Designing & Developing Tourism Products

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Designing and developing tourism products

- Overview
- What are tourism products?
- How to classify tourism products?
- How to design a tourism product?
- How to develop tourism products?
What are tourism products?

- Consumers’ perspectives
- Suppliers’ perspectives
- Composition of tourism products
- Characteristics of tourism products
- The role of tourism products
Customers’ perspectives

- Tourist products are experience that tourists obtain to satisfy their desire for travel after paying certain amount of money, time and effort. e.g.
  - Visiting a destination
  - Spending a vacation
  - Attending an event
Suppliers’ perspectives

• Tourist products are services that tourist operators offer to tourists, with certain amount of tourist resources and facilities, to meet the comprehensive demand of tourists in the course of their travel.
  – Lodging
  – Food & Beverage
  – Transportation
  – Attractions
  – Ancillary Services
Suppliers’ perspectives

- Tourism products can be briefly summarized as follows:
  - resources + facilities + services
Tourist products are usually composed of:

- Core product, referred to as the basic function and interest offered by suppliers, e.g.
  - Food
  - Lodging
- Tangible product, referred to as quality, style, reputation, brand, etc.
- Augmented product, referred to as supplementary product
Characteristics of tourism products

- **Inseparability**
  - production and consumption occur at the same time
- **Intangibility**
  - before purchase or consumption, the actual tourism service cannot be seen, touched, tasted or felt
- **Perishability**
  - cannot be produced and stored today for future use or consumption, e.g. flight seats, hotel rooms
- **Variability**
  - influenced by a large number of “human element” factors, e.g. meals, same package and different tour guide
- **Seasonality**
  - demand changes as seasons change
The role of tourism products

- Tourism product is the core of the tourism industry
- The core values of tourism products are
  - Attract tourists
  - Keep tourists
  - Keep money
How to classify tourism products

- Classified by the geographical factors
- Classified by the distance of a journey
- Classified by travel purposes
- Classified by travel mode
- Classified by travel organization and/or price composition
Classified by the Geographical Factors

• Domestic tours
• International tours
• Inter-continental tours
• Global tours
• Regional tours
Classified by the Distance of a Journey

- Long-distance tours
- Short-distance tours
Classified by Travel Purposes

- Leisure travel
- Business travel
- Personal affairs travel
Leisure travel

• Sightseeing
  – A trip to visit natural sightseeing, e.g.
    • Mountains
    • Rivers/lakes/see shore
  – A trip to visit historic relics, e.g.
    • Historic buildings (Great Wall, Pyramids, The Forbidden City, famous temples, churches)
    • Imperial Mausoleums (The Ming Tombs, Taj Mahal, The Terra Cotta Figures)

• Vacations
  – A vacation on a Caribbean island
  – A vacation on Beidaiho
Leisure travel

- Attending local festivals, special events, games (The Spring Festival, Olympic Games, Super Bowl)
- Visiting local community
  - Spending a night at a local farmer’s home
- Visiting a theme park
  - Disney World in Orlando
  - The Safari
Business travel

• Business travel products include
  – A commercial travel to a destination
  – An exhibition
  – An incentive travel
  – A convention
Travel for Personal Affairs

- Visiting Friends and/or relatives
- Pilgrimages
Classified by Travel Mode

- Air travel
- Travel by train
- Motor travel
- Cruises
- Hiking
Classified by Travel Organization and/or Price Composition

- Group travel
- Individual travel (FIT)
- Inclusive tours
- Non-inclusive tours
How to design a tourism product?

- Factors affecting tourism product designing
- Principles of tourism product design
- Design of tourism products
- Process of tourism product designing
Factors affecting tourism product designing

- Resources, Facilities and Service
- Consumers of the Target Market
- Total Need of the Target Markets
- The Consumers’ Demand
- The Affordability of Consumers
- Competition
- Technology
- Cost—Return Analysis
Resources, facilities and service

- **Resources**
  - Amount
  - Quality
  - Reputation

- **Facilities**
  - Amount
  - Quality
  - Variety

- **Service**
  - Amount
  - Quality
  - Variety
Consumers of the target market

- Segment the tourist market according to the demand and desires of various tourists
- Select target markets that need the products offered by a company/destination
Total need of the target markets

• The maximum amount of the tourism product that the target market can consume
• This maximum amount decides the maximum sales of the product
The consumers’ demand

• In a target market, consumers have different needs in consuming tourist products.

• Therefore, a destination and/or an enterprise should conduct analysis of the difference in consumers’ demand.
The affordability of consumers

- Can consumers afford the products?
- Can the prices of the products lure most consumers?
- What is the evaluation of the consumers on the prices of the products?
- Can the prices of the products compete the those of the competitors?
Competition

- Are there many/few competitors on the target market?
- Are there many/few substitutes on the target market?
- Can the competitors provide large amount of the products of the same kind for the target market?
- What is the quality of the products provided by the competitors? Are they higher or lower than the quality of our products?
- What is the efficiency of the competitor in supplying their products on the target market?
Technology

• Is there any new technology available to improve the quality or reduce the cost of the present products?
• Is there any new technology available to produce substitute products?
• What is the trend of technical development?
• Can we use the new technique to improve our products or design new products?
Cost—return analysis

- What is the cost of new products? Are they higher or lower than the present products?
- What is the return of the new products? Are they higher or lower than the present products?
- What is the opportunity cost of the new products?
Principles of tourism product design

• Market-oriented principle
• Principle of uniqueness
• Principle of integrity
• Principle of accessibility
• Principle of authenticity
• Principle of acceptability
• Principle of economic feasibility
Market-oriented principle

• Travel enterprises/destinations must understand the actual and potential needs of tourists.
• Tourism products must be able to meet certain needs of tourists of the target market.
Principle of uniqueness

• Tourism products must have distinct features.
• Tourism products must be new, peculiar and attractive.
Principle of integrity

• The enterprise/destination must pay attention to the integrity of tourism product when designing.
• A tourist route should reflect not only specific features of individual spot, but also the overall characteristics of the entire route.
• The various components of tourism products should be coordinated.
Principle of accessibility

• Transport services are an important part of tourism products and accessibility of tourism products directly affect the quality and price.
• In the design process, one must pay attention to infrastructure and traffic conditions where the spots are located.
Principle of authenticity

• People are tired of the tourism products that lack of living roots and context roots. Therefore, when designing a tourism product, one must
  – Avoid producing fake antiques.
  – Avoid displaying false culture.
  – Avoid commercial performance of the pseudo-folk.
Principle of acceptability

• Tourism products must be acceptable both to the tourists and the local community.
  – The designer must fully take into account such factors as ethnics, culture, religion, environmental awareness, habits and customs, laws and regulations of the tourist generating country and/or region.
  – The designer must fully take into account such factors as ethnics, culture, religion, environmental awareness, habits and customs, laws and regulations of the destination.
Principle of acceptability

– Designers should not design such products as hurting national dignity, religious beliefs, and/or immoral to tourists or residents of the destination.
– Designers should not design the tourism products that are in violation of law of the destination or tourist-generating countries or regions.
– Designers should not design the tourism products that are harmful to ecological environment or social environment of the destination.
Principle of economic feasibility

- Tourism products must be designed to create economic benefits for the enterprise that designs and sells them.
- The prices of the tourism products should not exceed the affordability of tourists of the target market.
• Preliminary-level design of tourism products
• Intermediate-level design of tourism products
• Advanced-level design of tourism products
Preliminary-level design of tourism products

• Task:
  – To configure the first floor of tourism resources and ancillary services.

• Characteristics of the product:
  – Small
  – Basic
  – Economical
Preliminary-level design of tourism products

• Components:
  • name of the product
  • product content: meeting the “low-level physiological and psychological needs” of tourists
  • product form: preliminary level products
  • product price: no difficult service requirements
Preliminary-level design of tourism products

• Work:
  - Visit, select and reserve the facilities needed in the designing work
  - Determine the content and form of the additional services (to help tourists)
  - Determine the price of the product
  - Determine the name of the product.
Intermediate-level design of tourism products

• Task:
  – To configure tourism resources and ancillary travel services

• Characteristics
  – Medium
  – Fine
  – Standard
Intermediate-level design of tourism products

• Components:
  – Good name
  – Product content: middle-level facilities and services
  – Product form: relax and pleasant
  – Product price: difficult services
Intermediate-level design of tourism products

• Work:
  − Enrich the content, change the form, field investigate, choose the best items
  − Selection, negotiation and signing contract
  − Standardization of tourism service
  − Improve the quality of the product
  − Establish the series of products
Advanced-level design of tourism products

• Task:
  − Rational allocation of tourism resources on the basis of preliminary and intermediate designs

• Characteristics:
  − Large-scale
  − Boutique
  − Luxurious
Advanced-level design of tourism products

Components:
- Establish the theme and brand of tourism products
- Product content: high level facilities and services
- Product form: ease
- Product price: timely transfer the charges and payment on behalf of tourists and pay taxes of the charges collected on behalf of tourists
Advanced-level design of tourism products

Work:
- Establish corporate image of close contact between the products and the enterprise through CI system
Process of tourism product designing

- Collecting Designing Ideas
- Evaluating Designing Ideas
- Testing the Designing Ideas
- Commercial Analysis
- Designing the New Products
Collecting designing ideas

- In order to design new products, a company/destination should collect designing ideas of products from
  - Tourists
  - Tour intermediaries
  - Marketing personnel of the company
  - Competitors
  - Consultants, advertising companies, etc.
Evaluating designing ideas

- Comprehensive evaluation of tourist resources.
- Making judgment on the ideas of new products to see if the ideas are consistent with the mission, goals and objectives of the company/destination.
- Conducting financial feasibility studies.
- Analyzing the features and demand of the market, in order to see if the new products can meet the needs of the market.
- Analyzing the competition and other environment factors. (macro-environment, micro-environment, market environment)
Testing the designing ideas

• The company/destination should test the designing ideas of the new product to see if the product can fulfill the aim of product designed.
Commercial analysis

- Forecasting sales, cost and profit of the new product.
- Forecasting the financial risk and opportunity cost of new product development.
- Forecasting the impact of the changes of competition and environment on the potentials of the new product.
- Forecasting the size of the market for the new product as well as the purchasing behavior of tourists.
Designing the new products

- Design new products
- Trial sales
- Commercialization
How to develop tourism products

- Analysis of the life cycle of tourism products
- Analysis with the BCG Model
Life Cycle of Tourism Products

- Embryonic Stage
- Growth Stage
- Mature Stage
- Decline Stage

Sales/Profit vs. Time

- Sales curve
  - Rising in the Embryonic Stage
  - Peaking in the Growth Stage
  - Declining in the Mature Stage
  - Further declining in the Decline Stage

- Profit curve
  - Similar pattern to sales but with higher points in the Embryonic and Growth Stages
  - Peaks before sales

Graph illustrates the typical stages of a tourism product's lifecycle from beginning to end.
Embryonic Stage

- Phenomenon of the embryonic stage
- Developing strategies at the embryonic stage
Phenomenon of the embryonic stage

- A product at its embryonic stage just appears on the market.
- Typically, the sales grows slowly due to buyers’ unfamiliarity with the product.
- The profit is low, sometimes even with a loss due to the poorly developed distribution channels.
- The cost of the product is usually high, due to the inability of the company to reap any significant scale economies.
- There are few competitors.
Developing strategies at the embryonic stage

- **Product strategy**
  - Stabilize the quality of the product

- **Promotion strategy**
  - Increase the budget of promotion
  - Apply positive promotion with such tools as advertisement, B2B, B2C, etc.

- **Price strategy**
  - High price strategy, in order to cover as much as possible the cost of producing and promoting the product.
  - Low price strategy, in order to occupy the market as soon as possible.

- **Distribution strategy**
  - Contact with as many as possible sales agents on the target market.
Growth Stage

- Phenomenon of the growth stage
- Developing strategies at the growth stage
Phenomenon of the growth stage

- The demand of the product grows rapidly as many new consumers enter the market.
- Typically, the supply of the product takes off when consumers become familiar with the product.
- The price falls due to the attainment of experience and scale economies.
- Distribution channels develop.
Developing strategies at the growth stage

Product strategy
- Improve the quality of the product.
- Build up the brand of the product.

Promotion strategy
- Decrease the budget of promotion moderately.
- Promote the CI of the company/destination instead of the product itself.

Price strategy
- Lower the price if the original price is too high.
- Offer a reasonable and competitive price.
- Offer discount price for group travel, charted flight, etc.

Distribution strategy
- Select those intermediaries that send large number of tourists and establish stable cooperation with them.
Mature Stage

- Phenomenon of the mature stage
- Strategies at the mature stage
Phenomenon of the mature stage

- The market of the product is totally saturated and demand is limited to replacement demand.
- Growth of the sales is low or zero
- Any little growth of sales comes from population expansion bringing new consumers into the market.
Strategies at the mature stage

- **Product strategy**
  - Improve the product and increase its value.
  - Win the competition edge by differentiating the product
  - Design new product
  - Develop new market

- **Promotion strategy**
  - Focus promotion, in order to keep and/or expand market share
  - Apply public relations strategy

- **Price strategy**
  - Flexible price strategy, price discounts

- **Distribution strategy**
  - Evaluate intermediaries
  - Encourage intermediaries to sell more products (bonus, higher commission)
  - Establish solid cooperation with one intermediary
Decline Stage

- Phenomenon of the decline stage
- Strategies at the decline stage
Phenomenon of the decline stage

- Growth of sales becomes negative for a variety of reasons, including
- Technological substitution (e.g., air travel for rail travel)
- Social changes (e.g., greater health consciousness hitting dishes made of wild animals)
- Demographics (e.g., the declining birth rate hurting the market for baby and child products)
- Prices fall sharply
- Profit from the sale of the product decline and sometimes loss appears
Strategies at the decline stage

- Keep those product that are still profitable
- Change those product that are no longer profitable with new products.
- When the sales and profit of the product decrease to the lowest point, the company should give it up.
- Do not put any money on the advertisement and/or other promotion effort.
<table>
<thead>
<tr>
<th></th>
<th>Embryonic</th>
<th>Growth</th>
<th>Muturaty</th>
<th>Decline</th>
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</thead>
<tbody>
<tr>
<td>Price competition</td>
<td>Low</td>
<td>Low</td>
<td>Normally low-medium, can be high</td>
<td>High</td>
</tr>
<tr>
<td>Brand loyalty</td>
<td>Low</td>
<td>Low</td>
<td>High</td>
<td>High</td>
</tr>
<tr>
<td>Overall rivalry</td>
<td>Low</td>
<td>Low</td>
<td>Medium can be high</td>
<td>High</td>
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The Boston Consulting Group Model

Relative Market Share

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<th>High</th>
<th>Low</th>
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<tbody>
<tr>
<td>High</td>
<td><strong>STARS</strong></td>
<td><strong>QUESTION MARKS</strong></td>
</tr>
<tr>
<td>Low</td>
<td><strong>CASH COWS</strong></td>
<td><strong>DOGS</strong></td>
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Stars

- **Stars** have a high relative market share.
- In the language of SWOT analysis, *stars* have both competitive strengths and opportunities for growth.
- **Stars** offer excellent long-term profit and growth opportunities.
- **Established stars** are likely to be highly profitable and therefore can generate sufficient cash for the company’s investment needs.
- **Emerging stars** may require substantial cash injections to enable them to consolidate their market lead.
Question marks

- **Question marks** are relatively weak in competitive terms.
- **Question marks** have low relative market shares.
- **Question marks** are based in high-growth market segments and thus may offer opportunities for long-term profit and growth.
- **Question marks** can become stars if nurtured properly.
- To become market leaders, **question marks** require substantial net injection of cash; they are cash hungry.
- A company has to decide whether a particular **question mark** has the potential to become a **star** and therefore is worth the capital investment necessary to achieve this.
Cash cows

Cash cows are in low-growth market segments but have a high market share and a strong competitive position in mature market segments.

The competitive strength of cash cows comes from being furthest down the experience curve.

Cash cows are cost leaders in their market segments and this position enables them to remain very profitable.

However, low growth of cash cows is taken to imply a lack of opportunities for future expansion of market share.

As a consequence, the capital investment requirements of cash cows are not substantial, and thus, they are depicted as generating a strong positive cash flow.
**Dogs**

*Dogs* are the products in low-growth market segments but have a low market share.

*Dogs* have a weak competitive position in unattractive market segments and thus are viewed as offering few benefits to the company.

*Dogs* are unlikely to generate much in the way of a positive cash flow and indeed may become cash hogs.

*Dogs* may require substantial capital investments just to maintain their low market share, while offering few prospects for future growth in returns.
Strategic Implications

- Use cash surplus from any *cash cows* to support the development of selected *question marks* and to nurture *emerging stars*.
  - The long-term objectives is to consolidate the position of *stars* and to turn favored *question marks* into *stars*.

- *Question marks* with the weakest or most uncertain long-term prospects are divested so that demands on the company’s cash resources are reduced.

- The company should exit from any market segment where the product is a *dog*—by divestment and harvesting market share.
THANK YOU!

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