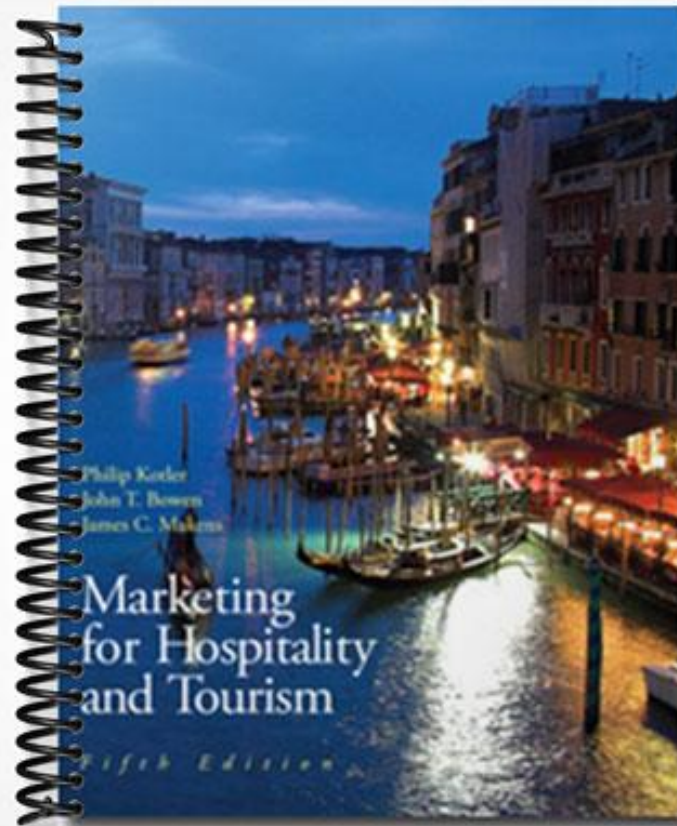



SOLUTIONS MANUAL



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Online Instructor's Manual
to accompany

Marketing for Hospitality and Tourism

Fifth Edition

Ken Jarvis

Prentice Hall

Boston Columbus Indianapolis New York San Francisco Upper Saddle River

Amsterdam Cape Town Dubai London Madrid Milan Munich Paris Montreal Toronto

Delhi Mexico City Sao Paulo Sydney Hong Kong Seoul Singapore Taipei Tokyo



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INTRODUCTION

The Instructor's Manual is designed to help instructors, and ultimately students, have a successful marketing class. Our guides to the cases do not represent all the ways the cases can be used. Instructors are encouraged to adapt our teaching suggestions to their environment. Likewise, the answers to the discussion questions in this guide do not represent all the possible answers. Students will come up with a variety of appropriate answers. The discussion questions were designed to make the students think and apply the material in the chapter. For many questions there is more than one answer.

Table of Contents

For your convenience, each section of this manual is referenced by page number in the Table of Contents. The Table of Contents precedes this section.

Teaching Suggestions

In this section we have offered some suggestions on techniques that have worked well in hospitality marketing courses.

Suggested Outlines

These are our suggestions for course outlines. The text is a comprehensive book with 19 chapters. This adds a lot of flexibility for instructors. We expect that most instructors will not cover all 19 chapters, but we feel the chapters covered will vary by instructor and program. We have tried to create a text that will have value in a number of different programs. We have presented a 15-chapter outline and a 18-chapter outline, which can be modified to meet the needs of your course.

Chapter Information

This section contains chapter-specific information, including chapter objectives, teaching suggestions, a chapter outline, and answers to the discussion questions.

Written Cases

We provide 36 written cases that can be reproduced and given to students. This section begins with an overview of which cases are appropriate for each chapter. Each written case has a set of instructor's notes.

Video Cases

Video cases are a great way to teach undergraduate students. They bring industry examples into the classroom and show the students the relevance of marketing to the industry. After showing the case, all students in the classroom are familiar with case. This makes it possible for all students to participate in the discussion that follows the case.

Computerized Test Bank

A computerized test bank is available as part of the supplemental package provided to support the main text.

Chapter Notes on a Computer Disk

Some instructors find the chapter notes useful for cutting and pasting into overheads. Others like to modify them and pass them out as student notes. A set of notes is available on disk in a MS Word format that is translatable to most word processing formats. Instructors wanting a set of these notes should send an email to John Bowen, jbowen@uh.edu.

A comprehensive teaching and learning package supports *Marketing for Hospitality and Tourism, fifth edition*.

These instructor supplements are available online:

*Computerized Test Bank

*Instructor's Manual

They can be accessed at www.prenhall.com by clicking on Instructor Support.

Also available to instructors are:

*Video in DVD format (013-504565-7)

For both instructors and students:

Companion Website and PowerPoint Slides

The companion website offers resources for both students and instructors. The PowerPoint slides for each chapter are available on the website. The site also includes links with numerous businesses, government agencies, and organizations, which will be useful to instructors and students. Students will find links that will be useful for their Internet exercises and sample test questions to help them prepare for exams. The URL for the site is <http://www.prenhall.com/kotler>, then click on Marketing for Hospitality and Tourism.

Suggestions

If you have suggestions for future editions of the Instructor's Manual or the text please send them to:

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Dean

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TEACHING SUGGESTIONS

Real World Case

The real world case is designed to have students relate the class material to industry. They are required to find examples of how companies are using or not using marketing principles. This allows them to see examples in their own community.

When using the real world case I assign each student three cases. I also break up the class into four groups. Each group is then assigned three different topics on which to prepare their three cases. Thus, twelve topics can be covered by this method. The project is not meant to be a group project; the group membership simply indicates the date the case is due. Students can be asked to discuss their cases in class, providing interesting class discussion. The second part of the case involves the students doing additional research on the topic in the library. Some instructors may want to drop this section.

Case Instructions.

Each student will hand in three written cases, 750 to 1000 words (two to three double-spaced typed pages). The cases will be "living" cases. They consist of a write-up of an actual experience or an article about a firm's effective use of the concepts being studied the week the case is due. Examples showing the consequences of not applying marketing concepts can also be used.

The purpose of the case is to link the course material with industry practices. The first part of the case should be the example. The second part of the case should link the industry example with marketing theory. The second part of the case requires going to marketing literature other than the textbook. Thus, all cases should cite references other than the textbook.

An example of a sample case is provided as part of this course outline. Each student should prepare three cases during the semester. The class will be divided into four groups, with members of each group turning in their case on the due date for their group. The purpose of dividing the class into four groups is to provide cases for class discussion each week. The group membership simply denotes the date the case is due. All cases are to be individual work. All cases are required to be typed. It is estimated it will take five hours to prepare a case.

Criteria for cases:

1. Must use a company in the hospitality industry.
2. Should build a case around one company--can be from the student's experience or an article. If an article is used, the student might want to use more than one reference.
3. The case is divided into two parts:

Part one is the case.

Part two gives marketing implications based on marketing readings in the student's assigned area. Sources for the readings include: specialized marketing books such as consumer behaviour or marketing research texts,

service marketing texts, hospitality marketing texts, and journal articles.
All cases should have references other than the text and reader.

Quizzes

I have found it worthwhile to give **announced** quizzes. The reading for this course contains many new concepts for the students. It takes time to digest these concepts. Quizzes are one way of keeping the students current on readings. Announced quizzes on the chapter(s) for the week can provide the students with an incentive to keep up with their reading. The quizzes can contain ten multiple choice or true/false questions, thus they only take five minutes of class time. I give five quizzes and drop the lowest quiz; if a student misses a quiz they get zero and that quiz is dropped. Since the quizzes are announced, attendance at the quizzes is not a problem. To keep things simple, I do not allow make-up quizzes. The quizzes should be given at the beginning of the period and students encouraged coming to class on time.

CHAPTER OUTLINES

The book is a comprehensive book with 18 chapters. This adds a lot of flexibility for instructors. We expect that most instructors will not cover all 18 chapters, but we feel the chapters covered will vary by instructor and program. We have tried to create a text that will have value in a number of different programs. Those who want to spend time on the basics can use 15 chapters. Instructors who want to provide a wider coverage of topics may use 17 or 18 chapters. The chapters are there for you to format into a course that will fit your needs. We have provided two sample outlines for you to use and modify.

TOPIC OUTLINE FOR 15 CHAPTERS WITH MODIFICATIONS

Date	Topic	Assignment
<u>Week</u>		
1	Introduction	Chapter 1
2	Service Characteristics	Chapter 2
3	Environment	Chapter 4
4	Market Research	Chapter 5
5	Buyer Behavior	Chapters 6, 7
6	Segmentation Mid-Term Test	Chapter 8
7	Product	Chapter 9
8	Internal Marketing	Chapter 10
9	Pricing	Chapter 11
10	Distribution	Chapter 12
11, 12	Promotion	Chapters 13, 14, 15
13	Developing a Marketing Plan	Chapter 17

Programs with tourism orientations will want to add Chapter 17, Destination Marketing. Operations with a heavy food service orientation may want to delete Chapter 15, Professional Sales, and Chapter 7, Organizational Buyer Behavior and Group Market.

TOPIC OUTLINE FOR 18 CHAPTERS WITH MODIFICATIONS

Date	Topic	Assignment
<u>Week</u>		
1	Introduction Service Characteristics	Chapter 1 Chapter 2
2	Strategy	Chapter 3
3	Environment Market Research	Chapter 4 Chapter 5
4	Buyer Behavior	Chapters 6, 7
5	Segmentation Mid - Term Test	Chapter 8
6	Product	Chapter 9
7	Internal Marketing, Product Quality, Customer Satisfaction	Chapter 10
8	Pricing	Chapter 11
9	Distribution	Chapter 12
10, 11	Promotion	Chapters 13, 14, 15, 16
12	Destination Marketing	Chapter 17
13	Developing a Marketing Plan	Chapter 18

Programs without tourism programs may want to eliminate Chapter 17 on destination marketing.

Graduate Courses

This book can be used as a resource book in a case-based graduate course. The book is easy to read and comprehensive. Thus, it is an ideal companion to the graduate course where the instructor wants the students to learn how to apply marketing principles through teaching by the case method. The class can focus on the cases and the students can use the text to reinforce their weak areas.

CHAPTER 1

Introduction: Marketing for Hospitality and Tourism

CHAPTER OVERVIEW

This chapter begins by explaining the business philosophy of marketing. Marketing is not a function that is only carried out by the marketing department, but rather a way of doing business. The main focus of marketing is the customer; this customer orientation must be integrated throughout the organization.

Next is a discussion of how customer satisfaction leading to profits is the central goal of hospitality and tourism marketing. It is wise to assess the customer's long-term value and take appropriate actions to ensure a customer's long-term support.

Finally, the chapter introduces the various components of the marketing mix: promotion, product, price, and distribution. Distribution is sometimes called *place* and the marketing mix is called the *4 Ps*. Marketing also includes research, information systems, and planning. If marketers do a good job of choosing the appropriate target markets and presenting an effective promotion mix, the result will be attractive products and satisfied customers. This would include identifying consumer needs, developing a good product, and pricing, distributing, and promoting it effectively. This chapter introduces all of these terms and gives an overview of their place in the marketing world.

CHAPTER OBJECTIVES

Students should be able to:

1. Understand the relationships between the world's hospitality and travel industry.
2. Define marketing and outline the steps in the marketing process.
3. Explain the relationship between customer value and satisfaction.
4. Understand why the marketing concepts call for a customer orientation.
5. Understand the concept of the lifetime value of a customer and be able to relate it to customer loyalty and retention.

Supportive PowerPoint Slides: 1-1 to 1-5.

TEACHING SUGGESTIONS: Teaching suggestions are provided in two formats. The first format guides the instructor through the chapter objectives. The second format is a chapter outline and provides more detail than the chapter objective format.

OBJECTIVES:

Objective: 1. Understand the relationship between hospitality and travel industry.

Recommended Ideas: The hospitality industry is one of the world's largest industries. The hospitality and travel industry combine to form the foundation for tourism. The Hong Kong airport alone will eventually be able to handle 87 million visitors per year. All will be traveling to and from Hong Kong for business and personal reasons that will involve many hospitality related businesses worldwide.

Examples: hotels, restaurants, timeshare, casinos, airlines, cruise lines, car rental.

Objective: 2. Define marketing and outline the steps in the marketing process.

Recommended Ideas: Many students think of marketing as advertising or sales. At the start of the course it is important that marketing is presented as a way of doing business. Marketing is making business decisions with the customer in mind. It evolves from creating a customer service attitude among all employees. Thus, all managers need to understand marketing. It is not a function that can be left up to a few people in the marketing department. Getting this idea across can create interest in the class and is one of the keys to a successful course. Explain to the students that the marketing mix is composed of the marketing variables managers can control. They are called a mix because they must support each other. Companies must work to understand consumers, create value and build relationships. This process in creating customer value should, in turn, result in sales, profit and long-term customer equity.

The four-P framework calls upon markets to decide on the product's features, set the price, decide how to distribute their product, and choose methods for promoting their product.

Examples: Explain how room reservation or accounting departments are part of marketing. Use McDonald's example to explain the 4-P framework. See "what is hospitality marketing".

Supportive PowerPoint Slides: 1-1 to 1-9.

Objective: 3. Explain the relationships between customer value and satisfaction

Recommended Ideas: Value is the consumer's estimate of the product's overall capacity to satisfy his or her needs. Customer value is the difference between the benefits that the customer gains from owning and/or using a product and the costs of obtaining the product. Costs can be both monetary and nonmonetary. **Examples:** Use Ritz Carlton, Domino's and Hampton Inn to illustrate value. Use Satisfaction and Customer behavior chart to illustrate satisfaction. Use examples of TQM and ROQ to illustrate quality. See "Value, Satisfaction, and Quality".

Supportive PowerPoint Slides: 1-7 to 1-11, 1-14.

Objective: 4. Understand why the marketing concept calls for a customer orientation.

Recommended Ideas: Discussing the success and failure of companies adopting the different marketing management philosophies helps students realize how many business decisions are actually marketing decisions and how these decisions affect the overall business operation.

Examples: Successful examples: Four Seasons, Accor, McDonald's. See "marketing concept". Failure example: Swiss Alps and Train crews in New Zealand. See "manufacturing concept". Victoria Station. See "product concept". Restaurant example. See "selling concept".

Supportive PowerPoint Slides: 1-7 to 1-8, 1-18 to 1-28.

Objective: 5. Understand the concept of the lifetime value of a customer and be able to relate it to customer loyalty and retention.

Recommended Ideas: Good customer relationship management creates customer delight. In turn, delighted customers remain loyal and talk favorably to others about the company and its products. Marketing management involves capturing value in return, in the form of current and future sales, market share, and profits. By creating superior customer value, the firm creates highly satisfied customers who stay loyal and buy more. Companies are realizing that losing a customer means losing more than a single sale. It means losing the entire stream of purchases that the customer would make over a lifetime of patronage. The benefits of customer loyalty come from continued patronage of loyal customers, reduced marketing costs, decreased price sensitivity of loyal customers, and partnership activities of loyal customers. The lifetime value of a customer is the stream of profits a customer will create over the life of his/her relationship with a business.

Supportive PowerPoint Slides:

CHAPTER OUTLINE

- I. **Customer Orientation:** The purpose of a business is to create and maintain profitable customers.
 - A. Customer satisfaction leading to profit is the central goal of hospitality and tourism marketing.
 - B. The long-term value of the customer must be assessed in order to take appropriate actions and ensure a customer's long-term support. Statistical evidence supports the idea that it is much more efficient to maintain customer relationships than to create new customers. Indeed, it is difficult to regain a customer which has been lost to the competition. This is a fundamental idea in marketing today.

Supportive PowerPoint Slides: 1-1.

II. Marketing in the Hospitality Industry

Importance of Marketing: Only those companies that understand their customers can survive in the highly competitive environment.

- A. The entrance of corporate giants into the hospitality industry and the marketing skills these companies bring with them have produced a much higher level of competition.

- B. There are some who predict that the hotel industry will consolidate in much the same way as the airline industry has with five or six major chains dominating the market. If true, this will produce a highly competitive industry with only those companies that understand their customers, surviving. With this increase in competitive pressure, the marketing director is becoming of great importance. It is the marketing director who will focus the company and its employees on the customers and appropriate priorities.

Supportive PowerPoint Slides: 1-2 to 1-3.

Travel Industry (Tourism) Marketing: Hospitality and travel marketing is very interdependent, cooperative, and complex in nature.

- A. The success of the hospitality marketing industry is highly dependent on the entire travel industry. It is very interdependent, cooperative, and complex in nature. Examples include:
 - 1. Wholesale packages including travel, accommodations, ground transportation, and entertainment.
 - 2. Airline and car rental cooperative arrangements.
 - 3. Cruise packages with airline deals and car rental discounts.
- B. Government or quasi-government agencies play an important role in travel industry marketing through legislation aimed at enhancing the industry and through promotion of regions, states, and nations.
- C. The Marketing Mix is the set of tools that work together to produce satisfied customers, providing that the appropriate target markets and their needs are identified.

Supportive PowerPoint Slides: 1-4 to 1-6.

III. Marketing: A social and managerial process by which individual and groups obtain what they need and want through creating and exchanging products and value with others.

Needs:

Human needs are complex; we classify them into categories: basic physical needs such as food and housing; social needs for belonging, affection, fun, and relaxation; esteem needs for prestige, recognition, and fame; and individual needs for knowledge and self-expression. When a need is not satisfied, a void exists.

Wants:

Human wants are how people communicate their needs and are shaped by culture and personality. A hungry Aboriginal wants witchery grubs, lizard eggs, and bush onions. A hungry person in the United States may want a hamburger, French fries, and a Diet Coke. Wants are described in terms of objects (or actions) that satisfy needs. See: Macaroni Grill – having jug wine on the tables.

Demands:

Demands are wants backed by buying power. People have almost unlimited wants, but limited resources. They choose product that produces the most benefit for their money. In times of recession or higher gas prices, people still travel but may shorten their stay or substitute destinations that are closer and therefore, more cost effective.

Products:

A product is anything that can be offered to a market for attention, acquisition, use, or consumption and that might satisfy a need or want. As in the case of Colorado Preservation, Inc. historical sites can be restored in such a way that an area can become a destination attraction.

Value:

Value is the consumer's perception of the product's overall capacity to satisfy his or her needs. Value is different things to different people. For example, value can be "the best price", or "what I get for what I give", or "how fast and conveniently the product is delivered", or "what I want, regardless of cost".

Satisfaction:

Satisfaction is determined by how well the product meets the customer's expectations for that product. Satisfaction is often a measure of the consumer's perception of that product. A customer centered company must generate customer satisfaction while meeting company objectives – both profitability and image.

Quality:

Quality is the totality of features and characteristics of a product that bear on its ability to meet customer needs. Many companies seek to maximize ROQ (Return On Quality). When they offer the quality the customer wants, they often enjoy improved sales and profitability.

Exchanges:

Exchange is the act of obtaining a desired object from someone by offering something in return; it has legal overtones. An exchange requires two willing parties, with free capacity to accept or reject the other's offer.

Transactions:

Transactions are marketing's unit of measurement consisting of a trade of values between two parties. Not all transactions involve money. For example, restaurants may trade meals for advertising.

Relationship Marketing:

Relationship marketing focuses on building a relationship with a company's profitable customers. Usually, repeat customers provide a company

with more profitable business with less expenses than new customers who require a courtship of sorts to purchase. Relationships include customers, distributors and suppliers.

Supportive PowerPoint Slides: 1-7 to 1-17.

IV. Marketing Management: Demand management.

Marketing management is the analysis, planning, implementation, and control of programs designed to create, build, and maintain beneficial exchanges with target buyers for the purpose of achieving organizational objectives. The effective marketing manager is interested in shaping the level, timing and composition of demand for his/her company's products.

V. Five Marketing Management Philosophies

Manufacturing Concept—This concept holds that customers will favor products simply because they are affordable, encouraging management to focus on creating efficiencies in production and distribution. As mentioned in the text, this approach often leads to neglect of the customers.

Examples: Swiss Alps.

Product Concept—The product concept holds that customers prefer existing products and product forms, and the job of management is to develop good versions of these products. The fault here is that without environmental scanning and trend analysis, the company will miss crucial changes in the market's perceptions and expectations. Indeed, the customer will always know what s/he needs, but not necessarily how the product or service can fulfill the need. This is the business of the marketer.

Example: Victoria Station.

Selling Concept—This concept holds that the consumer will respond only to the efforts of the company to market and sell the products. Here, the focus of the company is to sell, sell, and sell. Again, the missing element in this approach is the customer and his or her satisfaction with the product or service. Rather than find the true cause for a slowing of business, firms often advertise to reverse a sales decline or fill gaps created by overcapacity.

Example: Restaurant Wine.

Marketing Concept— This concept holds that achieving organizational goals depends on determining the needs and wants of target markets and delivering the desired satisfaction more effectively and efficiently than competitors. The concept of relationship marketing is clearly prevalent in this approach. The company makes its profits by creating and maintaining customer satisfaction.

Examples: Four Seasons, Accor, McDonald's and Southwest Airlines.

Societal Marketing Concept—The underlying concept of the societal marketing approach is responsibility. There is growing faction of corporate America that is recognizing the necessity to operate in an environmentally and ethically responsible manner.

Examples: Fast-food restaurants provide food with more nutritional value, resort developers consider the disposal of waste products and use of water. Hotels consider energy conservation, landscaping, preventive maintenance, water-saving plumbing fixtures, and responsible alcohol service training for employees.

Supportive PowerPoint Slides: 1-18 to 1-28.

DISCUSSION QUESTIONS

1. The instructor can inspire students to answer this by asking some simple leading questions. For example, asking students “If you are called on by your manager to address sagging sales in your restaurant, what steps can you take to reverse the trend and improve business? You would need to find out what customer needs are not being met, what revisions to your product or service are needed, analyze the price/value proposition.
2. Establish the following scenario. “A restaurant may cut back on portions to make its food cost for the month or cut back on staff. Both of these moves will result in short-term profits. But they also might result in dissatisfied customers. These customers will not return and future profits will drop”.
* Profit is a requisite for any for profit business, but it should not be the purpose of the business. When profit becomes the purpose of the business, managers tend to take a short-term view and try to maximize profits in the short term. For example, when a hotel can sell out, managers might deny travel agent business. But the business from these travel agents may be needed in the future and such action can alienate the agents.
A business should target customers that will create value for the business, customers that the business can profitability serve. If it concentrates on serving these customers well and provides a product that is profitable to the company, profits will flow. It is not essential to make a profit on every transaction. Customer satisfaction and maintaining a customer’s long-term value is often more important. This is the philosophy of business when one views the purpose of a business as creating and maintaining customers. However, this view is taken with the understanding that profits are a requisite.
3. The instructor can inspire students to answer this question by some leading sentences. For example, asking students “If you were the manager, which alternatives would you have regarding reconciling the problems? Empathetically listen to customers’ problem? Automatically apologize to customers? Refund the room rate? Upgrade the guest room?”

*Individually, we all handle situations differently. There are, however, several steps that should be discussed. First of all, listen to the customer's whole story – empathetically. They should feel that you genuinely care and that their problem is worth your time. Next, the manager might send someone to the room to check the problem. Customers like to see that immediate action is being taken. Is the air conditioning actually not working? Hotels have different policies regarding this type of problem. The primary goal is to reconcile the problem immediately and to the guest's satisfaction. Hotels with outstanding service will automatically apologize and immediately refund the room rate, or upgrade the guest, or any number of alternatives. It is the duty of the manager to ensure that the guest leaves feeling satisfied. Some guests will need more than others. One might also suggest to the guest that next time, he or she phone the front desk and inform them of the problem as soon as possible. Sometimes it may be fixed immediately with little or no problem. If not, a room change is easily arranged if the guest so desires—presuming there is availability. Last, the manager should ensure the guest's satisfaction and thank the guest for everything—for being patient, for bringing the problem to the attention of the hotel, for being a customer of the company.

4. The instructor can inspire students to answer this question by providing some examples: Car rental companies working with airlines and hotels. There are many examples of cooperative efforts in the industry. Car rental companies work with several different tourism providers. Students might suggest unions like car rental agencies and cruise lines, or airlines, or hotel chains. Hotels may work with local area attractions--like water parks and golf courses--and offer specials. Certain moped companies in Hawaii, for example, may offer special prices to guests of certain hotels, or maybe certain attractions will offer special moped companies discounts for their customers.
5. The instructor can inspire students to answer this question by some leading sentences. For example, reminding students that this restaurant may not do advertising and coupons, but it may implement a customer-based philosophy of identifying customers' needs and wants.
*On a conscious level, the management of the restaurant may not be “marketing” to the public. They are, though. They are implementing a customer-based philosophy of identifying the customers' wants and needs and then supplying them with what they want. In this case, the restaurant is supplying a good product, at the right price, in an accessible location, and its primary type of promotion appears to be word of mouth. Marketing goes beyond advertising or coupon offers.
6. The instructor can inspire students to answer this question by asking students to think about the differences of level of satisfaction perceived by customers who gave “6” and customers who gave “7”.
According to Kotler (1994), it is easy for the customers who are just satisfied to switch to the better offers, and only customers who are “completely satisfied” are

less likely to switch (Nowak, 1998). Because the complete satisfaction factor creates an “emotional affinity with the brand” it leads to high customer loyalty. Maybe customers who gave “6” are just satisfied with the services, but customers who gave “7” are completely satisfied and thus are more likely to return. There are many service providers which receive a “5” or “6” on level of satisfaction, but not many of them receive a “7”. For example, when customers said: “It is a great restaurant. I have not had this kind of dining experience for a long time”, it indicated that the customers are completely satisfied and their level of satisfaction is a “7” and they are more likely to return to the restaurant. On the other hand, when customers said: “This restaurant is good”, it indicated that the customers are just satisfied and their level of satisfaction is a “6” or a “5” and they are less likely to return to the restaurant.

7. The instructor can lead students to answer this question by asking students to think about the underlying concept of the societal marketing approach being responsibility.
On textbook page 18, fast-food restaurants provide food with more nutritional value, resort developers consider the disposal of waste products and use of water. Hotels consider energy conservation, landscaping, preventive maintenance, and water-saving plumbing fixtures. At the same time, being environmentally conscious can produce positive publicity and reduce costs, which are beneficial to the companies.

EXPERIENTIAL EXERCISE

1. The instructor can suggest students make a table listing the results of their observation for each of the two restaurants. The instructor can recommend students look at the employees’ attitudes (i.e., how the host person greeted and seated the customers), cleanliness (i.e., the table cloths or employee’s uniforms), in-house signage (accurate, clear and obvious), and quality of food (i.e., variety and freshness of the food).

An example is given as follows.

Item	Plus	Minus	Remarks
Employees’ attitudes	*The host person greeted the customers and seated customers immediately. *The busboy gave coloring books and crayons to the kids. * The waitress explained “today’s specials” to customers in a great detail.		
Cleanliness of the		The tablecloths	

restaurants		were kind of dusty.	
In-house signage	The signs for restroom were placed at obvious spots and the direction was easy to follow.	The breakfast special for \$3.99 was no longer available. However, the signage still stated \$3.99 breakfast special and was not updated with current information.	
Other physical features		Employees did not wear uniforms.	
Quality of the food	The seafood was very fresh.		
<p>Conclusion: This restaurant is more customer-oriented because the employees were very helpful and friendly. In addition, the signage was easy to find and easy to follow. However, the managers need to update the signage with current information.</p>			

2. The instructor can suggest students make a table listing the results of their information inquiry for each hotel. The instructor can suggest students pay attention to the length of waiting for the phone to be answered, the courtesy, helpfulness, professionalism, and empathy of the employees, types of information provided by employees. An example is given as follows.

Item	Plus	Minus	Remarks
How quickly the phone was answered		The call was answered after 10 rings	
The customer orientation of information provided		* The employees did not volunteer the necessary information. Customers needed to dig out the information regarding types of rooms, dates when discounted rate available. * Additionally, the employees were reluctant to help customers to find the non-smoking room with ocean view on weekend at discounted price.	
The friendliness of the employees		The employees were very impatient on answering customers' questions.	
Others			
Conclusion: This hotel was less customer oriented because this hotel would rather let customers wait on the phone than hiring more employees to answer customers' phone calls more quickly. Moreover, maybe due to the shortage of employees, employees didn't have enough time to answer customers' questions or help customers to find the best combination for their hotel stay...etc.			

3. The instructor can suggest students either call two tourism bureaus to request information or to go to their web sites for more information. Then, students can make a table listing the results of their information inquiry for each tourism bureau. For example, students can go to the web sites of Hawaii tourism bureau and Las Vegas tourism bureau to compare which web site is more customer-oriented. The criteria students can use are as follows: the speed of accessing the web sites, the friendliness of using the web sites, the usefulness of the information provided by the web sites.

Item	Plus	Minus	Remarks
The speed of accessing the web site		It took 3 minutes to access the web site.	
The friendliness of using the web site	* It was very easy to navigate on the web site. * Each direct external link worked well.		
The usefulness of the information	*Various information was provided, such as directions, places to stay, getting around, things to do, where to eat, wedding planning, golf, shopping, travel planner, virtual tours, travel tips, and event calendar. * The business hours and phone numbers on the web sites were accurate.		
Others			
Conclusion: This web site was easy to surf and the information was very helpful.			

INTERNET EXERCISE

1. The instructor can assign students to groups. Each group accesses the web sites provided by the textbook. Then, each group presents their findings.

The instructor can recommend students look for the amenities, facilities, and frequent stayer program features in the hotel web site. For example, a work desk with modem jack in telephone might be an important feature for business hotels. On the other hand, swimming pools and spas might be important features for resort hotels.

The example is provided as follows:

- A. A mid-class business hotel was chosen.

This hotel tries to satisfy customer's wants by providing the amenities customers need for conducting their business inside the hotel rooms.

- Standard rooms: spacious room with contemporary decor, work desk with modem jack in telephone, coffeemaker, French balcony, voice mail.
- Executive room with welcome amenity, access to Executive Lounge, 2 phone lines, hair dryer, bathrobe, iron/board, turndown service, serving continental breakfast and evening snacks, USA Today, French balcony.

This hotel also provides Concierge Desk to assist customers with any other needs and wants.

- B. The hotel creates value for customers by providing the facilities and service which assist business customers conducting their business. For example, Audio/Visual Equipment Rental, Business Center, Business Phone Service, Cellular Phone Rental, Express Mail, Fax, Meeting Rooms, Modem, Notary Public, Office Rental, Paging Equipment Rental, Photo Copying Service, Printer, Secretarial Service, Typewriter. This hotel also provides recreation utility and fitness center for customers. The hotel also offer frequent stayer program so that customers can get room accommodations.

- C. The instructor can suggest students look for the ways meeting planners contact with the hotel and the special rates and dates available for the discounts.

An example is given as follows:

The hotel provides a whole section for groups and meeting planner. This web site provides a direct phone line for meeting planners to contact the professional group and meeting planners in the hotel. In addition, customers can request a proposal and contact the meeting experts online. Furthermore, this hotel provides a FREE meeting planning software regarding designing a custom seating setup for customers to download online.

This web site provides the Group Value Dates* list special offers discounted from 10%–30% (and sometimes more) based upon the average group rooms rates for group/meeting functions quoted during the time period that the

discounts are offered.

- D. I will choose this hotel because it provides the in-room business amenities so I can work in my room. Additionally, the ancillary facilities and services will bring a lot of convenience for my stay in the hotel. Moreover, the recreation room and fitness center add the value to my stay at this hotel.

The instructor can recommend students to the web site provided by the textbook for brief notes on some of the great hospitality marketers.

Great Leaders in the Hospitality Industry

A. Ellsworth Statler 1863–1928

1. He opened the Buffalo Statler in 1908; notable for individual bathrooms and a phone in every sleeping room.
2. His internal marketing techniques created an environment enabling his employees to put the customer first. A copy of the Statler Service Code is in the chapter text. He was, and continues to be regarded as a visionary in *customer service* and *employee satisfaction*.

B. Ralph Hitz 1891–1940

1. Headed the largest hotel organization in the 1930s called the National Hotel Company.
2. Developed one of the first customer databases and guest history files.
3. His specialty was merchandising hotel services.
4. Hitz's philosophy--give the customer value and you will get volume in return.
5. Furthermore, his recognition derives from a unique view of the importance of *employee satisfaction*.

C. J. Willard Marriott 1900–1985

1. This corporate giant of the hotel chain with the same name was esteemed for, among other things, his empathetic and compassionate nature towards his employees. His philosophy was to have *happy employees and make happy customers*.
2. He was a visionary for his industry. His recognition of trends and developments such as the automobile and air travel enabled Marriott to formulate strategies that allowed Marriott to capitalize on these trends.

D. Ray Kroc 1902–1984

1. Began franchising McDonald's in 1955 to create a demand for the multi-mixer, a milk shake machine.
2. A substantial part of the success of McDonald's is attributed to the *consistency of the product and service*. QSC&V — Always quality, service, cleanliness and value from Tulsa to Hong Kong.
3. His use of public relations was also a deliberate strategic device. Community involvement also increased the company credibility and community loyalty much the same way.

*Questions that are useful for in-class discussions. They require the student to think, but

require little outside preparation.

CHAPTER 2

Service Characteristics of Hospitality and Tourism Marketing

CHAPTER OVERVIEW

The chapter begins with a discussion of the four distinguishing characteristics of services: intangibility, inseparability, variability, and perishability. Next, the chapter presents several opportunities for management of service firms to increase the effectiveness of their business. These service management strategies include tangibilizing the product, managing employees, managing perceived risk, managing capacity and demand, and managing consistency.

CHAPTER OBJECTIVES

Students should be able to:

1. Describe a service culture.
2. Identify four service characteristics that affect the marketing of a hospitality or travel product.
3. Explain marketing strategies that are useful in the hospitality and travel industries.

Supportive PowerPoint Slides: 2-1 to 2-3.

TEACHING SUGGESTIONS: Teaching suggestions are provided in two formats. The first format guides the instructor through the chapter objectives. The second format is a chapter outline and provides more detail than the chapter objective format.

OBJECTIVES:

Objective: 1. Describe a service culture.

Recommended Ideas: The service culture focuses on serving the customer and satisfying their needs. The service culture must begin with top management and flow down.

Examples: Four Seasons Hotel. See “The Service Culture”.

Objective: 2. Identify four service characteristics that affect the marketing of a hospitality or travel product.

Recommended Ideas:

- Intangibility: Purchasers of hospitality and tourism product usually have nothing physical to show at the end of their experience. Because the product is not tangible it is difficult to evaluate the product before purchase. You can discuss that most products are a mix of tangible products and intangible products. In a restaurant, the

meal is tangible. In a fast food restaurant, it is a large portion of the overall product. In an upscale restaurant, the service of the food or intangible portion of the service becomes more important.

- Inseparability means all customer-contact employees become part of the product. It also means customers become part of the product and we have to manage our customer. You can ask students to give examples of when customers influenced the satisfaction of other customers. For example, drunken conventioners in a romantic restaurant, or someone smoking next to a non-smoker, influence the satisfaction of other guests. See Ting Tai Fung restaurant in text.
- Variability: Lack of consistency. Ask students how many think McDonald's makes an excellent hamburger. Then ask them how many have been to McDonald's in the last year. More hands will pop up for the second question. One of the reasons for McDonald's success is they have been able to master variability. When you stop at McDonald's you know what you will receive.
- Perishability: A restaurant which has a capacity of serving 400 customers and only serves 100 on Monday night has lost the ability to serve those customers. They cannot inventory the unserved 300 covers. A manufacturing company producing tangible goods can inventory goods, thus they do not have to match capacity and demand in the short term. Most students understand perishability in a hotel or airplane, but some do not understand it in a restaurant. Thus, this is a good example to bring up in class.

Examples:

- Intangibility: Marriott example. See "Intangibility".
- Inseparability: Fast food restaurant, hotel, airlines and car rental companies. See "Inseparability".
- Variability: See Ting Tai Fung Restaurant example. See "Variability".
- Perishability: Hotel's and Club Med's example. See "Perishability".

Supportive PowerPoint Slides: 2-1 to 2-6.

Objective: 3. Explain marketing strategies that are useful in the hospitality and travel industries.

Recommended Ideas: Positioning strongly in the chosen target markets, effective interaction between customers and employees, managing differentiation, managing service quality, tangibilizing the product, managing the physical surroundings, managing employees, managing perceived risk, managing capacity and demand, managing consistency, and managing the customer relationship (CRM).

Examples:

- Positioning strongly in the chosen target markets: Southwest Airlines and Ritz-Carlton Hotel. See "Management Strategies for Service Businesses".
- Effective interaction between customers and employees: ARAMARK technology example. See "Management Strategies for Service Businesses."
- Managing differentiation: British Airways and Hyatt examples.
- Managing service quality: Marriott, Disney and Ritz-Carlton examples.
- Tangibilizing the product: BMI Airlines, T.G. I. Friday & Hampton Inn examples.

- Managing the physical surroundings: employees' uniform, signage, parking lots examples.
- Managing employees: fast-food restaurant example and internal marketing concept. See "Managing employees as part of the product".
- Managing perceived risk: FAM trips, IBM phenomena and complimentary airline tickets examples.
- Managing capacity and demand: Boomerangs restaurants and K&W cafeteria examples.
- Managing consistency: Sheraton Hotel example.
- Managing the customer relationship – (CRM): Ritz-Carlton and database management.

Supportive PowerPoint Slides: 2-7 to 2-20.

CHAPTER OUTLINE

- I. **The service culture** focuses on serving the customer and satisfying their needs. Creation of a service culture must begin with top management and flow down.

- II. **Service Marketing Characteristics**
 - A. Intangibility – Unlike physical products, services cannot be touched, tasted, or experienced prior to consumption. For example: A service transaction is merely a *promise* for a meal, or the use of a room. This creates a heightened level of anxiety in buyers, hence credible references such as word of mouth or impartial publicity work to enhance the image of the service provider.

 - B. Inseparability – In most hospitality services, all parties must usually be present for the transaction to take place.
 1. In the service industry, both the service provider and the customer must be present for the transaction to occur.
 2. The customer is part of the service. Here, the implication is that not only the customer, but also other customers are present during the process. For example: noisy children may be completely appropriate in the themed restaurant, but not in the fine dining establishment.
 3. Customers and employees must understand the service delivery system. Some hotel guests leave without ever knowing the extent of the hotel's food and beverage facilities. The hotel did not do a good job of communicating what they had to offer; they left it up to the guest to find out. In some cases, the failure of the guest to understand the delivery leads to dissatisfaction. See Tin Tai Fung example in text.
 4. Customers become employees. This means hospitality and travel organization have to train customers just as they train employees. For example: fast food restaurants train customers to get their own drinks. This gives the customers something to do while they are waiting and reduces

the need for employees to fill drink orders themselves.

- C. Variability – Each service encounter may be different.
 - 1. Service quality depends on who provides services and when and where they are provided. The food server or room clerk may be in a particularly good (or bad) mood, affecting the service and the perceived service.
 - 2. Fluctuating demand makes it difficult to deliver consistent service (or products) during peak periods.
 - 3. Heavy interpersonal contact between the service provider and the guest means that product consistency depends on the service provider's skills and performance at the time of the transaction. See McDonald's in text.

- D. Perishability – The element of time is explicit here; services cannot be stored. For example: a seat on a plane cannot be sold once the plane takes off. Likewise, a guest room cannot be sold for last Tuesday. If service providers are to maximize revenue, they must manage capacity and demand since they cannot carry forward unsold inventory.

Supportive PowerPoint Slides: 2-1 to 2-5.

III. Management Strategies for Service Businesses

- A. Positioning strongly in chosen target market: strong position can increase service effectiveness. For example, Southwest Airlines positions itself as “Just Plane Smart” for commuter flyers—as a no-frills, short-haul airline charging very low fares. Ritz-Carlton Hotel positions itself as offering a memorable experience that “enlivens the senses, instills well-being, and fulfills even the unexpressed wishes and needs of our guests”.

- B. Effective interaction between customers and employees: customers judge service quality on both the service deliverer and the quality of the delivery. ARAMARK example illustrates how to satisfy customers on both technical quality (the quality of the food) and functional quality (the service provided in the restaurant).

- C. Managing differentiation: The solution to price competition is to develop a differentiated offer, delivery, and image. They can differentiate their service delivery through people, the physical environment and the process. For example, British Airways offers international travelers a sleeping compartment, hot showers, and cooked-to-order breakfast. McDonald differentiates its image through the golden arches symbol.

- D. Managing service quality: Service firm can differentiate itself by delivering consistently higher quality than its competitors do. The key is to exceed the customer's service-quality expectations. “Promise only what you can deliver and deliver more than you promise!” For example, Marriott authorized its

- E. Tangibilizing the service product means taking elements outside of the service itself to manifest the quality of service. Promotional material, advertising, uniforms and the physical environment all combine to create a tangible impression for the guest. White linen table cloths and black and white uniforms with bow ties convey an elevated level of food service. If the food product is worthy of a hefty price, the tangible atmosphere will reinforce the perception that this is a fine establishment and deserving of higher pricing.
1. Trade Dress – This is the distinctive nature of a hospitality industry’s total visual image and overall appearance. In other words, this is the visual appearance of the whole establishment. McDonald’s and Holiday Inn all have very distinctive appearances.
 2. Employee Uniform and Costumes – Uniforms have a legitimate and useful role in differentiating one hospitality form from another and for instilling pride in the employees. At T. G. I. Friday’s, for example, the uniforms compliment the casual, fun atmosphere that the distinctive outside (trade dress) establishes prior to entering. McDonald’s uniforms are consistent with their image. Black and white uniforms with black bow ties would be inconsistent with the image that McDonald’s portrays.
- F. Managing the Physical Surroundings – The front-desk staff in a luxury hotel should dress in professional apparel. The atmosphere and physical surroundings of McDonald’s are just as acceptable but entirely different. In each of these environments a different approach is used to convey the quality of the product/service/price.
- G. Managing Employees is part of the product. In a well-run hospitality organization, there are two customers, the paying customers and the employees. Internal marketing is the process of training and motivating employees to provide good customer service. This element cannot be overly stressed. Employees who are happy at their job, do a better job and create happy customers.
- H. Managing Perceived Risk – The nature of the hospitality service industry inevitably leads to perceived risk on the part of the customer. Nevertheless, it does give rise to higher loyalty among customers when service is consistent over time. Customers are less likely to change to service providers with which they have less or no experience if they are happy with service they are currently receiving. One way of combating concern is to encourage the client to try the hotel or restaurant in a low-risk situation. For example, hotels and

resorts offer familiarization (FAM) trips to meeting planners and travel agents. FAM trips reduce a product's intangibility by letting the intermediary customer experience the hotel beforehand. Meeting planners sometimes select a higher rated property feeling there is less personal risk in that recommendation (IBM phenomena).

- I. Managing Capacity and Demand – From the perishable nature of services, managing capacity and demand becomes a more important aspect of managing. A hotel, for instance, cannot just add or delete rooms for upcoming high or low demand periods.
 - 1. Services must adjust their operating systems to enable the business to operate at maximum capacity. For example, restaurants offer buffet to increase capacity. Customers provide their own service, with the service staff providing the beverage and check, which frees the staff to wait on more customers. Furthermore, food is available when customers arrive, allowing them to start eating almost immediately. This increases turnover of tables, further increasing the capacity.
- J. Managing Consistency – Consistency means that customers will receive the expected product or level of service without unwanted surprises.
- K. Managing the Customer Relationship (CRM) – CRM is a managerial philosophy and practice that combines marketing, business strategy and information technology to better understand customers. CRM calls for developing unique and lasting relationships with customers. Not common to many hospitality companies, companies like the Ritz-Carlton make intensive use of their customer database.

DISCUSSION QUESTIONS

- 1.* The instructor can assign students to 4 groups and each group takes care of one service characteristic. Ask students to discuss their own interpretation of assigned service characteristic and examples.

Intangibility: A fine restaurant will generally charge higher prices for meals. A customer will be looking for the tangible qualities to relieve any anxiety. How is the outside of the building? Are the parking lot and grounds well-kept? What is the first impression when entering? How are the employees dressed? How are the customers approached? What is the lighting in the restaurant? What is the ambiance? How are the tables dressed? Are there fresh flowers or tacky fake ones?

Inseparability infers the interaction between customers and employees. Students may bring up the appearance of other customers—are they appropriately dressed? Inseparability also means that customers are part of product. Therefore, students may talk about whether there were children running in the aisles or seated quietly.

If there is an attached lounge area, what does the clientele look like in it? Are the servers attentive or do they need to be flagged?

Variability implies the level of consistency. If this is not the first time at the restaurant, is everything as expected based on previous experiences? Was a reservation honored promptly? Is the product as expected? If it is a peak service time, are the servers as attentive? Are there bussers to clear the tables? Is the food promptly served or is there a wait?

Perishability is the time aspect. An unused table cannot be sold at another time. The restaurant must manage its demand in terms of its capacity. If service is slow, patrons are turned away; if service is rushed, patrons may be turned off. Reservations must be managed to ensure maximum usage.

- 2.* The instructor can lead students to answer this question by the yield management concept taught in management of capacity and demand section. Airlines solve the problem of perishability of unsold seats by utilizing yield management. When the demand is lower, the price will be adjusted to reflect the demand. Additionally, the airlines can give the unsold seats to meeting planners and travel agents for free to promote the airlines. The other example: bars have happy hours or offer free hors d'oeuvres during certain periods.
- 3.* The instructor can lead students to answer this question by thinking about not only the technical quality (the quality of the food) but also “functional quality” (the service provided in the restaurant) of the service.

The service person virtually **is** the service. They provide the food product to the customer and aid in the money transaction. If there is a problem, they must solve it. If there is a need, they must try to fulfill it. In this respect, the service person is integral to the process. This is illustrated by the inseparability and variability of the industry.

This service person becomes part of the product. The evaluation of the service by the customer will be, in large part, due to the wait staff's performance. If the person is not attentive, or is obnoxiously so, this will be reflected in the customer's perception of the experience. In the hospitality and travel industries, the employee **is** the product. The guest may buy the option to sleep in a hotel room, but the overall experience will be that of the encounter points along the way. The room may be beautiful but the guest room attendant was “terrific”. The employees, atmosphere, and delivery of the service all have to be delivered to the guest's satisfaction.

- 4.* The instructor can lead students to answer this question by thinking about service delivery system and how manager can standardize the service delivery process to maintain the consistency. Or managers should work on making sure the company's policies and procedures won't create service inconsistency.

A restaurant manager has any number of tools that can help provide a consistent product. It may standardize the service delivery process. The managers can train server staff on the mechanics of serving food or suggesting wines. Maintaining trained kitchen staff and consistently training new ones on the specifics of menu preparation and presentation are other ways.

The consistency of the uniforms may be discussed. Houston's restaurants require pressed and pleated white shirts on their servers. Promotional caps may be worn at all regional Wendy's restaurants. Standardized color schemes and "trade dress" are physical features that assure the customer of his or her perception.

Pricing tactics may be reinforced by advertising campaigns. The customer should have a consistent perception of the expected experience and the actual service. Beginning with the phone courtesy and ending with the service itself, the customer should be reassured that the product is consistent at all levels.

5. The instructor can lead students to answer this question by thinking of the concept of empowerment for internal marketing and the concept of interaction between employees and customers for interactive marketing.

Internal marketing example:

Ritz-Carlton empowered its employees to handle problems on the spot, without consulting higher-ups. Each employee can spend up to \$2000 to redress a guest grievance, and each is allowed to break from his or her routine for as long as needed to make a guest happy. At the same time, Ritz-Carlton rewards and motivates its employees with events such as Super Sports Day, an employee talent show, luncheons celebrating employee anniversaries, a family picnic, and special themes in employee dining rooms. Furthermore, Ritz-Carlton also recognizes and rewards employees who perform outstanding feats. For example, the winners of its Five-Star Awards program receive plaques at dinners celebrating their achievements. The winners of on-the-spot recognition receive Gold Standard Coupons which can be redeemed for items in the gift shop and free weekend stays at the hotel.

Interactive marketing example:

Ritz-Carlton trained its customer-contact people to greet guests by their names warmly and sincerely. The contact employees are trained to use proper language when speaking to guests—words like "Good morning", "Certainly", "I'll be happy to", and "My pleasure", never "Hi" or "How's it going?" In addition, Ritz-Carlton urges employees to escort guests to another area of the hotel rather than pointing out direction, to answer the phone within three rings and with a "smile", and to take pride and care in their personal appearance.

Ritz-Carlton differentiates itself from its competitors by delivering consistently higher quality in every service encounter. Ritz-Carlton has become almost

legendary for its high-quality service. This outstanding service quality gives it a potent competitive advantage that leads to superior sales and profit performance.

EXPERIENTIAL EXERCISE

1. (A) The instructor can suggest students make a table listing the airfares they get and answer the question based on the airfare table. The students should check the relationship between airfares and reservation time. Is it the more advance the reservation, the lower the airfare or is it the closer the reservation, the lower the airfare? Or, there is no difference between the airfares no matter when the reservation was made.

An example is given as follows.

- Destinations: Las Vegas and Philadelphia.
- Days of stay: 8 days
- Airline: National Airlines

Citation date	Price
1 day in advance	\$411 plus fees and taxes
7 days in advance	\$271.50 plus fees and taxes
14 days in advance	\$254.50 plus fees and taxes
60 days in advance	\$236 plus fees and tax

Yes, there is a clear pattern of the fares. The further advance the reservation, the cheaper the fares. Generally speaking, the advance fares are cheaper, however, if the seats do not fill as expected, managers will lower the fares within a week.

(B) The instructor can lead students to answer this question by the concept of Yield Management. Balance between demand and supply is the key. That means maximizing the revenues by selling the product at the right price at the right time for the right customers.

“Why are tomorrow’s fares often higher?” The assumption is that tomorrow’s seats are less (more seats are already reserved) and demand will be higher to compete for the left seats. In addition, people who wait until the last minute to purchase the tickets are usually the business travelers who have to pay a premium price for flying to take care of their businesses. Thus, business travelers who book tomorrow’s tickets usually pay a relatively higher price for the same route and same seat in the plane.

2. The instructor can suggest students make a table listing the results of their observation for the chosen restaurant or hotel. A hotel-casino was chosen as an example in this question. The instructor can recommend student to look for the check-in lines, waiting line, and signage.