loyal customers of your competitor.
2. fear appeals - "Don't freeze this winter"
3. pleasant distractions - "escape your cares and worries"
4. audience involvement - "join us this spring" or "how's your golf game?"
5. emotional appeals (better than rational) - "feel like a king...."

6. humour - good for attention and recall
7. non-verbal - creation of mental images through music, scenery, etc.,
8. motherhood - dogs and children as cute attention getters
9. sex

Advertising should follow the KISS principle ("Keep it simple, stupid") and be geared to the attractions of your product on one hand, and the motivations of your target audience on the other.

A good ad will follow the AIDA formula; (attention, interest, desire, action) in sequence of construction. Print ads should leave plenty of white space and should use pictures or illustrations to increase their impact. Do not try to get too much information into your advertisement. Copy structure should consist of:

1. Headline - your attention grabber - in bold type
2. Sub-headline - to provoke interest - a smaller type and fuller message
3. Body copy - provides information and the sales pitch - asks for action
4. Property's logo, name, address and phone number.

Broadcast ad messages should be shorter; should use film, photos and music to enhance imagery and should repeat the key points two or three times. Like print, they should call for action.



JAMAICA BAKE SALE

Eight days of Jamaican Sunshine

Instead of freezing all winter you can bake in the Jamaican sunshine for incredibly low prices.

From only \$569 to \$639* per person. Air Jamaica will give you round trip air fare to Montego Bay (including airport transfers) plus eight days and seven nights double occupancy in a fabulous hotel.

FROM
\$569*

You can enjoy all the sports and night life Jamaica is famous for, or just lie around and do nothing in the warm Jamaican sunshine.

So, stop shivering and get cooking. Call your travel agent or

Air Jamaica today at (416) 363-0051. In Ontario 1 (800) 263-8116. In Quebec 1 (800) 263-8137

*Effective until April 15, 1984. Prices vary with departure dates. Taxes and service charges extra.

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50% OFF* ROOM RATE
NOW THRU EASTER
Minimum 7 days - Oceanview & Front Only!

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Free green fees at two 18-hole championship golf courses and tennis approximately 7 minutes away from hotel. Subject to availability.

- Children 18 and under FREE in same room with two paying adults.
- For wine and dine option including full breakfast and complete sumptuous dinner and carafe of wine daily at EDEN ROC. add \$24.95 per person plus tax and gratuity.

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SUMMER PROGRAMS FOR STUDENTS



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GOOD NEWSPAPER ADS

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Our new Lodge has already won the praise of guests from near and far. And Stowe's skiing this year has been the best in many seasons. Spend Vacation Week at a world-class hotel with the flavor of our Austrian past. In a magestic setting overlooking a Vermont mountain panorama, you'll be at the heart of America's premier cross-country center.

Call or write us early for best availability.



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ALL INCLUSIVE 16 DAY TOUR DEPARTING MAY 11
Includes

- Return airfare from Toronto • 1st Class 4 Star Hotels
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Puerto Plata

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\$799

1 week plus taxes from

Villa Doradas
Mar. 2, 5, 10, 15, 20, 25
1 week from **\$649**
Meal Plan — \$150

holiday Inn
Mar. 2, 5, 10, 15, 20
1 week from **\$699**
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Hotel Montemar
Mar. 2, 5, 10, 15, 20, 25
1 week from **\$799**
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ANTIGUA

Mar. 10, 25, Apr. 1, 6, 15, 20
Jolly Beach Resort

from **\$789***

Your complete resort vacation. Lunch included Apr. 1 onward.

BARBADOS

Mar. 2, 10, 15, 20, Apr. 6, 10, 20

from **\$899**

Just everything is included! Caf. and complete AIR ONLY from \$425

JAMAICA

Mar. 2, 10, 24, 31, Apr. 7, 14, 21
Snowbird Beach Resort

1 week from **\$599**

per person, double
• Airfare • transfers • 7 or 14 night hotel • nightly entertainment • Meal Plan — \$125

ACAPULCO

Mar. 4, 15, 22, 29, Apr. 5, 12

from **\$649** 1 week El Presidente

• Airfare • transfers • 7 or 14 night hotel • breakfast • AIR ONLY \$399

MARCH BREAK

FLORIDA by BUS

March 9 evening to 18

• Coach • 7 nights hotel • transfer to Disney

Daytona Orlando
from **\$379** P.P.T. from **\$299** P.P.T.

PUERTO PLATA

Mar. 9 and 10 Departures

• Airfare • transfers • 7 night hotel
Villa Doradas from \$595
Holiday Inn from \$625
Montemar Hotel from \$675

SKI KILLINGTON

March 11

• Bus • 5 nights hotel • 5 day lift

Cascade Inn \$399 dbl.
Killington Villager \$429 dbl.
Red Rob Inn (M.A.P.) \$449 dbl.

ACAPULCO

March 4

• Airfare • transportation • accommodation

Romanc Palace Hotel 1 wk. \$599
El Presidente 1 wk. \$759
La Palapa 1 wk. \$839

TALK TRAVEL

1110 Finch Ave. W., Downsview, Ont.
Dally 9-8:30; Sat. 9-5:30 **667-8383** out-of-town 1-800-268-1941

STAY II 2 DAYS FREE

WEIGHT LOSS GUARANTEED
under spa medical supervision

ONE LOW ROOM RATE INCLUDES:
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REGULAR PRICE	AMSTERDAM PANIC	RESTRICTIONS FOR APPLICABLE FARES:
\$478	\$399	SEN. CIT. FARE, 65 YRS. & OVER, VALID ONLY APR. 3-MAY 29
\$499	\$359	CHILDREN'S FARE, AGES 2-11 INCL. & LONG DURATION: APRIL/MAY - SEPT. 11+
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Airport tax and insurance extra. Limited number of seats available. Valid only if full payment received by MAR. 2. Payment: Cash or Cert. chq., no credit cards. Call our Amsterdam desk.

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"ch Connection Since 1951"

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WASHINGTON CHERRY BLOSSOM.
5 day tour — APRIL 12-16/84
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5 meals including Dinner/Theatre
\$369 P.P.T.

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4 day tour — APRIL 4 — 7/84
Dinner/Theatre in CLEVELAND, DAYTON + TOLEDO. 1st Class Accom. + Sightseeing
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FOR TWO includes 6 meals LIMITED TIME OFFER

2 days/2 nights of your choice. Beautiful modern room, four 165 breakfasts and two dinners including John's famous Filet, York Strip Steak and Selected Chef's Choice. Taxes and gratuities not included.

Quality Inn InTown

Reserve Now! 800-268-8990
Toronto Phone 485-2600

John's or **NIAGARA HOTEL**
Reserve Now! 716-285-9321

POOR
NEWSPAPER ADS

IT IS A RARE HOTEL
THAT IS A DESTINATION
IN ITSELF.

THE RITZ-CARLTON
NEW YORK • WASHINGTON



FOR RESERVATIONS, CALL TOLL FREE, NEW YORK, 800-221-7990; WASHINGTON 800-424-8008.
A JOHN B. COLEMAN HOTEL

COUNTRY INN
OR
DELUXE RESORT?
A little bit of both

*"Exceptional food service
and a wine cellar of
unusual excellence"*

Very Intimate!

Very Special!

Very Private!

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HUNGER STRIKES
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THE MENU:
varied and substantial

THE HOURS:
7 a.m. to 11 p.m. every day

THE PRICES:
moderate,
refreshingly moderate



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Four Seasons Hotel
TORONTO
AVENUE ROAD
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Winston's is,
John Arena at the door,
plush red banquettes around,
Rosenthal on the tables,
art nouveau, everywhere.
Superb food, always.
Reservations 363-1627

GOOD
MAGAZINE ADS

Direct mail messages should follow the principles of print ads but will contain more details and supporting materials (photos, endorsements, etc.). However, be selective in the information you include so it will be read. Customize it for the target audience as much as possible.

7. MEASURING THE EFFECTIVENESS OF ADVERTISING

As indicated earlier, one of the most difficult tasks in advertising is to measure the effectiveness of the media and creative message you have selected.

Sophisticated methods for pre and post surveying of advertising are available today, but often at substantial cost. None-the-less, for a major campaign launch or a significant advertising effort, they may be worth the cost.

In spite of the complexity of determining the effectiveness of your advertising campaign, some more basic methods are available so that you can obtain some measure of whether you are receiving the results you are paying for.

Some useful yardsticks to measure inquiries and conversions of enquiries to sales can be incorporated into your campaign. This represents only a portion of the effectiveness, however, in that some people may book without first enquiring and others will book through travel intermediaries. It is suggested that the following techniques be employed on an on-going basis:

1. Code your ads in some ways by using return cards, tear-off coupons, department numbers or other means so that enquiries can be traced. With phone

- enquiries, have your staff ask where they heard or saw the advertisement.
2. Log all enquiries if possible; do so separately by ad or medium responsible.
 3. Check guest registrations against enquiries to measure "conversions".
 4. Have your guests complete a questionnaire containing a question of what advertisements they have seen or, for future campaigns, what motivated them to use your property or facility.
 5. Test ads in selected areas and measure change in business from that areas relative to other areas.
 6. Keep the names and addresses of customers and persons enquiring for later direct mail follow-up.

MODULE 8

BROCHURES - DEVELOPMENT AND DISTRIBUTION



THE ECONOMIC PLANNING GROUP of Canada

MODULE 8

BROCHURES - DEVELOPMENT AND DISTRIBUTION

1. TYPES OF BROCHURES

The brochure usually is a vital element in selling the tourism product. There are a number of types of brochures that can be applied to any product, but in the tourism industry these distinctions become even more important. The key types are described below:

a) Informational Brochures

These are developed for the purpose of information dissemination and therefore may simply be a listing of travel products or destinations with a brief description. Sometimes they may contain some "sell" in the form of photographs or descriptive paragraphs but usually, as with advertisements, the more information you have to provide, the more difficult it is to add the "sell".

b) Promotional Brochures

These brochures are designed with the "sell" in mind and, because of this, may not be able to include too much information and may have to refer the potential customer to other sources of information about the product. Promotional brochures are usually used for an established product where there already is an established identity and not much explanation is required,

although they can also be used effectively to encourage people to find out more about the tourism product or service.

c) Lure Brochures

These are more attractive brochures that are often used by government tourism departments or tourist associations and are used as "teasers" to intrigue the potential customer on what the region has to offer. They are usually somewhat simplistic in that they may only contain many attractive photos and very little, if any, copy. Their use can be very effective in stimulating interest in a region or in encouraging a target market group to find out more about what you have to offer.

2. USES OF BROCHURES

The decision on whether to develop a brochure to promote your product is usually one of the first promotional decisions a tourism operator will make.

For most tourism products, the brochure is the key selling tool since the travel product lends itself to this sales vehicle. Although an independent brochure may not be required for certain types of tourism businesses such as restaurants, it certainly is a primary tool for a destination resort, a tour operation, hotel property, hunting or fishing lodge, wilderness adventure program, a service such as ground operations, and numerous others.

Generally, a good rule of thumb to follow is that, if your product is the type that can be explained or presented well in

this type of medium and there are distribution mechanisms available to get this information to your potential customers, then the development of even an inexpensive, basic brochure is likely to be a good investment.

Brochures need not be elaborate and expensive; a well-designed one-fold black and white information piece can prove just as effective in some cases as more elaborate works of art. The type of brochure you decide to use will depend on your audience, the importance of imagery and information and, of course, your advertising budget.

In some ways the brochure is the tourism product in the marketing process. Since you cannot show your customer the product he/she is purchasing in advance, it represents a facsimile of your product and is normally the primary instrument used by the consumer in making a purchase decision. Other industries use a brochure only to increase interest. In tourism the brochure not only has to do this, but also has to facilitate the making of the actual sale. It may be the only opportunity the customer has to visualize your product.

The brochure is used not only by the consumer in making a purchase, but is used also by the travel agent in providing information and in processing the booking. It has to supply all the necessary information required by both parties at all stages of the purchase process.

The importance of brochures is evidenced by the quality and size of the brochures published by destination resorts/ lodges and tour operators. A tour operator may spend up to

5% of his total gross revenues on printing his brochure since this will often be his primary promotional tool.

3. BROCHURE CONTENT AND DESIGN

A brochure will normally contain the following information, although it will vary according to how informational or how promotional you want your brochure to be:

1. company/product name
2. pictures, preferably in colour, of all main features, attractions, facilities and services
3. descriptive copy on above
4. motivational copy, highlighting the consumer appeal involved (often good to include photos of customers)
5. detailed information on prices, discounts, travel booking procedures and terms, deposit requirements, etc.
6. an address and phone number

Your brochure may be the most widely circulated advertising piece you have. Design one that you are proud of -- one that really appeals to your market and projects your product's personality.

Start by outlining what the brochure is supposed to achieve. Next, remember how you defined your target markets. What are they most interested in? Then, describe the benefits and unique selling points of your product or service. What image or personality do you want to imply through your brochure? What will set you apart from your competition?

The cover of the brochure should catch attention, illustrate your product and encourage the viewer to read further. You might want to include a picture of the product, slogan, name and address.

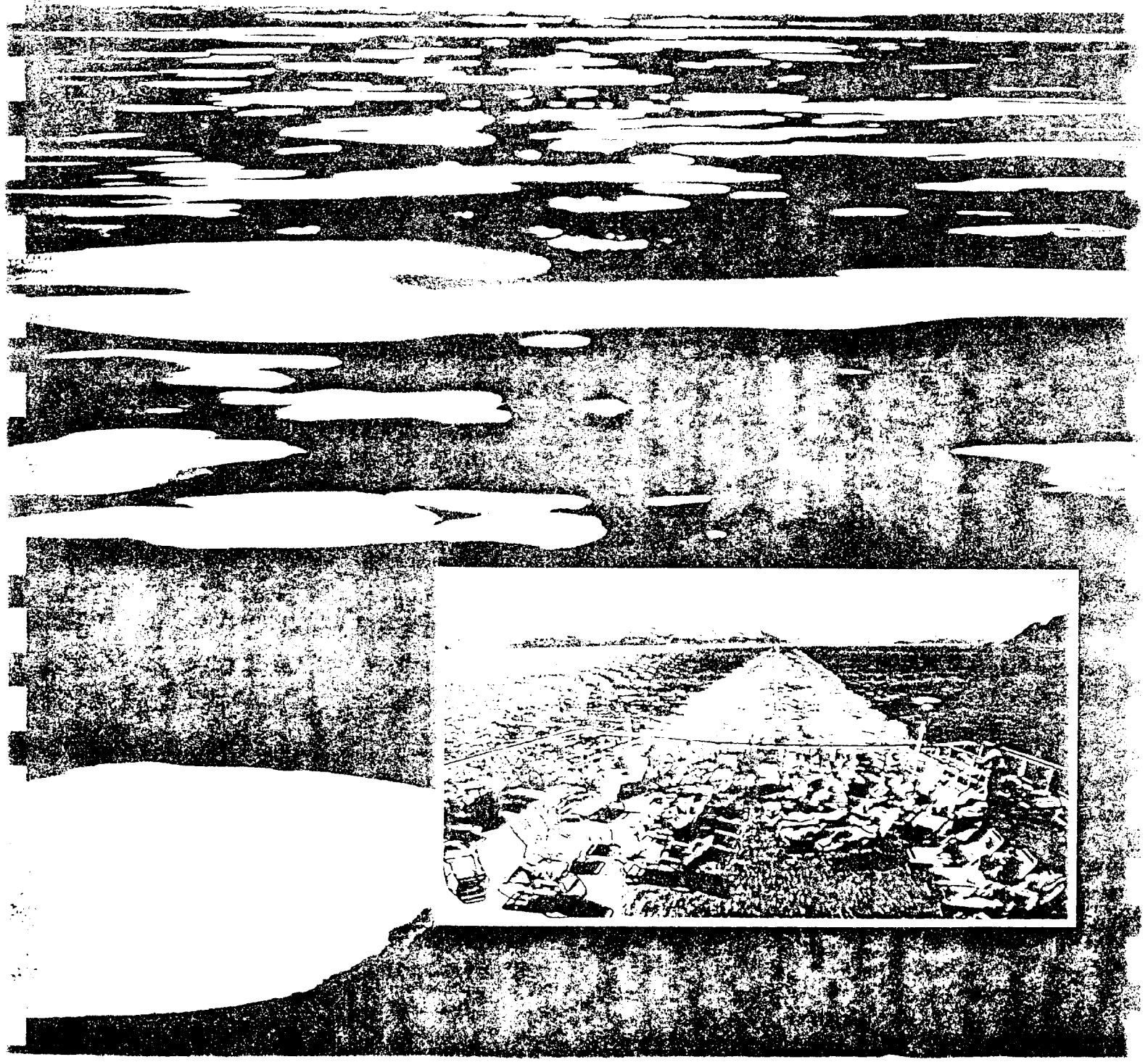
Any photographs used should be carefully selected as they too will create the images of what you have to sell. Use a combination of photographs that illustrate your product, action shots involving your facilities and its guests/customers and "mood" photographs. People want to see what type of a place it is. Photographs illustrate the benefits and show potential customers what to expect. Be honest in your photography. Show the property as it really looks. Do not include flowers and fruit baskets as part of the guest room if that is not what you can deliver. Action shots have great appeal but should be carefully designed. For instance, do not show people doing something wrong or awkward (i.e., standing in boats). Include captions with the pictures. The captions are read twice as often as the copy or text of the brochure. Use the captions to get your selling message across. They can work as mini-ads.

The contents of the brochure should be used to list and describe your facilities and services. There is often a tendency to overcrowd, to say and show too much. Try to avoid falling into this trap; people just will not read it all if it has

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CANADA NORTH 1979

Wilson, Northwest Territories
Baffin Island, Arctic Circle
Alaska Inside Passage Cruise



too much in it. Stick to basic information, and avoid exaggeration. It is often a good idea to also include photographs of any local tourist attraction that may complement or enhance your product. Include helpful information on what people can see, participate in, and what they should bring. Leave space on the back cover for travel agent stamps or stickers. Remember that the dimensions of your brochure should allow you to mail it and permit travel agents to display them properly in their stands.

Design your brochure for a long life. Do not be too gimmicky or use pictures, slogans or rates that will outdate your brochure before its time. Produce a separate rate card that can be included and regularly updated.

A black and white or two-colour brochure may suit your needs. You can also cut down on cost by producing a two colour brochure, which appears to have more colour when two plus black are combined. Get help from local art teachers and newspaper writers or talk to your local advertising consultant.

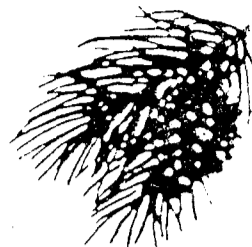
In addition to these pointers in the design and preparation of brochures, the following guidelines should be applied once you are ready to lay it out and print it:

1. Use a few, carefully selected photographs.
If you can afford it, use colour photos as they sell better than black and white or copy. Opt for fewer and larger photos, for example, a single shot on the cover.
2. Use clear, simple type, in different sizes for titles, sub-titles, headings and copy.

Minaki
ONTARIO



**MINAKI
LODGE**



A Radisson Resort & Conference Centre
MINAKI, ONTARIO P0X 1J0

1983 ROOM RATES

	April 29- June 18	June 19- Sept. 17	Sept. 18- Nov. 12
One Adult	\$65.00	\$75.00	\$70.00
Two Adults <i>(There is no charge for children 18 years and under sharing the same room with parents)</i>	\$75.00	\$85.00	\$80.00
Extra Adult	\$15.00	\$15.00	\$15.00
Bedroom Suite	\$140.00	\$190.00	\$150.00
Bedroom Suite	\$210.00	\$285.00	\$225.00
Two and Three Suites <i>(Bedrooms & fireplace sized parlor & private bar)</i>	\$275.00	\$350.00	\$290.00

subject to change without notice, and Service Charge are not included in the above rates. All plans are available on request.

Rates quoted in Canadian Funds

For instant reservations in Canada, call collect

807-224-4000

For our toll-free number in the U.S.

800-228-9822

For Saskatchewan, call collect 402-393-8700

For information, please call (204) 943-0429

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3. Copy should be black on white for easier legibility and greater impact.
4. Colour panels should be avoided - use colour headings and borders instead.
5. Organize your topic. Do not mix information - set topic areas out clearly in separate sections, preferably on separate pages.
6. Avoid small print especially if you want elderly people to read it.
7. Put your sell copy at the front and the booking and other details at the back.
8. Leave a lot of white space, particularly in important sections to clearly highlight the information.
9. Use 8½ x 11 if you can afford it. Most travel agency racks are designed for this size.
10. Employ a consistent layout and design for each section.
11. On the front cover, keep all of your copy on the top ¼ page so it shows on the rack.
12. Allow a space on the back for a travel agent's stamp.

Mountains to the Sea

(In association with Horizon Holidays of Canada)

150

10 Days — 9 Nights

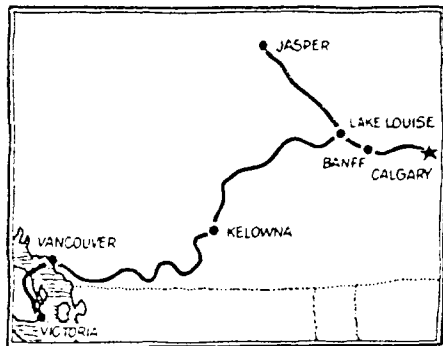
Calgary, Banff Springs, Columbia Ice Fields, Jasper Park Lodge, Chateau Lake Louise, Rogers Pass, Okanagan Valley, Vancouver and Victoria. Departs Calgary June 18, 25; July 14*, 23, 28*, 30; August 4*, 20, 25*; September 3, 10

This trip means mountains covered year-round with snow, and gentle harbor waters reflecting cafe lights. There's an ice field 150 miles square. And a hotel which serves the most sumptuous high tea we're likely to find outside London.

We'll do the mountains first, stopping at places like the Banff Springs Hotel and Chateau Lake Louise, where we can swim, hike or just plain marvel at the scenery.

Then we'll go to the harbor cities of Vancouver and Victoria. There's plenty to love there. Eskimo handicrafts and Queen Anne antiques. Scrupulously-tended flower gardens. Service that bears the unmistakable signs of British finesse.

What this trip means is some of Canada's most startling country. And two of its most colorful cities.



1st Day — Home Town — Calgary — Banff — We'll meet our tour escort and other members of our group at the Lower Level of the Hughes Air West Terminal at 2:30 p.m. Our sightseeing excursion heads downtown to visit the Calgary Tower for a view of the city, surrounding prairie and distant mountains. We continue west into the foothills of the Rockies and on to one of the world's greatest mountain playgrounds, Banff National Park. We'll spend the next two nights at the BANFF SPRINGS HOTEL. In the evening, a festive get-acquainted dinner party. (D)

2nd Day — Banff — Our morning sightseeing visits Bow Falls, Buffalo Paddocks, Rock Gardens, Tunnel Mountain and Sulphur Hot Springs, followed by a gondola lift ride to the 7,500 ft. summit of Sulphur Mountain for a view of Banff and its surrounding mountains. We have the afternoon at leisure. (B,D)

3rd Day — Banff — Jasper — We board our motorcoach this morning for an excursion along the Banff-Jasper Highway to see some of the most majestic scenery in the Rockies. At places the road reaches nearly 7,000 ft. above sea level, while snowcapped peaks rise more than 11,000 ft. We'll see the Vermilion Lakes, Pilot Mountain and Castle Mountain. And then, the most spectacular sight of the day, the great Columbia Icefield, 150 square miles of ice straddling the boundary of Banff and Jasper National Parks. We'll explore the area on a sightseeing snowmobile,

climbing across the Athabasca Glacier on ice 1,000 ft. thick. Later we continue on to Jasper where we spend the next two nights at JASPER PARK LODGE. (B,L,D)

4th Day — Jasper — Our lodge is the showplace of the Rockies. Our luxurious cabins are set in trim and restful gardens overlooked by cedar, spruce and pine trees. We have the morning at leisure to enjoy the heated pool, golf, hike or horseback riding. This afternoon's excursion brings us to Maligne Lake, Canada's most photographed mountain scene. (B,D)

5th Day — Jasper — Lake Louise This morning we drive back down the Banff-Jasper Highway and continue on to Lake Louise and the CHATEAU LAKE LOUISE, located on the most beautiful lake in the Canadian West. With the afternoon free, we can enjoy the hotel's recreational facilities. (B,D)

6th Day — Lake Louise — Kelowna This morning our motorcoach travels along the Trans-Canada Highway, crossing the Great Divide and continuing through Kicking Horse Pass into Yoho National Park. We'll see the Spiral Tunnels and then drive through Glacier National Park's Rogers Pass, the most scenic part of the Trans-Canada. Crossing the Columbia River we stop to view the spot where the last spike was driven to complete Canada's first trans-continental railroad and then turn south into the high, dry country of the Okanagan Valley. Canada's famed "Valley of the Sun" shows us miles of orchards and vineyards protected by mountain peaks and nurtured by sparkling lakes. Our drive continues along the shores of Kalamalka and Okanagan lakes to Kelowna. We will be staying at the CAPRI HOTEL. (B,D)

7th Day — Kelowna — Vancouver We continue our drive through the Okanagan Valley via Penticton, then west through the Similkameen Valley. We rejoin the Trans-Canada Highway and follow the Fraser River through to Vancouver and Hilton's HOTEL VANCOUVER. (D)

8th Day — Vancouver — This morning we cross the Lion's Gate Bridge to the Salmon Hatchery at Capilano. Then to

the 1,000 forest acres of Stanley Park, with its giant firs and colorful totems. Later we'll drive through the downtown area to visit Gastown, the old section now a lively center of art galleries, antique shops and boutiques. We have the afternoon at leisure. (D)

9th Day — Vancouver — Victoria This morning we board the ferry for the scenic 25 mile cruise across the Strait of Georgia to Victoria on Vancouver Island. We enjoy this city of gardens, from the flower bordered lawns of the Parliament Buildings to the baskets decorating the lamp posts. First, to the world-famous Butchart Gardens where 30 acres of fragrant floral beauty extend over Japanese, Italian and English Gardens linked by lawns and lily ponds. We'll enjoy a drive around the city before checking into our hotel, THE EMPRESS. In the evening, a farewell dinner party. (D)

10th Day — Victoria — Home Town The morning is at leisure to explore the antique shops, handicraft studios and other shopping attractions. We bid farewell to beautiful British Columbia as we leave Victoria and transfer to the airport for our flight home.

Price per person: \$890.00. Twin includes 15 meals, sightseeing as listed, transportation, hotel accommodations, taxes, tips, baggage handling and complete escort service throughout the tour. Single supplement \$260.00.

ITA-OTDRM9

*July 14, 28; August 4, 25 operates from Vancouver to Calgary.

Printing and distributing a quality brochure is a very expensive process. The following variables will determine your cost:

1. type of paper stock - heavier and glossier is more expensive
2. number of colours
3. number of pages and their size
4. type of binding
5. number of copies printed
6. printing process used - there are variations in reproduction quality, particularly with colour
7. number of copies to be mailed

The specific steps involved in developing a brochure are as follows:

1. Decide on your product features, attractions, facilities and services to be included.
2. Establish your budget, the total size of your brochure, paper type, quantities, etc.
3. Allocate brochure space to each feature and category of information to be included.
4. Gather product descriptions, photos, prices and other detailed information.
5. Produce a "dummy" brochure showing the layout and overall design you hope to achieve.

6. Write the copy and check the accuracy of the information.
7. Prepare artwork, copy, typesetting, colour separations.
8. Carefully check the copy and artwork proofs.
9. Print the brochure.
10. Develop a distribution plan, print covering letter and re-order cards.
11. Distribute your brochure.

4. BROCHURE DISTRIBUTION

Because of the amount of money involved, a carefully planned distribution program is essential, particularly when distributing to the travel trade. Every travel agent should be qualified on the basis of his past business and realistic future potential and the quantities of brochures sent should be matched to this qualification.

A number of distribution channels exist for getting your completed brochure into the hands of the right people. The quantity of brochures you produce should be dependent on some projected usage factor or distribution plan. Depending on your product or service and the target markets you have defined for it, you may want to consider one or several of the following potential distribution channels:

- bulk or individual mailing to prospective or past customers
- government or association tourist information centres
- hotel and restaurant lobby areas where your potential customers may congregate
- club, association or other group functions that would have a good cross-section of your market
- public events, fairs and festivals
- transportation centres such as airports and train stations
- travel agencies, tour wholesalers and other travel influences

In travel agency mailings of brochures, include a covering letter or a card giving commission rates, WATS line numbers and other information required by the agent but not included in the brochure. Enclose a return, addressed re-order card.

Perhaps most importantly, use your brochure to answer direct inquiries about your product or service and in your direct sales activities, which will be discussed in the next section.

Use your well-designed brochure to introduce your property to companies, travel agents and other potential sources of

business. Make your brochure work for you by getting it into as many locations as possible that are likely to involve your target audience. Be careful not to over-distribute or waste your brochures though. Make inquiries as to how many each agency or location would likely use and supply only that amount. Past volumes of business from that source is a good indication of how many brochures should be stocked. Remember that you can always provide more if they should run out.

The brochure is a very versatile sales tool that can be very cost-effective. That is why it is so important that your brochure be well produced. It may be the only way a potential customer has of evaluating your property as a possible place to visit.

MODULE 9

DIRECT SELLING, SALES PROMOTION
PUBLIC RELATIONS AND GUEST RELATIONS



THE ECONOMIC PLANNING GROUP

MODULE 9

DIRECT SELLING, SALES PROMOTION, PUBLIC RELATIONS AND GUEST RELATIONS

1. THE IMPORTANCE OF IMAGE

Media advertising is only one method of selling your tourism product or service. Although you create an image with your advertising, each component of your marketing mix will and should contribute to this image. All elements of your marketing program should contribute to the total image of your product.

Marketing is a continuous process and in the tourism industry is vitally important that you take advantage of every opportunity to create and reinforce the positive image you have developed. The sales process does not stop when your client pays for this ticket or walks in the door of your facility. They must be constantly reinforced in their tourism product choice, on your facilities and services. Opportunities will also exist in the process to get them to spend more time and money and very importantly, to get them to come back or to recommend your product to their friends.

2. DIRECT OR PERSONAL SELLINGPersonal Selling

It is extremely important in the tourism industry to recognize the value of personal selling. There is no better way of securing

business than by coming right out and asking for it. Personal selling is direct, person-to-person communication and therefore can be very effective. It may be a personal visit to someone's office or internal personal selling to guests or potential guests. Direct two-way communication allows you to respond to the contact's particular interests and desires, to clarify questions or to expand on the benefits of your operation. A problem foreseen or an objection raised by that person can be discussed and overcome immediately. Personal selling gives you a greater chance for immediate and definite business.

Although personal or direct selling is only one aspect of the entire concept of marketing, it can be a very effective form of promoting your products and services.

As with all other aspects of good marketing it is important to develop a direct sales plan so that you can direct your efforts to those areas which are likely to give you the best results. Although direct selling is a very effective marketing tool, it is also time-consuming and costly and therefore should be carefully focused.

Because of the cost involved in making a sales call, in the tourism industry personal selling is generally utilized for one of the following purposes:

- selling group business
- selling to wholesalers and travel influencers who will become additional sales agents for your product or service

If your marketing plan includes these target groups and agencies in its target markets then you will likely want to consider some form of direct sales program.

Other than direct selling to the travel trade, most direct selling efforts are likely to be directed to conference, meeting and convention organizers, and to clubs and associations.

In planning your sales efforts, identify those groups or agencies which appear to be the best prospects and project the type or volume of sales you would hope to generate from them.

Leads are the starting point. The best prospects are your past customers. They already know your operation and are less expensive to reach. Hopefully they were satisfied and will consider coming again. They may already have recommended you to others and their endorsement will carry a lot of weight.

In addition to your past customers, other lead resources include:

1. local firms and organizations
2. past enquiries and cancellations
3. announcements in the media
4. travel agents and tour operators selling your kind of product and trips to your area. Talk to knowledgeable people in your local travel association, government travel office and in the travel trade

Have a lead recording system - on cards or sales call reports, set up so the card is brought up on a carry-forward date. Sales call reports should record contact person, financial ability, likely amount and type of business, special requirements and past response to sales pitch.

Have a carefully developed plan for each type of sales call. Your presentation should be smooth, logical and cover key points. The presentation must appeal to the self-interest of the recipient -- personalize it and relate it to his problems, concerns and needs.

Be sensitive as to when to talk, when to listen, when to push, when to back off, when to speed up or slow down, when to bring him back to the topic and when to wrap up. Summarize the key points of the discussion and then ASK FOR A COMMITMENT. If he is not ready to buy, get him to agree to visit your facility, or to agree to a date when you will get back to him for a decision.

Where a prospect is indecisive, avoid asking for a decision and instead proceed on the assumption that he is agreeing. Suggest you draw up the contract. If necessary, indicate that a great demand exists and an immediate decision would protect the space for him.

Once the sale has been made, brief your staff about the client and his needs in advance of his arrival. Check with him during his stay to see if everything is alright, and then contact him afterwards to see if his meeting or stay was successful, and discuss future business possibilities.

Internal Selling

Internal selling includes the direct sales efforts of you and your staff when the customer is visiting your property or on your tour.

Personal selling does not conclude when you book a client. It includes your staff's daily effort to encourage guests to spend

more, to order that delicious cheesecake, to purchase the better room, to stay one day longer or to eat in your restaurant. Your guests will enjoy themselves that much more, will return, and will recommend your operation to their friends. Your sales-oriented staff can make the difference between merely breaking-even or achieving your profit objectives. Your guests have arrived knowing they will spend money but how much they spend and what they spend it on depends to some degree on the attitudes of your staff. Use your staff as important extensions to your sales team.

Teach your staff to use effective sales messages. "We have a lovely secluded cabin on the waterfront" can work wonders compared to, "our doubles start at \$22 in the motel, \$26 for the waterfront units and \$32 for the cabins". It is important to describe rooms by their attributes, not by their rates. The initial contact of your clients with your staff will largely contribute to the image that the customer will have of your facility or service.

Your employees might not realize the effect that they have on sales. It is up to you to give them direction. You should have an on-going program to encourage your staff to be good salespeople. Your staff should be well versed in your product and its facilities. If it is a hotel property, they need to know every style of room, your community and its restaurants, entertainment, recreation and transportation facilities. Staff should be able to assist guests in completing travel and vacation plans.

Telephone selling by you, your sales manager and other members of your staff is also a very important form of direct sales.

You can use the telephone to make initial contact and set up an appointment for a sales call, to follow-up leads or sales calls and to make "cold calls" on people who if properly sold will end up becoming a customer. Be friendly, courteous and sales-oriented when you or your staff talk to people on the telephone about your product or services. A friendly, positive approach can go a long way to developing or solidifying a sale and in enhancing your image.

3. SALES PROMOTION

Most sales promotion programs in tourism are directed at the travel trade, and we will deal with these later in this course. Nevertheless, there are some sales promotion items that can remind or reinforce your general customers of your products or service. Some consumer-oriented sales promotion approaches might include:

1. posters or tent cards on-premise
2. coupons for discounts and free gifts
3. premiums/novelties - matches, placemats, souvenirs
4. contests
5. consumer travel shows
6. ads in programs of a local theatre or sports facility
7. exhibits in shopping malls, hotels, airports, and other appropriate public places.

Sales promotions are usually used in combination with advertising or direct selling (e.g., discount coupon on a direct mailing). An effective utilization of sales promotion items in your direct sales campaign might be, for example, to leave something with the potential group leader that will remind him/her of your product

(e.g., a golf or tennis ball with the logo of your resort hotel on it).

Sales promotion items (such as souvenir items) can do additional work for you too when they become part of the package you deliver. A fishing hat representing your lodge may be worn again and again by your customer and will invite questions that may end up in sales referrals.

Whatever sales promotion tools you develop to sell your product, be sure that they are done in good taste and are representative of your product image. Gimmicky or novelty items may create negative impressions as well if they are not consistent with the image you want to portray.

4. PUBLIC RELATIONS AND PUBLICITY

Public relations relates to your total communication effort with your guests or potential guests. Publicity is aimed at achieving mention of your property from a media source.

By becoming involved with the affairs of the community you can maintain and improve the image of your operation. For example, you can contribute to the education of hospitality students by hiring these students, speaking in their classes or even participating in the awards programs. Become involved with local business, hospitality industry and charitable association programs and seminars. In order for your program to be effective, it has to be well thought out and planned in conjunction with your other marketing efforts.

Since your public relations and publicity efforts will be so visible and may create impressions among large numbers of potential customers, it is even more vitally important that these efforts be properly planned and conceived.

Publicity is one way of keeping your name on view without costly advertisements. However, it will take creative thought and time to get results. A news item with a photograph is more effective.

Issue press releases, write letters to the editor and get coverage of "happenings" at or involving your product or service. No one is interested in trivia or gimmicks. Keep to newsworthy items and information of interest to the community. Develop a good working relationship with the newspapers and radio stations. Discuss their press release requirements beforehand and present your releases to them in the proper format.

A good starting point in developing a publicity and public relations plan is to define the audience or audiences you want to reach. For example, you may feel that coverage of your product and image development will be useful to you in another community and should therefore plan to logically approach this market in some appropriate fashion.

In some cases the audience will be geographically dispersed but homogenous in interest. For example, a sports magazine may agree to print an article on your new lodge or adventure travel product and by doing so reach a broad geographic cross-section of people.

Once you have defined who you want to reach to create that

positive impression of your business, you must identify what vehicles may be available to reach this group. One of the great things about an aggressive and well-developed public relations plan is that you can get tremendous free or low cost promotional mileage out of one article or public appearance. It is a known fact that positive things said by others about your product will be much more believable and credible than those same positive things said by yourself. One complementary trip to your lodge by a travel writer, for example, can earn you thousands of dollars in free publicity.

Careful planning will ensure you of good promotional reach through obtaining free publicity. Any kind of newsworthy information is likely to be published if it is provided in the right form to the media. It is important to establish personal contact with the local and trade media. You will probably find them amenable to cooperating.

Some suggestions for obtaining publicity through the media include:

1. giving interviews; being the local _____ expert
2. staging special events
3. spot news
4. scheduled news, i.e., a new manager, new service

Other methods of publicizing your product and obtaining good public relations are to attend meetings as a guest speaker, participate in special events and donate promotional items to special events.

Use press releases, prepared in advance and distributed simultaneously to the target media but keep them short, punchy and factual. Date the release, type it double spaced on one side of one page, include your name and address at the top and include a sub-heading (not a major heading). The first paragraph should give a synopsis. Fold it with the print on the outside and deliver it to your local or regional media who will appreciate that the work has been done for them and thus may be inclined to print what you have provided verbatim.

Community and customer public relations are very important too. The local community and your guests are not only a source of business directly, but they are a source of recommendations and referrals.

Some determinants of good public relations within this venue are:

1. proper and friendly conduct of your business
2. local advertising
3. telephone manner
4. staff courtesy and friendliness
5. membership in service clubs and community groups
6. free use of facilities for worthy causes
7. interest in local features, attractions and history
8. personal calls on local businesses and community leaders
9. supplies and services purchased locally
10. cooperation with local authorities.

There are many specialized public relations and publicity agencies available today who make it their job to assist people in planning their public relations efforts. If your budget is

small and your product relatively straight-forward, a well-planned effort delivered by you and your staff may achieve the same results as employing a public relations agency. On the other hand, if your product or service is the kind that lends itself to a substantial public relations effort, or if you are launching a new product or opening a new facility, a good public relations firm could assist you in making the most of this opportunity.

These firms generally receive their compensation on a fee-for-service basis so that you can decide in advance if it is worth the expense.

5. GUEST RELATIONS AND HOSPITALITY TRAINING

Your staff are often your best asset. They welcome guests to your property or tour and ensure that their needs and wants are satisfied. Since the tourism industry is largely a "people business", the attitudes and services of your staff will be long remembered by your customer and will likely form lasting impressions of your facility or service. Your staff may be bringing guests back or they could be costing you sales through loss of repeat business. This is the seventh "P" in the marketing mix, "people".

Sell your property through the attitude shown toward your guests. Have your staff look for the needs that can be satisfied before the guests have to ask. Your guests have probably paid a substantial amount of money for your product or service; be sure that they get their money's worth.

The attitude of the staff is often a reflection of the attitude you display as the manager. This is especially true in a small

property where the owner/manager works very closely with the staff. For example, staff may see you walk up to a guest with a big smile, shake hands and say "Hi, how are you enjoying yourself? Everything okay? It's nice to have you here, Mr. Jones!" If your employees are not as friendly or as helpful as you think they should be, have a look at your own attitude. They may be taking tips from your behaviour. If you don't feel comfortable in approaching and welcoming guests or do not make the effort to learn their names, how can you expect it of your staff? Make your staff feel like they are an important part of your business and they will likely act that way.

Poor staff attitude toward customers can be a tremendous deficit in your business and one that you may not easily recover from. Good guest relations starts with hiring the right people for the jobs. Although the people available to work in your tourism business may be inexperienced or lack specific training, some good pointed screening questions should draw out what their attitudes are likely to be in dealing with your customers.

Hospitality training has also become an important consideration in the tourism industry in the development of sound, positive attitudes in staff and in improving guest relations.

Programs are available through the federal and other provincial governments, as well as from industry and trade associations. These programs are generally designed for a variety of staff levels from guides and other service staff to middle managers and owners.

Some of these courses may involve sending your employees or yourself on a 2-3 week condensed program, but many can be delivered

in-house by using material and information readily available for this purpose.

A small amount of hospitality training can go a long way towards improving the attitude of the people that will likely come into contact with your customers the most frequently.

6. SALES PLANNING AND MANAGEMENT

If you are a smaller tourism operator with only one or two employees, then you are likely to do your own sales management and lay out your own sales plans and efforts. In larger organizations or for regional tourism marketing, you may want to hire a sales manager to spear-head your sales efforts.

Whatever your approach, it will be of immeasurable value to develop a sales plan to work from and to direct these sales efforts within the overall marketing objective of your organization.

It is generally a good idea for the people delivering the plan to develop it but you, as owners, must approve its overall approach and direction.

Managing your company's sales in the tourism industry is not an easy task since there are so many factors which can affect the final outcome of your sales program. As in any other type of sales, it is vital to set sales objectives for a specified period in time and to provide some form of incentive to sales staff so that they have a specific goal to strive for. Sales results can then be monitored regularly and sales efforts adjusted accordingly. Like any other plan, your sales plan

should be goal-oriented but flexible enough to react to new opportunities (e.g., a competitor closing down).

As it is often difficult to measure the results of your sales efforts, it is equally difficult to measure the effectiveness of your sales or public relations staff. The best measurement will be your "cash register" in the long run, but in the shorter term the type and attitude of customers you are getting and the impressions they are given of your product or service will provide a thermometer on how your sales and public relations staff are approaching their work.

If a sales person is not working out, do not leave the situation long without correcting it, since the damage he/she can create may take a long time to repair.

It is important to provide financial awards and recognition to your sales staff, and to other employees as well, for performing to or exceeding your expectations. Commissions, bonuses and awards can all be very effective motivating tools, as long as they are administered fairly and consistently.

MODULE 10

TRAVEL TRADE MARKETING



THE ECONOMIC PLANNING GROUP

MODULE 10

TRAVEL TRADE MARKETING

1. DIRECT SELLING TO THE TRAVEL TRADE

The travel trade plays an important role today in the marketing of tourism products. Tour operators, tour wholesalers and travel agents are often referred to as travel influencers in that they can take your product and sell it to customers that you may never be able to reach on your own.

However, since these travel intermediaries also deal in a large number and broad variety of travel products, they can and must be very selective in the travel products they decide to represent. Because of their position in the industry, these agents and operators can have a disproportionate level of influence on the workings of the system and on the success of many tourism products. Hence, most tourism operators attempt to have their products represented in some fashion in the trade, whether the product is a hotel, attraction or service facility. That is why most direct selling efforts in tourism are directed towards the travel trade - to inform them about your product and to encourage them to represent or sell your product instead of someone else's.

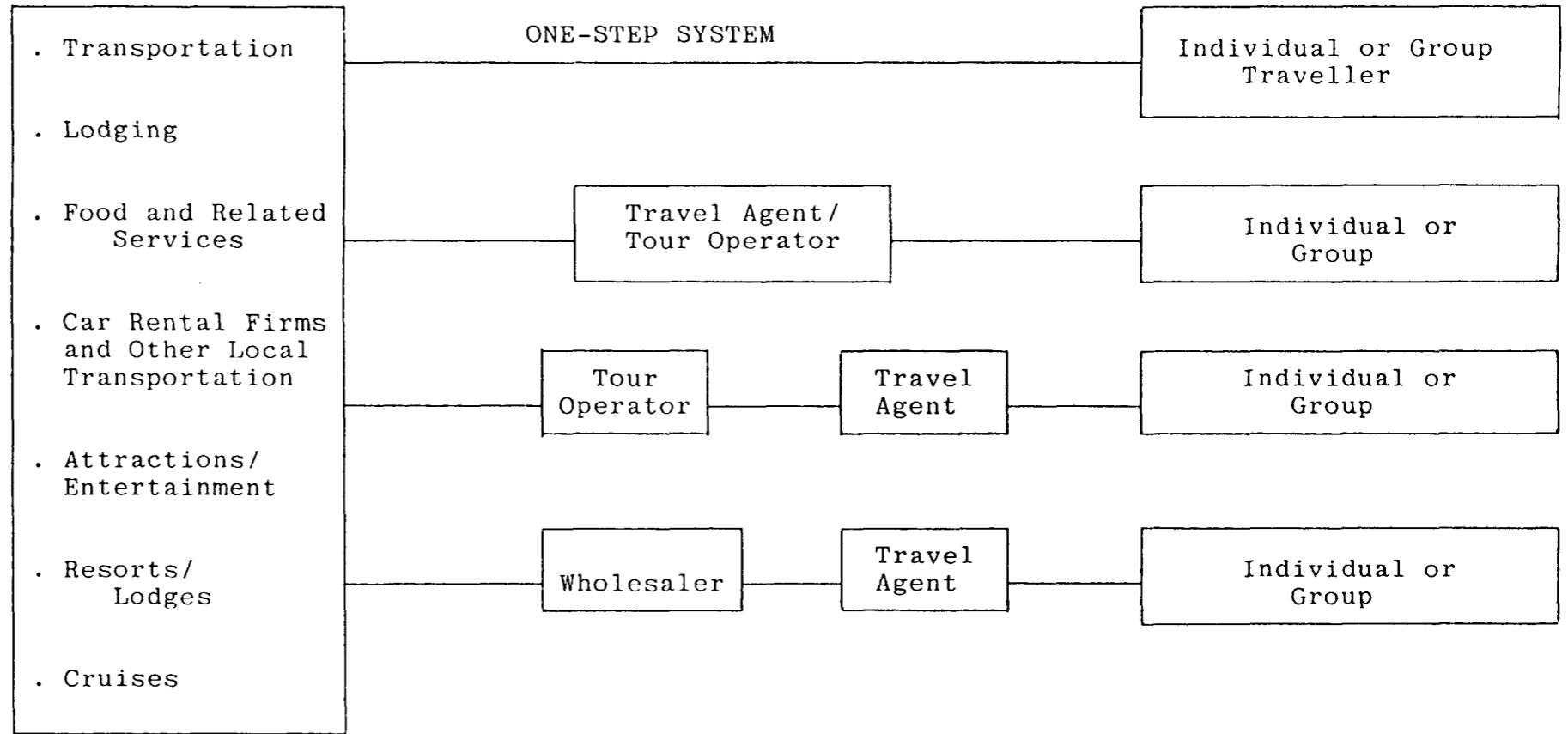
To understand how to approach these travel intermediaries, it is useful to examine how they fit into the travel sales distribution system. Exhibit 15 on page 170 summarizes the position of each in the system.

EXHIBIT 15

TRAVEL SALES DISTRIBUTION SYSTEM

SUPPLIERS

BUYERS



Obviously, the travel agent can play an important role in any travel sales system. Although travel agents generally may not be effective in selling, they must be able to respond to an enquiry about your product. If they are not aware of its existence and do not have any information to give out on your product, an opportunity is lost.

Most travel suppliers find dealing with travel agents a very frustrating process. Travel agents are inundated with a myriad of products, mailings, sales calls, product presentations and other solicitations, and they still have to spend long hours dealing with their clients. As a result, they are rarely very interested in or responsive to solicitations. They are also fickle. If your product gives them a problem at any time, they may recommend against it. Do a good job and they are indifferent - make a mistake and they will cut you off. Nevertheless, they have to know you exist and what your main attractions are, and they have to have your brochures.

Promotional efforts directed at the travel trade generally fall into the following categories:

1. sales calls on travel agency staff and tour operator management (make an appointment),
2. receptions and presentations to launch new products, a new season's products or to educate agents,
3. educational seminars (hold them on the agent's premises - before 9:00 a.m., if possible),
4. familiarization trips (make sure you control the invitations and qualify your agents),
5. trade shows,
6. cooperative selling and promotion programs with tour operators and airlines,

7. trade magazine ads, press releases and "news",
8. direct mail (new brochures, special offers, etc.).

If you are planning a familiarization trip, remember that it is expensive and you are dealing with only a small group of agents. Some pointers to follow should include:

1. get financial support from complementary suppliers, airlines and government,
2. select the participants carefully, based on the past and future business potential. Do not be bullied by agents or airline people,
3. plan your itinerary carefully. Keep up the pace but do not pack too much in. Allow some time off,
4. Do a product presentation at some point,
5. Do not make it free - charge \$50 to \$200, depending on the number of days involved,
6. follow up by calling on the agents later - ask for their business.

Sales support activities directed at the travel trade can be useful forms of promotion. In travel, the brochure is the primary instrument of sales support and because of its importance, it has been dealt with separately. Other types of sales support materials such as posters and counter cards may also assist in maintaining a good awareness of your product.

Public relations activities are normally directed at the travel trade to gain their attention and support. P.R. activities might include receptions, special events, "news" releases, etc.

2. TRAVEL TRADE SHOWS AND MARKETPLACES

A tremendous amount of travel selling today takes place directly at trade events and marketplaces. These are sales events organized by either the trade organizations themselves or by government and other travel service departments.

Your federal and provincial department will usually have a listing of the major shows available in the markets that you have selected. These group events are designed to provide travel suppliers and travel intermediaries with an opportunity to examine each others' offerings and to see what new opportunities are available in the marketplace. Tours operators, for example, often use these types of venues to incorporate new products into their tour programs or to develop new tour packages around interesting new travel products.

Since these travel trade shows and marketplaces can be a very cost-effective means of reaching your target markets, they are worthwhile investigating on a selective basis. If you decide to participate, you should go equipped with appropriate sales promotional tools, such as a product visual display, brochures, posters and price charts. As well, you must be prepared to do business and discuss commissions, discounts and travel arrangements with potential travel middle men who attend these events.

Some advice from your local tourist office should be sought on travel shows that might be suitable for your travel product (e.g., what sport shows for fishing or hunting lodges).

3. ADVERTISING TO THE TRAVEL TRADE

As in consumer advertising, a variety of advertising vehicles are available for reaching these intermediaries. Many journals, magazines and other types of trade publications are available on a national, international and regional basis.

In deciding whether you have a product or service that is worthwhile advertising in a travel trade publication, you must do a cost-benefit comparison, since advertisements of this nature can often be costly. As well, advertising alone to the travel trade may not be effective unless it is supported by some direct sales activities, such as participation in travel trade shows or direct sales calls.

As discussed, travel agencies receive a plethora of travel information at their offices but also do subscribe to and read the magazines and journals directed to them. Canadian Travel News, for example, is a colourful, well-read publication that is useful in presenting new products and ideas to these agents. An advertisement on your product in this type of publication may prove effective in bringing the uniqueness of your product to their attention. Other well-read, trade publications include the CTM Travel Weekly, Canadian Travel Press and Agent West.

Travel agents and wholesalers often have their own magazines and publications which will accept advertising. Often the best way to approach this type of advertising opportunity, if that is a market you want to pursue, is on a cooperative basis with other suppliers or in conjunction with the travel agents or tour operators who will carry your product.

4. COOPERATIVE AND CONTRA PROMOTIONS WITH THE TRAVEL TRADE

In the travel industry and particularly within the travel trade, there are many opportunities for joint or cooperative promotion. For example, a tour operator may decide to carry your product or service and launch a major promotional campaign in markets that he/she feels would be good prospects. You may be invited to participate and contribute to their effort financially as well as through the provision of brochures and support materials for their sales efforts. Your decision on whether to participate will depend on how productive you think this tour operator can be for your product (i.e., how much he will sell). This type of cooperative advertising, because it provides expanded promotional resources, can provide good opportunities to promote your product in areas you might never be able to afford to penetrate on your own.

Be leery, however, of participating too quickly without first investigating your potential cooperative partner's reputation and success level. Many young, inexperienced tourism operators have been known to throw promotional dollars out the door or finance someone else's campaign by not first checking on the credentials of your 'partner' before agreeing to cooperate.

5. CONTRACTING AND BLOCKING SPACE

To ensure that they will have a sufficient amount of space or product to sell once it is included in a program, the common practice in the travel trade is to contract or block space. Whether your involvement is with a tour operator, wholesaler or travel agent, they will require some assurance that you can

guarantee the space or product before they venture into a promotional effort.

Space is normally booked through negotiations between suppliers and travel middle men after much discussion about what they are likely to sell. The common practice is for anyone representing your product in this way to request more space than they actually are likely to sell, until they have had an opportunity to test the market for your product.

To ensure that you are not blocking space unreasonably and foregoing any other potential sales by holding the space for an operator or wholesaler, it is normal to request advance deposits as you approach the blocked date. Since travel is a disposable product which cannot be inventoried to sell later, cautious practices in blocking and contracting space are advised. A 25% deposit to confirm an agent's sincerity in selling your product is reasonable and cancellation insurance programs can assist to ensure that nobody loses in the exercise.

It is a good idea to take a cautious or prudent approach when dealing with the travel trade in product contracting.

6. TOUR OPERATORS

Your do not use a tour operator, he uses you. As a result, you will have to provide him with a product when he wants it, usually in your peak season. However, he will also likely take some off-season space as well if encouraged to do so and if your price concessions are generous.

Tour operators broaden your marketing effort substantially, and they carry the costs of the marketing. A good tour operator can give you business in a steady stream over time.

A tour operator needs his own markup, in addition to the 10% or more he has to pay the travel agent. He will get it by being aggressive with you in obtaining the lowest possible net price, so sharpen your pencil.

The quality of the tour operator you deal with is most critical. Check him out with other suppliers. Many are unreliable, fly-by-night operators, others are inept, some get themselves over-extended with product and money. Do not forget that he has little at risk. It is the supplier who has his space tied up. It has been found that, on average, tour operators will generate from 25% - 45% of the business they say they will get. Some fail altogether; a few meet their expectations and the rest fall in between.

The tour operator collects his money in advance from his customers, but he will pay you after the fact. Insist on an early payment procedure, i.e., 15 days but not more than 30 days.

Do not tie up more than about 30% - 40% of your space with tour operators in any given season. Otherwise, you could be in trouble if one or two pull out and the others perform poorly. Do not become dependent on them.

CASE STUDIES

- CASE 1 : MARKETING PLAN FOR THE "RANKIN INN LODGE/
PTARMIGAN INN"
- CASE 2 : PRICING A PROPERTY; THE CONCORDE HOTEL
- CASE 3 : PACKAGING A WILDERNESS EXCURSION PRODUCT
- CASE 4 : DEVELOPING A REGIONAL ADVERTISING AND
PROMOTIONAL PLAN

CASE #1PREPARATION OF A MARKETING PLAN FOR
THE RANKIN INLET LODGE/PTARMIGAN INNSCENARIO

The lodge/inn in which we are today requires a long term marketing plan. You are a tourism consultant from Toronto and you have just stepped off of the plane, having been hired by the Lodge/Inn, by letter, to prepare such a plan. So far, you have little information at hand, just what you have read on the Northwest Territories in a general tourism information package sent to you by the Territorial government.

Your client has expressed a concern that he is not getting as much business as he should be, especially in the shoulder seasons. He doesn't feel he can afford to spend very much money on consultants or, in fact, on a major advertising program.

TASKS

1. Prepare a brief situation analysis on the Rankin Inlet Lodge/Ptarmigan Inn, identifying only the key, salient information.
2. Identify potential new target markets for the lodge/inn.
3. Prepare a brief marketing plan, identifying:
 - a) Target Markets Selected (with reasons for their selection)

- b) Product Strategy for each target market
- c) Sales Objectives for the first year.

NB Background data on the Rankin Inlet Lodge/Ptarmigan Inn will be assembled and provided at the seminar prior to this case being undertaken.

CASE #2

PRICING A PROPERTY: THE CONCORDE HOTEL

This case is described in the text of this manual, in Module 4, pages 58 to 94 . The seminar will go through this case in detail, as a group.

CASE #3PACKAGING A WILDERNESS EXCURSION PRODUCTSCENARIO

Recognizing the potential demand for wilderness adventure products and the variety of activities and natural resources available within his region, Ted Schreyer decided to examine the possibilities of developing a whitewater canoeing or rafting package that he could market to people who were seeking such an adventure in the north.

Having lived his whole life in the City of Yellowfork Ted felt that he would have a solid base of operation from which to connect his more remote wilderness packages with the population centres of the south.

Being inexperienced in this type of business, Ted sought the advice of the tourist zone association manager for the development and marketing of his tour package. The manager provided Ted with a basic outline of the things he should consider in developing the package as follows.

1. Decide who your market is likely to be and what type of services/product they are likely to want.
2. Decide who your competitors would be and how you can compete effectively.

3. Decide what components you can feasibly and logically include in your package and who your main suppliers will be.
4. Contact complementary product suppliers to find out a) their level of interest; b) what services and prices they can offer you.
5. Price out your package.
6. Lay out a plan for promoting your program.
7. Develop your package and "Go for it".

The manager also assisted Ted by helping him lay out the following information:

- at least 3 major rivers existed within an hour's flying time of Yellowfork that were suitable for white water canoeing and/or rafting.
- there were two air charter operations in town that could transfer groups of up to 10 people in one flight.
- Yellowfork has 3 hotels with two offering full meal service.
- Ted anticipated that start-up capital costs for equipment would be about \$30,000 for canoes and rafts and tents that could accommodate 3 groups of 10 each at a time.
- he also investigated similar packages offered in other parts

of Canada and found that the wilderness adventure market generally wanted excursions of 7 - 10 days, exclusive of air travel to and from the start-off point.

- He decided to limit his package offering initially to 10-day white water canoeing and 7-day white water rafting excursions.

- He thought his primary market was likely to be people from the four major population centres that were within a 2 hour flight of Yellowfork.

QUESTIONS

1. Design one or more packaged product(s) for Ted, describing all their main features.

2. Describe the seasonal schedule of departures.

3. Describe the pricing analysis and prices to be used.

4. Describe, in general terms, the following:
 - a) target markets
 - b) channels of distribution to be used
 - c) main marketing activities

TOUR PACKAGING FACT SHEET (Case #3)

- Airfare Edmonton to Yellowfork \$250. Arrives at 2:00 p.m.,
departs southbound at 3:00 p.m.
- Local air carrier rates:
 - 3 passengers (185) \$1.65 per mile
 - 10 passengers (Otter) \$3.20 per mile
- Distance from Yellowfork to drop-off point is 85 miles and to
pick-up point is 114 miles.
- Hotel rates in Yellowfork are:
 - Best Hotel (The Ritz) - \$75/night, double (Discount 20%)
 - Moderate (Middle-of-Road motel) - \$50/night, includes breakfast
(Discount 15%)
 - Cheap (Flop-House) Hotel - \$35/night, no meals (Discount-None)
- Guide Fees - \$75/day (1 guide required per 5 people)
- Travel agent commission - 10%
- Tour operator commission - 20%

3. Sales promotion and public relations plan
 - direct sales program to be utilized
 - public relations program