

HOSPITALITY AND TOURISM MARKETING

Lecturer: HABUMUREMYI Faustin, MTourMgt.

Lecture 8: Develop new tourism and hospitality
products

Course outcomes

At the end of this lecture, you will be able to:

- Interpret perfectly the Hospitality and Tourism **Product Levels**
- Explain correctly the customer interaction with **the service delivery system**
- Describe clearly **branding strategy** for hospitality and tourism products
- Explain correctly **the major stages in new product development**

What Is a Product?

- ❑ A **room** at the Four Seasons in Toronto, a **Hawaiian vacation**, **McDonald's French fries**, a **vacation package in Bali**, a catered **luncheon**, a bus **tour of historic sites**, and a **convention** in a modern convention center with group rates in a nearby hotel are all products



WWF, (2022), Mountain gorillas: close relatives at risk,
https://www.wwf.org.uk/sites/default/files/styles/content_slide_image/public/2016-09/Medium_WW22557.jpg?h=e1e8f15a&itok=a_6XuVgU

What Is a Product? (cont')

- ❑ We define the term product as follows: A product is anything that can be offered to a market for attention, acquisition, use, or consumption that might satisfy a want or need.
- ❑ It includes physical objects, services, places, organizations, and ideas

Product Levels

- ❑ Hospitality managers need to think about the product on four levels: **the core product, the facilitating product, the supporting product**

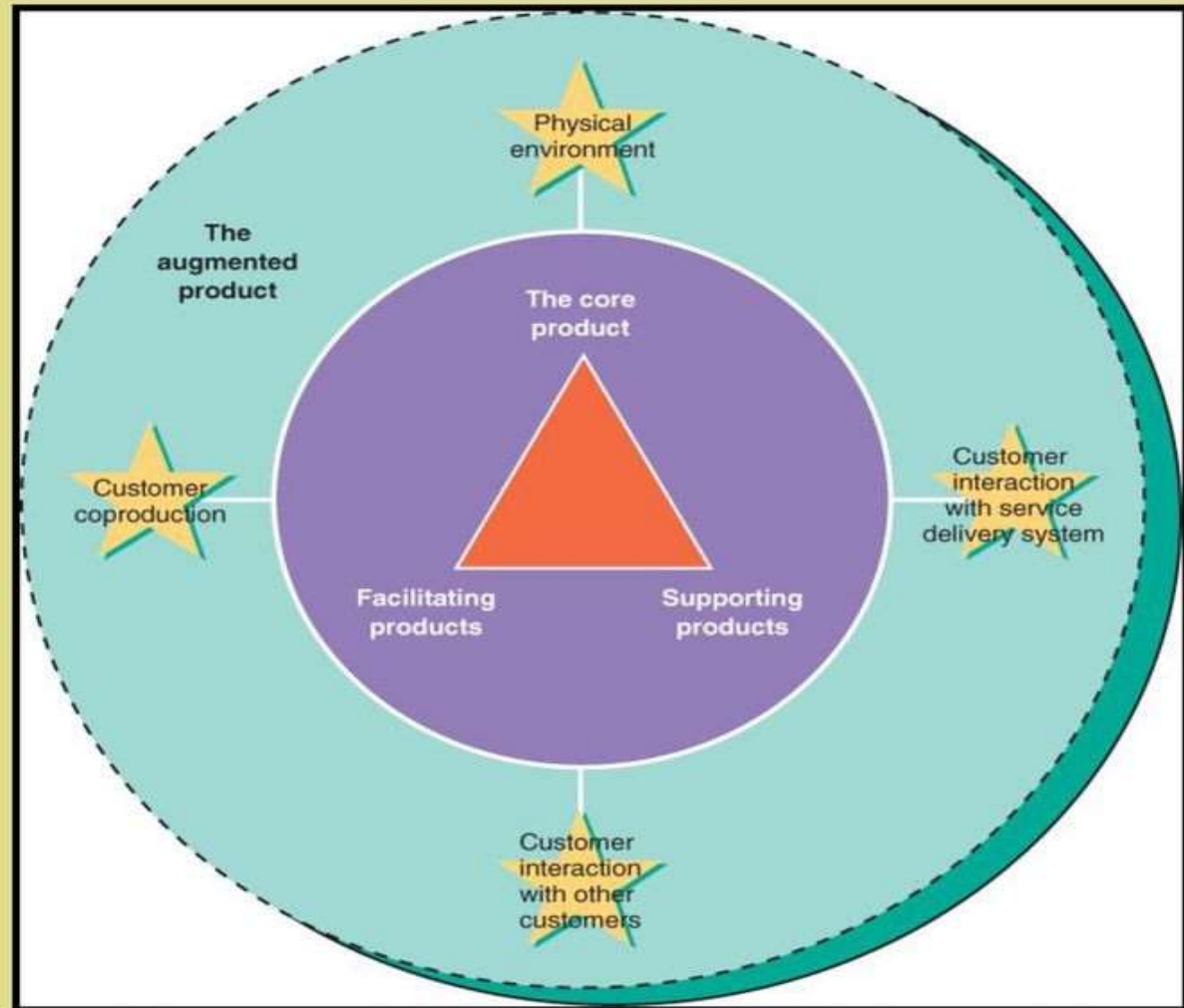


Eiffel Tower,
Paris

Lana Law, (2022), 25 Top-Rated Tourist Attractions in the World,
<https://www.planetware.com/wpimages/2021/10/world-tourist-attractions-eiffel-tower-flowers-spring.jpg>

Product levels

(Adapted from C. Gonroos, "Developing the Service Offering— A Source of Competitive Advantage," in *Add Value to Your Service*, C. Surprenant, ed., Chicago: American Marketing Association, 1987, p. 83.)



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Marketing for Hospitality and Tourism, 4th edition
Kotler, Bowen, and Makens

Shanon Cannon, (2018), Chapter 9 Designing and Managing Products,
<https://slideplayer.com/slide/12580696/76/images/12/Product+levels+%28Adapted+from+C.+Gonroos%2C+Developing+the.jpg>

Core Products

- The most basic level is core product, which answers the following question: **What is the buyer really buying?**
- **A four-day holiday in Dublin, Ireland, isn't a plane ride, hotel room, taxis, and meals.**
- Depending on **the visitor**, it might be **cultural enrichment, a return to one's roots, safe adventure, or even romance.**

Core Products (cont')

- As all good steakhouses know, **“Don’t sell the steak, sell the sizzle.”** Marketers must **uncover** the core benefit to the consumer of every product and sell these benefits rather than merely selling features.

Statue of Liberty, New York City



Lana Law, (2022), 25 Top-Rated Tourist Attractions in the World <https://www.planetware.com/wpimages/2020/08/top-attractions-in-the-world-new-york-statue-of-liberty.jpg>

Facilitating Products

- Facilitating products are services or goods that **must be present for the guest to use the core product.**
- A first-class corporate hotel must have **check-in and checkout services, a business center, a restaurant, and valet service** for instance.
- In an economy hotel, facilitating services might be no more than **check-in and checkout service**

Supporting Products

- **Core products require facilitating products but do not require supporting products.**
- Supporting products are extra products offered to add value to the core product and help differentiate it from the competition.
- In a corporate hotel, **an iPad in the room or a full-service health spa** is a supporting product that exists to help draw and retain customers.

Supporting Products (cont')

- **Facilitating products for one market segment may be supporting products for another.**
- **For example, although families may not require restaurants and valet service when staying at a hotel, business travelers depend on them**

Augmented Product

- The augmented product includes **accessibility, atmosphere, customer interaction with the service organization, customer participation, and customers' interaction with each other.**
- These elements combine with the core facilitating and supporting products to provide the augmented product.

Augmented Product (cont')

- The augmented product is an important concept because **hospitality and travel services require customer coproduction of the service.**
- For most hospitality products, the customer comes to the service delivery system and has **to interact** with the service delivery system.

Some Examples of augmented products

- **Accessibility:** Providing information about the attractions in the city makes the attributes of the city accessible to the guest.
- Products must be **accessible** when the guest wants to use them.

Some Examples of augmented products (cont')

- **Atmosphere:** The Physical Environment
- Atmosphere is a critical element in services. It can be the customer's reason for choosing to do business with an establishment.

Atmosphere can affect purchase behavior in at least four ways:

- First, atmosphere may serve as an attention-creating medium.
- atmosphere may serve as a message-creating medium to potential customers
- Third, atmosphere may serve as an effect-creating medium
- Finally, environment can be a mood-creating medium

Customer Interaction with the Service Delivery System

- The customer participates in the delivery of most hospitality and travel products.
- There are three phases to this involvement:
- **Joining,**
- **Consumption, and**
- **Detachment.**

Joining stage

- In the joining stage, the customer makes the initial **inquiry contact**.
- When designing products we must make it **easy** for people to learn about the new product.
- This information must be delivered in a **professional way**

Consumption stage

- The consumption phase takes place when the service is **consumed**.
- In a restaurant it occurs when the customer is **dining**; in a hotel when an individual is a **guest**.
- Designers of hospitality products must understand how guests **will interact** with the product

The detachment phase

- The detachment phase is when the customer is **through using a product and departs.**
- For example, **hotel guests may need a bell person to help with the bags.**
- They will need to **settle their account and acquire transportation to the airport.**
- International travelers may need an airport departure tax stamp.

Branding Strategy

- **Building Strong Brands**
- **A brand** is a name, term, sign, symbol, design, or a combination of these elements that is intended to identify the goods or services of a seller and differentiate them from competitors
- **Branding** is the process of endowing products and services with the power of a brand.
- It's all about creating differences between products.

Brand Equity

- **Brands** are more than just names and symbols. They are a key element in the **company's relationships with consumers**. Brands represent consumers' **perceptions and feelings** about a product and **its performance**—everything that the product means to consumers
- Brand equity is the added value endowed on products and services.

Marketing Advantages of Strong Brands

- Improved perceptions of product performance
- Greater loyalty
- Less vulnerability to competitive marketing actions
- Less vulnerability to marketing crises
- Larger margins
- More inelastic consumer response to price increases
- More elastic consumer response to price decreases
- Greater cooperation and support from suppliers
- Greater support from marketing intermediaries
- Increased marketing communications effectiveness
- Brand extension opportunities

Brand Positioning

- A brand can be better positioned by **associating its name with a desirable benefit.**
- In the hospitality and travel industry, these benefits often relate to customer **service** or **experience**
- The strongest brands go beyond attribute or benefit positioning. They are positioned on **strong beliefs and values.**

Brand Portfolios

- A brand can only be stretched so far, and all the **segments the firm would like to target may not view the same brand equally or favorably.**
- Marketers often need **multiple brands** in order to pursue these multiple segments

Brand Portfolios (cont')

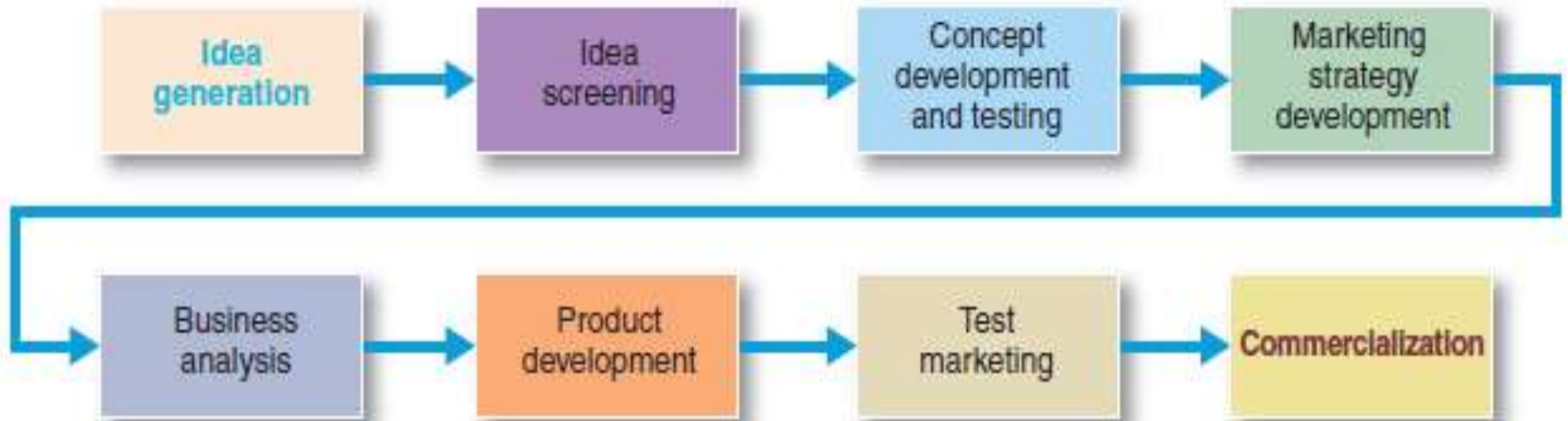
- Some **other reasons** for introducing multiple brands in a category include:
- 1. attracting consumers seeking variety who may otherwise have switched to another brand;
- 2. increasing internal competition within the firm;
- 3. yielding economies of scale in advertising, sales, merchandising, and physical distribution.

The New-Product Development

- To create successful new products, a company must understand its **consumers, markets, and competitors** and develop products that deliver superior value to customers.



Major stages in new-product development.



Simon Seto, (2019), Chapter 10: New Product Development and Product Life-Cycle Strategies, <https://files.teamstudy.com/images/resources/VxjE9Ezr-e67d35f7-1817-406a-8c8a-a97ecece695b.png>

Idea Generation

- New-product development starts with idea generation—the systematic search for new-product ideas.
- A company typically **generates hundreds of ideas, even thousands**, to find a few good ones.
- Major sources of new-product ideas include **internal sources and external sources such as customers, competitors, and distributors and suppliers.**

Idea Screening

- The purpose of idea generation is to create a large number of ideas. The purpose of screening is **to spot good ideas and drop poor ones as quickly as possible.**
- Product development costs rise greatly in later stages, so the company wants to proceed only with **ideas that will turn into profitable products.**

Concept Development and Testing

- **Surviving ideas** must now be developed into **product concepts**.
- A product concept is a detailed **version of the idea stated in meaningful consumer terms**.
- A product **image** is the way that consumers picture an actual or potential product.

Concept Development

- Great idea gives great product.
- **Customers, however, do not buy a product idea; they buy a product.**
- The marketer's task is to develop this idea into **alternative product concepts**, determine how attractive each is to customers, and choose the best one.

Concept Testing

- Concept testing occurs within a group of **target consumers**.
- New-product concepts may be presented through **word or picture descriptions**

Marketing Strategy

- The next step is marketing strategy development
- Designing an initial marketing strategy for **introducing** the product into the market.

Business Analysis

- Once management decides on the product concept and marketing strategy, it can evaluate **the business attractiveness of the proposal.**
- Business analysis involves **a review of the sales, costs, and profit projections** to determine whether they satisfy the company's objectives.

Product Development

- If the product concept passes the business test, it moves into product development and into a prototype.
- Up to now it existed only as a word description, a drawing, or mockup.
- The company develops one or more physical versions of the product concept.
- Restaurants can develop **prototypes of menu items** and **run them as specials**, hotels build **guest room prototypes**.

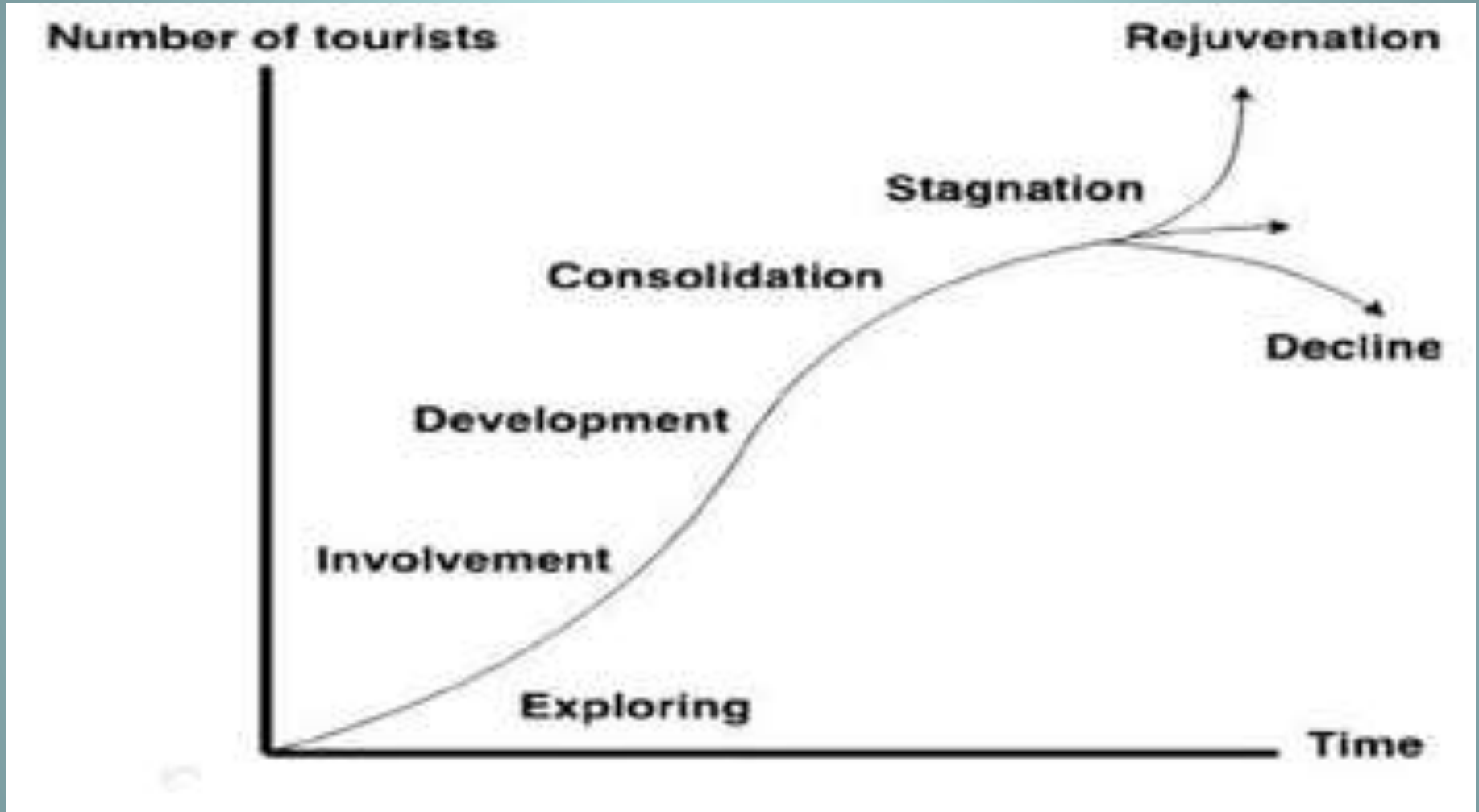
Test Marketing

- If the product passes functional and consumer tests, the next step is market testing in which the product and marketing program are introduced **into realistic market settings.**
- Market testing allows the marketer to gain **experience in marketing the product, to find potential problems, and to learn where more information** is needed before the company goes to the great expense of full introduction.

Commercialization

- Marketing testing gives management the information it needs to make a **final decision about whether to launch a new product.**
- If the company goes ahead with commercialization, it will face high costs.
- It may have to spend **several million dollars for advertising and sales promotion alone in the first year**

Tourism product life cycle



Tourism Beas, (2022), Tourism Product Life Cycle,
<https://sf.ezoiccdn.com/ezoimgfmt/www.tourismbeast.com/wp-content/uploads/2020/08/TPI2.png?ezimgfmt=rs:361x214/rscb1/ngcb1/notWebP>

References

- 1] Kotler ,.B (2014) Marketing for Hospitality and Tourism Industry, p 249-283, <https://www.pdfdrive.com/marketing-for-hospitality-and-tourism-6th-edition-e178412795.html>
- 2] Christos A Vassiliadis, (2006), Product Design Decisions for Developing New Tourist destinations: The Case of Rhodopi Mountains, [https://www.researchgate.net/publication/230595164 Product Design Decisions for Developing New Tourist destinations The Case of Rhodopi Mountains](https://www.researchgate.net/publication/230595164_Product_Design_Decisions_for_Developing_New_Tourist_destinations_The_Case_of_Rhodopi_Mountains)

Thank you!

Next lecture: Pricing objectives and approaches

Lecturer :Faustin

Email:hfaus84@gmail.com