



# PRODUCT DEVELOPMENT

## PRODUCT DEVELOPMENT

### WHAT IS A TOURISM PRODUCT?

A tourism product is a good or service or package of goods and services for people who travel. Tourism suppliers (YOU!) supply travel product. Product development is the building and development of marketable facilities, vacation packages and attractions.

Sometimes product development involves creating a totally new experience, **but often it involves expanding or enhancing existing product.**

- Extending a product line into a new season
- Fine tuning a product for the existing market
- Re-defining a product to meet the needs of a new market.

### MARKET DRIVEN PRODUCT DEVELOPMENT

**You are not the customer.** Your preferences, impression and desires are not what determine your product. The goal of product development is to make a product-market match. The first step is to understand your market.

- Do lots of research
- Consult recent studies
- Read & understand market analyses

The next step is to find out what motivates your visitors, what do they value, and what benefits will they take away? Once you figure these out you can begin to provide the services, products and facilities they need.

### TRAVEL TRENDS

Like any industry, tourism changes over time. One reason for change is emerging travel trends, and it is important for Marketers to be aware of and responsive to these trends. For example, it is important for package developers to be aware of the trend towards shorter but more frequent vacations.

Knowing this can help the developer to implement a strategy and capitalize on this opportunity. Ignoring it can cause the trend to become a threat, and possibly even threaten the existence of the business.

The following is an overview of general trends in the industry.

### DECLINE IN CONSUMPTIVE TOURISM

Tourism may be consumptive or non-consumptive in nature. Consumptive tourism (activities such as hunting and fishing) often removes resources from the land and water. Hunters take animals and anglers remove or injure fish. As long as consumptive tourism is properly managed and regulated, your territory can continue to be promoted as a destination for hunters and anglers. Nonetheless, people are becoming more concerned about the impacts of our activities on our environment.

### **RISE IN NON-CONSUMPTIVE TOURISM**

Non-consumptive tourism focuses on events and activities that do not have a lasting or negative impact on the environment. Tourism research indicates that the non-consumptive market is growing and will continue to grow. Given such a trend, it is likely that activities such as cycling, cultural activities, river rafting, horseback riding, wildlife viewing and nature photography will continue to draw travelers and offer new business opportunities.

### **AN INCREASE IN SHORTER MORE FREQUENT VACATIONS**

Most families today have two wage earners. It is more difficult to plan extended, simultaneous time away from work for two workers, so shorter vacation trips of two to three nights have become very popular with Canadians. Many people take holidays on long weekends or add days on either side of a weekend to relax or get away.

### **AN INCREASE IN THE NUMBER OF FAMILIES PURCHASING PREPACKAGED VACATIONS**

Traditionally families have taken self guided holidays, traveling by car and following their own vacation plans. Recently, more families have purchased fully outfitted packages and tours. These packages make it easy and convenient for families to spend time together. Because separate children's programs, family-oriented activities and babysitting services are often included in packages, both adults and children can also have fun times with others of their own ages.

### **AN INCREASED REQUIREMENT FOR QUALITY, VALUE AND CONVENIENCE**

Today's customers expect products and services to be of very high quality and value. A tourism experience has to be perceived as offering increased value in terms of service levels, quality, convenience and attention to detail. As travellers become more knowledgeable about travel and as new and varied tourism products become available, travellers choose carefully, basing decisions largely on their experiences, interests and what they hear from other travellers. Many travellers know exactly what they want and how much they want to pay: Travellers are putting pressure on operators to provide products and service at reasonable prices.

## **CULTURAL TRENDS**

A well-known trend forecaster, Faith Popcorn, describes ten cultural trends that may change the way people do business. Since these trends were forecasted in 1991, you may be aware of how some of them have already had some impact, and are still impacting, tourism businesses.

### **COCOONING**

People will spend more time in the safe, comfortable locations of their choice. The location could be their own homes, their vehicle or a private club. The key features of cocooning are control of surroundings, comfort, safety and convenience.

### **FANTASY ADVENTURE**

Consumers want to buy something that is a little different, but that is still safe.

### **SMALL LUXURIES**

People want high-quality products at low prices. For example, a couple might buy expensive gourmet food and cook it at home instead of going to a high-priced restaurant.

### **EGONOMICS**

The key word here is 'ego'. People are willing to pay for something that is personalized: a product made especially for them.

### **CASHING OUT**

Many people are placing less importance on earning money and more importance on having quality time for themselves.

### **DOWN - AGING**

The biggest part of the population is made up of baby boomers, people who were born between 1945 and 1964. As these people get older, there is increased demand for products that help them look and feel young.

### **STAYING ALIVE**

In the developed countries, people are aging more slowly. Better food, medicine and health awareness means that many 60-year-old people today are much more active than their counterparts in the past.

### **VIGILANTE CONSUMER**

Consumers have more say about how businesses are run. People are quick to write letters or to call to complain about things they do not like. They also stop buying the product until things change.

### **99 LIVES**

People today are busier than they have ever been. Many adults work, look after children, volunteer in communities and follow exercise routines. This means that there is less time to do household chores, so convenience products are more popular.

### **SAVE OUR SOCIETY**

This is also called the 'Green Trend'. Today everyone is more concerned about the

environment. Many people will only buy products that are environmentally friendly, and will even pay a little more for these products.

*Adapted from The Popcorn Report by Faith Popcorn. Random House, 1991.*

## NEW AND OLD STYLE TOURISTS

The following table compares 'old' tourist with 'new' tourists in terms of how they think feel and behave.

Old Tourist	New Tourist
Search for the sun	Experience something different
Follow the masses	Want to be in charge
Here today, gone tomorrow	See and enjoy, but not destroy
Just to show that you had been	Just for the fun of it
Having	Being
Superiority	Understanding
Like attractions	Like sports
Cautious	Adventurous
Eat in hotel	Try local fare

## **EXERCISE**

1. How are old tourists and new tourists alike?
2. How are they different?
3. How prepared are you for the 'new' tourists?
4. What kinds of new or modified products do you think are required for 'new' tourists?
5. How are you adapting your business and marketing strategies to take advantage of 'new' tourists' interests and motivations?

## PRODUCT DEVELOPMENT

Without a doubt, the tourism industry will play an increasingly important part in the economic future of many regions of Canada. It is therefore, crucial, that you the tourism operators learn good business practices in order to make your businesses profitable and to maintain your viability over the long term. You may need to learn how to:

- carry out adequate business and marketing strategies
- carry out accurate product-pricing calculations
- develop suitable, high-quality packages
- control operating costs
- focus on high-quality customer service
- generate repeat customers

In addition to establishing good business practices, tourism operators need to establish a philosophical foundation for their products and programs. Tourism is a customer-service industry that relies extensively on local resources for the product. It is important to establish a personal and business philosophy (other than financial) for such things as:

- the goals and objectives that you want to project through your business operations
- the educational priorities of your packages (e.g. educating clients about Canadian heritage)
- the lifestyle priorities behind your involvement in the business (e.g. achieving a successful business operation while maintaining quality time)
- the ethical values underlying how the business carries out its marketing (e.g. a conscious effort to use less paper)
- the business values that relate to operating in a responsible and sustainable manner (e.g. hiring locally or returning 10% of gross revenue to a local cause)

## SUSTAINABLE TOURISM

The ability to develop and operate sustainable tourism businesses is crucial to the long-term viability and market image of the industry.

### DEFINITION of SUSTAINABLE TOURISM

Sustainable tourism is a long-term approach to tourism that depends on wise use and conservation of our natural resources; the protection and enhancement of our environment; and the preservation of our cultural, historic, and aesthetic resources (beauty).

*From the Code of Ethics and Guidelines for Sustainable Tourism prepared by the Tourism Industry Association of Canada and the National Round Table on Environment and Economy.*

### ECOTOURISM is CONSISTENT with SUSTAINABLE TOURISM PRINCIPLES

Ecotourism has become the most recognized marketing term and concept consistent with the notion of sustainable tourism. There is an increasing requirement to deliver products in an environmentally responsible manner, not only because new tourists expect us to, but because as an industry, our survival depends on it.



## DEFINITION OF ECOTOURISM

Non-consumptive, purposeful travel, that creates an understanding of cultural and natural history, while safeguarding the integrity of the ecosystem and producing economic benefits that encourage preservation. Ecotourism implies a scientific, aesthetic, or philosophical approach with a high level of interpretation. From *the report adventure Travel and Ecotourism: The Challenge Ahead' prepared by the Canadian Tourism Commission, October; 1997.*

By definition, ecotourism involves experiencing and learning about a natural environment or preserved culture. Wildlife viewing is one of the most common activities of ecotourists, with viewing of plants and vegetation an important secondary one. Spring and summer are the busiest times for these activities, but other seasons offer unique experiences as well. Winter, for example, provides opportunities for animal tracking, while both spring and fall are excellent times for bird watching (as summer migrants travel to or from winter habitats).

Eco-tourists tend to stay longer and spend more money per day than the average tourist. Expenditures are more likely to benefit the local community because eco-tourists seek out local goods and services, as part of their desire to experience the 'authentic' destination.

Ecotourism is not likely to overwhelm existing economic activities such as agriculture, but rather promotes mutually beneficial linkages within a diverse, integrated economy. The emphasis on local ownership of accommodations and other services ensures that most profits and job opportunities are retained locally, while fostering a sense of community empowerment and control. Ecotourism often thrives in outlying regions that big business has not yet discovered.

## EXERCISE

Assess how each of the following ecotourism principles might be used in your business operation or in your community. Identify what you are currently doing and/or what additional steps you might take to apply these principles to your business or community.

<i>Ecotourism principle</i>	<i>What do you do now?</i>	<i>What else could you do?</i>
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Responsible Green		
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Management		
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Qualified, knowledgeable		
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Guides		
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Involvement of local		
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and Aboriginal people		
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Economic benefits for		
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Local communities		
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## **Support for environmental conservation**

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### **Local partnerships**

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### **Low-impact activities**

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### **Environmental education and interpretation**

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### **Unforgettable experiences in unique locations**

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### **Evaluation and modification**

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## **LAND ACCESS**

Many tourism businesses rely extensively on access to public lands in order to operate. For example, a guiding business may rely on access to local or crown land. Increasingly, land managers are under pressure to apply quotas in high-use areas, to charge permit fees, and to require guide certification and insurance in order for commercial operators to work in their jurisdictions. These recommendations are generally intended to provide a fair rental income to the government for use of the land, or to address safety and sustainability issues, but may also have created barriers for tourism businesses.

## **GOVERNMENT INTERVENTION and REGULATION**

Increasingly, as the tourism industry plays a more important economic role in Canadian society, various levels of government are becoming more involved in regulating the development of the industry. The amount of government intervention varies from region to region. For example, in order to operate as a tour operator in some provinces/ territories you must post performance bonds, carry liability insurance, hire certified guides, hold land-use permits and submit five-year management plans. These requirements increase the number of hurdles for businesses to overcome. They will, however, result in creating a more sustainable industry.

## NEW PRODUCTS

To develop a new or innovative product, the process must begin with a solid foundation, similar in concept to the foundation on which you would construct a new building.

Key points for a product's foundation include:

- A personal and business philosophy for what is being done
- An understanding of industry trends and market demand
- The ability to search out and assess opportunities and to take advantage of them when conditions are right
- A knowledge of customer needs and buying patterns
- Familiarization with competitors' products and pricing

If the foundation of your product (or business) does not address all these points, it may struggle, flounder or flail.

When developing a product, you also need to determine the purpose of the product. Is your desire to educate, develop skills, offer experiential learning, entertain or offer opportunities for relaxation and fun? Product purpose is the reason why people buy, and it must be directly linked to consumer demand. You need to do the homework that will allow you to succeed.

## EXERCISE

Write an overview of your business, considering the following key areas. Some of these may not presently be clear to you, but answer to the best of your ability and then return to the exercise as the concepts are explored further.

- Your company philosophy
- Opportunities that exist
- Industry trends related to your product
- Main purpose of your product
- Market demand for your product
- Knowledge of competition
- Competitor's pricing

You must be careful to create structure in the proper order. If you go ahead and construct your building and buy the furnishings before you know the purpose for it, rooms may be too small, doors too narrow, plumbing in the wrong place and furnishings inappropriate. Let us look at an example.

## SCENARIO 1

Because you like kayaking, camping and seniors, you develop a three-day sea-kayaking tour in your community. You buy the boats and camping gear, create a fun-filled day-to-day itinerary with both walking and kayaking tours, lunch stops on distant scenic beaches, and camp sing-alongs at night. You hire and train guides and develop a sophisticated marketing plan to capture the active seniors' market. Does this seem logical?

After all your work, your active seniors tell you that three days is too long and that they prefer to stay in lodges instead of camping. You discover that on most days it is too windy for seniors to comfortably, paddle kayaks and that accessing those remote beaches wears even the hardest of paddlers out. The outcome is a product that has limited appeal to active seniors.

Instead, you must start by developing a program philosophy. This will probably be a combination of the type of product you ideally want to be involved with and an opportunity you discover in the marketplace.

Research trends and market demand, look at opportunities in areas in which you would like to operate and look into direct and indirect competition. After all this, you may settle on, for example, active holidays led by local guides, designed for the mature market and focusing on natural and cultural history and non-consumptive travel. While you have not committed to a specific activity or tour type, you do have a general idea of what the product looks like and are open to creating a program that will take advantage of existing opportunities. You also have made supportable connections between your research and your general idea. You know that you are in alignment with present tourism trends, that there is other similar product in existence with high market demand and that your chosen area's natural features and attractions could support such a product.

## SCENARIO 2

This foundation allows you to build. You begin to look at opportunity. Further research reveals that:

- Many mature residents in the area are active in outdoor clubs
- The area attracts many mature out-of-territory tourists
- The area is rich with natural and cultural history
- There are numerous local resource people who might be interested in guiding tours.

Your research seems to support your product. However, you still need to know more about your target market. One way to do this is to ask potential clients to fill out a questionnaire regarding the tour you are interested in developing. Here are some topics around which you might develop specific questions.

- When would be the best time of year/week for a tour?
- What would your potential clients be interested in doing/seeing?
- With whom might they travel, spouse, friend, club?
- What type of accommodation would they prefer?
- How much activity is desirable in a day?
- How much would they be prepared to pay?
- What would be expected of the guides?
- What specific activities interest potential clients? Hiking? kayaking?
- What would they hope to gain from this experience?

Let us say that the questionnaire tells you that many people would be interested in:

- A two day tour
- Easy hiking
- Lodge style accommodation
- All meals provided
- Visiting historic sites and buildings
- Natural history, particularly birds and wildlife
- An evening of Northern music
- An energetic, knowledgeable, local guide
- A total cost of \$450 per person, based on double occupancy

Now your tour description might sound like this.

Join other active, adventurous seniors on the shores of Great Slave Lake for a two-day exploration of the region's natural history and historic sites. The program will be led by John Carter, a noted historian, avid birdwatcher and area resident for over forty years. Participants will travel by van, spend three to four hours per day on walks and have all meals provided in local restaurants. Accommodations will be at Moore's Waterfront Lodge, where we will enjoy an evening of local music and dancing.

## EXERCISE

Attempt to answer these same questions for your product.

- When would be the best time of year/week for a tour?
- What would your potential clients be interested in doing/seeing?
- How long would they like the tour to be?
- With whom might they travel, e.g. spouse, friend, club?
- What type of accommodation would they prefer? How much activity is desirable in a day?
- How much would they be prepared to pay? What would be expected of the guides?
- What specific activities interest potential clients?
- What would they hope to gain from this experience?

Once you have laid the foundation and are clear on the purpose of your product, structure naturally follows. To continue the building analogy, this would be the walls, the floors, the roof the plumbing, the electrical wiring and the furnishings.

In much the same way that lumber, glass, insulation, wire and pipe make up a building, program structure is created with:

- itineraries
- time factors
- staffing
- facility bookings
- vehicle and equipment needs
- supplies
- costs
- other program logistics

These components of structure can now be figured into your product.

## EXERCISE

1. Do you think that Scenario 2 has a better chance of being a successful product than Scenario 1? Why or why not?
2. Use the following questions to test your product.
  - Is there a need or customer desire for the product?
  - Is it practical?
  - Is it unique?
  - Is the price right?

- Is it good value for the money?
- Can your company make money on the product?
- Does it appeal to a wide market?
- Is there a market segment that is anxious to have it?
- Does it have a long potential life or is it a short-term trend?
- If it is a fad, can it make short-term profit?
- How great is the threat of competition?
- Is there a ready, reputable and reliable team to produce, package and deliver this product?
- Does it have a market that can be effectively and efficiently reached by advertising, sales promotion and/or public relations?
- Is the payoff worth the time and money involved?

Before beginning to market products, you must be certain of success.

Far too often, people think their product is great and do not see or hear the signs indicating that, although it may be great, it is not what the target market wants. The excitement of entrepreneurial work and the novelty of creating a product can blind operators.

Small businesses can be very rewarding, but at the same time you must be aware that many businesses do not make it to the five-year mark. Wise entrepreneurs think of their product ideas as questionable and find the concrete evidence to prove their worthiness.

Here are seven common reasons why new products fail.

- not enough financial support
- lack of a marketing plan or poor execution of marketing mix
- target market is too small
- no access to consumers
- poor product quality and customer service
- insignificant difference between your product and competitors' established product
- bad timing

## **PRODUCT POSITIONING**

We have talked about the need to know the competition's product and pricing. When you are developing a product, it is important to consider that your customers can differentiate your product from that of your competitors. If they cannot, you will compete head to head for consumers with no advantage.



Your product can be different in a number of ways. Perhaps your product competes with your competitors in one or more of the following ways.

- price -e.g. higher-priced deluxe tour, lower-priced economy tour
- product quality-e.g. better food, more comfortable vehicles
- service -e.g. hotel pick-ups, permits or specialized equipment provided
- diversity of products offered -e.g. a choice of three unique tours
- staff quality - e.g. qualified, certified, experienced
- product features -e.g. specialized resource people, exclusive or unique opportunities
- flexibility -e.g. customized packages, special departures, able to meet special needs

## **PRODUCT DEVELOPMENT FOR EXISTING BUSINESSES**

Businesses with existing products may be looking at expansion. The further expansion of a product line should undergo the same process as initial product development. With much of the needed information at hand, the process will be faster and easier.

Expansion of products can focus on new client markets and/or new or improved product lines. You can do this to improve sales, strengthen market position or take advantage of new market opportunities.

There are four areas where expanding an existing product might work.

- Market Penetration
- Market Development
- Product Development
- Diversification

### **MARKET PENETRATION**

Market penetration focuses on increasing sales of existing product to existing clients. This is done through improvement in product and/or marketing. The advantage of market penetration is that the risk is low. You already know your product and your consumer and simply need to look for ways to create greater success.

### **MARKET DEVELOPMENT**

Market development is achieved by taking existing product and finding new target market to sell it to. Let us say that I run a company out of Norman Wells, NWT that caters to 25- to 40-year-olds. I run challenging day-long mountain-bike rides into the backcountry. Presently, my bikes sit idle every evening and I have had no success promoting evening rides to my current clients. I decide instead to look at the family market and to promote an easy evening ride to view wildlife along the river corridor. This would be an example of market development. The mountain-biking theme remains constant, and I seek out a new user group.

### **PRODUCT DEVELOPMENT**

Product development is different from market penetration or market development. Let us go back to my group of 25- to 40-year-olds who mountain bike with me. Since I already have the clients in hand, it is simply a matter of researching what other things they may be interested in doing while in the area. My questioning reveals that some of them are interested in going fishing.

By offering a new product option, I am providing this same group with another opportunity to spend money with my company. I now offer my clients a remote experience that I contract from a local guiding company. We fly to the remote starting point, where a boat picks up the clients. I take a commission for the fishing portion, blend it with my business, and offer the clients a different way to enjoy their time.

In both product development and market development, the risk is relatively low because you have some familiarity with one side of the equation or the other. This allows you to make some assumptions and predictions that help with matching clients' needs to product benefits.

### **DIVERSIFICATION**

Diversification is a combination of a new market and a new product at the same time. Once again I am offering my mountain-biking tours to my 25- to 40-year-old market. But I decide to expand my business with a new market (teens, for example) and a new product (perhaps rock climbing).

Here, the risk is high and comes from my unfamiliarity with both the new product and the new market. In this case, I must begin my development process right at the beginning and start by building a foundation. Making assumptions about what will or will not work here can be detrimental to the business.