CHAPTER 5

International marketing

Chapter objectives

After working through this chapter, you should be able to:

- Define key marketing concepts in the global environment
- Examine the processes used in conducting international market assessments
- Describe the criteria that affect an multinational enterprises decision to adapt the offerings to local markets
- Understand which characteristics of hospitality service must be adjusted for successful global marketing
- Discuss the major international considerations within the marketing mix: pricing, promotion, branding and distribution
- Explore the expanded concept of international branding within the hospitality industry

Introduction

In this chapter, you will be introduced to the key concepts of marketing in the international hospitality industry. We will start by explaining the differences between marketing and international marketing, and then discuss the applications of international marketing strategies in hospitality businesses. This chapter explores how marketing managers analyse country market potential in order to develop effective international marketing mix strategies. It reviews the adaptation versus standardization debate and also considers the rationale for selecting nationally responsive and globally integrated marketing strategies. Finally this chapter discusses very important issues of branding in the hospitality industry from an international perspective.

The marketing concept

There are hundreds of definitions of marketing available in the literature. Early definitions of marketing focused on the exchange or transaction process, which can generate first-time buyers. Now more academics suggest that customer satisfaction is the key to successful marketing, which is closely linked with the development of relationship marketing.

The following three definitions of marketing probably are widely accepted by both academics and industry management:

1. "Marketing is a social and managerial process through which individuals and organizations satisfy their needs and objectives via the exchange process" (Kotler, 2003).
2. "Marketing is the management process responsible for identifying, anticipating and satisfying customer requirements profitably" (Chartered Institute of Marketing, UK).

3 "Marketing is the process of planning and executing the conception, pricing, promotion, and distribution of ideas, goods and services to create exchanges that satisfy individual and organizational objectives" (American Marketing Association).

According to Rugman and Collinson (2006: 312), international marketing is "the process of identifying the goods and services that customers outside the home country want and then providing them at the right price and location". In the international marketplace this process is similar to that carried out within the domestic market, but with some important modifications to adapt the marketing efforts to the needs of the specific country or geographic location. International marketing involves a range of activities which are more complex than domestic marketing, such as marketing research, product design, pricing and branding.

International hospitality managers cannot assume that the foreign markets are the same as their home country and thorough investigations of the specific country before making major marketing decisions that are essential for successful international market development. International marketing is closely linked to international strategic management because it includes the process of deciding which markets to operate in, issues of international entry modes and decisions about whether to expand or contract operations. International marketing is vital if a company competes in a global industry or the industry is beginning to move towards globalization.

The concepts of marketing orientation

Marketing is about serving customers, fulfilling the needs of society and achieving the goals of the organization. Through customer satisfaction, marketing creates the customer loyalty necessary to reach an organization's objectives. In the past century, the approach to marketing has gone through different stages. In the new century marketing will be influenced by ethics, natural environments, cultural diversity and changing technology and innovation. Also for a prospective marketer, more stakeholders in the society now need to be considered in the process of marketing (Figure 5.1).

Production orientation

A production orientation indicates a company is more concerned about production variables, such as capacity, efficiency and quality than anything else in marketing. Companies assume customers want lower prices and higher-quality goods and services. Such an approach is still used internationally for selling commodities and service. For example, when the first McDonald's restaurant opened in Moscow, more than 30,000 customers waited outside to get in and taste the burgers. In the first year, 5 million customers came to eat and drink in this restaurant. To provide good quality

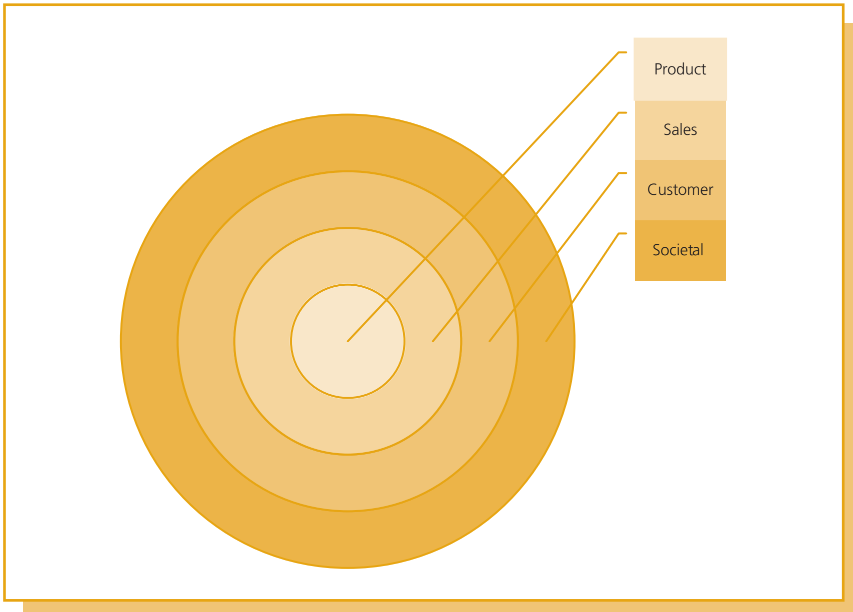

Figure 5.1 Building the concepts of marketing orientation

food efficiently has been the main objective of McDonald's Moscow for quite a long term because of unsatisfied demands. KFC is another example of production orientation. KFC started to develop business in China from 1990 and currently serves 1 billion customers in China alone in 2005.

Sales orientation

Demonstrating a sales orientation indicates that a firm assumes global customers are reasonably similar and it can therefore sell into foreign markets with the same goods or services it sells at home. Hospitality multinationals use powerful public media, or sponsor mega sport events to promote their products and services worldwide.

Customer orientation

A customer orientation indicates a firm is sensitive to customer needs, as it thinks in terms of identifying and serving the needs of the customer. Given a particular country market, what products are needed? In the auto industry, there is not a car for all the countries; in the restaurant business, there is a dish for every customer.

Societal marketing orientation

The societal marketing orientation indicates that a firm recognizes it must conduct its activities in a way that preserves or enhances the well-being of all its stakeholders. As it serves the needs of its customers it must also address the environmental, health, social and work-related problems that may arise when producing or marketing its products abroad. Customers may present unhealthy demands in the hospitality premises, some of which will be illegal, such as drug taking and prostitution, others merely anti-social, such as the use of mobile telephones. Hospitality should have a legal and ethical responsibility to inhibit these activities and even to prevent them happening. Following this societal marketing orientation, many organizations want to contribute to a better natural environment and now we are seeing many hotels beginning to use the Green Hotel concept to attract eco-friendly customers.

As Figure 5.1 suggests, the scope and role of the marketing function grows and becomes more complex as we move from the inner to the outer circles of the diagram. It also demonstrates that although the concept becomes more sophisticated, it never loses the elements of the former constructions.

Hospitality companies may have mixed marketing orientations in certain foreign market. For instance, a large country may be in different stages of the marketing orientation evolution. For example, in many areas in China, the hospitality industry is still in the production orientation stage. But in the big cities, such as Beijing or Shanghai, multinational companies need to use marketing orientation or societal orientation to reach the more sophisticated customers.

International market research and assessment

Marketing research is necessary for major hospitality companies when they plan to move into foreign markets. This presents unique problems because of the cultural, social and technological differences between countries (Usunier, 2000). These issues include:

- Language and translation difficulties. English-speaking or French-speaking researchers cannot use their questionnaires or conduct interviews in many foreign counties.
- Different cultural responses are found to the idea of market research surveys. The research findings may be biased by these different responses.
- Difficulty in obtaining comparable samples, especially in developing countries.
- Different cultural backgrounds and product knowledge.
- Differences in infrastructure.

According to Bowie and Buttle (2004), hospitality companies carrying out international marketing research need to be aware of these difficulties, and should employ specialist local research agencies to provide appropriate advice.

The beginning of the practical process of international marketing is to assess market conditions in the various possible countries in which multinationals may choose to enter. Rugman and Collinson (2006) suggest this assessment typically involves a series of analyses aimed at pinpointing specific offerings and geographic targets.

- The first step in this process is the initial screening. It is the process of determining the basic need potential of the multinational's goods and services in foreign markets. Marketers need to ask the question: Who might be interested in buying our services and products? Once a company decides to enter foreign markets, it must carefully collect and analyse data in order to determine specific country product-market potential and the marketing mix required to achieve its objectives. Total market potential represents the total potential sales of all the relevant competitors within a given market. To determine potential demand for its own product, a hospitality company must first estimate the potential sales of the total market and then estimate its current and desired market share. The major indicators, as we identified in the previous chapter's discussion of PEST analysis, for potential sales of most service and products are population and disposable income, plus the rate of growth in each. Other variables to be considered include income elasticity, income inequality, the availability of substitute products and cultural factors. For example, the total market potential for the hotel business in India will be enormous, as it has the biggest middle class in the world, and India's GDP growth reached 8% in 2005.
- At the second stage, screening is used to reduce the list of market prospects by eliminating those that fail to meet the necessary financial and economic considerations. According to Rugman and Collinson (2006), there are three important market indicators: market size, market intensity and market growth. (1) Market size is the relative size of each market as a percentage of the total world market. (2) Market intensity is the degree of purchasing power in one country as compared to others. (3) Market growth is the annual increase in sales. These data are usually analysed using quantitative techniques, such as trend analysis, regression analysis and cluster analysis.
- For hotel businesses, the essential data, which help companies to forecast operating performance in a new country, include industry average occupancies, achieved room rates and yield, visitor arrivals, visitor spend and other economic statistics. Bowie and Buttle (2004) suggest that the attractiveness of a different country market will depend upon the potential demand from the selected target markets and the intensity of competitor rivalry.
- The following screening involves looking at political and legal forces. High political stability creates a favourable invest condition. Developed countries in Europe, North America and the Asia Pacific area have stable political systems, hoteliers can choose to purchase freehold properties or negotiate long leasehold agreements in these regions of high political stability. While countries that have considerable political turmoil, like Iraq,

Pakistan, Zimbabwe, East Timor and Myanmar, are more risky and therefore less attractive to international hospitality companies. In countries with high political instability, the preferred entry option is to franchise to a local company or negotiate an equity-free management contract, because local organizations understand how to manage their own political risks better than foreign companies (Bowie and Buttle, 2004).

- One of the primary considerations is the entry barriers that may exist, such as restrictions or limits on local ownership of business operations. It also typically involves consideration of socio-cultural forces, such as language, work habits, customs, religion and values. For example, when hotel groups move to Dubai, it is crucial to build up a series of working relationships with the royal families, government officials and local companies. Hotel groups also need to consider recruiting staff from another country as only a very limited number of local people will apply for jobs in hotel industry.
- The final stage of screening is typically focused on competitive forces. In some examples multinationals decide to enter a competitive market because they believe the potential benefits far outweigh the drawbacks. By going head to head with the competition, the company can force itself to become more efficient and effective and thus improve its own competitiveness. For example, London is a very competitive location for international hoteliers, while the Asian Hotel Group, Shangri-La decided to run the best hotel in London.

Example: The legend of Shangri-La and its unique hospitality is making its way to Europe

In 2009, Shangri-La will reach an even higher level of attainment, when it launches a new luxury hotel inside the spire of London Bridge Tower. It is a new symbol for London. At 1,016 ft. high, London Bridge Tower is regarded as one of the most ambitious architectural endeavours in the United Kingdom. Its height will make it one of the tallest buildings in Europe, while its soaring spire shape will make it one of the most distinctive.

As with every property in the group, the Shangri-La Hotel at London Bridge Tower will operate on a simple yet powerful philosophy of Shangri-La hospitality from warm, caring people. This uniquely Asian view of service embodies the core values of respect, helpfulness, courtesy, sincerity and humility, and has been the cornerstone of the Shangri-La success.

Source: www.shangri-la.com/london/shangri-la/en/

- Before making a final selection, multinationals usually enhance their information by visiting on-site locations and talking to representatives or local officials. Such field trips are very common and can do a great deal to supplement currently available information.

Global market segmentation

Global market segmentation identifies specific segments of potential customers with homogeneous attributes who exhibit similar responses to a marketing mix. Levitt (1960) said that consumers in different countries seek variety and new segments will emerge in multiple national markets. For example, ethnic food, such as pizza and curry is in demand worldwide.

Global market segmentation is based on demographics (including income and population), psychographics (values, attitudes and lifestyles), behavioural characteristics and benefits. Market segmentation assists in corporate-level strategic planning (e.g. Marriot's growth strategy requires identifying country/regional segments for increased sales). In functional or operational level, market segmentation helps decide to pursue a standardized or adapted marketing mix.

Demographic segmentation

Demographic segmentation is based on measurable characteristics of populations: income, population size, age distribution, gender, education and occupation. Several global demographic trends have been identified by sociologists and economists – fewer married couples, smaller family size, longer life expectancy, changing roles of women, higher incomes and living standards. Some key demographic facts and trends could be supported by the following data:

- British consumers over 60 years now are more than consumers aged 16 years and under.
- Asia has more than 600 million consumers of 16 years and under.
- Combined buying power for African-, Hispanic- and Asian-Americans is $1 trillion a year.
- Family size becomes smaller. Average British woman has 1.7 kids in 2004.

Segmenting global markets by income and population

Income is a valuable segmentation variable since a market consists of those willing and able to buy. Customer's purchase ability is essential when hospitality companies consider their target markets. While 70% of world GNP comes from the Triad (the European Union (EU), North America and Japan), only 15% of the world's population lives in the Triad.

GDP and other income measures converted to dollars should be calculated according to purchasing power (i.e. what the currency will buy in

Table 5.1 The top 15 biggest economies in the world, 2006

Rank	Country	GDP (millions of US$)
1	United States	12,485,725
2	Japan	4,571,314
3	Germany	2,797,343
4	People's Republic of China	2,224,811
5	United Kingdom	2,201,473
6	France	2,105,864
7	Italy	1,766,160
8	Canada	1,130,208
9	Spain	1,126,565
10	South Korea	793,070
11	Brazil	792,683
12	India	775,410
13	Mexico	768,437
14	Russia	766,180
15	Australia	707,992

Source: Wikipedia, The free encyclopedia, www.en.wikipedia.org/wiki/List of countries by GDP (nominal).

the country of issue) or through direct comparisons of product prices. For example, while the US ranks eighth in per capita income, its standard of living is second only to Luxembourg's. Another example is the GDP of India is much less than GDP of Italy, while India's GDP in term of purchase power is much bigger than that of Italia (Table 5.1).

Because the US market is enormous (e.g. GDP $12.48 trillion in 2005 national income, a population of 298 million and per capita income of $41,800), non-US companies target American consumers. Despite high per capita incomes, many other industrialized countries are small in terms of total annual income (e.g. Sweden's per capita GNP is $24,487, but its population of 8.9 million makes national income only about $220 billion).

The 10 most populous countries account for more than 60% of the world's population. Concentrated income in the high-income and large-population countries means that a company can target buyers in 10 or fewer countries (Table 5.2).

There are large, fast-growing, high-income segments in countries like China and India (e.g. an estimated 100 million Indians are "upper middle class", with average income of over $1,400). For low-priced products,

Table 5.2 The 10 most populous countries

Rank	Country	Population
1	China	1,313,973,713
2	India	1,095,351,995
3	United States	298,444,215
4	Indonesia	245,452,739
5	Brazil	188,078,227
6	Pakistan	165,803,560
7	Bangladesh	147,365,352
8	Russia	142,893,540
9	Nigeria	131,859,731
10	Japan	127,463,611

Source: CIA (2006), www.cia.gov/cia/publications/factbook/index.html

population is more important than income for market potential. In hospitality industry, it also make sense, you could find the cheapest Big Mac is in the world in 1990s. McDonald's adjusts its products in different countries considering local customers' purchasing power as well as the company's long-term strategy.

Age segmentation is a useful demographic variable. One global segment is global youth. Shared interest in fashion, music and lifestyle exhibits remarkably consistent consumption behaviour for name brands, novelty, entertainment, trendy and image-oriented products. MTV, Coca-Cola, McDonald's, Starbucks, Swatch and i-Pod pursue the global teenage segment. Another global segment is the global senior or elite: older, affluent, well-travelled consumers with money for high-end, exclusive products, luxury cars, upscale beverages and cruise holidays.

ACTIVITY

Log onto two or three holiday tour operators websites that target different markets, for example Club 18-30 (www.club18-30.co.uk), SAGA (www.sagaholidays.co.uk) and Sandals (www.sandals.com/). What differences can you identify?

Explore the sites and compare the packages they provide: activities, locations, price, accommodation, image, language, etc.

Gender segmentation

Gender segmentation is a sensible approach for many hospitality companies. Some hospitality products or services may be specifically designed

Table 5.3 Food preference differences between the genders

Men are	Women are
More taste-driven in their food choices	Highly concerned about nutrition
More in sync with restaurant portions	Likely to eat less
Confirmed meat lovers	Confirmed fruit lovers
Comforted by familiar foods	More adventures in food choices
More likely to crave entrees than desserts	Snackers with a sweet tooth
More frequent restaurant patrons	Apt to eat out less often

Source: Lydecker, T. (1994). Men & women: Two different markets sharing a table. *Restaurant USA*, August, pp. 26–30.

and provided to men or women. Companies that focus on the needs and wants of one gender will find opportunities. Table 5.3 (Lydecker, 1994) shows the differences between the genders according to their food preferences, restaurant can design their products according to increase certain gender customers' consumption. For example, McDonald's provides super size or extra super size meal to target male customers.

There are a number of women only hotels in London, the New York Hotel in Earls Court is a small award-winning hotel that exclusively gay, while Reeves Hotel in Shepherds Bush is a women only hotel and is lesbian-friendly (Bowie and Buttle, 2004). Even a big hotel group, like Hilton London Park Lane, has recently launched a women only floor designed for female business professionals. Through travel-quest (www.travel-quest.co.uk/index.htm), you can find many choices of hotels for women only, gay women only and gay men only hotels.

Some pubs clearly targeted their customers group: men, women or homosexual. The bedroom is also a very popular pub in America!

Ethnic origin, religion and nationality

Bowie and Buttle (2004) argue that ethnic origin, religion and nationality are very important variables that are closely linked to each other and to culture. One consequence of these cultural influences is the very different attitude to food. Kosher cuisine is one of the well-known religious foods for Jews, while fasting during Ramadan is equally important for Muslims. The differences between Eastern and Western style cooking are recognized by international hotels, such as the Shangri-La and the InterContinental, who provide both styles of cooking at breakfast, lunch and dinner.

In many countries, the population includes ethnic groups of significant size. The United States has three major ethnic segments: African-Americans, Asian-Americans and Hispanic-Americans. Each segment forms a subset (e.g. Asian-Americans include Thais, Vietnamese, Japanese and Chinese). Hispanic-Americans numbered 35 million in 2000, and have a positive reputation for working hard, with a strong family and religious orientation. Other stereotypes point to a more negative reputation and the dangers of ghetto lifestyles and gang wars. The market appraisal must try to get behind these stereotypes and construct a viable representation of the market segment.

Hotels located in Europe and America are targeting significant sales from other markets like China, Japan and Korea. There has been a large increase in these countries' international outbound travel over the past 10 years and the trend will continue in the future 20 years. Although English is common language in the business world, hoteliers cannot assume that all their potential international customers can speak English. To satisfy customers' needs, they need to provide many new amenities and services:

- multilingual front desk staff who can speak Chinese, Japanese or Korean;
- hotel brochures, information packs and restaurant menus written in Chinese, Japanese and Korean;
- oriental food option (rice is very important for oriental food and therefore for oriental customers' satisfaction);
- other amenities in the room, such as slippers and shampoo;
- Cable TV with Chinese, Japanese and Korean channels.

Global targeting

Targeting evaluates and compares identified groups and selects one or more with the highest potential. A marketing mix is created to provide the best return on sales and the maximum value to consumers. After segmenting the market, the marketer creates a product-market profile. To penetrate an existing market, a hospitality company must offer more value than competitors with better benefits, lower prices or both.

The criteria for assessing opportunity in global target markets include: segment size and growth potential; competition; and compatibility and feasibility. We will consider these in turn.

Current segment size and growth potential

Is the market segment currently large enough to make a profit? Does it have high growth potential? China, India, Russia and Brazil represent many people's idea of a market with growth potential in industries, such as hospitality and leisure.

Example: Carlson Hotel Worldwide's ambition in India

Carlson Hotels Worldwide is aiming to launch 40 hotels in India by 2008. The fifth-largest private hospitality group in the world with over US $38 billion turnover, the Carlson group will open a bouquet of its hotel brands like Radisson, Reagent International, Country Inn, Park Plaza and Park Inn in the next 3 years.

Speaking on the launch of Park Plaza in Gurgaon, K B Kachru, Senior Vice President-South Asia of Carlson Hotels said: "We will open 40 more hotels by 2008 and would become the single-largest operator of hotel chains in India".

"The group will target New Delhi, Mumbai and Bangalore for its premium hotel brands like Radisson and Reagent International. Carlson has signed a management and franchise agreement with Bestech Group, the owners of the Park Plaza in Gurgaon".

Source: www.carlsonhotelsmedia.tekgroup.com/

Compatibility and feasibility

Hospitality managers must decide how well a company's product will fit a market. There are several criteria: Does the product create value? How much adaptation, if any, is required? Will restrictions, tariffs or currency exchange rates drive up the price? Is there a segment compatible with the goals and the sources of competitive advantage?

Standardized global marketing resembles mass marketing, creating the same marketing mix for a broad mass market of potential buyers. Standardized global marketing, also known as undifferentiated target marketing, assumes that a mass market exists around the world. Product adaptation is minimized, and exploitation is intensive.

Concentrated global marketing involves devising a marketing mix to reach a specific **niche**, a single segment of the global market. Concentrated targeting is employed by hospitality companies who serve niche markets, striving for global depth and not national breadth.

Example: YHA focuses on first-time travellers in the global market

In February 2006, the Youth Hostel Association has announced its advertising strategy, as part of an £18 million hostels and image overhaul, to target global young people who are travelling independently for the first time.

Source: YHA website at www.yha.com

Differentiated global marketing, also known as multisegment targeting, targets two or more market segments with multiple marketing mix offerings. This strategy allows a company to achieve a wider market coverage, such as Accor has with its super budget hotel chain Motel 6, pricing from $40 per night, its budget hotel chain Ibis from $80 per night, its business hotel chain Novotel from $150 per night and its luxury hotel chain Sofitel from $300 per night.

Marketing mix

When a hospitality company has completed the initial screening of the foreign markets and decided to move into the new marketplace, then they need to carefully develop a marketing mix plan. A marketing mix consists of the controllable variables, that is, product and branding, promotion, location, distribution channel, and price designed to create value for customers and achieve competitive advantage for the company. The essence of marketing is to surpass the competition in creating perceived value for customers. The value equation guides this task (Plate 9):

$$\text{value} = \text{benefits}/\text{price}.$$

Plate 9
Value and price – Casita Los Mangos, Majahuitas Resort, Mexico.
Source: Ruth Clarke

Looking at this building, roughly translated into English as the Mango House, what price would you put on it? How does this compare to the modern air-conditioned five-star hotels to be found in the big Mexican resorts of Acapulco and Cancun? In fact this retailed for $375 per night! The value comes from the exclusivity of the resort, the location and the service offer. The resort is only reachable by boat and even at that price is very popular!

The marketing mix is integral to the equation because benefits combine product, promotion, location and distribution. Value as perceived by customers can be increased through an improved bundle of benefits or lower prices (or both). Hospitality marketers can improve the product and service or create better communications strategies. Marketers can increase value by cutting costs and prices. None monetary costs are also a factor, so marketers may find that customers are decreasing their time and effort to learn about or find a product. A hospitality company which offers a combination of superior product, service distribution, or convenient location and lower prices will enjoy an advantageous position.

Products

In global competition, product is the most basic element of marketing mix. Firstly we need to identify the differences between local products and global products.

A local product or brand is one that has achieved success in a single national market, such as Abeku hotels in Japan. Sometimes a global company creates local products and brands to cater to the needs and preferences of particular country markets.

Example: Abeku Hotels in Japan

The Japanese have a concept that combines efficiency and ingenuity into an abeku, also called fashion hotels or love hotels. The abeku often resemble European castles or Alpine chalets and provide garden settings. Nearly all offer 360-channel television, videos, stereo, sauna and in-room refreshments. But what the abeku really offer is a private sanctuary. Japan's high population density and traditional use of lightweight walls (for safety in earthquakes) result in close living arrangements. Privacy in abeku is preserved with a touch-screen reservation system and state-of-the art automation. Guests can check in, out and pay their bills without being seen by anyone else.

Business is booming for these hotels, with Sunday being an especially busy day. Length of stay can range from several hours to several days. Abeku accounts for 20,000 of Japan's lodging facilities.

Source: *Washington Post*, 13 August 1990,

A global product meets the wants and needs of a global market; it is offered in all the regions of the world, including both developed and developing countries. A global brand, such as Coca-Cola or Four Seasons, has the same name, similar image and similar positioning throughout the world. The benefits of global products and global branding include the economies of scale associated with a single global ad campaign and a single brand strategy.

The level of standardization or adaptation is a major product decision in international marketing (Usunier, 2000). Bowie and Buttle (2004: 120) argue that the international hospitality product needs to take into account local country cultural differences and make suitable adaptations to gain local consumer acceptance. Identifying target markets is crucial when developing the international product. If the target market is mainly from the home country, then the product can be standardized using the home country style. For example, if the InterContinental Hotel in Bangkok primarily targets American or British customers, it can legitimately seek to keep American style or British style food or service. If its main customers are local people or South East Asian tourists, it should commit to adjusting the range of services to fit the demands.

The primary reasons behind the tendency of hospitality companies to alter their products or services to meet local conditions are legal, cultural and/or economic in nature.

- **Economic reasons:** Levels of income, differences in income distribution, and the extent and condition of available infrastructure can all affect demand for a particular product. Often, price-reducing alterations are required if a company wishes to participate in developing country markets.
- **Cultural reasons:** Cultural factors affecting product demand may or may not be easily discerned. While religious beliefs may offer clear guidelines regarding product or service acceptability, other factors such as design, number, body language and artistic preferences may be much more subtle. For example, hotel managers should avoid using Room number 514 in Chinese hotels, because it sounds like "I want to die".
- **Legal reasons:** Product-related legal requirements vary widely by country, such as the regulations about casino businesses on hotel premises.

ACTIVITY

Visit the Disney Hong Kong website www.disney.com.hk/, Disney Paris website www.disneylandparis.com/ and Disney Tokyo website www.tokyodisneyresort.co.jp. Explore which Disney products are global, and which have been adapted to local features.

Service quality

This is a global issue as international customers increasingly expect high quality services whatever the differences in environment settings.

The followings are dimensions of service quality, and are the elements that consumers are most likely to perceive when making judgements.

- Tangibility: Service can be associated with physical facilities, equipment, personnel and promotional materials.
- Reliability: The ability to perform the promised service dependably and accurately is critical to service quality.
- Responsiveness: The willingness of providers to be helpful and give prompt service is very important to buyers.
- Assurance: The knowledge and courtesy of employees and their ability to convey trust and competence are essential.
- Empathy: The caring, individualized attention that a firm provides its customers encompasses a number of dimensions.

Service quality is a big challenge for hospitality companies, whilst it also provides plenty of opportunities for the companies that want to excel. The following case shows how Marriott have attempted to provide better service for its customers, as they recognized that many of them take national or international flights frequently.

Case: Check-in Your Flight in Marriott Hotel

Marriott International, Inc. has begun rolling out dedicated lobby computer stations with printers so guests can check in to their airline flights and print out their boarding passes before they leave for the airport. The new service will be available at all Marriott Hotels & Resorts and Renaissance Hotels & Resorts in the United States and Canada. Installation has been completed at 32 hotels already and will be available at nearly 150 more within the next 2 weeks. The company is targeting September for the new check-in service to be offered at every US and Canadian hotel, more than 400 in total.

The conveniently located lobby computer stations will serve one purpose – for guests to check in to their flights and print their boarding passes quickly. This will give guests some peace of mind by reducing their concerns about possible traffic congestion to the airport or long airline check-in lines that might delay their departure.

The process is simple. When guests use the computer stations, they will be able to click on icons of the major airlines appearing on the screen, and then be taken to the airlines' websites to complete the check-in process and the printing of their boarding passes. This new self-service amenity is complimentary to all guests.

Source: 27 June 2006, PRNewswire, Washington, www.prnewswire.com/

Price

Price represents the value asked for a product. Although usually expressed as a monetary value, in the case of barter transactions it may not be. The complexities of pricing are exacerbated in the international arena.

- Every nation has government regulations that influence pricing practices. In some countries, for example, there are minimum and maximum prices that can be charged to customers.
- Consumer tastes and demands vary widely in the international marketplace, and these differences result in hospitality companies having to price some of their products differently. For example, companies may find they can charge more for products or services sold overseas because of the demand. A second factor influencing market diversity is the perceived quality of the product.
- When doing business overseas, hospitality companies often end up assuming the risks associated with currency fluctuations. This risk is particularly important when these hospitality companies have to meet a return on investment target, because this objective can become unattainable if the local currency is devalued.

When pricing a new product or service, a company or business unit can follow a marketing strategy of skim pricing or penetration pricing. For new product pioneers, skim pricing offers the opportunity to skim the cream from the top of the demand curve while the product is novel and competitors are few. Penetration pricing offers the pioneer the opportunity to utilize the experience curve to gain market share and dominate the industry. Normally skim pricing is a short-term phenomenon and is used to gain high profits quickly in order to pay for expensive development and marketing costs before new entrants engage in price competition. It therefore cannot be used to raise long-term operating profits unless the firm also follows a differentiation strategy. A penetration pricing strategy sets an aggressively low price to attract a maximum number of customers (some of whom may switch from other brands) and to discourage competition. We can see this strategy widely used by budget hotels, airlines and fast food chains.

For companies aiming to promote their hospitality products and brands by standardizing the product offer, it is almost impossible to operate a uniform price position. Bowie and Buttle (2004) identify the difficulties in setting a pricing policy for companies operating in international markets:

- the different currency and cost structure between countries;
- global, regional and local competitors' impacts;
- the different stages of product life cycle in each country;
- different inflation rates and fluctuations in the currencies (inflation of UK in 2002 was about 2.5% while it was more than 25% in Argentina);
- the ability to repatriate profits which varies significantly from one country to another.

Pricing decisions are affected by competitive action and the regional economic situation. For example, the price you pay to stay in a five-star luxury hotel in Kuala Lumpur is only enough for you to stay in a three-star hotel in Hong Kong, or the most basic accommodation in Tokyo. If competitors do not adjust prices in response to rising costs, management is constrained in adjusting prices.

Example: Hotel price increases in Malaysia

Several four- and five-star hotels in the Klang Valley have started raising their average room rates (ARRs) by between RM10 and RM100 depending on room category. Other hotels are expected to follow suit.

"Rack rates have been increased up to 16%, while corporate rates for all market segments across the board have been raised by 7–8%", Malaysian Association of Hotels Vice President Ivo Nekvapil said, "even after the increase in room rates, Malaysia would still be the cheapest place in the region to visit, given the strong major currencies against the ringgit".

She added that with more tourists expected this year, hotel occupancy rates will not suffer even with the increase in room charges. "I expect all five-star hotels to increase their rates. Klang Valley hotels are doing so, and so are hotels in Penang. The increase is healthy. It will not take business away".

Source: Malaysian Association of Hotels (2005),

Location and distribution channel

One major difference between hospitality marketing and consumer goods marketing can be found in the contrasting ways in which they deal with the concept of place. Consumer goods marketing is concerned with "placing" products, or delivering products from manufacturers to the retailers and then customers, while hospitality products or services are consumed in the location where they are provided, in the home country or host countries.

Conrad Hilton, the Founder of Hilton Hotels, and Ellsworth Statler, Founder of the Statler Hotel chain, are both credited with saying that the three most important factors for success in the hotel business are "location, location and location". When the international markets have been identified and the products or services have been agreed, the next crucial marketing decision is to find the appropriate location for the hospitality business. The characteristics of a location extensively influence potential hospitality target markets and determine the demand potential.

Bowie and Burton (2004: 135–6) explore one classification of hospitality locations:

- Capital city: Capital cites, such as London, Paris and Madrid, usually generate strong demand from government, business and tourism markets. They are popular destinations for international and domestic visitors and often hotels can achieve very high room occupancy and yield.
- Gateway locations: Gateway locations are located close to convenient destinations, such as major airport, shipping ports and railway station. Large numbers of travellers stay in gateway locations, such as

Hong Kong, with large numbers of travellers flying between Asia, Europe or America preferring to stay in Hong Kong for a short of time, which in turn generates large demands for hotel and restaurant services.

- Resort or tourism destinations: Major tourism destinations are often described as "honey-pots" because of the large volume of international and domestic tourists. Tenerife in Spain, Luxor in Egypt, Phuket in Thailand and Bali in Indonesia are examples. In high season, the room occupancy is very high while in low season it may suffer in these locations.

Other locations include business city, provincial city, highway locations and rural locations.

Look at the example and explain why Maxim selected Las Vegas, rather than New York or Boston for its first hotel.

Example: The ultimate male fantasy: a Maxim Hotel in Vegas

Maxim, the lads' mag that had its humble beginnings in the UK a decade ago, is about to make it big in Las Vegas, with plans to build a luxury Maxim Hotel and Casino complex at the heart of world's gambling capital. Maxim's parent company, the London-based Dennis Publishing, announced the location of the nine-acre complex, which will have 2,300 hotel rooms and a 60,000 square feet casino. It is promising the biggest and best swimming pools on the strip.

This hotel certainly will be unique compared with other hotels in Las Vegas, which give customers special value.

Source: *The Independent*, 21 July 2006, www.news.independent. co.uk/media/article625628.ece

The American Marketing Association defines the channel of distribution as "an organized network of agencies and institutions which, in combination, perform all the activities required to link producers with users to accomplish the marketing task". Distribution here refers to the physical and legal path that products follow from the point of production to the point of consumption.

It is often difficult to standardize the distribution system and use the same approach in every country, because there are many individual differences to be considered. Consumer spending habits can negate attempts to standardize distribution. The location where consumers are used to buying will also influence distribution. The predominant distribution channel for hotels remains direct contact with the property through telephone, fax or e-mail, which, according to Horwath's Worldwide Hotel Industry Study, accounted for 34% of all advance reservations in 2002, but this is down from 38% in 1995. This proportion varies between 27.5% for hotels in Africa and the Middle East and 40.5% for hotels in Europe. Even in the technologically advanced USA, the country's leading franchiser, Cendant, estimates that 70% of its room nights are generated by walk-in customers. Hotels' in-house or outsourced central reservations offices represent approximately 26% of advanced reservations (including call centres and hotel representatives). Travel agents are most important as a distribution channel in Africa/Middle East, Asia and Europe, whereas tour operators take the largest percentage of reservations in Africa/Middle East and Oceania (Table 5.4).

Table 5.4 Composition of advance reservations by percentage, by region.

	World	Africa and Middle East	Asia	Oceania	Europe	North America	South America
Direct enquiry	34.2	27.5	33.0	34.3	40.5	32.2	35.7
Own reservation system	14.4	14.4	12.7	12.3	7.8	21.4	27.6
Independent reservation system	3.1	0.0	3.2	3.4	2.4	4.0	2.5
Travel agents	17.7	20.2	22.4	15.7	22.0	11.4	10.7
Tour operators	11.4	16.9	10.1	13.9	10.6	7.7	4.2
Hotel representatives	8.7	8.8	10.2	6.0	9.7	9.6	8.9
Transportation company	1.1	0.9	1.0	2.1	0.9	0.6	2.7
Website/Internet	3.3	6.1	3.9	4.2	2.3	2.7	3.0
Global distribution systems	6.1	5.2	3.5	8.1	3.8	10.4	4.7
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Worldwide Hotel Industry Study 2003/Horwath.

ACTIVITY

If you need to book a hotel in Turkey for 2 weeks, how many methods can you use?

Compare the advantages and disadvantages of each booking method?

Promotion

Promotion is the process of stimulating demand for a company's goods and services. Promotion strategies may be categorized as **push** (personal selling and trade sales promotion) or **pull** (advertising, consumer sales promotion and publicity). Most hospitality companies use a combination of both. Factors that will determine the mix of push and pull strategies include the type of distribution system, the cost and availability of media, customer attitudes towards sources of information and the relative price of the product as compared to disposable income.

Promotion consists of the messages intended to help to sell a product, that is, direct and indirect forms of communication designed to inform, persuade and/or remind a target audience about an organization and its products. The promotion mix consists of personal selling, advertising, sales promotion/support and publicity/public relations activities.

Advertising is a non-personal form of promotion in which a firm attempts to persuade consumers to a particular point of view. In many cases hospitality companies use the same advertising message worldwide. However, there are times when the advertising must be adapted to the local market. Two of the most common reasons include: (a) the advertising message does not make sense if translated directly and (b) the product or service is accepted in different ways compared with that in home country.

Hospitality companies use a number of media to carry their advertising messages. The three most popular are television, newspapers and radio. In particular, the use of television advertising has been increasing in Europe, while in other regions, such as South America and the Middle East newspapers remain the major media for promotion efforts. However, there are restrictions regarding what can be presented. Examples include: some countries prohibit comparative advertising, in which companies compare their products against those of the competition; some countries do not allow certain products to be advertised because they want to discourage their use (e.g. alcoholic beverages, gambling or junk food) or because they want to protect national industries from multinational competition; and some countries, such as most Islamic countries, censor the use of any messages that are regarded as erotic.

Standardization of advertising programmes

Advertising consists of any paid form of media (non-personal) presentation. Because advertising adds psychological value to a product or brand, it is more important in consumer than in industrial products. Global advertising is the use of the same advertising appeals, messages, art, copy, photographs, stories and video segments in multiple country markets.

Market segments can be defined globally – for example, youth culture – rather than ethnic or national culture (e.g. athletic shoes targeted to a worldwide segment of 18- to 25-year-old males). This assumes that human wants and desires are similar if presented within recognizable situations; people everywhere want value, quality and technology, as well as love and respect.

When hospitality marketers design advertising messages, they need to recognize the cultural differences between the creators and the recipients of the advertisements. Tamotsu Kishii identified seven characteristics that distinguish the Japanese from Americans when considering what is acceptable in advertising:

1. Indirect rather than direct forms of expression are preferred in the messages.
2. There is often little relationship between ad content and the advertised product.
3. Only brief dialogue or narration is used in television commercials, with minimal explanatory content.

4 Humour is used to create a bond of mutual feelings.
5 Celebrities appear as close acquaintances or everyday people.
6 Priority is placed on company trust rather than product quality.
7 The product name is impressed on the viewer with short, 15-second commercials.

ACTIVITY

Review the advertisement for a hotel in a national newspaper, a local newspaper and a magazine.

- Identify its target audience.
- How effective do you think it will be?
- Are there any other media that could support these advertisements?

International branding

A brand is an identifying mark for products or services which helps to give instant recognition and can also help save promotional cost. The American Marketing Association (1960, as quoted in Wood, 2000) proposed the following definition of a brand: "A name, term, sign, symbol or design, or a combination of them, intended to identify the goods or services of one seller or group of sellers and to differentiate them from those of competitors" (Plate 10).

International brands today are acknowledged by marketers as the driver for better, more sustainable results and as an internal as well as an external source of inspiration, which creates both high recognition and relationships in the global market. An international brand can be defined as a mechanism for achieving competitive advantage for firms in the global market, through differentiation; brands are created using the marketing mix in a way that is synergistic. Brands are strategically positioned in different countries' markets by offering benefits that are distinct from local and international competitors and that are desired by consumers, which if achieved also has the benefit of creating brand loyalty. Hence, competitive advantage is achieved.

International branding includes a more complex process compared with branding in domestic market. There are some issues which should be underlined in relation to the international branding process they are as follows.

Cultural sensitivity

- Cultural sensitivity is really a matter of understanding the international customers, the context and how the international customers will respond to the context.

Plate 10
Recognizable brands in the Chinese market.
Source: Author's photograph. Although this focuses on the restaurant in the foreground, if you look carefully you will see further along the street the sign for KFC!

- Hospitality companies need to determine whether to promote a local or foreign image for their products. The products of some countries may be perceived as being particularly desirable and of higher quality than products from other countries. A firm may be able to enhance its competitive advantage by effectively exploiting this perception. This reinforces why the hospitality marketers need to study carefully when they move into different countries. Even a company as well established as Disney has become aware of a totally different response to the opening of its theme parks in Paris compared with the one in Tokyo.

- When a hospitality company acquires a foreign company, it automatically acquires its brands in most situations. In some instances those brands will be maintained; in others they will be folded into a larger brand in order to capture economies of scale and to promote global brand recognition. When you look into the InterContinental's history of hotel acquisition, even on its own website, you can find that sometimes the purchased hotel company retained its original name, rather than changing to the parents' company brand. This is a decision that InterContinental would have made according to their perception of the individual brand values with the targeted customers.

Encoding

- Both the translation and pronunciation of brand names pose potential problems in many markets. Often the problems are obvious, but other times they are quite subtle, yet critical. In addition, brand symbols (shapes and colours) are culturally sensitive in many societies.
- Literal translation is only a limited answer to language differences. Language translation is only a part of the encoding process; the message is also expressed non-verbally.

Selective media transmission

- The type of medium chosen for the message depends on the nature of the information, its level of importance, the context and status of the targeted audience, the timing involved and the need for personal interaction, among other factors.
- In different countries, the types of media have different positions. For example, hospitality companies prefer to use newspapers in the Middle East to attract business people because they are felt to be more trustworthy than other media in that region.

Decoding of feedback

- Checking the decoded message by feedback is essential to ascertain whether the intended message has been successfully put across (Table 5.5).

Business Week (August, 2005) provided the table of the 100 top brands in the world. Coca-Cola is the undisputable top brand, with a brand value almost three-times higher than that of its nearest challengers who are not insignificant in their own right! Disney and McDonald's managed to maintain very good ranking on the table, but the performances of KFC and Pizza Hut are not enough to overcome the low-carb trend. Bulgari has

Table 5.5 The top brands in the world.

Rank 2005	Rank 2003	Company	2005 brand value in $million
1	1	Coca-Cola	67,525
7	7	Disney	26,441
8	8	McDonald's	26,014
61	49	KFC	5,112
63	51	Pizza Hut	4,963
94	NA	Bulgari	2,715
99	93	Starbucks	2,576

Source: Business Week (2005)

sought to use its exclusive image established in the jewellery business to support its move into the development of luxury hotels and resorts, which in turn they hope will enhance their brand.

Aaker and Joachimsthaler (2000) recommend that companies should attempt to create strong brands in all markets through a strategy of global brand leadership, which is using organizational structures, processes and cultures to allocate brand-building resources globally, to create global synergies, and to develop a global brand strategy that coordinates and leverages country brand strategies.

In order to establish global brand leadership, organizations should consider the following guidelines:

- Create a compelling value proposition.
- Think about all the elements of brand identity and select names, marks and symbols that have the potential for global use.
- Research the alternatives of extending the brand rather than adopting a new brand identity globally.
- Develop a company-wide communication system.
- Develop a consistent planning process.
- Assign specific responsibility for managing branding issues.
- Execute brand-building strategies.
- Harmonize, unravel confusion and eliminate complexity.

The real success story of branding in recent years has been the way in which companies have used their brands to turn the satisfaction of complex and even spiritual needs into their commercial transactions (Anholt, 2003). This may best be seen in hospitality with the growing number of brands that have aligned themselves with positive attitudes towards the natural environment.

The "brand value" which marketing adds to products and services is not a tangible value, which means that it cannot be measured very easily. However, it does represent capital to the organizations because it enables producers and sellers to charge more money for their products and services. It effectively becomes a multiplier of value and, as such, represents a substantial competitive advantage.

Multibranding has become one of the most popular brand strategies and is used by many companies in the hospitality industry. It is recognized that multibranding offers a fine opportunity to grow a business, simply because one brand cannot really cover all of the customers' needs in all of the various segments of a market that have been targeted (Van Sister, 2004). Multibranding can, in fact, also be considered as one of the most effective brand strategies, but to deliver such benefits it requires continuous professional skills and ongoing management with a marketing focus from the companies.

Since many markets are strongly fragmented, it makes sense to introduce extra brands in order to compete effectively across a category. The advantages that a multibranding strategy can offer include the enhanced opportunities for customer relationship management, which enables organizations to fulfil consumer needs more precisely. Also it gives the opportunity to position brands more clearly and build strongly identified brand values at the same time. Also it has the ability to handle pricing strategy in segmented markets. Finally if there is a brand problem requiring serious products recalls or challenges to the dominant image, this does not have such a direct impact on the other brands within the organization. It can be said that almost all sectors and most leading companies have active multibranding strategies in place.

One useful example can be found in a consideration of the multibranding strategy in operation at Marriott Hotels. Being a leading worldwide hospitality company, Marriott lodging operates and franchises hotels under 16 different brands. They offer complete family hotels: from luxurious full-service hotels and resorts to all-suites hotels. With those 16 different brands, Marriott feels it is well positioned across all segments of the markets in the hospitality industry. One important advantage is that all those brands are tied together by one reservation system, which helps the company in terms of accuracy and flexibility.

The multibrands of Marriott include:

- TownPlace: A mid-priced, extended-stay brand. Provides all the conveniences of home in a residential atmosphere.
- Springhill suites: Moderately priced, all-suite lodging brand. Guest suites that are up to 25% larger than the standard hotel rooms.
- Marriott Vacation Club International (MVCI): Spacious one, two and three bedroom villas in different resorts.
- Horizons by Marriott Vacation Club: Value orientated vacation ownership resorts communities.
- The Ritz-Carlton Hotel Company, L.L.C: Worldwide symbol for the finest in accommodations, dining and service.
- The Ritz-Carlton Club: A collection of private residences in highly desirable resort destinations.
- Marriott Executay: Fully furnished corporate housing offering accommodation for more than 1 month.
- Marriott Executive Apartments: Corporate housing brand designed to meet the needs of business executives.

- Marriott Grand Residence Club: Fractional property ownership in second home destinations.
- Residence Inn by Marriott: Designed to be a home away from home.
- Fairfield Inn by Marriott: Consistent quality lodging at an affordable price.
- Marriott Conference Centres: A quality-tier brand specializing in highly effective small- to mid-sized meeting.
- Marriott Hotels & Resorts: Flagship brand of quality-tier, full-service hotels and resorts.
- JW Marriott Hotels & Resorts: The most elegant and luxurious Marriott Brand, providing business and leisure travellers with a deluxe level of comfort.
- Renaissance Hotels & Resorts: Quality-tier full-service brand that provides guests with the ambiance of a boutique.
- Courtyard by Marriott: Moderately priced lodging brand. Designed by business travellers for business travellers.

As we can see from all the different brands that Marriott has worldwide, there are a variety of choices for almost every segment of the market. In doing this, Marriott has effectively increased the diversity in every segment of the industry and attempted to ensure that if there was to be a problem with one brand, they could cover it with the others and allow the company to remain successful.

Marriott believes that they can gain preference from their brand by being where their customers are. These brands can be found in every corner of the world and Marriott's aim is to continue to expand further to other cities, resort destinations and suburban markets. Furthermore Marriott have recognized that their brands comprise only 1% of the lodging market outside the United States and this leads them to believe that there is a tremendous opportunity for growth.

Starwood is a major competitor for Marriott and it has also used a multibrand strategy in its global expansion. Starwood's hotel brands consist of the following six main brands.

1. **W Hotels**: "A fresh alternative combining the personality and style of independent hotels with whatever you want, whenever you want it service". Intriguingly the W brand has such iconic status that Millennium & Copthorne (one of Starwood's competitors) has decided to limit the use of the M brand within its own operations and marketing strategies.
2. **Sheraton**: "The global upscale hotel brand that offers warm and caring service in a traditional, yet stylish environment". As the largest of Starwood's brands, the Sheraton brand was ranked sixth of all worldwide hotel brands in 2003. This was seen as a remarkably good achievement in consideration of the number of rooms it has in comparison to other hotel brands, which reinforces the sense of strength in the brand.
3. **Four Points, Sheraton**: "All the services you'd expect from a full-service hotel, for a moderate price".
4. **St Regis**: "Delivering the most discreet, personalized and anticipatory level of service to each and every guest".

5 **The Luxury Collection**: "From old world grandeur to modern architectural design – an assembly of the world's finest hotels and resorts". Some luxury collection hotels and St Regis hotels are co-branded and these properties often have famous names under their own right .
6 **Westin Hotels & Resorts**: "The 'upper upscale' brand with 109 hotels, including 34 world-class resorts, that is synonymous with The Heavenly Bed".

Not only have Starwoods ensured that each of their brand types are physically different from the others, but they have grounded this by ensuring that every property is also individual to help reinforce the brand differentiation strategy. Starwood Hotel Group as a whole and in particular the Westin brand have utilized innovation within part of the company brand image it presents. It has a long history of being the first hotel company to offer certain facilities (AHMA, 2005), aiding its presentation of itself as being a leader in the industry.

Finally in this chapter we would like you to consider the following account of the Best Western group and their approach to international marketing. As you read through the case think through the factors that have driven Best Western to adopt such an approach.

Chapter Case Study: Best Western and Its International Marketing Strategy

Best Western International Inc. independently owns and operates more than 4,100 hotels in 79 countries, making it the largest hotel chain in the world in 2005. Best Western is an example of an international hotel consortium. It is a non-profit membership organization that consists of members who own and/or operate individually owned properties. Best Western offers members the unique advantage of retaining their independence while providing the benefits of a global reservations system, marketing, advertising, increased bargaining and buying power, training and quality standards. Members pay annual fees based on a percentage of gross rooms revenue. The hotels are predominantly three- and four-star properties. Best Western mainly operates in the mid-scale hotel market, but the company also offers a slightly higher standard of hotel through the brand "Best Western Premier". All Best Western hotels offer BestRequests™, 16 of the most frequently requested guest amenities and services. Best Western Premier hotels offer an enhanced level of service.

Best Western was founded in 1946 by M.K. Guertin and began as an informal referral system among member hotels. By 1963, Best Western was the largest chain in the industry, with 699 member hotels and 35,201 rooms. Best Western began global expansion in 1964 when Canadian hotel owners joined the system. Best Western entered Mexico, Australia and New Zealand in 1976, further establishing its international presence.

Best Western's headquarters are located in Phoenix, Arizona, USA. The company has consolidated reservations offices in USA, Italy, Philippines and England. Best Western is governed by a seven-member board of directors, elected by Best Western member hoteliers in seven geographic regions in North America. Board members must be Best Western member hoteliers, they are elected to a 3-year term and may be re-elected once. Internationally, Best Western operates through different affiliate organizations.

Global Market Development

Best Western first expanded internationally over 40 years ago and is already the largest hotel chain in the world but the company is intent on expanding further. This section will analyse Best Western's global strategy using key strategic issues.

Global strategic ambition refers to the role the company wants to play in the world marketplace. Best Western's ambition is to continue in its role as a global player. The company aims to maintain its position as the world's largest hotel chain and be the number one choice for guests and hoteliers in the mid-scale hotel market. The company's mission statement is "to enhance brand equity and increase member value".

Global positioning consists of the choice of countries and segments in which a company wants to compete. Best Western aims to identify regions worldwide where the brand is under-represented and add properties to raise visibility and awareness. The company is already well represented in key areas such as North America and Europe and has identified the emerging Asian market, particularly China, as an area of key growth. Best Western aims to have 100 hotels in China by 2007, reflecting the country's growing customer base and status as a tourist destination. Best Western has identified strategic Asian markets that would benefit from a value-priced global brand. The company has opened an office in Beijing to support its aggressive Asian expansion.

Best Western has previously adopted a focused approach to segmentation, concentrating on the mid-scale global hotel market. The typical guest at a mid-scale hotel is aged 44 years and stays an average of 2.5 days. This shows that the customers are either on business or usually just passing through on their way to another destination. The company has started to broaden its segmentation approach with the addition of the Best Western Premier brand aimed at more upscale target group. This brand may also encourage people to stay longer.

Best Western has chosen to follow a differentiation focus strategy for the mid-scale hotel market. The introduction of the service standard programme (BestRequests™) enables the company to offer customers better service and amenities and therefore serve the target market more effectively than its competitors. While other hotels may have standards programmes in place, none of them are as comprehensive as Best Western's. The company offers free Internet access in all its North American hotels. The majority of other hotels who offer Internet access charge for the service. The company also has the added advantage that all of its hotels are independently owned meaning that they retain their individual character and style, which is something that no other mid-scale hotel can offer. Best Western has hotels that were formerly castles and many of the hotels in Europe are magnificent old buildings.

International Branding

This section will focus on Best Western's policy and implementation of branding. This is a hugely important concept for a company, especially in the increasingly competitive hospitality industry. Best Western currently operates a two-tiered branding structure with the addition of Best Western Premier, a more up-scale sub-brand, alongside the standard Best Western brand.

Best Western hotels are unique in the fact that they all retain their individual character, reflecting their geographical location, as well as harnessing the power of a global brand name.

One of the major advantages for member hotels joining the Best Western organization is the acquisition of the brand name with its strong global presence and consumer recognition. The advantage for the company is that the brand receives more exposure. Former CEO Tom Higgins, speaking in 2003, described the brand as being "a tremendous marketing advantage". The brand has strong global power which equates to more consumers recognizing and remembering the brand and relating this to high quality and value for money. This in turn, gives properties more power to attract customers. The company takes pride in being the largest hotel chain in the world and this is evident in the use of the slogan "The World's Largest Hotel Chain®" which appears alongside the company logo on the website and advertisements. The company logo has been updated through the years to reflect the changing status of the company. The current blue logo was adopted in 1994 and is a modern, colourful logo featuring a strongly symbolized crown. The Best Western logo is now one of the world's best-known hotel trademarks and is instantly recognizable. The international promotion of the company logo is a huge factor in growth and consolidation. Best Western has spent more than €500 million in the last 10 years on international promotion and advertising.

Each affiliate organization is responsible for implementing its own strategic business plan; however, brand strategy and identity management are centralized and the decisions are made at the headquarters in Phoenix. This is to ensure that the standards are the same universally. One of the potential pitfalls of a consortium like Best Western is inconsistency in standards in its hotels worldwide because they are independently operated. The company introduced a strict new global branding identity initiative in 2003 to ensure that all member hotels complied with branding requirements. The new standards provide consistency throughout all the member hotels worldwide, ensuring a better experience for customers and therefore helping to build a respectable global reputation and brand identity.

The addition of the new Best Western Premier brand was seen as an important step in helping the company to continue expansion throughout the world. It is the company's first brand extension and shows the company's intention of breaking into a more upscale hotel market. The Premier brand is aimed at travellers who want the quality of an upscale hotel at the good value prices associated with the Best Western brand. The company has developed a new logo for the brand to distinguish it from standard Best Western hotels. The addition of the Premier brand aims to encourage more hotels to join the Best Western association and more people to stay in Best Western hotels. The brand will also help to enhance the company's reputation for quality service and value. The brand is currently only available in Europe and Asia; this may be an attempt to raise awareness of the overall Best Western corporate brand in these areas. The Best Western brand already has a good reputation in North America so maybe it was thought to be unnecessary to launch the Premier brand there.

Conclusion

Best Western has a good worldwide reputation for providing quality accommodation and service along with good value for money. The company takes pride in being "The World's Largest Hotel Chain®" and continues to look for opportunities to expand worldwide. The uniqueness of the company is a major attribute. Members benefit from the brand name and customers are able to stay in an individualistic environment knowing that the standard will be quality and consistency. The company's expansion into Asia will help to increase exposure and ensure that it remains one of the leading brands in the mid-scale hotel market.

Conclusion

Every multinational organization in the hospitality industry will need a marketing strategy designed to help identify business opportunities within the global market and to take advantage of them. It is the hospitality managers' task to consider critical marketing areas, such as market screening and the marketing mix, including reviewing product and service modification, location, pricing and branding. Meeting the needs of different customers in different countries is the key to hospitality companies' success in international marketing.

In this chapter, we have explained:

- marketing and international marketing concepts;
- market potential review;
- global market segmentation;
- international marketing mix (4P);
- products modification;
- international branding.

These discussions should have helped to give you an insight into this element of the manager's role in marketing international hospitality and the complexities facing organizations who want to explore the global market. In Chapter 6 we will consider the strategies available to organizations seeking to enter the competitive world of international hospitality.

Review questions

1. Explain the cultural factors which make international hospitality marketing more complex than single market marketing.
2. How can companies use the 4Ps to strengthen their position in an international market?
3. How much localization can you identify in international hospitality marketing.
4. "Globalization will mean that eventually there is only one market". Explore the arguments that support or deny this statement in terms of international hospitality marketing.

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