

# 3.8 Marketing 101

## What is marketing?

There are a number of ways to define the term marketing. At its most fundamental level, marketing is any activity that attempts to respond to a demand for a product or service. In the tourism industry, *effective* marketing is a process in which you determine who your potential buyers are, what their needs are and how you will go about meeting those needs. Do not confuse marketing with selling or advertising. In fact, these two are both aspects of marketing. Selling is what happens when you contact potential buyers to purchase your product or service. Advertising is part of your promotional marketing activities.

## Market-driven approach

It is often said that to be successful in this industry you must anticipate, meet, and even exceed your customer's needs. This is the *service* or *customer-oriented* approach. To be successful in marketing, you must take the same point of view. It used to be that if you built a better mouse trap, the world beat a path to your door. Today, you wouldn't build that mouse trap until you conducted some market research to determine if a need existed for one. This is referred to as a *market-driven* approach, in which your business decisions are driven by the desires of your customers and not merely by your business capacities or capabilities. This stands in sharp contrast to an older *inside-out* approach in which business decisions are made based strictly on what the company has or wants to sell.

## Start with customer needs

To be market-driven, a new tourism business that plans to offer soft (low-risk) adventure tours would determine why customers would be interested in these tours before they are designed. This business would design its product around its research into its customers' needs and wants rather than the capabilities, knowledge and interests of its owners. The outcome of the market research would determine how the business would design important factors like timing, accommodation and the areas to be toured. The level of satisfaction will be high and result in free promotion in the form of *word of mouth* referrals. Satisfied customers will be your best promoters.

## The marketing mix

A key concept in marketing is the *marketing mix*. This is the full combination of efforts a business makes to achieve its marketing objectives. The traditional understanding of marketing mix consists of four principal elements known as the 4 Ps: Product, Price, Place (or distribution) and Promotion. Let's look at each of these a little more closely.

### Product

Your business product is whatever is being delivered to satisfy consumer wants or needs. It is much more than the goods or service you provide. The product is what the customer buys to satisfy a *want* that he has. The want could be adventure, a gift, a learning experience or food in the stomach. The first step in marketing your tourism product is to understand the *want* which you can satisfy.

### Price

Price includes everything a buyer pays to a seller – cash, the benefits of credit or discounts. The price of your tourism product must be linked to the cost to your business of providing the product so that it will create a profit. A key consideration for new entrepreneurs is that your product costs are at their highest when they're newly introduced. Unfortunately, this usually coincides with a time (new business start-up) when demand will be at its lowest. You may have to plan on a period of low returns or even losses until you can generate sufficient sales.

### Place

Place refers to the distribution channels you employ to get your product to your customers. While place sounds like a retail space, or your business location, in a marketing sense it may have nothing to do with a specific site. The Internet, for instance, is one such channel. There are a number of channels unique to the tourism trade including outbound tour operators, receptive/inbound tour operators, travel agents and meeting and incentive planners. These companies assemble tours, services and other tourism products in various ways for resale. (see *Fact Sheet 3.12*)

### Promotion

This P is the term many people confuse with *marketing*. Promotion refers to all the methods and tools used to spread information about the product and encourage consumers to buy it. This

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includes print advertising, personal sales, discount coupons, press releases, and a web presence. Once your business is in operation, it is this part of marketing that you will have to spend money on every year. Knowing your product and your market will be important if you are to keep your advertising and promotion budget in line and producing results.

### The 9 Ps

In the tourism industry, the marketing mix is sometimes referred to as the 9 Ps. To the traditional four above are added packaging and partnership (see *Fact Sheet 3.2*), people (see *Fact Sheet 3.3*), positioning and programming. Positioning refers to the way that you differentiate your business from your competitors, while programming refers to special events you might organize to extend your product's reach.

### Other marketing concepts

There are a few other marketing concepts an entrepreneur should be familiar with. The concepts of *market segments*, *target markets*, *product-market match* and *market niche* will fill the remaining slots of your marketing toolbox. Market segments are groups of people who have something in common. This may be the place they hail from, their age or their interests related to travel. A target market is the particular market segment at which your business can aim its product. The product-market match is the degree to which your product matches with the *wants* of a particular market segment.

### Market niche

A variation of the target market is the *market niche*. A niche is a specialized part of a market segment that has demand for a unique product. The idea of focusing on a market niche is to direct your marketing resources to this special group of people. To do *niche marketing*, your market research has to confirm the existence of the market niche and its demand pattern. Your product needs to be developed with this niche as the focus. Your distribution channel and your price have to be carefully developed to reflect the needs of this niche.

### Example

The following example illustrates a number of marketing concepts.

A tourism business offering year-round, overnight accommodation, breakfast and 2-hour tours in the summer could define its marketing mix this way:

<i>Product</i>	Bed and breakfast with modern rooms, comfortable beds and furnishings Summer: Comfort, security, convenience and information Winter: Comfort, security and convenience
<i>Price</i>	Summer: \$85.00 per night per person incl. breakfast, walking tour, GST Winter: \$70.00 per night per person incl. breakfast and GST
<i>Place</i>	In-bound tour operator, local tourism information centre, accessible location
<i>Promotion</i>	Flyers updated each season, regular personal contact with wholesaler, updated website, email flyer information to prospective/regular clients
<i>Segments</i>	Age groups, mode of transport and purpose of visit
<i>Target market</i>	Summer: Primary: Age 50+ independent fly-drive travellers Secondary: Age 50+ independent business travellers Winter: Business travellers, winter visitors, both Yukon residents and international travellers
<i>Market match</i>	International service standards, secure surroundings, high quality and healthy breakfast with an opportunity to learn about the area which matches the needs of the summer and some winter target markets.

### Marketing and the business plan

In the example above, the entrepreneur has done research to determine the market segments and other aspects of his marketing mix and provided supporting background information and sources. A working relationship with the tour operator has been developed and provides the business plan with some credibility. To deliver the service standard that is an integral part of the marketing mix, the business owner and staff require training in aspects of hospitality and customer service. These requirements were spelled out in the human resource section of the business plan. This business will generate more cash flow in the summer and less cash flow in the winter so the financial part of the business plan deals with the seasonal issue.