2-1 Milestone One: Target Market and Competitive Analysis (Artifact 1)

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MKT-700-X4076 Marketing Capstone 23TW4

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Dear Samantha,

In response to your request to create an effective marketing plan for TRU by Hilton, an entire global target market overview will be provided in this memo. This memo will include a current industry overview, the suggested target niche market consisting of the millennial and Gen Z audiences that should be targeted for TRU by Hilton and the reason why these generational groups are the perfect target audience to market your services to. I will also provide the targeted market's demographics, lifestyle, and purchasing behavior information and segmentation variables.

An extensive competitive analysis of the current competitive environment, economic factors affecting the market, as well as, competing brands and business that are achieving success will be included. The information provided will present you with a clear picture of your competition in the hotel industry in this latest endeavor to attract Gen Z travelers.

TRU by Hilton objective:

To grow and expand TRU by Hilton's hotels to local, national, and international Gen Z customers serving both personal and corporate needs with the goal of obtaining a profit and becoming the go-to hotel chain for Millennial and Gen Z consumers in 2 years.

Strategy:

The hospitality market is very competitive with new hotels popping up every day but the secret to TRU by Hilton's success is setting itself apart from the others. We do this by niching down our market and exceeding those consumers' wants and needs in a hotel destination.

New Product Concept:

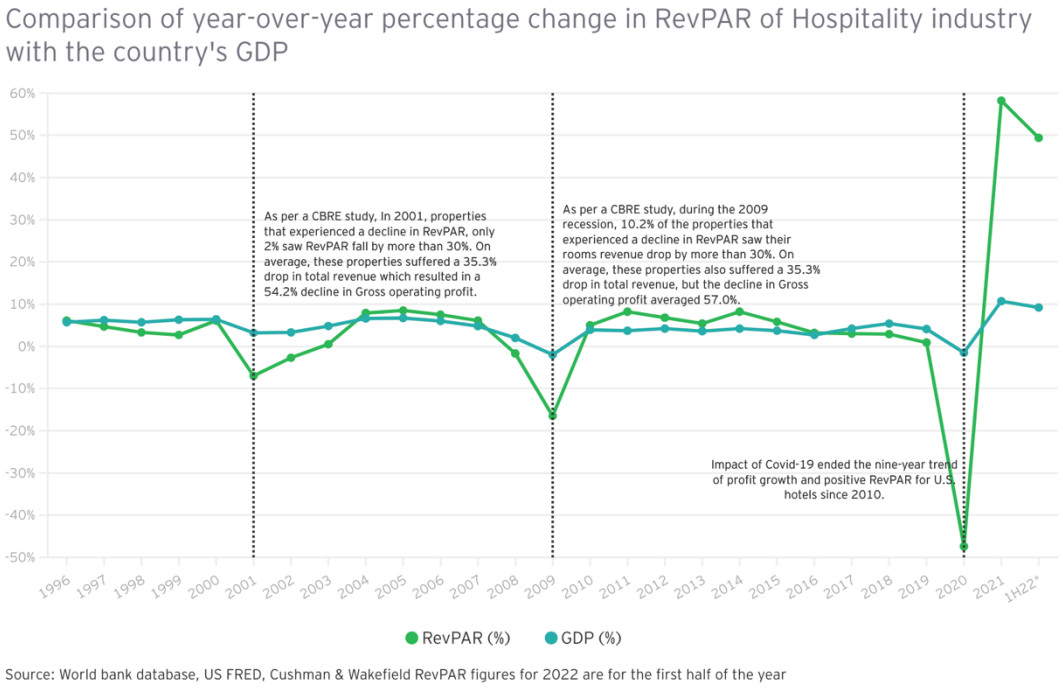
To separate TRU by Hilton from a saturated and competitive market, a unique product concept is being proposed for TRU. TRU by Hilton was originally designed with the Millennial generation in mind but, going forward, we want to include Gen Z (born between 1995 and 2015) in the target audience. Gen Z is very tech savvy (all about the Internet of Things (IoT), budget and environmentally conscious and the authentic story is very important to them. For the new product concept, I think we should really focus on sustainability. Stand out by giving Gen Z an experience to feel good about and that they can feel good about sharing.

- Provide locally sourced food and snacks on site by creating a rooftop fruit and vegetable garden.
- Provide recyclable aluminum drinking bottles with the TRU by Hilton branding on them and water stations on property to fill up. This will cause less waste while at the same time giving the guests something to feel good about plus, they'll proudly reuse those water bottles in public providing TRU with very cost-effective word of mouth marketing.
- Lastly, reduce plate size at breakfast buffet and make sure that guests know they can go back as often as they want. This will reduce food waste.

Hotel Market Overview:

The hospitality industry is still booming in 2023 as travel demand continues to grow faster than it was over the last few years despite the threat of a recession. Leisure and business travel remain strong in a post pandemic era where the urge to travel is real, travel restrictions have been lifted, conferences and conventions are back so many workplaces are lifting work travel bans and remote work allows digital nomads (bleisure travel) to travel more as they can work from anywhere with Wi-Fi access. According to EY, "Market performance of hospitality has exceeded other industries such as technology and retail, with the gap widening in the second half of the

year. Add the fact that revenue per available room (RevPAR) has exceeded GDP (gross domestic product) growth during the current economic cycle, and 2023 should be a good year for the hospitality sector, "(Riaz, 2023).



Source: World bank database, US FRED, Cushman & Wakefield RevPAR figures for 2022 are for the first half of the year

In the United States, "RevPAR was up 8.1% in 2022 from 2019 and Europe was up 6.1%. Asia, driven primarily by China, saw a 31.2% RevPAR decline from 2019 to 2022," (Riaz, 2023).

Industry Products:

The hotel and hospitality industry can include several different services/products including food and beverages, lodging (rooms), recreation, travel and tourism and meetings and events. According to Hotel Tech Report, "PKF reported that the average American hotel generates 65% of revenue from rooms, while 25% comes from F&B and 10% from other outlets," (Hollander, 2023).

MARKET SHARE OVERVIEW BY PRODUCT



65%
Revenue from rooms

25%
Revenue from food and beverage

10%
Other



Political and cultural considerations:

The hospitality industry is greatly affected by the decisions of local government. While any political unrest in a country can harm the hotel industry's growth, political stability is good for growth. For example:

- When there is political unrest or any kind of emergency, the country's government can impose a travel ban. A travel ban will most definitely have a direct effect on hotel industry business because hotels heavily depend on tourists in need of accommodations.
- The election of new government officials or other changes in government can be beneficial or harmful for the hotel industry. Depending on the political party, it could favor the hotel industry as supportive of the nation's economy. On the other hand, a different political party could see no added value.
- Government taxation in the hotel industry plays a crucial role, and it impacts the overall profit of the hotel. If the government decides to make tax reforms that could be beneficial to the hotel industry allowing hotels to save money in taxes. They can then invest in improvements like security systems or infrastructure development.

Another crucial factor that effects the global hotel industry is the citizens' preferences and spending habits. They can shape the society and the culture they live in. The age of the travelers visiting also plays an important role in the selections and choices. For example:

- Travelers come from different social classes and age groups. According to EdrawMax, "Millennials prefer to compare the price of the hotels and the amenities before checking into a hotel," (*Detailed PESTEL Analysis of Hotel Industry | EdrawMax Online*, n.d.) As we are now targeting Gen Z, according to Wordstream, we need to keep in mind that they are not impulsive buyers, they look for deals and they do their research on social media, (Author, 2022). Travelers often choose which hotel they'll stay in based on amenities like on property bars, swimming pools, valet, etc. Scenic views can influence which hotel a traveler chooses.

- Hotels that provide tourism packages that include local events allow guests the chance to get an insider's glimpse of local culture. Taking the initiative to provide these services allow guests to immerse themselves in and get to experience local culinary fare and culture which is what traveling is all about.
- The hotel industry is highly competitive, with new hotels popping up all the time. Many guests (especially Gen Z guests) book a hotel after doing extensive online research, reading reviews from influencers, or from word-of-mouth recommendations from family, friends, or peers. This makes the hotel industry very dependent on customer service and first impressions.

Environmental forces

In a world where sustainability is so important, environmental factors influence the hotel industry. More and more frequently, hotels have adopted sustainable practices to keep their hotel environment-friendly and competitive with other hotels. For example:

- According to EdrawMax, "Hotels can take measures to decrease food, water, and energy wastage. They may switch to renewable energy sources for power to reduce pollution. They can also increase the use of recyclable products to stop plastic pollution, "(*Detailed PESTEL Analysis of Hotel Industry | EdrawMax Online*, n.d.).
- Since traditional chemical cleaning products can have negative impacts on the environment, many hotels have chosen to stop using harmful chemicals and opted for more environmentally friendly, green products.
- The environment surrounding a hotel will also influence how well a hotel performs and grows. For example, obvious water and air pollution, or if the hotel chooses not to follow

cleanliness standards and environmental policies, guests will likely feel uncomfortable staying at the hotel and opt to stay elsewhere.

Economic market:

The hotel industry is experiencing growth because investors are lured in by its profitability. This industry also contributes to a country's economy because of the use of foreign currencies. These are examples of economic factors that can affect the hotel industry:

- Hotel preferences change depending on the economy and how much disposable income travelers have. According to EdrawMax, "economic conditions like inflation, unemployment, recession, and economic instability directly impact the hotel business, (*Detailed PESTEL Analysis of Hotel Industry | EdrawMax Online*, n.d.). When the economy is doing well, travelers tend to opt for staying in luxury hotels which brings in more profit to the hotel. However, if the economy is doing poorly, travelers tend to be more frugal, and they will opt to stay in more budget friendly hotels.

- Foreign currency and conversion rates contribute to the hotel industry if the economy is doing well. If the economy is stable or on the rise, travelers are more likely to visit foreign countries. This practice increases the foreign currency reserve of a country and strengthens its economy.
- The hotel industry greatly impacts the global economy and keeps money circulating. With more than 700 thousand hotels globally, and the employment of roughly 173 million people, the hotel industry is a huge contributor to the global economy.

Dr. White FEEDBACK: Nicely done! The key tasks in global market segmentation, targeting, and positioning are the same whether the selected target market is local, regional, or multinational. The main differences are the variables used by marketers in analyzing markets and assessing opportunities, and the resources needed to implement strategies. A global market is a group of people or organizations with wants and needs that can be satisfied by particular product categories. This group has the ability to purchase those products, is willing to exchange resources for the products, and has the authority to do so. If a group lacks any of these characteristics, it is not a market. In addition, a market segment is a subgroup of people or organizations sharing one or more characteristics that cause them to have relatively similar product needs. The process of dividing a market into meaningful groups that are relatively similar and identifiable is called market segmentation. The purpose of segmentation is to enable the marketer to tailor marketing mixes to meet the needs of one or more specific segments. Market segmentation assists marketers in developing more precise definitions of customer needs and wants. Also, Deborah, to be useful, a segmentation scheme must produce segments that meet four basic criteria: substantiality, measurability, accessibility, and responsiveness. A selected segment must be substantial, or large enough, to justify the development and maintenance of a special marketing mix. The marketer must be able to profit by serving the specific needs of this segment, whatever its size. The segments must be identifiable and their size measurable. The target market must be accessible by the firm's customized marketing mixes. Lastly, Deborah, a market segment must respond differently to some aspect of the marketing mix than other segments do. You identified some of this. And.... By the way, here's a useful resource to assist you in identifying your target market:

https://www.forbes.com/sites/chuckcohn/2015/02/06/steps-to-identify-your-target-market/#47dded9229d9

II. Targeted Consumers: Gen Z men and women

Currently, TRU by Hilton has focused its efforts on Millennials and it has been very successful with that generation. According to Growjo.com, "TRU by Hilton's estimated annual revenue is currently $297.6M per year," (Growjo, n.d.). With Gen Z having an estimated spending power of $360 billion, they already make up for 40% of global customers, (Author, 2022). Gen Z Is the future of hospitality consumerism.

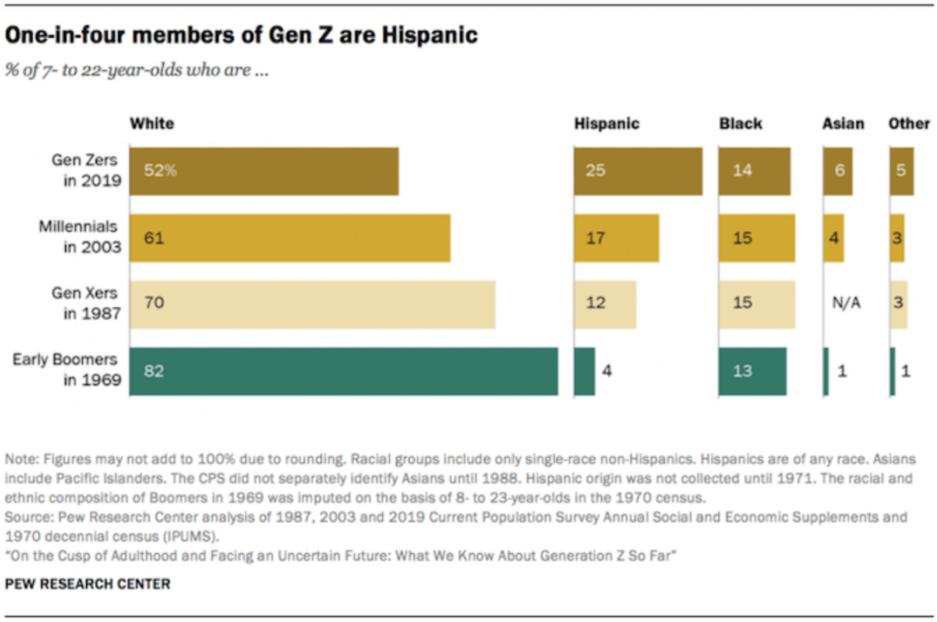
Gen Z is very tech savvy and budget conscious. Digital check-ins, smart keys, app-managed housekeeping in hotels is a breeze for them. They are all about authenticity, sustainability and experiences and they prefer their reviews from influencers. As they are true digital natives, they expect instant replies to online questions and with an 8 second attention span, that means immediately. You need to be where they are, so a strong digital presence on TikTok, Snapchat, YouTube and Instagram are where you can connect with this group.

Demographics:

- **Gender**: Male, Female, Non-binary, and gender fluid
- **Age**: Gen Z, born between 1996 and 2012.
- **Education**: Gen Z students are on track to become the most educated generation. They have a higher high school graduation rate and lower dropout rates than their Millennial and Gen X counterparts. According to Timelycare, "In 2018, 57% of 18 to 21-year-olds were in college, compared with 52% of Millennials, and 43% of Gen Xers at similar ages," (Dennington, 2023).
- **Income**: According to the Forage, "the median Gen Z salary is $33,800 per year," (Kaplan, 2023). However, according to Yahoo*!* Finance, "Gen Z says they require an average salary of $171,633 to feel financially healthy," (*Yahoo Is Part of the Yahoo Family of Brands*, n.d.). Thankfully, TRU by Hilton is very reasonably priced.
- **Marital Status:** According to MacWilliam, 75% of Gen Z are single. 74% of Gen Z daters say they wouldn't date or marry someone with different views on green issues as them. 71% say there's no way they'd be with someone with different political views than them. 16% of engaged Gen Z couples met online. A whopping 74% of Gen Zers use

dating apps. 29% of Gen Z are married but 80% want to get married, (Hällström, 2022). For our purposes, we are targeting single and married travelers.

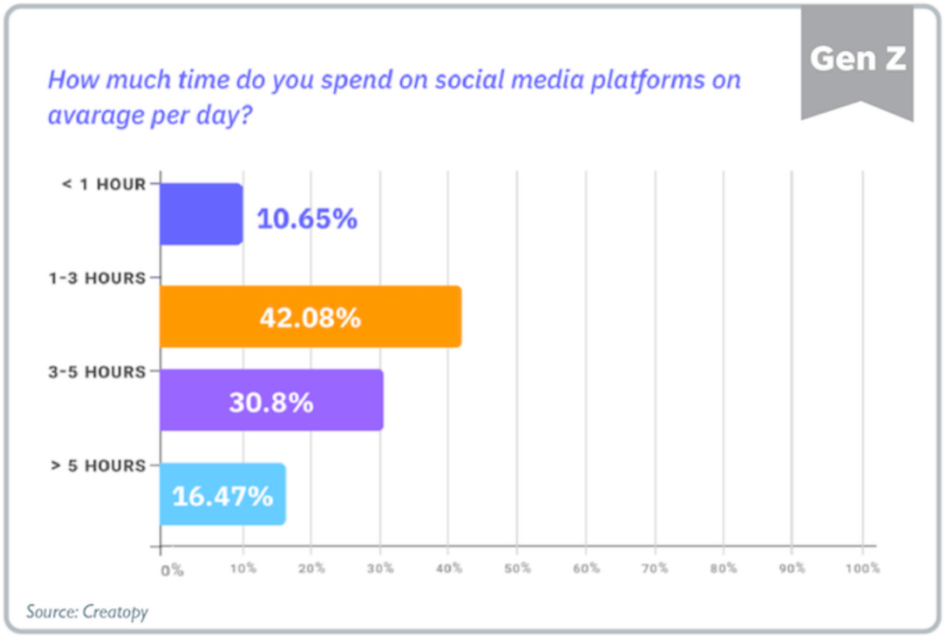
- **Race**: According to Wordstream, Gen Z is projected to be the most diverse generation in American history in terms of ethnicity and race and is predicted to become majority nonwhite by 2026. For our purposes, all races and ethnicities are welcome.



Lifestyle and Psychographics:

- **First True digital natives**: The internet has been around since they were born so from the earliest age, they've been exposed to the internet, to social networks and to mobile systems. This fact has made Gen Z into a hypercognitive generation that is completely comfortable with "collecting and cross-referencing many sources of information and with integrating virtual and offline experiences," (*&Lsquo; True Gen&Rsquo: Generation Z and Its Implications for Companies*, 2018).

- **They spend a lot of time online:** According to Wordstream, they spend on average 1-5 hours a day on social media with only 11% spending less than an hour on their feeds. In fact, the most popular social media platforms among Gen Z are YouTube, TikTok, and Instagram. They consume twice as much video content as their Millennial counterparts and many Gen Zers create content on these platforms.



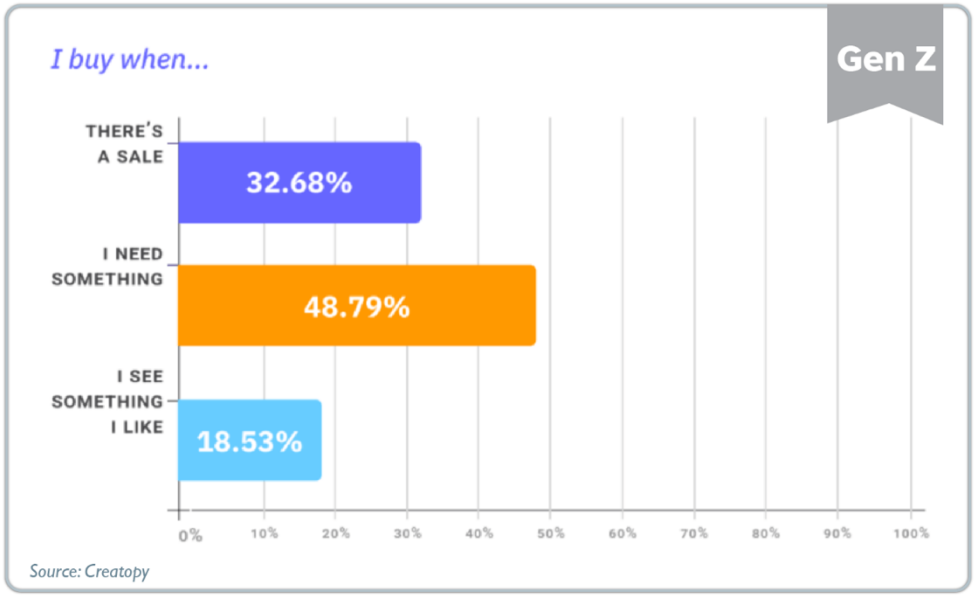
- **Socially conscious:** Social consciousness is the defining characteristic of Gen Z. They're most passionate cause is racial equity. According to Mckinsey, they also care very deeply about such causes as "climate change, sustainability, environmental responsibility, gender equity, access to healthcare, an end to gun violence and economic opportunity," (*&Lsquo; True Gen&Rsquo: Generation Z and Its Implications for Companies*, 2018).
- **True Gen:** At the foundation of everything Gen Z, authenticity is key. They are always in search of the truth, and it effects how they move through the world. According to McKinsey, "Gen Zers value individual expression and avoid labels. They mobilize

themselves for a variety of causes. They believe profoundly in the efficacy of dialogue to solve conflicts and improve the world. Finally, they make decisions and relate to institutions in a highly analytical and pragmatic way," (*&Lsquo; True Gen&Rsquo: Generation Z and Its Implications for Companies*, 2018). They're search for the truth is why Gen Z feels more comfortable not having just one way to be itself in comparison with previous generations. They're constant search for authenticity allows them a greater freedom of expression and more openness and willingness to understanding different kinds of people. It's a beautiful thing.

- **Love to travel:** Gen Z says that vacations bring more joy to their lives. This could be a direct result of the pandemic that caused major disruptions to their lives including their education, social lives and having to start their careers remotely. All of this has not only created a lot of anxiety amongst this generation but a desire to get out of the house and travel. Since these digital natives spend so much time online, it's no wonder they are influenced to travel by social media and word-of-mouth reviews by influencers and/or people they trust.
- **Protective of their work/life boundaries:** Maybe it's because they've started their careers remotely and it was so easy for work and life to overlap and blur the lines, this generation had to learn to separate the two. They are rejecting the "hustle culture" and opting for the "soft life" (placing an emphasis on a slower, healthier, and reframed version of success compared to previous generations).

Target Audience Buying Behaviors:

Gen Z has great spending power and over 70% of Gen Zers say they have a stable source of income. Keep in mind, many Gen Zers are still students. Believe it or not, to still be so young, they are not impulsive consumers. While 50% do shop online on average of once a month, 50% only buy when they need something. Still, 33% of Gen Z consumers look for bargains and only purchase when there are sales.



Competitive Analysis:

TRU by Hilton is considered a midscale hotel and currently can be found at 249 locations in the United States and 2 in Canada, with several more planned globally. TRU Hotels are made specifically with younger travelers in mind with lower priced room rates and modern tech conveniences, perfect fort Gen Z. This brand of Hilton hotels is modern, minimalist with a social vibe and the young traveler in mind. Offering interactive, semi-private workspaces, game rooms, multimedia areas plus a 24/7 market where guests can grab snacks, coffee and other beverages and light bites all fits the Gen Z lifestyle. TRU by Hilton competitors would be Fairfield Inn, La Quinta, and Comfort Inn.

Fairfield Inn

Fairfield by Marriott was built on the idea of warm southern hospitality. Fairfield's main objective is to make your stay as easy as possible. It's all about the customer service, from the kindness of a friendly greeting to the comfort of a good night's sleep. Guest rooms are designed with their guests' comfort and convenience in mind. Part of their hospitality includes free breakfast and coffee and a 24/7-hour market for guests' convenience. Also provided are streamlined workspaces in the lobby and outdoor spaces, fitness centers and pools to energize and rejuvenate.

Currently, Fairfield inn has 1141 locations in the U.S. and Canada, 96 locations in Asia and 16 locations across the Caribbean and Latin America.

La Quinta

La Quinta by Wyndham provides contemporary accommodations and a prides itself on a friendly staff and exceptional signature Here for You service. They provide breakfast and pet-friendly rooms. Rooms are modern and contemporary providing guests with a place to relax, work and recharge. This is made easier by La Quinta's thoughtful amenities like their pillow-top mattresses, flat-screen HDTVs and free WIFI.

Comfort Inn

Comfort Inn hotels, pride themselves on offering travelers a consistent, warm, and welcoming experience. The rooms are spacious, the staff is friendly, and they provide all the modern amenities like free WIFI and a free hot breakfast (including waffles). All rooms are 100% smoke-free and have in room refrigerators and microwaves. If a traveler wants to relax and unwind, there are on-site fitness centers and pools at most Comfort Inns. They have locations worldwide.

Dr. White Feedback:
(Likelihood of success factors…I did not address in original)

In order to assess success Deborah, you would need to project short and medium-term growth and revenue for your company. This is accomplished by researching similar types of products from several of your competitors and using that data as a starting point for your analysis. I don't see where you included a discussion of success factors. What is your anticipated growth and revenue opportunities for your product? What are the competitors doing in order to be successful? Be sure to include an analysis and discussion of this in your final portfolio version. Include a section that deliberately discusses "likelihood of success" factors.

project short and medium-term growth and revenue for TRU by Hilton?

Likelihood of Success factors?

What is the anticipated growth and revenue opportunities for your product?

What are competitors doing in order to be successful?

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