

# Place

## Key concepts

The main concepts covered in the chapter are:

- The main distribution channels in leisure
- The impact of technology on distribution systems
- The growth of direct marketing
- Factors which influence the type of distribution system in different sectors and different countries.

## Introduction

Place is clearly a crucial aspect of marketing, for consumers may like a product and be willing to pay its price, but if they cannot gain access to it no sale will result.

In this chapter, we will explore the nature of place, or distribution, in leisure. In particular, consideration will be given to three aspects of distribution, namely:

- (i) the distribution channels which operate in the leisure sector and the role of marketing intermediaries, such as travel agents;
- (ii) the growth of direct marketing, where producers communicate directly with potential consumers, without the involvement of intermediaries;
- (iii) the development of distribution channels in leisure.

One clear theme that will be developed during the chapter is the increasing influence of technological developments on the distribution system in leisure. These include computer reservation systems and multimedia systems, for example.

The distribution of leisure products can take two forms, like that of other products, namely:

- directly from the producer to the consumer;
- indirectly from the producer to the consumer via one or more intermediaries.

### The distribution channels which operate in the leisure sector and the role of marketing intermediaries, such as travel agents

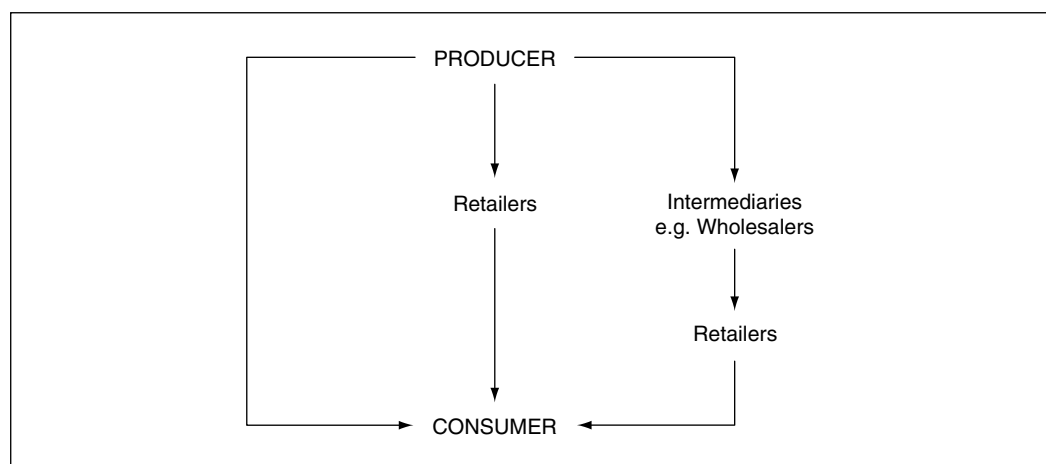
The distribution of leisure products takes place using distribution channels. Distribution channels can take two forms, namely:

- directly from the producer to the consumer;
- indirectly from the producer to the consumer. When the product is distributed indirectly, there are one or more intermediaries that are involved in the distribution channel.

An organisation may use one or a combination of direct and indirect distribution channels. The choice of these will depend on the costs involved, the predicted levels of success, the degree of control and the level of service required. The market characteristics will also determine the type of distribution channel which is used. In the tourism industry, for example, many domestic producers, such as small hotels, bed and breakfasts, travel companies and holiday centre companies, sell their products and services directly to the customer.

Direct sale has been helped with the growth of sophisticated targeting techniques for direct mail and the use of advanced distribution technology. The products which constitute the outbound tourism market, however, are almost exclusively distributed directly via a series of travel agents. The travel agent acts as a retailer for the tour operator who negotiates the package from different suppliers and presents the finished result in a brochure.

A simple distribution channel consists of a producer who sells directly to the final consumer or uses intermediaries. This is shown diagrammatically in Figure 8.1.



**Figure 8.1** An example of different distribution channels

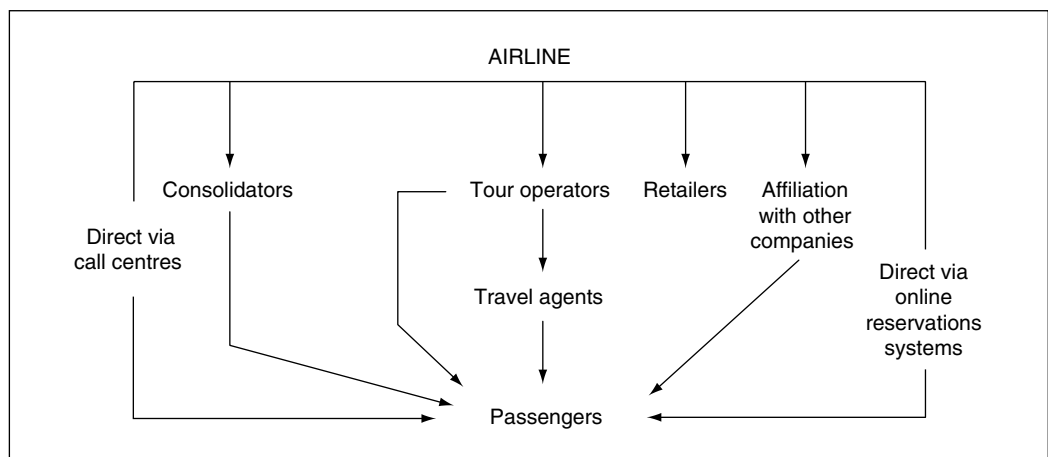
A wholesaler is a trader who buys a product or service in bulk from the producer and then sells them in smaller quantities, especially to retailers. A retailer is a person or

business company that sells products or services to the general public. The retail outlet may be in the form of a shop, a multiplex, a supermarket, a restaurant, a public house, etc. The retailer is usually the last link in the distribution channel before the customer. The retailer will carry out a number of functions on behalf of the producer. Figure 8.2 shows the functions which a retail travel agent carries out on behalf of the holiday and travel companies.

- Stocks brochures and information databases
- Provides advice for customers
- Sorts the products ready for display
- Merchandises the products in attractive displays
- Handles promotions on behalf of the companies represented
- Negotiates terms of sale with the customer
- Uses computer reservation systems to expedite customer bookings
- Receives payment from the customer
- Transmits tickets to the customer
- Analyses sales data and provides companies with marketing information
- Offers ancillary products such as insurance and currency exchange
- Handles customer complaints.

**Figure 8.2** The functions of the retail travel agent

One of the key activities of the retail travel agent is to merchandise effectively so that consumers are attracted to the shop to purchase. The retail travel agency should also offer a reliable and efficient service which encourages sales. A simplified model of distribution shows that the producer can use a number of intermediaries ranging from a wholesaler to a retailer. This general model can be applied to the leisure industries. Airline seats are a good example of a product which is sold in a number of different ways using specific distribution channels. This is explored in Figure 8.3.



**Figure 8.3** The distribution channel for airline seats

The model shows that airline companies use a variety of distribution channels to sell airline seats to the final customer. They sell direct to the passengers using telephone or interactive systems like Minitel in France, for instance. They can also sell tickets in their own retail outlets. Most of the major national airlines have their out shops in major cities of the world. Airlines also sell seats by using the tour operator and travel agents as intermediaries in the distribution channel.

The airline can negotiate directly with the tour operator, which then presents a package that is either directly sold to the passenger, or sold in a travel agency which serves as a retail outlet. Consolidators also act as intermediaries in the distribution channel, and may sell either direct to the passenger or may use other intermediaries. Airlines often form loose affiliations with other organisations in order to sell airline tickets to the final customer.

Increasingly, however, airlines also sell directly to consumers through online reservation systems and call centres.

The distribution of airline tickets also relies heavily on the use of Computer Reservation Systems (CRS). The use of technology in the distribution process is discussed in more detail later in this chapter.

Organisations that are marketing leisure products have developed special systems for distribution. This is probably partly explained by the intangible and perishable nature of services in general.

In some cases the organisations use marketing channels which are similar to those used by more traditional manufacturers. Examples of intermediaries in these types of distribution channels include company owned, managed or franchised networks. In other cases, the organisations rely on unique distribution methods. Examples of intermediaries in these unique systems include consortia, central reservation systems, affiliations and specialist organisations such as tour operators and travel agents.

Organisations must also decide whether they own, manage or franchise the intermediaries in the distribution channel. A major hotel chain which is trying to expand internationally, for example, must decide on whether to own the new outlets itself. There are advantages and disadvantages of ownership which are summarised in Table 8.1.

Advantages	Disadvantages
Owning provides the best chance of controlling the product quality	Capital monies are spread thin. The company may not have sufficient resource to fund rapid expansion plans
Owning gives the company reassurance about consistent quality, internationally	It may be a very slow process to own new hotels, particularly in areas where they have to be built from scratch

**Table 8.1** The advantages and disadvantages of expanding a hotel chain by ownership

Organisations can also manage the property owned by others (Table 8.2).

The final method of expansion for the hotel chain is to enter into franchising agreements.

Franchising is an agreement in which a retailer is granted the exclusive rights to retail certain products or services in a specified area in return for a payment. The franchiser grants the franchisee the use of its trademark promotional facilities and merchandising

Advantages	Disadvantages
The next best thing to owning, for quality standards and consistency	Can be difficult financially and can encourage over supply
Much quicker than owning – managing usually involves existing properties	Owners may refuse to refurbish when the managing company considers it is essential
Little capital investment	

**Table 8.2** The advantages and disadvantages of expanding a hotel chain by management

expertise. Franchising has been used extensively by hospitality providers as a way of achieving an effective distribution channel in a short space of time. Hotel companies such as Holiday Inn and Accor, and fast-food operators such as McDonald's and Burger King have all used franchising as a way of developing distribution channels in extensive geographic areas. The development of a franchised network will allow the organisation to spread the distribution of the product or service at a rapid rate. It also allows the organisation to use the business experience of others which can be particularly important if the market is one in which the organisation is not totally familiar. The control of quality and consistency may be difficult and will require very carefully designed management systems to cope with this. Organisations often choose to use a mix of ownership, management and franchising agreements to develop an effective distribution system.

Other intermediaries in the distribution channels of leisure organisations include:

## Consortia

A Consortium is a loosely linked group of independently owned and managed organisations which join up to operate a joint marketing distribution process. An example of a consortium of hotels is the French Logis de France which represents almost 5000 family-run hotels of varying sizes and quality. The properties are tied together by a logo and the consortium carries out marketing activities aimed at target markets. There is some measure of control placed on membership which differentiates them from reservation networks. Membership of a consortium offers an organisation the advantages of access to improved marketing channels and exposure to more target customers. The organisation can also use a brand identity which will often open up the possibility of distributing on an international basis. The fact that the organisation needs to meet certain standards means that there may be some initial investment requirement.

There is also the danger that the member of the consortium is seen as a chain operation with little individual identity. The way that the Logis consortium in France has tried to overcome the potential problem is by the requirement that each Logis must have a local menu which reflects the local traditional cuisine. This ensures that each Logis has an individual and unique identity. Examples of hotel consortia are shown below in Figure 8.4.



Best Western Hotels  
 Exec Hotels  
 Leading Hotels of the World  
 Quality International Hotels  
 Relais du Silence Hotels  
 Relais et Chateaux Hotels  
 Logis de France  
 Auberges de France

**Figure 8.4** Examples of hotel consortia

## Reservation networks

Central reservation systems have become a key factor in the market activity of hotels. Buttle (1986) has identified three forms of organisation for these types of systems:

1. A corporate group
2. A voluntary association or consortium
3. A franchise group.

The large hotel chains rely heavily on computerised reservation systems and the information which these systems generate can provide vital marketing information.

Marriott Hotels, for example, has a CRS which provides the company with a massive database of marketing information which the company uses in a number of ways including accurate targeting of customers and potential customers.

Smaller groups and consortia of hotels have also joined together to establish reservation systems. Leading Hotels of the World, for example, represent a group of luxury hotels which have joined together for reservation and marketing reasons. Hotel reservation systems offer the hotel operator a number of advantages including:

- a convenient method of booking for the customer;
- automatic invoicing systems;
- marketing information opportunity;
- manipulation of room rates to improve profitability.

There are also a number of independent organisations which are using CRS as a central focus for this business. Companies have developed systems that can handle all the bookings on behalf of corporate clients.

The company then has direct links with hotel central reservation systems to arrange the booking. Because of bulk purchasing power, individual corporate clients can be offered more attractive rates than they can achieve for themselves. The reservation system intermediary also benefits through commission on its bookings. Hotels have to decide whether the increased business which they can obtain compensates for the pressure on rates achieved.

## Travel agents

A travel agent is an intermediary in a channel of distribution who makes reservations on behalf of companies. The travel agent is compensated in the form of a commission. Travel agencies are nearly always equipped with computer systems to handle the complex set of

variables involved in booking individuals, business travellers and group booking. There has been a rapid growth in recent years of call centres and the development of global online retail agencies which sell a mix of products, such as hotel rooms, holidays and airline seats, over the Internet.

## Tour operators

Tour operators are also intermediaries in channels of distribution. Hospitality companies often rely heavily on tour operators to distribute their services. Tour operators may provide valuable customers and can generate substantial demand. This can be particularly valuable to hospitality companies at off-peak times although some businesses are permanently positioned towards the tour market. Disadvantages of being dependent upon this market are that numbers arriving can fall short of that anticipated when room allocations are made. Also tour operators often demand extremely competitive rates. A further disadvantage is that tour customers may not 'fit' with other market segments being targeted by the company.

The distribution and selling of leisure products has already been revolutionised by the rapid development of new electronic databases which can be incorporated in telecommunication systems. The future of distribution in these markets will depend on the development of electronic channels of distribution via a multimedia marketing.

Advances in indirect marketing channels in the last few years include CRS and GDS.

## Computer Reservation Systems and Global Distribution Systems

These were developed initially by American airlines companies in the 1970s. The CRS was developed to form a link between the airline and travel agency. The first CRS system to be developed was SABRE which was developed by American Airlines in the USA. This was followed by the development of a similar system by British Airways in 1977 called TRAVICOM (now called GALILEO). The European market was developed by a consortia of companies during the 1980s.

These included the consortia of Air France, Iberia, Lufthansa, Finnair, SAS, JAT, Braattens, Icelandair and Linjeflyge forming AMADEUS on the UNISYS system, and the consortia of Swissair, Alitalia, KLM, Sabena, Olympic, Austrian, Aer Lingus, Air Portugal and BA in GALILEO on the IBM system.

The development of GDS came out of the initial development of CRS. Global distribution systems can now provide travel agents with access to the world's most comprehensive range of travel products and services. The top four distribution systems are SABRE, WORLDSPAN, GALILEO and AMADEUS.

These GDS provide the opportunity for the buyers and sellers of travel products to be directly connected together. The systems also allow massive amounts of information to be ordered which can then ease the purchase of the product on a worldwide basis. The information superhighway is therefore going to continue to have a significant effect on the distribution of leisure products. It will also mean that the distribution of many products and services in the industry will be controlled by the owners of the GDS, rather than the owners of the outlets.

*Viewdata* is information which is transmitted by telephone line on VDI or TV. It excludes teletext (Ceefax and Oracle) which are communicated via TV transmitter. The first system to be introduced in the UK was PRESTEL which was developed by the Post Office.

Thomson, the tour operator, developed its own system and installed direct access reservation systems in a wide network of travel agents in the 1980s. The trend is to link CRS and Viewdata systems together. ISTELE is connected to GALILEO and WORLDSPAN, for example.

Electronic distribution systems will provide an increasingly important role in the distribution of leisure products.

Many organisations in the industry see the development of effective global sales and distribution as being a key strategic objective. Forte, the UK-based hospitality company, for example, began the development of a global sales and reservation network within the hospitality industry back in 1994. Fortress II was developed with a £20 m budget to link all Forte's sales offices and hotels throughout the world. The system interfaces with 400,000 travel agents and all the major airline systems. The company developed a Freephone system which can answer calls in twelve languages. Hospitality reservation systems have become even more far-reaching in recent years.

## The growth of direct marketing

The developments in multimedia systems mean that there are many opportunities to develop direct marketing channels. This will effectively remove the necessity for the marketing intermediaries such as travel agents in the longer term.

The opportunities for increased use of direct marketing systems means that it is easier for producers to distribute products and services on an international or European basis.

Point of Information (POI) systems are multimedia computers which stand alone. They can provide the customer with interactive services. Point of Information systems have already appeared in travel agencies in Holland and are being investigated by other tour operators in other European countries.

Point of Sale (POS) systems are systems which are already operating in airports and stations. They allow the customer to buy their ticket directly and can be linked to Electronic Fund Transfer at Point of Sale (EFTPOS) systems for direct payment. These systems can be linked to POI systems so that the customer can buy direct in shops, departure points, or even from home.

The growth of direct marketing via the Internet for all manner of leisure products and services has grown rapidly over recent years and is beginning to be a serious threat to the high street retailers. The Internet allows instant booking and encourages consumers to put together their own leisure products.

## The issue of prebooking

Distribution networks tend to exist where prebooking is the norm, which means airline seats, package holidays and hotel rooms for example, in the context of leisure. Where prebooking is rare or there is no provision for prebooking, it is difficult to identify anything that might be termed a distribution network. In this situation a distribution network is unnecessary or impractical. Examples of this in leisure include most visitor attractions and countryside recreation such as walking along footpaths.

## Location and 'passing trade'

P for Place in the marketing mix, as we know, means distribution channels. However, in some sectors of leisure, it can literally mean place or location. In sectors such as hotels and



attractions, where so-called 'passing trade' is an important element of the market, this is the case. For example, someone walking around Bruges or Barcelona in the evening looking for a hotel room will select a hotel by walking up and down the street until they find a hotel they like the look of and which has vacancies. Here it is the hotel's location which has given the customer access to the product.

## The development of distribution channels in leisure

It is well recognised that distribution is one of the most difficult parts of the marketing mix to standardise (Porter, 1986). Distribution channels in different countries of Europe, for example, show very different patterns of development. Retailing has also been developed on an individual country-by-country basis.

The opportunity to standardise the distribution channels for leisure products across Europe depends on a series of factors. These factors are explained below.

### The market characteristics

The type of market will determine whether it is possible to standardise the distribution channels. The international airline business, for example, is showing increasing signs of standardisation of distribution with the use of CRS and GDS. Standardisation will become particularly well developed if the channels of distribution become shorter and direct selling becomes the norm. International airlines, however, still use a network of nationally based retailers in individual countries to distribute their product.

The hospitality industry is also beginning to show signs of a standardised approach to distribution. International hotel chains are beginning to develop distribution channels which use CRS and GDS systems, although nationally based retailers are also used to distribute their products and services. Fast-food chains such as Burger King and McDonald's have used a standardised approach to distribution in different countries. The fact that consumers in the market are expected to go to a similar outlet in a major strategic location and buy a similar fast-food product has allowed the fast-food retailers to develop in a standardised way using a variety of techniques, such as ownership and franchising.

### The size of the supplier

The size of the supplier of the leisure product will determine the approach to distribution. A small hospitality outlet such as a hotel or restaurant will have a small geographic market area. For this type of operation, distribution or 'place' will literally mean the location of the operation rather than a channel of distribution. The question of whether to standardise or not, will not be an issue for a small business such as this.

The leisure industry has also been characterised by small organisations which are often in the public sector. The small size of these operations such as leisure centres or theatres will also mean that distribution or 'place' refers to the location of the operation.

It is the large organisations in the industry that have the ability to market in different countries which have the most opportunity to standardise their distribution channels. This includes international airlines, international hotel chains and multinational fast-food chains. The use of CRS and GDS will help in this standardisation process.

## The availability of standardised distribution channels

If an organisation has the desire to develop a standardised approach to distribution it must have the availability of standardised channels which the customer readily accepts.

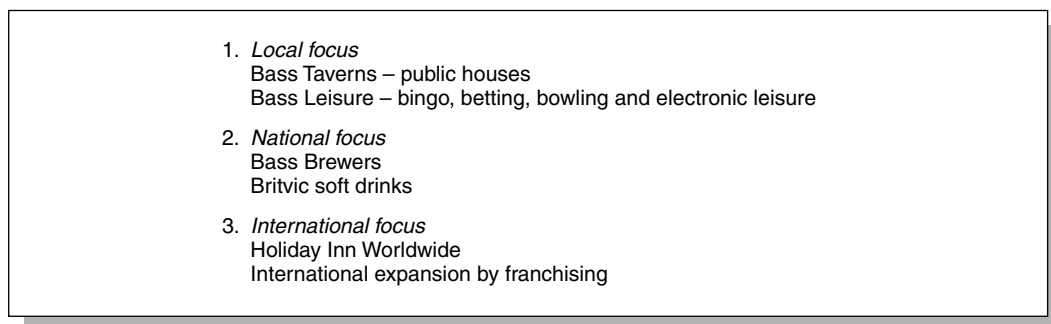
Many large organisations in the leisure industry have a mixed approach to distribution because of their portfolio of products and services. In some market areas they may be operating a locally developed distribution system to meet local trading conditions. In other market areas, they may be trying to standardise their distribution channels so that they can compete more effectively.

Bass, for example, the UK-based brewing and leisure group has operated different strategies in different areas of the business. The development of this mixed strategy was discussed way back in 1994.

The competitive benefits of scale arising from size and brand leadership operate at different levels in different markets. Our strategy is, therefore, to focus our efforts sharply on the level that will yield most benefits locally for pubs and leisure retailing, nationally for brewing and soft drinks and internationally for hotel franchising.

Ian Prosser, Chairman of Bass

In other words, the company's focus was on a local, national and international basis according to the particular market. This is explored in more detail in Figure 8.5.



**Figure 8.5** The strategy of Bass plc for different products and services

## Distribution and promotion

It could be argued that the trends we have just been discussing are blurring the distinction between distribution and promotion.

Consumers will increasingly be able to access promotional material, directly, without the need for marketing intermediaries. They will then be able to book or buy the product at the same time through interactive television, for instance.

The choice of focus whether it is local, national or international has been determined by the market characteristics and consumer buying behaviour.

In general there has been a growth in the number of indirect channels of sales in the leisure industry. The closer that these intermediaries are to the consumer, the more local they have tended to become. Travel agents, for example, have developed at a local and national level in individual countries of Europe.

The distribution networks are likely to change in the next few years from the current structure of networks of travel agencies, tour operation, corporate travel offices, hotel chains and government tourism promotion bodies. The role of these members of the distribution channel will change as the communications technology move forward.

Third parties with highly developed software and infrastructure will increasingly control the capacity. The revolution in the distribution of leisure products across increasingly larger geographic areas has only just begun.

## Conclusion

This chapter has explored the importance of place in the marketing of leisure products. It has looked at the direct and indirect methods of distribution which exist in the industry. Important issues such as the growth of direct marketing are discussed. The chapter concludes by looking at the development of distribution channels in leisure and the use of information technology to help with this process.

## Discussion points and essay questions

1. Discuss the different types of distribution channels which exist within the leisure sector.
2. Critically evaluate the ways in which technological developments are likely to affect the future distribution of leisure products.
3. Examine the factors that will stimulate and obstruct the growth of direct marketing in the leisure sector.

## Exercise

Choose *either* of the following pairs of organisations:

- a mass market tour operator and a niche market specialist tour operator;
- a major international hotel chain and a small local private hotel;
- an international sports team and a small community-based sports team.

You should produce, for each organisation, a model of their distribution network. You should then identify the similarities and differences between the distribution networks of the two organisations and account for the differences.