



# UNIT-2

## The Tourism Products & Services

### Learning Outcomes

By the end of this unit the learner will be able to:

- ✓ Identify the components of tourism products
- ✓ Recognize the product life cycle in tourism
- ✓ Understand activities performed by organizers and retailers in travel & tourism
- ✓ Explore activities performed by travel management services
- ✓ Discuss how the advancement of IT has effected the tourism industry

## Unit 2

### Tourism Products & Services

Marketing is an important cornerstone of every business, especially service-related industries like tourism and travel. Contemporary establishments cannot function without the use of advertisements and market research, as a critical way of sharing information with clients. Many establishments set aside large amounts of capital for marketing needs, so they can keep ahead of competing parties and satisfy customer needs.

This unit will focus on the marketing mix and other key elements of tourism products. It includes detailed information about destination ideas, costs and more. It further explains the product life cycle and its potential use to tourism. It continues to explore product viability including marketing, financial and operational measures. It explains the transport aspect of tourism including air, sea, rail, roads and waterways. A variety of development ideas are then examined, taking into account staging pointed areas, cluster concept and resort compounds.

In addition, the idea of people reaching out to other people and the road itself being a part of the wider tourism product are covered. The variety of facilities and services are then summed up and the unit concludes with a couple of feasibility checklists; one each from the government and private sector viewpoints.

### The Marketing Mix

The marketing mix illustration in Figure 2.1 includes the below-mentioned aspects:

- The product contains both tangible and abstract parts;
- A range of costs;
- Promotion takes into account marketing, endorsements and sales actions without image. This is a crucial point in tourism that it is separated;
- Image is segregated from endorsements and products but affected by them. It is how the product is viewed, what it implies and what it means to them.

Distribution (the places where the product can be bought) takes into account all venues and sales coverage. It takes into account the convenience of buying, especially when dealing with the overall sales and delivery network, and also coverage in regard to tour operators, as well as, sales and retail locations.

Distribution covers travel and trade relationships (wholesalers, tour operators, and retailers). These relationships are adaptable and change according to specific markets.

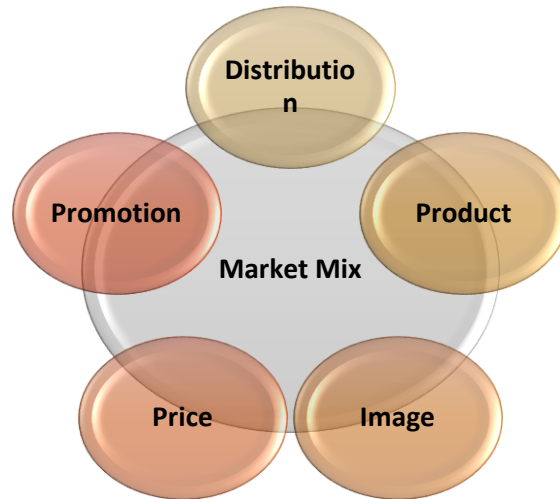
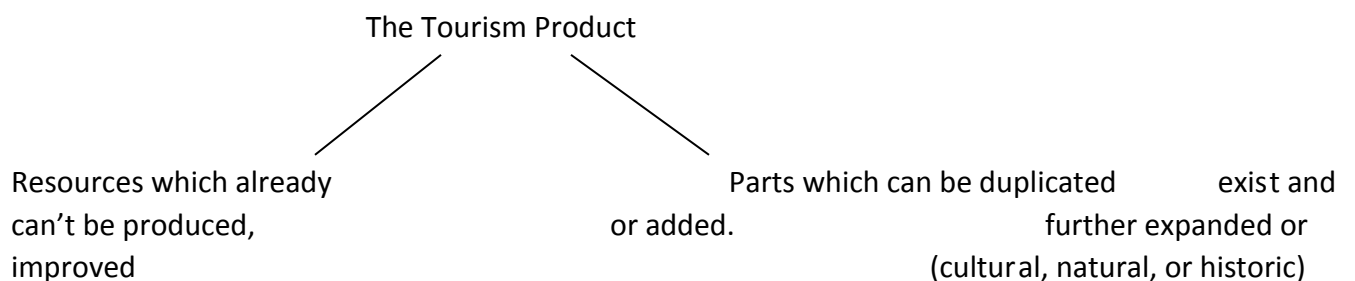


Fig: 2.1 The marketing mix

## The Components of the Tourism Product

The tourism product, at its end point, is made up of all the attractions, services and facilities utilised or visited through the stay. It is also made up of all the occurrences that take place and what the visitors experience.



Natural assets, such as picturesque lakes or mountains, can't be copied and climates can't be altered. A given location either has pleasant climate and abundant natural assets or it does not.

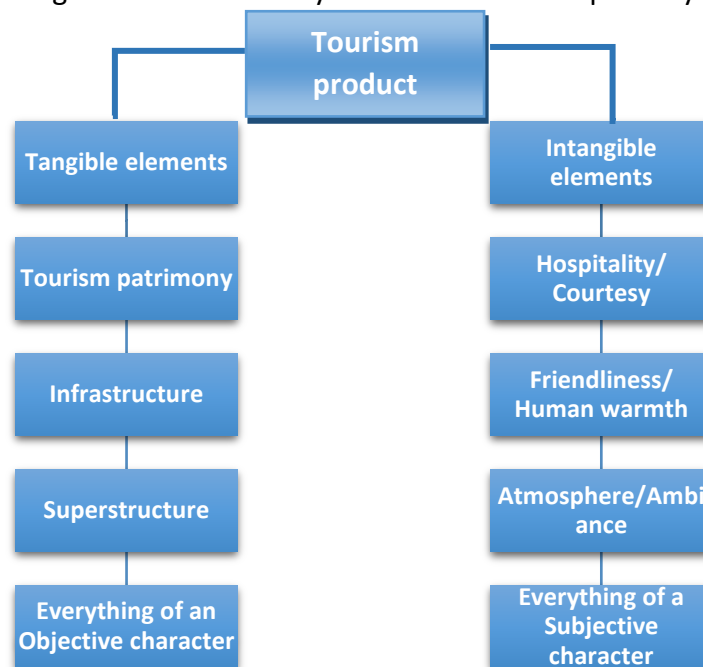
Likewise, genuine historical characteristics and culture can't be copied. For instance, the 'Mona Lisa' by Leonardo da Vinci, Notre Dame, the Palace of Versailles and the Balzac's House in France already exist, along with many other attractions that have historical or cultural value. They are a part of tradition that only France can offer. They can't possibly be copied as such or replaced. Likewise, it will not be possible to make copies of structures like the Taj Mahal in India, Borobodur in Indonesia, or Angkor Wat in Cambodia. The infrastructure of tourism and its superstructure can be further developed.

**Infrastructure** includes airports, electricity, roads, water supply, sewerage systems and drainage. It makes available the basis for superstructure.

**Superstructure** is composed of accommodation units, restaurants, hotels and the total range of tourist mechanisms and services. Hence, a destination with natural and cultural appeals and a pleasant climate will then require infrastructure and superstructure. There has to be a way to get there. New hotels will require electricity and water. Roads will need to be constructed and harbours expanded. New sites will have to be opened. Waste disposal, drainage and other facilities have to be established. A whole host of tourism facilities and services will have to be put into place. A scenic lake will require public access. A path will need to be constructed leading to the lake, and its use (even for simple sightseeing) will require cautious planning. Cultural heritage on its own is not sufficient. Even a collection of artefacts require a museum to house and exhibit them. The Louvre with the Mona Lisa missing would not be the same, but then, neither would the Mona Lisa be the same without the Louvre.

The tourism product is made up of intangible and tangible aspects. Things like natural and historical assets, infrastructure and superstructure are all tangible. They may be appraised, measured and required to meet certain minimum standards. The intangible factors cannot. All of the intangible factors come together to create the environment of the location, the welcoming feeling it delivers and its friendliness. It may be said that intangible elements give the tourist product its colour, life and excitement.

All the tangible factors, regardless of how great they are, cannot promise contentment. Treatment of tourists and their feelings are under the influence of their total reaction to the location. Each subsequent experience or event the tourist passes through has to be in synchronization, and add to the total feeling of pleasure and well-being. This total harmony will decide the acceptability of the whole product.



**Fig: 2.2 Tourism Products**

At times, the transportation required to reach a destination is considered part of the product. At other times, this is not the case. Nevertheless, it always has to be treated as an essential element of tourism.

## Destinations

The idea of destination has to be handled with care. The country, town or even the wider area is not automatically the primary destination or objective of a holiday. The target can be an incorporated resort providing the total experience, or it can be a resulting resort. For example, an island, town or area can be the goal, rather than the country. People wish to visit Varadero as opposed to Cuba. People also talk about visiting Bali and not Indonesia and then there is the visit to Phuket and not Thailand as a destination, just like Ibiza instead of Spain.

Likewise, the idea of the vacation (its specific interest) can hold more value than the place or country. The act of cross-country skiing for instance, will hold the place of the destination in priority. It is irrelevant that the destination happens to be Norway, where the activity is particularly challenging. The same idea applies to diving in the Bahamas, or taking in a safari in Kenya.

The exceptional superiority or reputation of a golf course may be of greater significance than the country or area of location. For tennis lovers, the Wimbledon championships might be the target and not a vacation in London or Britain. In considering the tourism product, the interrelationships between destinations and reasons for visiting should be clearly considered.

## Image

The image of a location is how it shows itself, and how it is perceived by viewers in the market. As explained earlier, certain specific places and activities manage to convey an unattached image from the country where it is situated. In other situations, it is the picture of the country as a whole which takes precedence.

Image is the total concept; the connections the a place creates, its individuality; how people come to think of it. A positive image makes people want to visit, while a negative image will make them want to stay away. An image is created over a long period of time; it is created through history and influences of culture, myth and legend play a role, too. It is also affected by political opinions, existing situations and international relations.

The image of a location changes according to markets. The idea of France in Japan is not the same as that of France in Italy. This does not mean it will necessarily be less positive, but it will not be the same. For instance, Ireland enjoys a favoured image in the United States and it is easier to build on that. South Africa, on the other hand, in the days of apartheid had a negative image and was avoided by many people. The change in political events there has since shifted its image drastically.

The notion of a destination is also affected by those visiting it and their opinion of the location. Famous people may speak highly of one place, or transnational companies of good repute setting up offices

there, also brings influence. Leading tour operators featuring it in their agendas too adds to the favourable image.

Normally, building images takes time. Changing an image in a short time can prove to be difficult. Using promotions to build an image, or advertising, is costly and not necessarily effective. Needless to say, it is easier to enhance an existing positive image rather than to correct a negative one.

The process of building, supporting and bolstering an image is continuous. A location has to be presented at all top international shows and exhibits, and the media has to be encouraged to begin and continue talking and writing about it. Film producers, journalists, commentators, writers and other opinion formers have to be persuaded to develop an interest in the location. Endorsements and hype have to highlight the location's best features and associations. For instance, Western Samoa has the attraction of Polynesia and was the last refuge of Robert Louis Stevenson.

Due to its significance in tourism, image is set aside as an individual component in the marketing mix. Price, a separate component, is closely linked. It has to echo and assist the image, but not undercut it.

So, the following can be said:

- The image can vary depending on the market;
- It is created over time with a continuous stream of messages;
- It needs to be made stronger and upheld;
- It is affected by associations and concepts;
- It needs to be kept in the limelight by having people write about it and costs should be appropriate for the image;
- Upon visiting, travellers will form their own opinions and carry the image away with them. What they go on to say about the destination could have a major impact.

## Price

Cost is a component of the marketing mix. Appropriately, it provides a marketing focus. The cost has to be appealing and competitive, while at the same time remaining in line with the impression. It is the impression that determines a given cost/value relationship.

The final cost of a visit is the price of the overall trip. It includes the price of travel, room and board, as well as shopping and extras at the location. The amounts visitors pay, or commit to paying before departure, are major determining factors. This amount is calculated by visitors according to their home currencies and in relation to their routine system of values. The GTA can keep tabs and compare local visitor costs through the visitor price index.

The foreign rate of exchange has a greater impact at the destination. It determines the value visitors get for the money they take along. It establishes their local buying power. If they can purchase more goods, there is a higher chance of them being attracted for a second visit.

Destinations are inclined to fall into price categories, hence price becomes a part of the image. While prices are determined by the accommodation category selected, the total price range presented will vary from destination to destination. The level of cost also suggests the exclusivity of the destination.

A tour operator's directories will show a greater number of costly destinations compared to the less expensive ones. It becomes easy to compare how each destination is positioned when compared to others. In setting the costs, numerous things have to be considered. Generally for instance, the greater the distance, the more the cost of air transport in relation to the total cost.

Published costs are vital in marketing. A standard question asked – how much will it cost? Does this appear appropriate? Does this cost reflect the image of the place? Is it worth the expense? What are others charging? More than anything else, price puts a destination on the market. While price may hold up an image, it may undercut it, too.

## The Product Life Cycle

Studies conducted over the years indicate that products pass through life cycles. This work came from Levitt's concept of a product's lifecycle (Levitt, 1965). The product is introduced; it grows, becomes mature, levels and finally wanes off. At the point of waning, action has to be taken to revive it so its life can be extended.

Numerous products climb and drop with latest trends. A product may lose its charm. Restaurants are particularly susceptible to changes in tastes and trends. Designing of all things is prone to changing values – in clothes, art, interiors, architecture, furniture etc. This cycle is similar to the cyclical changes in nature, like the passing of seasons, the fading out and regeneration. To be able to last, products may require new faces or forms. Products pass through a full circle and return to where they started.

As a result of this, there are revivals in fashion - the outdated returns after a time to become the latest new trend. Historical hotels remodel and surpass their former splendour. Long-lost authors are republished. Old cars are declared classics thus salvaged from scrap yards. It is claimed that the same life cycle idea holds true for tourist destinations.

Tourist locations are forever in a process of transforming as they expand, develop and modify to market requirements. Even when they are operating at full capacity, they can still undergo upgrading, redevelopment and enlargement schemes. In this sense, the tourism product is forever an unfinished product. It is continually responding and fine-tuning to planning and marketing prospects.

## Product Feasibility

When a shift is made from tourism as a total package to focusing on a hotel or a restaurant project, it means shifting from a macro to a micro view. Regardless of the difference in scale, many of the main ideas remain the same. There is still the need to look at the demand for facilities, and then develop and

operate the project on the basis of relationships between the three dimensions – market/product/cost. For any new venture, this will be summarised by the given steps -

- Feasibility study
  - ✓ -Definition of product (facilities, location, image, services and price)
- Sales approach and marketing forecasts
  - ✓ Brief design – drawings of plans
  - ✓ Schedule of furniture/equipment
  - ✓ Budgeting
  - ✓ Projections and forecasts
  - ✓ Operating profits
  - ✓ Flow of cash
  - ✓ Debt/Services to be covered
  - ✓ Returns
- Development of the product – Plan of operation (what and how?)
- Investment appraisal – Capital budgets

For the functionings of an existing venture, the same affiliation is communicated by:

- Plan of marketing
  - ✓ Forecasts and goals
  - ✓ Marketing mix
  - ✓ Product & its image
  - ✓ Endorsements & strategies of distribution
  - ✓ Sales & costs
  - ✓ Staffing and organization
  - ✓ Budgeting for operations
  - ✓ Operating profits
  - ✓ Capital expenses
  - ✓ Cash flow
  - ✓ Returns
- Operating strategy
- Financial strategy

The discounted cash flow technique should be used to calculate the rate of return on the investment. This means factoring in discounts over the calculated life of the project and the net projected cash flows to add up to the primary capital cost. The discount rate employed to come up with this result is considered to be the project's rate of return.

- Feasibilities produced on new projects, or operating analysis of running projects, follow the same procedure. Feasibility studies do not always give the right answers. There can be variations between the real results achieved and those projected. Once a project becomes operational, the outcome can prove to be a pleasant surprise – going way beyond the forecast.

- Encouraging results – modestly ahead of the expected results
- As expected – Near enough to the forecast but disappointing, short of expectations
- Disappointing – Significantly short of expectations

If the actual results are well above or below those predicted by the feasibility report, one or more of the following happened:

- Unexpected conditions or situations arose
- The study was seriously flawed, it over looked essential factors, or made bad assessments of the risks involved.

This could be due to poor design and implementation of the study. Or perhaps the study was carried out simply to hold up to the conclusions and suggestions already prepared.

A study can be conducted in a rush or over time. Sometimes, consultants make use of industry-wide averages and take data from comparable studies done elsewhere.

Every project has to have its own in-depth study taking into account matter-of-fact assumptions regarding demand, the markets that have to be served and the needs that have to be fulfilled. Sales projections have to be built on analysis, including factual estimates of numbers of visitors, occupancies, duration of stay, seasonal variations and average costs. It has to be inclusive of an operational plan with details of staffing and cost projections, and should specify the precise and realistic capital budget.

Furthermore, it has to give details of the projected loan and financing terms and debt/service ratios, etc. If the project is government-backed, the social and economic advantage should also be confirmed. Checklists from the government, as well as private sector standpoints, can be found at the end of the unit.

## Transportation

A wider definition of the tourism product also includes transportation. Visitors can travel by road, air, sea or rail – even by river or other waterways. Appropriate access to a country or location is clearly essential. The positioning of airports or seaports and their numbers, along with development of roads and other modes of transport are vital. Tourism requires a blend of transportation methods like fly/cruise or fly/drive. The visitors might also enter or depart through varying points.

Transport opens up a wider range of tourism opportunities and allows the joining of a greater number of places and experiences, frequently leading to longer stays. Transport by air is dependent upon airports and aircraft, thus airports are a vital element of infrastructure. The superstructure is made up of the airlines along with the full range of sustaining services and amenities. The word 'flag carrier' shows the significance that many governments allot to nationally-held airlines. They are seen as icons of status, pride and national identity. They are also employed to effect foreign policy and are associated with the notion of national security and sovereignty. Throughout the world, there are currently around 190 government-owned airlines.

Bareboat and charter yachting have also expanded. Modern ferry services have been launched, especially when considering hydrofoils and hovercrafts. For instance, hydrofoil-type vessels now serve as shuttles between Tanzania and Zanzibar, not to mention Singapore and Batam Island. In the meantime, the construction of the channel tunnel competes with comparable ferry services. Cruise ships may make additional out-of-the way stops on islands. This allows otherwise secluded places to benefit from tourism, by making available local tours, folklore shows and handicrafts for sale. Trains are still a popular mode of transport in many parts of the world. With enhanced service, product development and creative promotion, many tourism train journeys have been marketed with great success. Examples would be special trains in India, Malaysia, Thailand and Europe, which have all become very popular over recent years. This success will most likely be duplicated in other countries and locations over the years to come.

## Roads

Tourism requires an acceptable network of roads, providing effective access to destinations and attractions. Developed countries follow the American model of catering to the private car as the primary form of transport. Hence, it is not a surprise that the car is used greatly for touring.

The car allows visitors to have total control over when to depart and where to stop, the speed at which they travel and the route chosen. It provides a sense of independence and freedom, while providing plenty room for luggage, and may even cost less than other modes of transport. The car can even be used once the destination is reached. The popularity of private car travel, along with the buses serving long distances and overland tours put together by travel companies means that the ongoing development of network of roads is crucial.

The development of roads, especially the construction of new motorways, comes in direct conflict with environmental conservation goals. New evidence indicates that new roads only alleviate overcrowding issues and speed up transit for limited times only. Development of new roads only promotes greater car use and more trips are taken. There are no long-term benefits achieved, and the cost to the environment is high. The clash between transport by road and the environment is a progressing development issue.

## Development Concepts

### Staging Points / Areas

It is always essential to recognize locations for new hotels in market feasibility studies. These will be the most probable points or locations where visitors will choose to break up their travels – for a night or so. With growth in tourism, that idea of breaking journeys has grown. Visitors will select a breaking point as a vital part of the total travel experience.

Take for example European travellers heading to Australia or vice versa - they may opt to stop en-route in Bali, Singapore, or Bangkok for as long as five nights or more. Or in travelling in the other direction, they may choose to stop in Los Angeles, Mexico City, Hawaii or even Fiji. Staging selection is of great

consequence in any multi-destination holiday. Tourists stop at places where they have things to do,= and attractions to visit.

## The Cluster Concept

It goes without saying that any destination with a lot of tourism potential is going to unite, inside a cohesive geo-spatial framework, a significant range and assortment of matching tourism assets. The exact variety of facilities, attractions and services that are in close proximity of each other, will be determined by the place. There is the main product and the marginal or optional product.

The core product is made up of the appropriate types of accommodations, eateries and recreational amenities, along with the tourist attractions. The marginal products add to this by providing other tourist attractions in the way of different scenic, leisure, historic, amusement, shopping, entertainment and general recreational venues. The perfect destination is represented by a combination of all these components.

## Resort Complexes

Tourism communities are made up of well thought-out incorporated resort centres. They concentrate the visitors in one location, minimise infrastructural needs and facilitate numerous hotels and accommodation units to be erected swiftly, in an organised and synchronized way. This creation can be balanced with the correct mix of sustaining and matching facilities and services. A kind of a centre, which requires the presence of ample amounts of land - land has to be obtained at modest prices, since such lands are of comparatively low density developments.

From the marketing angle, resorts of these types usually stand for a superior product, providing well - spaced, appropriately organised and appealingly landscaped surroundings. Governments may establish development corporations to take the starting role in setting up and managing this kind of a venture. Governments may already be in possession of the land, or it may obtain it at desired sites for development purposes. The corporation takes possession of the land, puts together a plan, borrows funds to establish the required infrastructure and motivates local and foreign investors to set up the needed secondary development.

All-inclusive resorts of this type are appealing and marketable. Being concentrated in a given area, they avert the possibility of disruption created by the more spread-out forms of tourism. Examples of such resorts include Cancun in Mexico, Playa Dorada, Puerto Plata in the Dominican Republic, Nusa Dua in Bali and the Langkawi development in Malaysia.

## People Seek People

Human beings are social animals. People want to mingle and meet one another, view one another and have chances for social exchange. During a vacation experience, people also want at some point to have

peace and quiet in the perfect surroundings for resting and relaxing. They seek the calmness of appealing and pretty surroundings where they prefer not to be disturbed.

At other times they search for other people, activity, excitement and the buzz of busy venues. They want the chance to look for and meet other people, to mingle, to forge friendships and perhaps long-lasting relationships.

When planning for tourism, such meeting places have to be provided. Numerous coastal resorts in the Mediterranean started as fishing villages. The core of the modern village may comprise tourist-focused buildings, restaurants, a central square, bars and an esplanade huddled around a harbour, creating the new heart of the location. People are drawn here each evening at sunset. People talk, have a drink, walk and take pleasure in the crowd and the atmosphere.

Linear coastal establishments usually lack this kind of a centre point. Instead, there is a belt of hotels usually extending over a great distance, perhaps ten to fifteen kilometres or greater. Hubs of activity may sprout up along the strip, but there are times when this does not happen. This indicates that there is a lack of unity in the overall product and visitors tend to become limited to the hotel and its immediate surroundings. Since people need people, the new resorts must have collecting points to satisfy this important requirement.

## Facilities and Services

Numerous amenities and services play a role in the overall product: hotels, motels and other accommodation venues, restaurants & other eateries, camping, casinos, theme parks, resorts, information providing facilities, excursions, tours, shopping, cultural attractions, sports, recreational facilities and entertainment.

Accommodation, food and drink together form the core of the product in tourism – typically every visitor has to utilize these facilities. Utilization of other components is optional and is determined by the needs and personal preferences of the visitor.

For the maximisation of tourism earnings, the visitor has to be coaxed into participating in the greatest number of activities and spending the largest amounts possible. This means information has to be up-to-date and easily available to the visitor, in addition to having well-organised merchandising and endorsements.

## From the Government's Viewpoint

**Below is the tourism feasibility checklist according to the government's view point:**

### **Policy and Strategy -**

- Strategies clearly developed;

- Expression of settled policies;
- Market definition;
- Tourist projections;
- Types of tourists;
- Seasonality of demand

### **Development Needs**

- Infrastructure required – sewage disposal, waste removal, water, roads, power and convenient access;
- Terms and financing for these needs;
- Incorporation of the project with local transport development

### **Environmental Impact**

- Impact of the project on the environment;
- Groundwork for statement of environmental impact;
- Compliance with all regulations of physical planning;
- Re-evaluation of architectural, engineering and design plans;
- Project's contribution to overall environment quality

### **Economic impact**

- Extent of the project's economic influence;
- Techniques used and results acquired;
- Advantages to the local community;
- Contribution to the economy;
- Job opportunities created

### **Social impact**

- Discussions with the regional community;
- Manner of consultations;
- Clarification of the project;
- Reactions and feedback;
- The extent of local support

### **Ownership and Management**

- Project ownership – foreign/local/mixed;
- Project management;
- Kind of enterprise – nationwide, international or otherwise;

- Prior experience and history;
- Local labour utilisation;
- Creation of direct jobs;
- Marketing links established;
- Projections of sales;
- Financial feasibility

## From the Private Sector Viewpoint

**The tourism feasibility checklist, according to the private sector's viewpoint is as follows:**

### **Market Definition**

- Demand analysis – demand levels, market identification, objectives and characteristics;
- Flow of tourists;
- Demand distribution and seasonality;
- Needs and preferences

### **Product Definition**

- Total product concept description;
- Support of regional authority;
- Planning permission;
- Regional community reaction;
- Developmental criteria of every aspect

### **Location**

- Accessibility;
- Catchment area;
- Site and surrounding characteristics. Association to other facilities, services and attractions;
- Infrastructural requirements and environmental standards;
- Assortment of facilities;
- Size;
- Designing – building layouts and style;
- Operational requirements;
- Organisation and staffing
- 

### **Service**

- Descriptions of levels of facilities;
- Operating hours and coverage;
- Organisation and staffing

### Marketing Mix

- Product definition (as above);
- Strategies of promotion;
- Appeal and image of the project;
- Pricing strategy and market positioning;
- Sales/distribution network

### Project Justification

- Revenue projections;
- Customers/visitors;
- Average expenses;
- Operating costs through sales outlet;
- Projected operating outcome;
- Capital budget – furniture, fittings, construction, equipment and other costs;
- Financial expenses – Investment returns

### Further Reading:

- ✓ *J. Alf Bennett, Johan Wilhelm Strydom, (2001), Introduction to Travel and Tourism Marketing*
- ✓ *Leonard J Lickorish, Carson L Jenkins, (1997), Introduction to Tourism*
- ✓ *Richard Sharpley, (2006), Travel and Tourism*
- ✓ *J. Alf Bennett, Johan Wilhelm Strydom, (2001), Introduction to Travel and Tourism Marketing*
- ✓ *R. Heyns, M. Boekstein, J. Spencer, (2000), Introduction to Travel and Tourism*