

THE MARKETING MIX IN A LUXURY HOTEL CHAIN

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Abstract: *The hospitality industry represents not only one of the most diverse and dynamic economic activity, but also one of the largest and fastest growing industry worldwide. It includes hotels, restaurants and resorts, and constitutes one of the major employers in the world. As one of the most visible sector within the hospitality industry, the luxury hotel industry has attracted more and more customers and investors in the past decades. The marketing mix being a key element of the wider marketing strategy of a company occupies a prominent place in the luxury hotel industry. This paper proposes to identify and analyze the components of the marketing mix in this industry by using the example of Ritz-Carlton Hotel Company, an American luxury hotel chain. The methodological approach is based on a case study.*

Keywords: *hospitality industry, marketing mix, services sector, Ritz-Carlton, luxury hotel chain, customer.*

JEL Classification: *M00, M31, Z39.*

1. Introduction

In the last decades services have played a key role in the economic growth of countries and have increasingly become an important sector of the world economy. The size of services sector has increased in all countries around the world, either developed or developing. The services sector highly contributes to gross domestic product (GDP), trade and employment (United Nations Conference on Trade and Development, 2017). The services export doubled its share in total goods and services export in the period 1970-2014 at a global level (Loungani et al., 2017) as trade in services proved to be more resilient than trade in goods (United Nations, 2017).

As two of the prominent domains of services sector, travel and tourism are connected with other domains (e.g., hotels, transportation, entertainment etc.). In 2016, the total contribution of travel and tourism to world GDP represented USD 7,613.3bn (10.2% of GDP) and to world employment 292,220,000 jobs (9.6% of total employment) (World Travel & Tourism Council, 2017).

The hospitality industry represents not only one of the most diverse and dynamic economic activity, but also one of the largest and fastest growing industry worldwide. It includes hotels, restaurants and resorts, and constitutes one of the major employers in the world. The market size of the global hotel industry grew from USD 410.36bn to USD 495.17bn in the period 2014-2016 (Statista, 2018). In 2017, the global performance in the hospitality industry increased in the majority of regions, especially in Africa, Canada and Europe (Smith Travel Research, 2017). Different factors, such as globalization, technology, innovation, terrorist attacks, cross-border investments or large-scale mergers and acquisitions, have changed the global landscape of hospitality industry (Ernst & Young, 2017).

As one of the most visible area within the hospitality industry, the luxury hotel industry has attracted more and more customers and investors in the past decades. Today's consumers have higher expectations than in the past and have the possibility to compare more hotel options than ever before (Deloitte, 2018). This is why the role of marketing is crucial for achieving business success and, therefore, the marketing mix being a key element of the wider marketing strategy of a company occupies a prominent place in the luxury hotel industry.

The purposes of this paper are to provide a conceptual framework of the marketing mix in the hospitality industry and to identify and analyze its components within an American luxury hotel chain. The research methodology is based on a case study. The rest of the paper is structured as follows. The next section deals with the theoretical foundation of the concept of marketing mix in the hospitality industry. The case of Ritz-Carlton Hotel Company is presented in the third section. The paper ends with conclusion.

2. Defining the marketing mix in the hospitality industry

In the 1960s the concept of marketing mix emerged in the marketing literature. There is no agreement on what exactly the marketing mix consists on. Some authors (e.g., N. H. Borden) consider the elements of the marketing mix as procedures, processes, and policies, whereas others (e.g., P. Kotler) view them as instruments, tools, and parameters (Waterschoot and Bulte, 1992). Neil H. Borden (1964) identified the following twelve elements of the marketing mix of manufacturers:

- Product planning (e.g., policies and procedures relating to quality);
- Pricing (e.g., policies and procedures relating to the price level);
- Branding (e.g., policies and procedures relating to the selection of trade marks);
- Channels of distribution (e.g., policies and procedures relating to the degree of selectivity among wholesalers and retailers);
- Personal selling (e.g., policies and procedures relating to the retail segment of the trade);
- Advertising (e.g., policies and procedures relating to the amount to spend);
- Promotions (e.g., policies and procedures relating to the burden to place on special selling plans);
- Packaging (e.g., policies and procedures relating to the formulation of label);
- Display (e.g., policies and procedures relating to the methods adopted to secure display);
- Servicing (e.g., policies and procedures relating to providing service needed);
- Physical handling (e.g., policies and procedures relating to warehousing);
- Fact finding and analysis (e.g., policies and procedures relating to securing the facts in marketing operations).

In comparison with Borden, Edmund J. McCarthy (1964) simplified the marketing mix to the so-called “4Ps framework”: product, price, promotion, and place. Each of the elements comprises a mix in itself (e.g., promotion mix, price mix, product mix).

Later, several modifications were made by various authors in order to incorporate the specific characteristics of services, seen as “products purchased through an exchange transaction that does not confer ownership but permits access to and use of a service, usually at a specified time in a specified place” (Middleton et al., 2009, p. 46) or as “performances, rather than objects” (Zeithaml et al., 1985, p. 33). Also, differences were revealed between corporate/traditional marketing and entrepreneurial marketing (Martin, 2009) and between traditional businesses and digital businesses (Dominici, 2009). This is why the traditional 4Ps of goods marketing seemed to be inadequate in the services marketing (Lovelock et al., 2015).

As a result, a new marketing mix appeared by adding another elements such as people, process, packaging, partnership, programming, practices, purpose or physical evidence (Middleton, 1988; Morrison, 1989; Bitner, 1991; Zontanos and Anderson, 2004; Hudson, 2008; Bowie et al., 2017). Thus, the extended marketing mix encompasses an expanded framework. The expanded marketing mix for services comprises the following 7Ps:

- Product, place, promotion, price, people, physical evidence, and process (Zeithaml et al., 2009);
- Product elements, place and time, price and other user outlays, promotion and education, process, physical environment, and people (Lovelock et al., 2009).

Applied in the hospitality industry the marketing mix presents specificities. During the time, several approaches related to the components of marketing mix in the hospitality industry have emerged in the literature as follows:

- The product service mix, the presentation mix and the communications mix (Renaghan, 1981);
- Product, price, place, and promotion (Kotler et al., 2010);
- Product-service mix, presentation mix, communication mix, pricing mix, and distribution mix (Reid and Bojanic, 2010- Table no. 1).

Table no. 1. The components of marketing mix in the hospitality industry

Product-service mix	Presentation mix	Communication mix	Pricing mix	Distribution mix
It combines all the products and services provided by the hospitality operation, including both tangible and intangible units (e.g., type of guest room, amenities).	It encompasses elements used by the marketing manager in order to increase the tangibility of the product-service mix (e.g., atmosphere, physical location).	It includes all types of communication that happens between the hospitality operation and the consumer (e.g., advertising, marketing research).	It comprises the consumer's perception of value (e.g., volume discounts).	It is related to all distribution channels available between the company and the target market (e.g., e-commerce).

Source: Reid and Bojanic, 2010

In essence, the marketing mix has to take into account that “creating customer value and satisfaction are at the heart of hospitality and travel industry marketing” (Dev et al., 2010, p. 459).

The marketing mix at Ritz-Carlton Hotel Company

Luxury represents a concept that is constantly evolving and has different meanings for different people. As services intensive, the luxury hotels constitute a part of the “experience economy” (Harkison, 2017), being defined by “their large size, tasteful aesthetics, cleanliness, high-quality food, and prime location, as well as the privacy and security they afforded and service marked by “faultless personal attention”” (Sherman, 2007, p. 26). The luxury hotels can be divided in the following three main categories: upper upscale brand, luxury major integrated chain, and luxury exclusive small/med size (Digital Luxury Group, 2013- Table 2).

The Ritz-Carlton Hotel Company operates The Ritz-Carlton luxury hotel chain. According to the 2018 Global Hotels Luxury Brand Status Index, The Ritz-Carlton, with a score of 7.95, earns the highest overall rating. The index scores range from 0-10, and are an average of consumers' degree of agreement with each of the following statements (Marketwired, 2017):

- "This hotel delivers consistently superior quality."
- "This hotel is truly unique and exclusive."
- "This hotel is visited by people who are admired and respected."
- "This hotel makes guests feel special across the full customer experience."

Albert Keller founded The Ritz-Carlton Investing Company in the United States. In the beginning of the twentieth century several Ritz-Carlton hotels were opened in Boston, Philadelphia, Pittsburgh, Atlantic City and Boca Raton (Ritz-Carlton, 2018a). By offering one of the finest luxury experience to its customers, The Ritz-Carlton, Boston succeeded in revolutionize the hospitality industry in America (e.g., private bath in each hotel room, fresh flowers in all public areas).

The Ritz-Carlton Hotel Company was established in 1983. Led by President Colgate Holmes, the American company expanded continuously and, at the end of 1992, operated 23 luxury hotels. After a successful activity the company was bought by Marriott International in 1998. Today, the company employs 40,000 people and owns 91 hotels worldwide in 30 countries and territories: Aruba, Austria, Bahrain, Canada, Cayman Islands, Chile, China, Egypt, Germany, India, Indonesia, Israel, Japan, Kazakhstan, Malaysia, Mexico, Oman, Portugal, Puerto Rico, Qatar, Russia, Singapore, Saudi Arabia, South Korea, Spain, Thailand, Turkey, the United Arab Emirates, U.S. Virgin Islands, and the United States (Ritz-Carlton, 2018b).

Acting in a highly competitive global luxury hotels market, The Ritz-Carlton Hotel Company has permanently tried to create and provide value for its guests through a superior service quality. During the time, the company obtained numerous awards such as the Malcolm Baldrige National Quality Award, Best Hotel Brand for Customer Service, Travel Weekly Reader's Choice Awards– Best Luxury Hotel Chain 2017 or AAA Four and Five Diamond Award (Ritz-Carlton, 2018c). For the American company high quality is "not defined by little details such as heated bathroom mirrors, but by consistent and consequent high-class service" (Bruhn and Georgi, 2006, p. 27). As a result, the company was rewarded with customers' loyalty that led to a high firm value.

Table no. 2. The luxury hotels categories

Upper upscale brand	Luxury major integrated chain	Luxury exclusive small/med size
Embassy Suites	Bulgari Hotels	Banyan Tree
Hilton	Fairmont	Four Seasons
Hotel du Vin	Grand Hyatt	Guoman
Hyatt	InterContinental	Loews
Nikko	JW Marriott	Lotus Resort
Pan Pacific	Park Hyatt	Mandarin Oriental
Pullman Hotel	Ritz-Carlton	Orient-Express Hotel
Radisson Blu Hotel	Sofitel	Regent
Sheraton	St. Regis	Shangri-La
Wyndham etc.	Waldorf Austria etc.	Taj Hotel etc.

Source: Digital Luxury Group, 2013.

The marketing mix at Ritz-Carlton Hotel Company occupies an important place in achieving business success. All its components are interconnected in order to provide a truly memorable experience to the customers (Table no. 3).

Table no. 3. The components of marketing mix at Ritz-Carlton Hotel Company

Products & services	Price	Place	Promotion
guest rooms food and beverage recreational facilities wellness facilities and services (e.g., the Rejuvenate You package) conference facilities swimming pools fitness centers spa services lounges gift cards parking facilities check-in, check-out services, etc.	premium price discounts, etc.	hotel website booking system reservations by phone booking hotel, airfare & car together travel agencies, etc.	brochures journals word-of-mouth advertising hotel pens & pencils Twitter channel Instagram Facebook page YouTube Google + page hotel website, etc.

By considering itself as an “experience and memory creator” (Nixon and Rieple, 2010), The Ritz-Carlton Hotel Company has fully embraced the marketing philosophy. In order to understand its guests and create superior customer value, the American luxury hotel chain has succeeded in designing and implementing a proper and profitable marketing mix.

3. Conclusion

The services sector has remained one of the most important sector of the world economy. Travel, tourism and hospitality are among its fastets growing domains. The last decades have witnessed the development of the luxury hotel industry all over the world.

The paper shows that the marketing mix constitutes a fundamental tool in today’s business world. Applied in a luxury hotel chain the marketing mix presents some specificities as all its components are interconnected in order to provide an unforgettable experience to the customers.

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