

Marketing Hospitality

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GLOSSARY



Understanding Hospitality Marketing

Chapter Objectives

After completing this chapter, you should be able to perform the following tasks:

1. Identify marketing activities, and discuss the relationship between sales and marketing.
2. Define retail and wholesale, and provide examples of businesses in each category.
3. Identify the elements of marketing, and explain how they apply to hospitality.
4. List and discuss tangible and intangible components of the hospitality product.
5. Explain how market position affected the evolution of the modern lodging industry.
6. Describe the role of the sales department in relation to other hotel departments.

The Hotel as a Product

Travel is an essential activity in modern life, and a constant demand exists for hotel and restaurant services. But, unlike the wares of an automobile dealer or a department store, hospitality is an intangible product. Tangible elements, such as comfortable bedding, good-tasting meals, and pleasant surroundings, contribute to the experience of guests, but intangible elements—courtesy, service, convenience, security, efficiency, and so forth—make up the real product that a hotel has to sell.

In a fundamental sense, anything that is offered for sale is a product. A market is the potential population from which the customers for a product are derived. Some markets are quite large, whereas others are more segmented—smaller and more distinct. For example, the market for an airport hotel consists of all airline passengers with local stopovers, but the market for a health spa is limited mainly to fitness enthusiasts.

The hospitality industry is concerned with the provision of lodging, food, and beverages to the general public. Hotels, restaurants, cruise ships, and, to some extent, airlines and railroads, all are involved in hospitality.

The lodging market is divided into two broad segments—commercial and leisure. The commercial segment includes anyone who travels for business reasons. Besides businesspeople, the commercial segment also includes traveling military and government personnel, as well as attendees of conventions, trade shows, and meetings. The leisure segment consists of people traveling for recreation, pleasure, or sport, including travelers on vacation, sightseeing tours, or adventure treks. Commercial travelers account for over 60 percent of all occupied hotel rooms, year-round.

The majority of hotel rooms are sold directly to guests, either by a central reservations center or by the property's internal reservations staff. However, room space might also be sold through a third party such as a tour packager, travel agent, hotel representative, or meeting planner. A source that sells products directly to the public is a retail business, whereas a source that sells to retail sources, but not to the public, is a wholesale outlet.

The customers who purchase and use a product are called consumers or end-users. For example, a tour packager that purchases room space from a hotel and then resells the space to a travel agent is a wholesale outlet. Retail outlets include travel agencies, as well as hotels, which sell rooms directly to the public. In this respect, both tour packagers and travel agents are customers, but the people who actually stay in the hotel are the end-users.

The Elements of Marketing

Marketing consists of the activities that are required to attract customers and motivate them to buy. In the lodging industry, end-users are referred to as guests or clients. Many people in the industry prefer the word guest, because it reflects a hotel's responsibilities as a host. In a technical sense, the word guest implies a current customer—one who is presently staying in the hotel—whereas a client might be a current, past, future, or repeat customer.

Marketing consists of three basic elements: product, pricing, and promotion. Successful sellers have products that fill identifiable needs. A need may be either real or perceived, but unless consumers believe it exists, no amount of promotion will make them buy. If the price is too high, customers will be discouraged from buying, but if the price is too low, profits are sacrificed. Promotion is required to create awareness and motivate customers to buy. These basic marketing principles apply not only to manufactured goods, but to hospitality and lodging, as well.

Products

When a hotel guest purchases a room, he does not assume physical ownership of the premises. The hospitality product is an experience, created by the physical surroundings and all of the associated services that the hotel or restaurant staff provides during the guest's stay.

A product that is based on experience depends to a large extent on the abilities and personalities of people. Also, hotel stays are often purchased for emotional reasons—for example, pleasure or sport—rather than to fill a strictly logical need. Unlike a product that can be exchanged or replaced if it is faulty, it is difficult (and sometimes impossible) to reverse a negative experience in a hotel.

Customers have emotional, as well as logical, needs. Hospitality fills the logical need of travelers for food and shelter, but they also have an emotional need to be served with efficiency and courtesy in pleasant, secure surroundings. Depending on their reasons for traveling, they may also need access to tennis courts, an 18-hole golf course, or a three-star restaurant.

Customer needs are filled by benefits, not by the products themselves. For example, the benefits of a hotel stay may include security, comfort, and convenience. Benefits are created by features. Thus, security is produced by such features as safety locks on guest-room doors and a uniformed door attendant.

Pricing

Pricing among hotels is determined mainly by costs and competition. Room rates are based on the costs of construction, furnishing, maintenance, and operations, and generally reflect the overall size and quality of the establishment. Competitive pricing among hotels resulted in two broad product categories—limited-service and full-service. Limited-service hotels are able to offer lower prices by reducing staff and services and, thus, keeping operating costs to a minimum. A typical limited-service hotel does not have a food and beverage operation or a uniformed bell staff, and the accommodations and furnishings are usually quite basic.

A full-service hotel seeks to attract guests through the convenience of on-premises food and beverage service, a bell staff to assist with luggage, and, usually, meeting or recreational facilities. The accommodations and furnishings may range from basic to luxurious. The more services and luxury that a hotel provides, the higher the room rate.

Still, given two hotels of comparable location, quality, and service, most clients will choose the one that has the lowest rate. Of course, no business can survive over the long term by selling products at prices that are so low that it cannot produce satisfactory profits. Room rates often fluctuate, particularly among resorts. In periods of low occupancy, rates generally are lower, whereas in periods of high occupancy, rates tend to be higher.

The same room type may be sold at different prices, depending on the distribution channel or end-user. For example, discount rates routinely are offered to groups, such attendees of meetings and conventions, and to tour packagers that guarantee to purchase large blocks of room space. Industry discounts may be offered to airline employees and travel agents, and special rates may be extended to government employees and members of the military.

Yield management—the process of selling the same accommodation at different rates, based on demand—has become widespread. With this technique, a selected room type is offered at a special rate for a set period, such as a month or season. On dates when a preset number of rooms are sold at the special rate, a higher rate becomes effective.

Promotion

Rapid hotel construction in recent decades has resulted in a surplus of rooms. As hotels seek to maintain high occupancy rates, the competition for guests became extremely intense. To fill rooms, a hotel literally must take customers away from its competitors.

Attracting customers is the main goal of promotion, the third element of marketing. Promotional activities are divided into four areas: advertising, public relations, sales promotion, and personal selling.

Advertising is any paid activity that promotes a property. Signs, television commercials, newspaper and magazine ads, posters, displays, and specialty media, such as pens, matchbook covers, and stationery, all seek to spread awareness of the property's name, location, and benefits.

Public relations is any unpaid activity that promotes the property. Press releases, speeches to civic organizations, and charity sponsorships are examples of public relations activities.

Sales promotion refers to the development of tools aimed at supporting the efforts of the sales department. Promotional videotapes, slide presentations, and company newsletters are examples of sales promotion tools.

Personal selling is one of the most visible aspects of promotion—the efforts of employees to convince customers to buy. A sales presentation, rate quotations, and business lunches are common personal selling tools.

Market Position

The first lodging establishments sought only to fill the very basic needs of travelers for food and temporary lodging. The early inns were little more than taverns that offered a bed or cot in a corner of a large, communal room shared by travelers and their livestock. The term hotel is derived from the French word for "mansion." In 18th century Europe, private, sanitary lodging was a privilege enjoyed only by the aristocracy, a fact that was reflected in luxurious, palatial hotels far too expensive for the common citizen.

The democratic spirit of Americans led to the development of clean, secure lodging that was affordable to the general public. The first modern hotel, Tremont House, built in New York in 1829, had a full-time service staff and on-premises food and beverage service. During the Industrial Revolution of the early 1900s, Ellsworth Statler built the first hotel designed

specifically for business travelers. In the decades that followed, Hilton, Sheraton, and Marriott developed large hotel chains on the concept of full-service lodging establishments focusing on the needs of the commercial market.

When World War II ended, travel by automobile became popular, leading to the rise of motels—lodging establishments that market primarily to motorists. As the lodging market became more complex, hotels became more specialized, attempting to capture particular customer groups. Limited-service, economy motels such as Travelodge and Motel 6 were developed for budget-minded travelers, whereas full-service, first-class hotels, such as Hilton and Marriott, focused on more affluent clients. Mid-market chains, such as Holiday Inn and Ramada Inn, expanded rapidly, by providing accommodations and rates at a level between these two property types. Exceptional luxury continued to be available at deluxe hotels. Between 1988 and 1991, the most rapid growth occurred among all-suite hotels—properties that have separate living and sleeping, quarters, and, usually, cooking facilities, in all guest rooms.

The wide variety of property types arose as a result of positioning—adjusting to competition through product, pricing, and promotion. Positioning is used to set a hotel apart from competition in the client's mind. In product-class positioning, the goal is to associate the hotel with certain market segments.

Positioning strategies have a major influence on the size, design, construction, and operating costs of a lodging establishment. For example, a resort with multiple restaurants and extensive recreational facilities may have a payroll as large as the entire income of a small town. Construction costs of a deluxe resort range as high as \$100,000 per room. In contrast, a typical, limited-service economy motel may cost as little as \$30,000 per room to construct in some regions.

Full-service hotels designed to attract large groups, through features such as meeting and banquet rooms, exhibit halls, and audiovisual equipment, gave rise to the convention hotel. Like a resort, the facilities and staff are extensive, and the construction and operating costs are high.

All of these increasingly specialized properties are influenced by a basic law of hospitality marketing: no lodging establishment can successfully market to every customer. The identity, design, construction, and operation are arranged to target selected clients, by emphasizing features and benefits that attract users with a particular set of traits.

The Role of the Sales Department

A motel situated besides a major thoroughfare may receive a steady supply of guests merely by placing a sign in the view of traffic. But for a typical full-service hotel, attracting clients and creating a positive image require careful analysis, planning, and effort. These activities are the responsibilities of the sales department.

A typical full-service hotel has four main operational divisions: administration, rooms, food and beverage, and engineering. The administration includes the various staffs responsible for management, finance, accounting, marketing, and personnel. The rooms division consists of reservations, front desk operations, bell service, and housekeeping. The food and beverage division is responsible for planning, preparing, and serving meals and beverages in the dining room and cocktail lounge, as well as to guests in their rooms. The condition of the buildings, grounds, electrical and plumbing systems, and heating and air conditioning equipment are maintained by the engineering division.

The sales department is responsible for promoting the hotel's image, attracting guests, and creating sales projections. These projections affect the workload and, thus, the staff requirements of other divisions. A larger staff is required during periods of high occupancy, but a smaller staff is needed when the occupancy rate is low.

The sales department is also responsible for planning and executing promotions to promote food and beverage sales, and for designing posters and displays in the restaurant, lounge, and public spaces, such as the lobby, elevators, and halls.

The rooms division depends on the sales department for accurate projections of occupancy and availability. One of the most important responsibilities of the sales staff of a full-service hotel is to create and manage group sales. Close contact and careful coordination are required between the sales department and the rooms division to plan group allotments, set group rates, and monitor group reservations.

The main activities of the sales department are market research, advertising planning, group sales, and public relations. Depending on the size and market emphasis of the hotel, the sales staff may consist of one person or a team of specialists. Regardless of size, the sales department of every hotel has three important missions: attracting new customers, marketing internal services to existing guests, and motivating previous clients to return.

Besides the sales department, all hotel employees have an important marketing role. From the door attendant to the housekeepers, everyone who

comes in contact with a guest has a direct influence on the quality of that guest's stay. A popular saying in hotel marketing is that the best form of promotion is a satisfied guest.

An Emotive Vocabulary

Words have more than dictionary meanings. They also have emotional meanings based on the experience, perception, and cultural background of the listener.

An emotive vocabulary consists of words that trigger emotions. For example, words such as *serenity*, *elegance*, and *pamper* have an emotional impact. People tend to react negatively to words that sound overly technical or, worse, trigger negative emotions. However, most people respond positively to words that stimulate positive emotions or reinforce the self-image of the listener. For example, affluent hotel guests respond favorably to emotive words such as *luxurious*, *first rate*, *immaculate*, and *opulent*. By contrast, clients who worked hard to save for a trip respond more favorably to words such as *practical*, *economical*, *clean*, and *comfortable*.

The following are examples of words that trigger positive emotions:

alluring	fascinating	regal
appetizing	fierce	reputation
articulate	fiery	rigorous
attentive	forested	romantic
balmy	genuine	royal
blustery	high tech	serene
bountiful	historical	sociable
calming	hospitable	soothing
contemporary	immaculate	starlit
creative	ingenious	stimulating
cuisine	inventive	striking
dashing	invigorating	sun-drenched
durable	joyous	tasteful
ecstasy	leisurely	time-saving
enhanced	luxurious	up-to-date
enlighten	magnificent	valued
enriching	moonlight	vigorous
enthraling	mountainous	wintry
exciting	nostalgic	wooded
exotic	opulence	worldly
expressive	personable	
fantasy	pristine	

KEY CONCEPTS

Before proceeding, review the key concepts listed below to be sure you understand each one. If necessary, read over the corresponding section of the chapter. When you are ready to test your understanding, answer the Review Questions.

end-user	food and beverage department
marketing elements	engineering department
pricing	sales department
full-service	product
yield management	market
promotion	hospitality industry
advertising	lodging industry
public relations	commercial segment
positioning	leisure segment
product-class positioning	retail outlet
target market	wholesale outlet
administration	limited-service
rooms department	

REVIEW QUESTIONS

1. Give the word or phrase for each of the following definitions:
 - a. The potential population from which customers for a product, service, or business are derived
 - b. An item or service that is offered for sale
 - c. A seller that markets products to retailers, but not to the public
 - d. The customers who both purchase and use a product
 - e. The process of selling the same accommodation at different rates, based on demand
 - f. Adjusting to competition through product, pricing, and promotion

2. Name three essential elements of marketing.
3. On what factors are room prices based?
4. Explain the main difference between advertising and public relations.
5. What are the three main missions of a hotel sales department?

PROJECTS

1. Select a hotel, motel, resort, or inn in your community, town, or city. List and describe the various product lines offered for sale to the public.
2. List some of the methods the hotel uses to promote its products to customers.



Understanding Transactions

Chapter Objectives

After completing this chapter, you should be able to perform the following tasks:

1. Define transaction, and identify costs and benefits.
2. Explain how customer needs affect transactions.
3. Discuss the various ways in which market positioning influences hotel design, construction, operations, and marketing.
4. Describe various marketing strategies used to target hospitality clients.
5. Identify the three types of commitment that customers must make before buying behavior can occur.
6. Discuss factors that influence rational, financial, and emotional commitments.
7. Name the five categories of potential sales obstacles, and provide examples.
8. Identify and describe the four phases of behavioral marketing.

Transactions

When a product is sold, a transaction takes place, involving a seller (vendor), a customer (user) and a product (benefit). Each of the following situations involves a transaction:

1. An executive calls a central reservations office and books a hotel room. He guarantees the reservation to his credit card.
2. A resort guest complains about a noisy party in the room next door. The front office manager apologizes and sends the guest a complimentary bottle of wine.
3. A waitress goes to the lobby newsstand and buys a morning newspaper for a guest in the coffee shop. When the guest departs, he leaves a dollar tip.
4. A receptionist laughs heartily at a joke told by the front office manager, even though it is only mildly humorous.
5. A guest leaving his automobile at the hotel entrance gives the parking valet a large tip.

The most visible transaction is the exchange of a credit card number between the executive and the reservationist for a guaranteed reservation. The other transactions are less obvious, but each also involved a marketing exchange of a cost for a benefit. The costs and benefits may be analyzed as follows:

1. Cost: One-night deposit placed on the executive's credit card
Benefit: A guaranteed reservation
2. Cost: A complimentary bottle of wine
Benefit: Restitution for a complaint
3. Cost: A trip to the lobby for a newspaper
Benefit: A larger-than-normal tip
4. Cost: Forced laughter at a boss's joke
Benefit: A boss's good will
5. Cost: A large tip
Benefit: A good parking spot

As these situations illustrate, people make transactions to derive benefits, not merely to possess objects. For example, people buy clothing for its size, color, and appeal, not merely because it provides warmth and protection. Similarly, hotel guests have numerous options for accommodations, but they select the option that best fulfills their various rational, financial, and emotional needs.

Customers define their own needs and search out products to fulfill these needs. For example, meeting planners do not just drive down the street and select the first hotel they see to host a convention. Instead, they carefully research the available options to determine which property has the most suitable facilities for the group.

Vendors search out the needs of customers and sell products to fill these needs. A hotel does not necessarily have to convince people to travel, but it does have to persuade people to check into the hotel. For example, tropical resorts seek out sun worshipers who want to escape from the stress of everyday life and relax in a tranquil atmosphere. Executive-class hotels target business travelers who want to combine practicality, convenience, and comfort. Convention centers seek out associations, exhibition planners, and large companies in need of sites for meetings or trade shows.

Sales fluctuate as customer needs increase or decrease. As needs decline, sales decline. Thus, a resort may have high and low seasons—periods of high and low occupancy, corresponding to the tendencies of travelers. Hotels in Europe are the most crowded in summer, but hotels in the Caribbean have the highest occupancy in winter.

A business can succeed despite declining demand by adapting to changing market conditions, or by satisfying different needs or wants. For example, a resort can remain profitable in the low season through such strategies as lowering room rates or marketing to the convention trade.

Every vendor competes against every other possible use for the buyer's money. A hotel competes not just with other hotels, but with condominium complexes, guest homes, and campgrounds, as well. The complexities and costs of travel also affect the buying decision. Rising costs of air transportation mean less money to spend on accommodations.

Successful marketing often depends on the ability to create new customer needs. The hospitality industry continually strives to create new needs and wants among travelers. For example, the largest limited-service chain, Quality Inns, recently began installing microwave ovens and minibars in every guest room. Several chains that target business travelers installed personal computers and fax machines in specially priced rooms. Telephones and television speakers in bathrooms are another increasing trend. In the near

future, amenities that were once considered luxuries will become standard features fulfilling needs that previously did not exist.

Marketing Strategies

The methods that a seller uses to persuade customers to buy a product are called marketing strategies. The ways in which a customer responds to these strategies are called buying behavior. Merely offering a product for sale does not, by itself, produce sales. For example, if the owner of a hotel fails to put up a sign, the hotel might not have any guests. Putting up a sign might attract some customers driving by in their cars, but this action, by itself, will not persuade a large group to hold its annual convention at the hotel. An exterior sign is an awareness device. It makes people aware of the vendor and the vendor's products. But awareness alone is insufficient to create buying behavior.

Buying behavior consists of a series of actions and reactions. A customer's reactions often provide signals as to what type of behavior will occur next. An action or event that triggers a particular behavior is called a stimulus, and the reaction is called a response. Potential responses may be either positive or negative. For every stimulus, there is an identifiable—and sometimes predictable—response.

Until a customer buys, he or she is a prospective customer, or prospect. The objective of marketing is to create prospects and convert them into buyers. To effect this conversion, the seller must be capable of guiding the prospect's buying behavior to a favorable outcome.

Before a transaction will occur, a customer must make three basic types of commitment: rational, financial, and emotional.

The Rational Commitment

Every buyer must have a logical reason why he or she is willing to buy a particular product. In the case of a room sale, the client has a logical reason to stay in the hotel— whether traveling for business, vacation, exploration, or sports. Only by filling the client's logical need, can the seller create a rational commitment to buy. But without a rational commitment, and buying action will never take place.

The Financial Commitment

Besides a rational commitment, every buyer must also make a financial commitment. Every product has a price, which usually limits the type and number of buyers. Customers must be able to afford to pay the price before they can purchase a product. But no one buys every product they can afford, nor only those products they can afford. Before deciding to stay in a hotel, a traveler must have a set budget and a firm commitment to spend the necessary funds.

The Emotional Commitment

There is an emotional aspect to every sale. Whereas business travel has a logical foundation, the leisure traveler has a highly developed sense of romance, excitement, or adventure. There is also an emotional aspect to selecting vendors. Customers prefer to do business with people with whom they feel comfortable.

All three commitments—rational, financial, and emotional—are essential to buying action. If even one is absent, the outcome of the sale is in doubt.

Sales Obstacles

The basic commitments that produce buying action are influenced by identifiable factors. For example, people are swayed by television commercials, fashion fads, and social trends, among other things. People of different ages, backgrounds, and social status are subject to difference influences. Sellers are interested not only in the factors that produce buying action, but also in factors that motivate customers to select vendors.

Buying behavior is influenced by such factors as competitive pricing, superior quality, individuality of design, or physical location. But just as some factors influence buying behavior in a positive way, other factors may pose potential obstacles to the sale.

Potential obstacles exist to even the simplest sale. Sales obstacles fall into five general categories: space, time, knowledge, value, and ownership. A hotel has a space problem if it has to turn away guests due to overbooking. A time problem exists if reservations are unavailable on a desired date. Knowledge is a potential obstacle if customers are unaware that the hotel exists. A value obstacle exists when the price exceeds the customer's expectations.

Ownership is an obstacle if a guest cannot assume possession of the product—for example, if his credit card is overdrawn.

Benefits

Buying behavior is stimulated, and obstacles are overcome, through the communication of benefits. Product benefits may be viewed in five categories:

1. Monetary benefits
2. Location benefits
3. Time benefits
4. Sensory benefits
5. Psychic benefits

Monetary value is the most obvious benefit of a sales transaction. Value is the user's perception of the quality of a product in relation to its price. Some hotel guests are more budget-conscious than others, but given two properties of about the same quality and location, clients will usually select the one with the lowest rates. When a tour wholesaler books room space at a hotel, the wholesaler intends to derive a profit by reselling the accommodations to end-users.

Location benefits include convenience, comfort, attractiveness, and other advantages of a hotel's location. Often, a client selects a property solely because of its convenience to an airport, company, district, or resort area. Some clients place a high emphasis on the availability of rooms with certain locations or features, such as a view, convenience to public areas, or handicapped facilities. In some cases, location benefits are not a product's primary benefits, but still affect the user's buying decision. For example, a client may use the services of a conveniently located travel agency to gather information and make reservations.

In a lodging transaction, time benefits are usually crucial. Most people have set travel schedules, and, if suitable accommodations are not available on the desired dates, they will usually search elsewhere for a solution. Conventions and meetings are sometimes scheduled for tentative dates, with some flexibility permitted for adjustments. However, most hotel reservations made by both groups and individuals are dependent on preset dates.

Sensory benefits are derived from sights, sounds, smells, and taste. Examples of sensory benefits include appealing room decorations, comfortable furnishings, and a good-tasting meal served in a hotel dining

room. Together, the overall impression created by the sensory benefits of a hospitality establishment is called ambience. Many customers select hotels and restaurants on the basis of ambience alone. At most properties, sensory benefits contribute substantially to the feeling of hospitality that customers anticipate when they patronize a hotel.

Many customers also derive positive psychological effects, called psychic benefits. Relaxation, stress reduction, heightened self-esteem, and pleasure are examples of psychic benefits of a hotel stay.

Phases of Behavioral Marketing

Behavioral marketing involves the selective use of communications to stimulate buying behavior. Typical marketing communications include paid advertising, directory listings, public relations, telephone marketing (telemarketing), and sales presentations. Behavioral marketing can be divided into four phases:

1. Awareness. Before sales will occur, customers must become aware of the product, the need that it fulfills, and the vendor.
2. Education. To stimulate buying behavior and overcome obstacles, vendors must educate customers about product benefits.
3. Dominance. Customers make buying decisions based on a belief that the product or vendor is somehow superior to comparable products or vendors.
4. Response. Vendors stimulate response by asking prospective buyers to perform some type of action, such as calling a telephone number, mailing a coupon, or visiting an office.

Awareness

The first phase, awareness, is initiated through such communications devices as advertising, promotions, and outdoor signs. Advertisers measure awareness through recall—the ability of prospective customers to identify the name of the product or vendor.

An outdoor sign is one of the most fundamental awareness tools of a hotel. Other media for spreading awareness include listings in hotel directories, advertisements in newspapers and magazines, television and radio commercials, and direct mail campaigns.

Education

To stimulate information processing, vendors educate customers about benefits that fulfill underlying, as well as presented, needs. For example, the presented needs of a restaurant guest may include nutritional food and affordable menu prices, but, in addition, the underlying needs may include good-tasting food, a comfortable atmosphere, and efficient service.

A common saying among advertising executives is that successful marketers "sell the sizzle, not the steak." The "sizzle" produces an emotional response in customers and implies that the "steak" is a quality product. "Sizzles" are benefits that satisfy underlying customer needs.

Property brochures, videotape presentations, and advertisements containing detailed information are common educational tools used in marketing communications.

Dominance

By selecting a hotel over its competitors, a client implicitly affirms a belief that its rates, facilities, service, or location are in some way superior to other properties. Like product benefits, vendor dominance is perceptual. Many successful hotel chains do not, in fact, have superior prices, room furnishings, or personnel. The important thing is that guests perceive that a hotel is superior in relation to their own needs. For example, to a budget-conscious traveler, the superior hotel may be the one that has the lowest rates, but for a meeting planner, the best selection may be the hotel that has the largest auditorium.

Besides perception, dominance is also a matter of location. A hotel does not have to be superior to every other hotel in the world, but only to those in the immediate area. A motorist driving through the desert may have limited options, but, even so, he will usually select the motel that he perceives to be the best available.

Response

Soliciting a response makes the prospect an active, rather than passive, participant in the sales process. Active prospects are motivated prospects who have a high probability of becoming customers. The more active the prospect becomes, the more likely it is that a sale will result. The more time and energy that a person spends pursuing a goal, the more difficult it becomes to abandon the pursuit.

Common response devices include discount coupons, reply cards, and advertisements containing a toll-free telephone number to call for reservations or additional information.

Organizational Buying Behavior

Marketing to organizations is important to large properties and chains, particularly those that target business travelers or sell room space through tour and charter companies. Hotels often solicit business from corporations, associations, government agencies, and other institutions. The rates offered and the services contracted for vary by client. For example, a corporation holding a conference may receive a 15% discount on any published room rate, along with free use of a meeting room, whereas a government employee might receive a 10% discount on the lowest room category.

Hotels that market to groups often have a "rate formula" based on the number of rooms booked and the number of attendees. A room may be occupied by more than one attendee, and, therefore, the number of rooms that are required is usually less than the expected number of attendees. However, attendees usually attend banquets, receptions, and other social functions, and provide the hotel with additional revenues through purchases in the dining room, cocktail lounge, gift shop, and so forth.

Organizational buying behavior has many similarities with the processes that enter into a user's buying decision. Like an individual traveler, an organization has internal needs that motivate buying behavior. An organization buys services to enhance its own marketing efforts, or to satisfy the needs of its employees or members. For example, a corporation might hold a sales conference to help improve the effectiveness of its sales force, or a professional association might hold a convention to elect officers, honor achievements, and enlighten its members through guest speakers or workshops.

In marketing to corporations, it is important to remember that economic benefits are important. Like a hotel, the primary goal of a client company is to produce profits. However, social and personal factors also come into play. When a corporation holds a conference, meeting, or convention, the selection of a site affects the company's public image. Companies that wish to appear successful often select higher-priced ("up-market") properties, whereas organizations that wish to present an image of economy usually select low-end properties. Thus, financial seminars and sales conferences of large corporations are usually held at executive-class hotels, while meetings

held by government agencies, schools, and hospitals are more often held at limited-service properties.

A large company may have corporate-rate contracts with several different hotel chains. The selection of properties and rate categories may depend on the rank or status of the traveler. For example, officers and directors might be authorized to stay at executive-class hotels, while middle managers and front-line supervisors must stay at mid-market properties.

Organizational buying decisions are also influenced by the formal structure and procedures of the group. Expenditures above a preset amount may require authorization of a controller, purchasing agent, or department head. The buying decision may be a group decision, involving the opinions, recommendations, and discussions of several individuals acting independently or as a committee.

Whether targeting users or organizations, successful hospitality marketing requires a sound knowledge of buying behavior. Of course, although most human behavior is usually predictable, there is no rigid model of how customers make buying decisions. However, many studies have been conducted on how, why, when, and where people select a hotel from a seemingly endless field of choices. The next chapter focuses on buying behavior and the processes that influence the final decision.

Effective Telephone Communication

Effective telephone communication is an important skill for every employee of the hotel. The following guidelines can help employees develop an efficient, courteous telephone manner:

- **Be prepared.** Neither you nor your caller have time to waste while you search for a pencil or a misplaced schedule.
- **Answer promptly.** Answer by the third ring, if possible.
- **Use proper identification.** The hotel may have a set format for their employees to use when answering the phone. You may save time if you identify yourself and ask the purpose of the call. For example, you might say: "Front desk, this is Veronica. How may I help you?"
- **Speak directly into the telephone.** Do not chew gum, smoke, or do anything else that interferes with clear speech. Remember, your voice is your only communication tool over the telephone; nothing should detract from it.
- **Relax and be yourself.** An artificial personality is as noticeable by telephone as in person. It is easy to establish rapport if you are as sincere and personable on the phone as you are in person.
- **Ask questions.** If you are not sure you understand everything that is said, or if you feel you may have missed something, ask the caller to repeat the statement. Clear up any confusion or misunderstanding, so that it does not embarrass you later.
- **Listen carefully.** Be an "active listener." Limit your own talking; you can't talk and listen at the same time. Listen for ideas, not just words. Mentally shut out all distractions, and focus on what the caller is saying. React to ideas, not the person. Don't become irritated at things that are said, or the manner in which they are said.
- **Take notes.** Your written documentation of the call will help you remember important points.
- **Use reflective phrases.** When you would like the caller to elaborate on a point, use a reflective phrase, such as "you said," "you mentioned," or "you described." After repeating the statement, follow through with a question.

- **Keep call holds to a minimum.** If it is necessary to place a guest on hold, check back every minute or so to reassure the guest he or she has not been forgotten. When you return to the line, thank the caller for waiting and explain the reason for the delay.
- **End the call courteously.** Wish the caller a pleasant day.

KEY CONCEPTS

Before proceeding, review the key concepts listed below to be sure you understand each one. If necessary, read over the corresponding section of the chapter. When you are ready to test your understanding, answer the Review Questions.

transaction	sensory benefit
knowledge obstacle	psychic benefit
value obstacle	buying behavior
ownership obstacle	stimulus
sales obstacle	response prospect
space obstacle	ambiance
time obstacle	behavioral marketing phases
vendor	rational commitment
cost	financial commitment
monetary benefit	emotional commitment
user	education dominance
benefit	awareness
marketing strategy	response
location benefit	organizational buying behavior
time benefit	

REVIEW QUESTIONS

1. Name three types of commitments that a customer must make before a sale can occur.
2. Name five types of potential sales obstacles.
3. Write the missing word or phrase in each of the following sentences:
 - a. For every stimulus, there is an identifiable, and sometimes predictable _____.
 - b. Until a customer buys, he or she is a(n) _____.

4. Name five basic categories of product benefits.
5. Name the phases of behavioral marketing.

PROJECTS

1. Consider the five types of sales obstacles. Provide three examples of each type as they apply to hospitality marketing.
2. Consider the four phases of buying behavior. Look at the ads in various magazines, and select one example corresponding to each phase. Cut out or copy each ad, and label it with the phase of buying behavior that you think the ad represents—awareness, dominance, and so forth. Explain how each example is representative of that phase.

Understanding Client Behavior

Chapter Objectives

After completing this chapter, you should be able to perform the following tasks:

1. Identify three types of buying decisions, and explain the difference between complex, low-involvement, and repetitive buying behavior.
2. Describe five stages of a complex buying decision, and give examples of need arousal, information processing, evaluation, selection, and outcome.
3. Identify two processes required to create repetitive buying behavior.
4. Explain how buying decisions are influenced by cultural factors.
5. Identify three types of reference groups, and explain how they affect buying behavior.

The Buying Decision

Understanding how hotel guests make buying decisions is an important foundation of hospitality marketing. Buying decisions may be viewed in three basic categories: complex, low-involvement, and repetitive. The following client situations illustrate these decision-making processes.

Selecting a Convention Site

As chairman of the site selection committee of the American Institutional Management Association, David Cole was responsible for recommending a hotel for the organization's annual convention. In previous years, the group had held its convention in Florida in July, when room rates were relatively low and meeting rooms were usually available. However, this year, many members of the association had written letters requesting a change of site.

David consulted the Hotel Index, a comprehensive directory published by Official Airline Guides, Inc., and considered several options. Traditionally, the convention lasted five days, with three days of meetings and two days of "free" time for recreation. Therefore, the chosen hotel should have both convention and recreational facilities.

David contacted several properties in Arizona, Nevada, and California to obtain information and rates. He provided the sales manager of each hotel with the tentative convention dates, estimated number of attendees, and the number and types of meetings that would be held. Each hotel sent David an information package describing rates for guest rooms and meeting space, catering, audiovisual equipment, airport transportation, and other services.

He selected a dozen properties which he felt would best fit the group's needs and presented his findings to the site selection committee. After a discussion, the selection was narrowed down to three sites by a vote. The committee then made plans to visit each property. After touring the facilities, the committee met again and voted on the final choice. They selected a large resort in Phoenix.

Traveler in Distress

Heather Jeffries, an author of romance novels, purchased a roundtrip airline ticket from Boston to San Francisco, where she was to speak at a literary conference sponsored by Bay Area booksellers. Her flight was scheduled to depart at 7:00 P.M., with a stop in Chicago. After she and the other passengers boarded the plane, the flight was delayed due to mechanical

problems. Because she did not have to change planes in Chicago, Heather was not worried when the flight departed three hours later.

As the plane prepared to land at Chicago-O'Hare Field, the pilot announced that the aircraft could not continue to San Francisco. The passengers were told that they should report to a special customer service desk in the airport for further details. At the service counter, Heather was given a voucher for overnight accommodations at a mid-market hotel in downtown Chicago. A bus waited outside to transport the stranded airline passengers to the property.

Normally, Heather would not have stayed at the particular hotel that the airline had selected. The hotel offered a special, discount rate for stranded passengers, and, since the airline was paying the bill, she did not hesitate to accept the voucher.

A Loyal Customer

Carol Keith, a sales representative for a major electronics firm, was a loyal customer of a well-known, first-class hotel chain. Her job took her to numerous cities and required her to stay in many different hotels. As a result, she became something of an expert on business-class properties. One chain seemed to be the most consistent in terms of accommodations, services, and rates. For a small fee, she joined the chain's preferred customer club, entitling her to discounts on room rates, free accommodations after purchasing a preset number of room nights, and other travel benefits.

When her employer sent her to St. Louis to call on a major account, she immediately called the hotel chain's central reservations office to book a room.

Complex Buying Decisions

Selecting a convention site is an example of a complex decision, involving numerous factors that must be carefully evaluated before a transaction will take place. A complex buying decision has five stages:

1. Need arousal
2. Information processing
3. Evaluation
4. Selection
5. Outcome

Need arousal is the first step in making any decision, whether simple or complex. The customer first must recognize that he or she has a need, or a set of needs, to be fulfilled. For example, the organization's need of a new convention site prompted David Cole to investigate suitable properties. Behind virtually every lodging decision is the basic need of temporary shelter. A desire for recreation or change is sometimes important in need arousal. For example, some hotels attract people who simply are bored with staying home.

For most hotel guests, need arousal begins with travel planning. The individual's needs set the boundaries for the search process, as well as the criteria that will be used to evaluate options. For example, business traveler's needs immediately establish a rate range, specific location, and, usually, a property type. These criteria are much different from those established by the needs of a vacationing family or a honeymoon couple.

Information Processing

When a customer identifies a need, a search is initiated for prospective solutions. The information is often gathered deliberately—for example, by contacting a travel agency or consulting a chain directory. Information may also be received incidentally—for example, in a magazine or newspaper advertisement.

When a customer processes information in a complex buying decision, three basic phases occur:

1. Specification
2. Information gathering
3. Comprehension

In the specification phase, the client breaks down the overall or presented need into more specific, underlying needs. For example, a physician traveling to a medical conference at a university has a basic need for lodging near the campus during the dates on which the conference will be held. However, he or she may have other requirements, such as a certain property type, level of luxury, rate range, and on-premises food and beverage service, as well. The client might also be interested in playing golf or tennis when the conference is not in session. In this example, the basic need for lodging near the meeting site is the presented need. The client's desire for particular accommodations and facilities establish the underlying needs.

After specifying their needs, customers then gather information. This phase of information processing may be as simple as a toll-free telephone call to a reservations office, or as complex as a research project involving numerous properties. Studies of consumer behavior indicate that most hotel guests consult only one source, such as a central reservations office or travel agency. However, a travel agent may engage in comparison shopping before recommending a particular property. In the foregoing example of selecting a convention site, the meeting planner gathered information deliberately from numerous properties.

The comprehension phase of a information processing involves interpreting the information and if necessary, gathering additional data. In the example, the site selection committee narrowed the selection and then visited the top properties to obtain empirical data about the product. Empirical data is based on first-hand observation or experience, as opposed to merely reading or hearing about a product. Data that is acquired from advertisements, reviews, or recommendations by other parties is perceptual.

Evaluation

The evaluation stage of a complex buying decision takes place when the customer analyzes his or her options. The options range from deciding not to travel to selecting a property that seems to fill the presented and underlying needs. The term "seems to" is used in the previous sentence, because evaluation is largely a matter of perception—the customer's confidence in the reliability of the information gathered. For example, a client may read a review in a magazine stating that a particular restaurant has excellent food, but, until he or she actually eats in that restaurant, the information is only perceptual.

When evaluating options, the customer frequently views each option as an object consisting of a set of traits. For example, a convention site has the traits of guest rooms, meeting facilities, catering service, audiovisual equipment, and group rates. The customer assigns a value to each trait, based on its capacity to fill a need. Ideally, the preferred option is the one that will produce the highest level of customer satisfaction. However, most customers actually have a range of acceptable options, with varying degrees of preference.

Personal beliefs and attitudes have a large influence on the evaluation process. For example, some people seek a high level of convenience, luxury, and comfort and are willing to pay the higher rates that accompany these traits. However, other customers are mainly interested in low rates and seek

only basic accommodations. Some people prefer the informality of a lodge or residential-style inn to the formality and decor of a first-class hotel. People who belong to certain religious or political organizations may give preference to hotels that are associated with their groups.

Selection

In the selection phase, the customer makes a decision to proceed with one of the defined options. Usually, this selection consists of a series of smaller decisions. The client might decide to reject all of the options, or to seek alternatives. For example, someone considering an overseas vacation might decide to go camping instead. An organization planning a conference might decide to hold the meeting at its headquarters offices and let attendees make their own lodging arrangements. Thus, the first selection that a customer makes is the decision to proceed. Other decisions further narrow the selection. In the example of selecting a convention site, the meeting planner first selected regions where room rates were low in summer, and then selected properties that had suitable meeting facilities. Eventually, one of the alternative options was selected.

Outcome

When a buying decision is made, the outcome may be either positive or negative. If the property adequately fills the client's presented and underlying needs, and the customer is satisfied, the outcome may be considered positive. For example, restaurant food does not necessarily have to be prepared by a classical chef to satisfy guests. Like information processing and selection, the outcome is mainly perceptual.

In the hospitality trade, the true measurement of the outcome is customer satisfaction. With few exceptions, no hotel cannot survive over the long term by selling only to new customers. A satisfied client is a walking advertisement for the hotel, but a dissatisfied client spreads ill will for the property and all of its employees.

Low-Involvement Buying Decisions

The example of the traveler in distress illustrates a low-involvement buying decision. In this situation, the guest was not highly involved in any aspect of the information gathering, evaluation, or selection process. In fact, the airline paid for the accommodations, although the guest was the end-user. The final decision rested with the guest, who might have decided to stay in a different hotel, although at her own expense. If she had so decided, the selection of an alternative property would have initiated a high-involvement buying decision. Selecting a property for the stranded passengers was certainly a high-involvement decision for the airline.

Repetitive Buying Decisions

The example of the loyal customer illustrates a repetitive buying decision. Most people do not regularly change their behavior, and this principle is also true of buying behavior. Many customers adopt a regular pattern of behavior out of convenience. People learn from their experiences, and form their behavior on the basis of what they have learned. Thus, a satisfied client has a reason to believe that his or her satisfaction will be repeated in future buying decisions. Selecting the same property or chain when the occasion arises transforms a complex buying decision into a relatively low-involvement decision. Often, repetitive decisions are made on the basis of a limited range of selected options. For example, a particular business traveler might regularly patronize any of four or five different chains, depending on availability.

Developing repetitive buying behavior in clients is an important marketing objective, but requires a comprehensive effort of the entire hotel staff. Two basic processes are required:

1. Persuasion of first-time triers
2. Consistent quality

The marketing and sales staff is responsible for attracting new guests, or first-time triers. To motivate clients to return, the hotel must maintain a consistent level of satisfaction. The motivation for repetitive behavior is based on cumulative experience—all of the experiences at the property or chain acquired over time. Maintaining customer loyalty requires that the

guest's positive experiences outweigh any negative experiences. Unfortunately, in a hotel stay, one negative experience can overshadow all other aspects of the property and staff.

Because the hospitality product depends to a large extent on the performance of people, maintaining consistent quality for a hotel is much more than difficult than for a company that manufactures goods. For example, the bell attendant, front desk receptionist, housekeeper, food servers, and other guests all influence the satisfaction that a client derives from a hotel stay. Achieving consistent quality in a chain is much more difficult, because a customer's satisfaction is based on all of his or her experiences with properties of the chain.

Unless careful attention is paid to every aspect of hotel operation, consistency tends to be diminish over time. For example, the premises must be regularly painted and redecorated to maintain an image of quality, and new staff members must receive thorough orientation and training to maintain a consistent level of service.

Cultural Influences

Customers do not make buying decisions solely on the basis of information processing and evaluation. They are also influenced by cultural factors, people, and lifestyle. Culture refers to the basic customs and beliefs of a community, religion, or ethnic group. The traits that characterize a particular culture are called cultural values and are passed from one generation to another. For example, in some Asian cultures, people consider cows to be sacred and, therefore, do not eat beef or dairy products. Because of this cultural value, steakhouses and ice cream parlors have difficulty marketing to these groups.

Most households in America have indoor toilets, and very few American travelers would select a hotel that does not have this feature. However, in some developing countries, indoor plumbing is found only in the residences of wealthy citizens, and, therefore, virtually any lodging establishment with a toilet is considered a first-class hotel. Yet, by American standards, the same property might be considered primitive or unacceptable.

More refined values exist within each culture. For example, in the United States, elderly people with fixed incomes may have different cultural values than a young, professional couple with children. Limited-service chains often direct their marketing efforts to students, divorced working mothers, and

retirees living on social security, whereas luxury hotels focus on business executives, couples without children, and wealthy retirees.

Reference Groups

Besides cultural values, hotel customers are also influenced by other people. The people who provide information or offer opinions that influence a customer's buying behavior are called a reference group. For example, a student is influenced by other people in the class, and an office worker receives information from other employees. The most influential reference groups are families and friends.

A reference group may have a formal structure, as in the case of a business in which employees make recommendations, but purchasing decisions are approved by a supervisor or purchasing agent. Hotel representatives, travel agents, and tour wholesalers are formal reference groups that influence many lodging decisions.

Members of a reference group may be one of three basic types:

1. information sources
2. influencers
3. key decision makers

An information source is anyone who provides information that affects the purchasing decision of others. For example, an office worker returning from a trip may tell other employees about a particular destination or hotel. In this respect, every guest of a hotel is a potential information source for other prospective clients.

An influencer is a person other than the end-user who has control over some aspect of the buying decision. For example, many companies, including hotels, promote to children, in the hope of influencing the buying behavior of parents, and some hotels conduct promotions aimed specifically at wives.

A key decision maker is the person who is responsible for the final buying decision. For example, an administrative assistant might recommend a particular property for a business trip, but the general manager may have final approval. In a family, children might recommend a particular property, but the parents make the final decision.

To a limited extent, a hotel markets to people in the immediate community. For example, many properties have honeymoon suites that are used by local residents, as well as visitors, and hotels often hold special holiday and weekend promotions designed to attract members of the

community during off-periods of business travel. Many full-service hotels successfully sell food and beverage service to local residents, as well.

Product and Price

No matter what type of client a hotel is trying to reach, no amount of market positioning or behavior modification can produce client satisfaction unless all departments perform their jobs competently. Successful hospitality marketing begins and ends with a quality product.

However, by itself, a quality product does not guarantee a steady supply of customers. Pricing, competition, and demand also have a strong influence on a hotel's success or failure. The next chapter focuses on pricing strategies and explores the impact of costs, competition, and market demand on room rates.

Effective Information Gathering

Effective information gathering is fundamental to selling. Familiarity and skill with rates, availability, policies, and facilities are essential, but no amount of information about the hotel can supplant the need for effective questioning. Most hotel sales departments are busy places that place high demands on the staff's time. It is important to be able to utilize client time in the most efficient and productive manner. Information must be gathered quickly and accurately-and analyzed correctly.

Until the client's needs are specified, do not quote a rate. Product knowledge and research come into play only after all the important information has been gathered. The majority of client needs can be elicited from five basic questions: who, what, when, where, and why.

1. **Who?** Who will be staying at the hotel? How many guests or attendees? What is the nature of their organization or group?
2. **What?** What would they like to do or see? What is their budget?
3. **When?** When will they arrive? How long will they stay? When will they depart?
4. **Where?** Where in the hotel would they prefer to stay? Which meeting or banquet rooms will they need? What activities or tours might they desire?
5. **Why?** Why will the group be staying in the hotel?

Effective questioning techniques enable an account executive to accurately identify a client's goals, desired benefits, intended stay, and budget range.

Clients who are unable or unwilling to provide detailed answers to the five basic questions may be "tire kickers" who would like to hold a meeting, but have not yet made a commitment. Perhaps they are trying to decide whether to hold it, not where to hold it. Because these prospects are not ready to commit to specifics, the sales staff wastes valuable time attempting to identify their needs.

"Tire kickers" need to be romanced with emotive words that build an emotional commitment. Remember that buyers must make an important emotional investment, in addition to a rational and financial commitment. A group sale is rarely made because of the underlying logic alone.

KEY CONCEPTS

Before proceeding, review the key concepts listed below to be sure you understand each one. If necessary, read over the corresponding section of the chapter. When you are ready to test your understanding, answer the Review Questions.

complex buying decision	comprehension phase
low-involvement buying decision	cumulative experience
perceptual data	cultural values
evaluation	reference group
repetitive buying decision	information source
need arousal	presented need
selection	underlying need
outcome	influencer
information processing	key decision maker
specification phase	empirical data
information gathering phase	

REVIEW QUESTIONS

1. Give the correct word or phrase for each of the following definitions:
 - a. Data that is based on firsthand observation or experience
 - b. The first step in a buying decision, in which the customer recognizes that he or she has a set of needs to be fulfilled
 - c. The phase of information processing in which the client defines the presented and underlying needs
 - d. Data acquired from advertisements, reviews, or recommendations by other parties
 - e. The phase of information processing in which the client decides to proceed with one of the defined options
 - f. A regular pattern of behavior adopted out of convenience or on the basis of experience

- g. Traits that are related to customs and beliefs and are passed from one generation to another
 - h. People who provide information or offer opinions that influence a customer's buying behavior
 - i. Someone who is responsible for a final buying decision
2. Name three types of buying decisions.
 3. Name five stages of a complex buying decision.

PROJECTS

1. Based on your own experience, describe in detail an example of each of the following types of buying decisions:
 - a. Complex
 - b. Low-involvement
 - c. Repetitive
2. Describe how the following factors influence your buying decisions:
 - a. Cultural influences
 - b. Information sources
 - c. Influencers
 - d. Key decision makers

