

Strategies of Price and Distribution in the Hospitality Industry

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I Price Strategies in the Hospitality Industry

The price of the touristic product is of a global type, being established by cumulating the taxes of different services. Taking into consideration the heterogeneous structure of the touristic product it can be considered that a correlation of the price policy with that of the firms which offer services must be assured.

1. **The high price strategy** can be practised in the case of offer exclusivity (which gives a status and a prestige to the buyer) or in the case of limiting the offer of the competition (for example some products regarding the medical tourism, the touristic products having as a destination The Danube Delta, the monasteries in the North of Moldavia, the “Dracula” touristic programs etc.).

2. **The lump price strategy** presupposes the comercialization by the tourism agencies of some complex touristic products including a minimum of obligatory services (transport, transfer services, trips, cultural programs etc.) at a certain confort level.

3. **The diferencial payment strategy** presupposes making a difference in price taking into consideration:

- a) The volume of consumption: long sejour, groups of tourists - individual tourists and full services-separate services;
- b) Consumer segmentation. Thus there can be practised reduced payment for pupils, students, young married, national tourists against international ones;
- c) The tourism form. The contractual payment lower than those applied to the tourists on their own;

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d) The position occupied by the distribution channel (the direct carrier of touristic services, tourism agency).

4. **The bonifications and rebate strategy** is adopted by the touristic firms which adjust the prices of the products in order to stimulate and offer reward to a certain type of clients: those soliciting a big number of services, clients who accept holiday arrangements.

II The Distribution Policy in Tourism

In the hospitality industry distribution is an important component of marketing mix which consists of a range of activities which take place in space and time which separates the one presteing the services by the consumer. It reunites a network of actions which have the role to offer the touristic products to the consumers and an ensemble of relations in which participants in distribution enter (tourists, intermediaries).

2.1. The Role of Distribution in Tourism

Taking into consideration the fact that the tourist firms are conditioned by the effective presence of the client and that the touristic product cannot be sent to the client it is necessary a certain attraction of the touristic consumer towards the prestation and consumption spaces of the touristic services in a certain station or country. This role is played in tourism by the distribution through an activity of stimulation and informing the potential tourists on the characteristics of the offered products. We can see that in tourism there is a close relation between the distribution policy and the promotional one.

The touristic product is not often bought by the unexperienced tourists due to the lack of time and competence regarding the research activities and the contacting of numerous market supplies. By reducing the effort which must be made by the consumers, intermediaries from tourism are able to group the services of various suppliers and to synchronize them in a combination which arise the tourist's interest.

There also must be mentioned that, taking into consideration the touristic product's specificity which is immaterial and intangible, it is "distributed" only as information, image and its acquisition means only the access to a future consumption right, confirmed and guaranteed through a touristic title.

Taking into consideration the distribution role it can be considered that using the intermediary agencies in the distributive processes is necessary as the areas of touristic distribution are at distance from the demand forming area. At the same time the degree of dependence also rises as the distributors decide upon the structure of the touristic services which they commercialize taking into account the consumers' preferences and not the interests of the providers.

2.2. Distribution Channels

Commercializing the touristic products is achieved either by a direct distribution in which the providers sell their services to the final consumer or by an indirect distribution and in this case intermediaries have a great role.

Taking into consideration the seasonality of the touristic offer, the firms manifest in some periods a preference for the short channel of distribution and in extraseason, for the long channel.

R.C. Mill and A.M. Morrison classify the distribution channels in tourism according to the control degree:

- *The consensous channels* are characterized by the fact that none of the elements of the channel exercise any control over the distribution system, the participants realising that it is not in their interest to collaborate. We mention that in North America and Great Britain the distribution channels in tourism tend to be of this type.
- *The vertically integrated channels* are controlled by a tourist agency or an touroperator.
- *The vertically coordinated channels* by the touroperators. The exercised control over the channels is due to the contractual or financial arrangements established with the tourism agencies in franchising system.

The touristic distribution through **direct channels** by the providers is specific to the unorganised forms of tourism, on their own (individual tourists, small groups of persons, families, etc.). The touristic services commercialization through direct channels allows for a control over the distribution and the touristic product's characteristics, the price at which this is sold to the consumers.

The short distribution channel is the most appropriate for the simple touristic products such as the reservations at the accommodation structures while more complex products (circuits, cruises) impose the intervention of a tourism agency or another intermediary.

The touristic operators organise a system of place reservation, selling by mail, telephone and automatic means (ATM-s for reservations and tickets for transport companies).

At the international level it can be noticed that the explosive development of the informational technology implies the use of the telematic distribution channel in tourism also. Thus, the potential touristic consumers who are connected to the Internet can access the sites of the firms which provide with touristic services in order to obtain information regarding the offer, the touristic products selection and reservations can be made on-line.

The indirect distribution of the touristic services is characteristic for the organized and semiorganized forms of tourism. Appealing to the voyage agencies which take over the task of ensuring the necessary services the tourist has the possibility to inform himself on the diverse destinations and touristic programs offered by the market, he can compare them, evaluate and then pick up the touristic product that suits his preferences. Moreover, it has the advantage that it can accumulate all complementary services necessary during the voyage at a smaller price and in a shorter time than if it would have appealed directly to the providers of touristic services.

2.3. Intermediary Types

The touroperators (wholesale dealers) select, assembly, constitute and commercialize the touristic offer on the market taking the form of some services. It is estimated that touroperators sell approximately 80% of their products through agencies and 20% directly. As these voyage producers make place reservations at the accommodation unities, alimentation, plane they are the beneficiaries of price reduction from the providers and this allows them to practise more accessible global prices as compared to the situation when each consumer would pay on his own all prestations.

At the international level the main touroperators can be found in Germany (TIU and NUR own over 50% of the German touristic market, Touristik Union International being the greatest travel producer in the world), Great Britain (Thomson, First Choice, Airtours; the first two own over 60% of the national voyage market), France (Club Mediteranee-greatly implanted by the external market; Nouvelles Frontieres, Sotair) and the United States of America (American Express Travel, Thomas Cook, Cartan).

The retailer voyage agencies distribute to the touristic consumers the products made of and promoted by the travel agencies. It is estimated that at present over 70,000 travel agencies (possessing tourism licence) activate having over 200,000 selling powers

of which 45,000 are from Europe. These intermediaries offer specialized assistance to the tourists (counselling services regarding the possible touristic programs, the itinerary, payment). They present the touristic products of the touroperators, commercialize internal and international travel tickets, sell individual services (reservations, treatment, guide assistance, touristic visa, tourists' insurance, transfers).

Another category of intermediaries are: stimulation travel organizers (those who assembly services which are offered by firms as a reward to those employees who have achieved the objectives established by the managers), the reception agencies (localized in the touristic destination regions), congress organizations, selling agencies of the transportators (companies which distribute their own touristic products), touristic clubs, centres of touristic information, tourism offices, commercial centres (Carrefour, Euromarche, Karstadt), the representing societies of the accommodation unities, the specialized departments of corporations (for the organization of the personnel travels), implants (the offices of the travel agencies), banks, the postal system (selling plane tickets, travel insurance).

Great groups or hotel chains have organized their own systems of reservation by computer: Intercontinental (Global II), Holiday Inn (Holidex), Ramada (Roomfinder), Marriot (Marsha), ACCOR (Resinter), Meridiens (Alpha 3), Sheraton (Rezervatron), Hilton (Hiltron). The global systems of distribution have been created by the air companies and subsequently the travel agencies joined, the touroperators, hotel chains, cruise organizers (Worldspan, Sabre, Amadeus, Galileo, Pars). These systems initially accessible only through tourism agencies connected to these networks have begun to develop ways of direct access (for information and on-line reservation) and for tourists on their own, by Internet and Minitel.

The ubicuity of the Internet offers the possibility of touristic operators functioning which are completely virtual (electronic tourism agencies) which do not have personnel or an organized physical structure, the totality of the intermediate operations being provided by the Internet.

2.4. Distribution Strategies

The complexity of the touristic market, the offerers' typological diversity and the competition among them, the permanent evolution of the tourists' buying behavior impose the elaboration of more distribution strategies.

From the point of view of the intermediaries' number one can distinguish three strategical variants of distribution in tourism:

- The exclusive distribution which implies the restriction to a very small number of intermediaries (even one) which exercise—on a certain market or geographical area—the exclusivity of the product distribution or the touristic products, as a privilege assumed by contractual clauses which reglement the relation provider-distributor (for example exclusivity for the benefice of the Nippon Travel operator for the “Dracula” touristic program in Japan).
- The selective distribution implies choosing and utilizing a limited number of intermediaries whose activity of distribution is appreciated as being more efficient than that of the competitors, having the capacity of assuring a higher volume of touristic products sales.
- The intensive distribution presupposes utilizing a great number of channels and intermediaries by whom the touristic services reach the consumers.

On the touristic market a **vertical integration tendency** of the accommodation services, transport and distribution is manifested and thus societies capable of assuring all the elements of the touristic offer are formed. In this context the touristic operators like Club Mediterranee, Nouvelles Frontieres, TUI, Owners Abroad represent examples of success of the distribution network integration. The main objectives are to improve the control over the touristic product, to have advantages from smaller distribution costs. Thus, the Nouvelles Frontieres products for example are sold only through agencies belonging to this network. Taking into consideration the tendency to integrate the direct sale function by the consumers from some touroperators and also from that of the tourism agencies to organize travels, we can anticipate the disappearance of the tourism agencies which are totally reitailed. The vertical integration requires some important investments in the structures (hotels, holiday camps) and in the means of transport (planes, buses). The touroperators who own accommodation units and transport vehicles tend to orient their clients towards their own touristic products which explore these capacities. Such an integration example constitutes the Thompson firm—the greatest touroperator in Great Britain which owns hotels, air companies (Britannia Airways) and a distribution network (Lunn Poly). Some air transport companies have adopted vertical integration strategies by creating their own hotels in order to be able to propose to their clients complete touristic products (United Airlines have created the Western International Hotels and Trans World Airlines have created Hilton International). Confronting with financial difficulties the air companies have been forced to sell step by step their hotels.

The air companies have similarly integrated the travel organization activity and in this context the AirFrance line and Jet Tours touroperator of the companies British Airways and Lufthansa are representative. Following the same logic some networks of

touristic receiving structures have created their own air company in order to insure their clients' transport. Creating Air Liberte by Club Acquarius, the vertical integration process Air Liberte -Look Voyages and the acquisition of the air transporter Corsair by the touroperator Nouvelles Frontieres have followed the same objective and that is exploiting at the smallest price the component of the touristic product distributed to the consumers.

The Accor group reunites Sofitel, Novotel, Mercure, Ibis, Etap Hotel, Formule 1, Motel 6 and it gave birth to the Episodes agency, specialized in short sejours and weekends and also achieving a vertical integration of the services distribution.

On the international touristic market we can identify a **horizontal integration (concentration) tendency** by grouping the tourism firms which exercise identical activities. Among the objectives and advantages of such a development a tendency in maintaining a dominant position on the market can be noticed, a better coordination of different types of activities, a better position regarding the banks, sales control and a greater economic efficiency.

The adoption a horizontal integration strategy can be found at the level of:

- Hotels and here we can mention the voluntary and the integrated ones which are also developed as franchise networks (Holidays Inn, Hilton, Marriott, Choice Hotel, Inter-Continental);
- Alimentation units (Mc Donald's, Burger King, Kentucky Fried Chicken, Pizza Hut);
- Companies which offer automobiles to be rented (Hertz, Avis, Budget);
- Touroperators who have constituted very powerful groups almost in each country: Thomson, Owners Abroad and Airtours in Great Britain, TUI and NUR in Germany, American Express in USA.
- Travel agencies, some of them more powerful enlarging the number of sales by integrating another agencies which are not so powerful (Lunn Poly in Great Britain, Selectour in France and Ask Mr Foster in SUA). The independent small tourism agencies disappear step by step losing their clients at the same time with the development of some big agencies networks which propose more elaborate touristic products.

Despite the fact that the automatic distribution modalities in tourism (ATMs, computerized reservation systems, global distribution systems) have developed in the last years the specialists advance the idea that they will not eliminate the intermediaries as the tourists feel the need to appeal to the tourism agencies counseling services. A question is being raised for the marketers: in what way will the automatization attack modify the role of the intermediaries within the distribution system in tourism.

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