THE GEORGE WASHINGTON UNIVERSITY
WASHINGTON DC

TSTD263 DE Tourism Marketing

Outline

Unit 1: Introduction

Welcome:

Welcome to the course on tourism marketing. We will deal with the topics the marketing mix and product in this course.

Review of the Last Session:

In Session 5, previous session of this course, we addressed market segmentation, target marketing and positioning.

We began with a discussion of the Target Marketing Process and its benefits. We considered the three stages of the Target Marketing Process: Market Segmentation, Market Targeting and Market Positioning.

Under the first stage, we examined the range of segmentation bases available to us and the idea of multi-stage segmentation. Then we considered various criteria for effective market segmentation to help us narrow the list down to feasible market segments for our product.

Under Market Targeting, the second stage, we addressed criteria for segment attractiveness and market coverage strategies. Then we actually select target markets for the marketing plan.

Finally, we addressed Market Positioning, the powerful idea of establishing an image in the minds of your target markets. We looked at implementation steps and positioning approaches. We examined how product differentiation can aid the positioning process and how to tell when differentiation is effective. Finally, we considered the Positioning Statement and how this has been used for marketing destinations and other tourism products.

Topics for this Session:

In this session, we will delve deeper into Marketing Tactics in the Tourism Marketing Plan. We will discuss the Marketing Mix and how its elements are used in the Marketing Plan. Then we will look at Product, one of the four elements of the Marketing Mix. We will explore the concept of "destination product" and how and when to develop new destination products.

Finally, we will introduce the concept of the marketing brand and the brand equity that it can produce for destinations and other tourism products.

Unit 2: Marketing Mix

The Marketing Mix:

At the most general level, the Marketing Mix is the set of variables which the organization controls to achieve its objectives in a given target market.

The term, “Marketing Mix”, was proposed by Professor Neil H. Borden in a 1964 article entitled.

“The Concept of the Marketing Mix”. Professor Borden listed a dozen or so of these variables, or marketing tools, that marketers can use to reach their marketing objectives.

The Marketing Mix Continued:

Later, Professor E. Jerome McCarthy grouped these dozen elements into four categories, which became the classic Marketing Mix that most marketers and marketing researchers focus on today. These marketing tools are Product, Price, Place and Promotion.

They are often referred to as the “Four P’s of Marketing”.

Our textbook authors define “Product” as “anything that can be offered to a market for attention, acquisition or consumption that might satisfy a want or need.

“Price” is the amount of money charged for one unit of a product.

“Place” in the marketing mix stands for distribution. Recall in session 3 we define Distribution as the process of making products available to customers. Distribution can be direct from producer to consumer, or require a channel or intermediary.

Finally, “Promotion” is the communication element of the Marketing Mix.

This is the generic Marketing Mix. In practice, marketers examine the choices under each of these four categories and select specific elements to apply to a target market. This suggests that each of these four marketing tools has a mix that must be considered. We will discuss the mixes for each of product, price, place and promotion in this course with an eye to distinguishing those particularly useful for individual target markets.

The Tourism Marketing Mix:

Subsequently, tourism marketing scholars such as Professor Victor Middleton of Oxford Brookes University and Professor Alastair Morrison of Perdue University proposed additional marketing tools that are required to achieve tourism marketing objectives.

They are represented by six additional nouns beginning with the letter, “P”.

Since most tourism products are personal services, “People”, or participants in the product delivery process, are essential to marketing.

“Process” refers here to the series of actions comprising service delivery performed for tourism consumers.
“Physical evidence” represents the product characteristics conveyed to actual and potential consumers through one or more of the five senses of sight, sound, touch, taste and smell.

“Packaging” in tourism marketing is the combination of two or more products, such as transportation, lodging and meals, into a single offering to consumers.

“Programming” refers to special events, activities or programs added to a product offering.

Finally, “Partnership” covers cooperative marketing efforts between two or more tourism organizations toward a single market segment.

We leave it to you to decide whether these six additional P’s add elements to the marketing mix that are missing from the original four P’s of the Marketing Mix.

The Marketing Mix: Two Perspectives:

Marketing Professor Philip Kotler has pointed out that the customer orientation inherent in the Societal Marketing Concept requires marketers to look at the consumers’ views of the four P’s of the marketing mix.

For example, when we marketers address the Product side of the Marketing Mix, consumers are looking for “value”, or benefits they will receive from consuming what is offered to them as the product.

Marketers set Prices, but consumers see these as costs of purchasing units of the product.

While Marketers consider the Distribution of the product, consumers evaluate the Convenience of purchase and consumption.

Finally, marketers select a certain Promotional mix to direct to a target market, while consumers consider various communications to them about the product, price and distribution.

Note how these four C’s of consumer orientation neatly match the four P’s of the marketing mix.

The Tourism Marketing Mix:

As we leave the topic of the Marketing Mix to discuss each individual element, we need to address three conclusions.

First, the marketing mix describes specific marketing tools that affect marketing success.

Second, the tools are grouped into categories that themselves have a number of elements or mix that may be selected for marketing use.

Finally, each target market we address will require its own distinctive marketing mix.

If you have specified the same marketing mix for each of two or more market segments, you should combine those segments into a single target market for efficiency and effectiveness of your marketing efforts.

Unit 3: Tourism Product

Product:

Traditionally the first "P" of the marketing mix is the Product. Following our textbook authors, we will define it as that something that an organization or an individual offers to transfer to another organization or individual in exchange for money.

Visitors at a destination consume some or all of transportation, lodging, food and beverages, entertainment, recreation and shopping.

As destination marketers, we stress the services, places, events, infrastructure, buildings and other facilities that comprise the destination product.

The Product Line:

The Product category of the Marketing Mix offers its own mix, called a company's "product line".

The various tourism industries have their own product lines, as we can see here.

The idea is to offer a number of different products with various prices to appeal to several market segments under one roof.

Destinations can offer a range of products, too, based on the resources and facilities they have.

Marketers Must Manage a Product on Four Levels:

It is important to note that marketers must think of their products on a least four levels if they wish to successfully compete with others for customers' attention and money.

The most basic level is the Core Product, the essential benefit a target market seeks. If the DMO or other organization, cannot deliver the core product that consumers desire, it will not stay in that business for long. One element of the core product of any destination is the ability for visitors to move around it safely. If this free movement is threatened or compromised by crime, riots or natural disasters, visitors will not come or stay.

Facilitating Products are additional goods or services essential for a consumer's satisfactory use of the core product. One critical Facilitating product is accessibility; the hours when the tourism services are open to consumers. Another may be parking facilities or convenient public transportation. Another may be streets and roads in good repair and free of congestion.

Supporting Products are those that add value for the customer and differentiate the product from the offerings by competitors. For a hotel, these can be a business center or a health club. For a destination, this may be a major sports stadium or a large convention center.

Finally, the Augmented Product is the combination of the core, facilitating and supporting products plus how the product is delivered. The augmented product often includes the physical environment or atmosphere of the place where the core product is provided, interactions with service delivery personnel, interactions with other customers and coproduction. This last one often employs self-service technologies, or SSTs. All these assist the customer in obtaining the service desired. Automated check-in kiosks in hotel lobbies, automatic drink machines in fast-food restaurants, and ATM machines are popular SSTs at destinations.

Four Levels of Tourism Products:

Here are some examples of how these four levels of product are expressed in tourism settings.

While the core product for a downtown four star hotels is just a safe place to sleep, the hotel must offer check-in services and elevators, and have in-room bathrooms and telephones. Otherwise, they will lose guests to competitor hotels. While a restaurant is not required for a good night's sleep, no four star hotel can be without one.

To gain competitive advantage, the hotel offers supporting products.

Finally, the augmented product includes the atmosphere, service personnel interactions, interactions among business travelers, which are likely to comprise the bulk of the guests, and coproduction of the guests.

We can also profile Las Vegas as a destination with four levels of product. The Las Vegas Convention and Visitors Authority is the DMO for the city. It currently views the destination as offering adult entertainment as the core product. You can see the facilitating, supporting and augmented products listed here. It is doubtful that any other destination in the world offers the augmented product that Las Vegas does. Gaming has become a major coproduction activity. You can operate a host of gaming devices with nothing more than a credit card.

Note that the hierarchy is important here. If the hotel does not offer the core product, it does not matter what the other three product levels are. For example, years ago a prominent mid-price hotel chain experienced a large number of room break-ins, assaults and burglaries at their properties. It didn't matter that they offered low rates, free breakfasts and free parking. Few people wanted to stay where a secure place to sleep was endangered.

Unit 4: Producer and Buyer

Two Views of the Tourism Product:

The Buyers' View: The tourism product is bundle of components

- Images and perceptions
- Accessibility to destination and return
- Natural and built attractions
- Facilities and services
- Costs

The Producers' View: The tourism product is a single component that I offer

As marketers, we should also note the striking differences between the way the customer perceives the tourism products and the way tourism carriers, suppliers, and intermediaries do.

Professor Victor Middleton has pointed out that, "as far as the tourist is concerned, the tourism product covers the complete experience from the time he leaves home to the time he returns to it."

He contends the tourism product from the consumer's point of view is the "bundle or package of tangible and intangible components, based on activities at a destination." It is "an experience available at a price".

Buyers View of the Tourism Product:

This experience may be divided up into five categories for the convenience of marketing analysis.

First are the images and perceptions of the destination. These are formed by consumers through discussions with friends and relatives, reading, seeing and hearing articles and advertisements, searching the internet and past experience.

Second is the accessibility to the destination and return home. This covers airline and other public transportation access, terminals, highways, waterways and the like.

Then there are the natural and built attractions that form most of a destination's appeal.

Fourth are the facilities and services designed to serve visitors. These include lodging facilities, eating and drinking establishments and local transportation options. They also comprise entertainment and recreation facilities, including both participant and spectator sports, retail outlets and other services.

Finally, we need to address the cost of the tourism product. This differs from the other four characteristics as not being either a good or a service, but an integral component of the experience nevertheless. Indeed, the cost of a vacation trip as reckoned by a family when planning a trip, may cause them to cancel or radically re-structure their contemplated vacation.

Producer's View of the Tourism Product:

Producers, on the other hand, focus only on devising, offering, marketing and delivering their individual products to visitors.

It is rare indeed to find a hotel receptionist who cares about the experience the visitor has had in traveling to the hotel, or a sightseeing guide who has any interest in the quality of a visitor's hotel stay.

We can readily see the issues that can develop from this disconnect between the way the buyer conceives of the tourism product and the way a producer does. By not focusing on the bundle of components comprising the visitor experience, the producer risks losing sales. What good is it if a resort offers an outstanding spa experience but airline service is unreliable and the roads are bad? The other source of failure the resort operator can face is rising prices for other components of the tourism product that reduce tourism market demand.

This is painfully evident whenever a spike in world petroleum prices forces airline fares up. Hotels, restaurants and attractions at destinations dependent on air visitors see their demand shrink.

It is too much to expect an individual producer to focus on the quality of the visitor experience outside of his control.

But this is a role that destination marketing organizations are admirably designed to play. They can work with the components of the tourism product to provide the quality of experience that visitors seek. Arguably, the DMO is the only entity that can effectively shape the overall visitor experience. This can range from training taxicab drivers to speak highly of the destination's attractiveness and knowledgeably of its attractions and facilities to helping secure financing for a new airport terminal or sports stadium.

Some argue that tour operators can fulfill this role as well. However, in the U.S., tour packages are rather limited in scope for most consumers, including transportation, accommodations and perhaps meals and sightseeing. They do not cover the planning, shopping, entertainment and other options that visitors may seek.

In summary, the DMO should recognize that it is facilitating the marketing of a bundle of components that visitors view as a single experience. While individual carriers, suppliers and intermediaries focus on their individual product offerings, the DMO is tasked with reminding them that the visitor seeks a seamless tourism experience that meets or exceeds her expectations at every point. Consistent failure of a producer to provide anticipated levels of satisfaction can reduce visitor flows to the destination to the harm of all tourism components operating there.

Unit 5: New Product

New Product Development:

We are all familiar with new product development through innovations in consumer and business technologies. Destination Management Organizations speak of new product development as well. When doing so, they are usually talking about new four star hotels, conference facilities, resorts, theme parks and other major built attractions or they may be referring to festivals and other major events that will produce a permanent rise in visitor volumes. Consequently, destination product development requires the DMO to convince investors and business owners to establish new facilities at the destination. We will now discuss how our textbook authors outline the new product development process for hotels and restaurants and how this can be adapted to destinations.

Destination new product development should begin with idea generation**.** This can come from asking DMO staff and members, surveys of visitors and visitor businesses, and evaluating competitive destinations to see what they offer that our destination does not. The objective here is to identify as many new product ideas for the destination as possible, without concern for cost or feasibility.

The Idea screening stage of the new product development process is designed weed out high risk new product ideas and focus on those with the greatest chance of success. We will examine a process for idea screening later in this session.

The Concept development stage focuses on turning the idea into a detailed description of the product in consumer terms. Our DMO might decide to focus on a full-service resort on the river in the center of the city. This is the product idea. The product concept then would require a complete description of the product: size, location, number of sleeping rooms and suites, conference and meeting space, spa and fitness facilities, food and beverage venues and the like. This will require engaging potential investors and lodging management companies, for they are the ones who will ultimately decide whether the product is built and launched or not. The testing phase can be limited to asking current visitors about what they would like to have added to the destination. A more illuminating study would focus on potential visitors from key origin markets and what features would increase their likelihood of visiting the destination.

Once adjustments have been made in the new product concept, a marketing strategy must be developed. This requires joint discussions among the DMO marketers and marketing representatives from the company planning to build the property. The marketing strategy should describe the target markets the product is designed to serve, product positioning, and unit sales and revenue goals for the first several years.

It should also address planned prices, distribution strategies and the marketing budgets for the first several years.

New Product Development Continued:

The Business Analysis phase of the new product development is a feasibility study normally required by lenders and investors in new tourism facilities. This one should have an emphasis on how the product fits with and can benefit from the DMO's marketing strategies. These items are addressed in detail in the Tourism Development course taught in our Masters of Tourism Administration program.

Product development here would cover finalizing the building plans for the new resort, securing funding, obtaining requisite permits and government financial support if available, and constructing the facilities.

As the new product is being built, the DMO and resort marketing staff can test market the hotel to the selected target markets by assessing probabilities of visiting the destination to stay at the resort, determining what features are most appealing, and detailing the positioning strategy. During this phase, the DMO may find that the new resort will appeal to target markets different from those originally envisioned or that some features should be removed in favor of new ones.

Finally, the Commercialization phase of the new product development process covers pre-launch advertising and publicity and then actual opening of the property. This is a rather simple example of how a DMO can develop the destination product. We are certain students of this course can think of other ways to apply the new product development process to destinations they are familiar with.

Factors for Evaluating New Products:

Kotler, Bowen and Makens note in our textbook that nine out of ten restaurants fail. More precise figures from the U.S. Census Bureau suggest that only one-half of all businesses launched in a year are still operating five years later. A 1997 study by Professor Stevens and Burley found that at launch, one out of three new products fail despite considerable research and planning.

It is easy to see how this might affect a new product a DMO is trying to bring to market. How might we reduce the risk of failure? Professor Robert Cooper of McMaster University in Ontario, Canada, has studied the factors that predict the success or failure of new products across a number of industries. He found the following nine aspects of a new product useful in assessing probable performance upon product launch.

We can adapt these to apply to our destination marketing strategies.

- Product quality deals with the features, benefits, uniqueness and/or overall quality that contributes to the competitive advantage for the destination.

- Economic Value considers how the new product will add jobs and income to the destination both through its own operations and through attracting additional visitors.

- Overall Fit is concerned about how the new product project is compatible with the destination's attractions, facilities and services and how easily it can be incorporated in the DMO's marketing plans and execution activities.

- Technological Compatibility addresses whether the new product is compatible with the destination's existing technological capabilities, such as Internet band width and wireless communication capacities.

- Familiarity to Firm deals with whether the DMO can draw upon existing expertise to bring the product to launch or requires completely new operational and marketing skills.

- Market Opportunity concerns the nature of target market needs, the sizes of these markets and growth trends.

- Competitive Situation addresses how easy it will be to penetrate the target markets and counter any competitive threats.

- Defined Opportunity involves determining whether the new product fits into the destination and its marketing strategy as currently defined, or is a truly innovative product concept providing the basis for a completely new target market. The introduction of casino gaming in Atlantic City, New Jersey, in the late 1970's qualifies as an example here.

- Finally, Project Definition covers how well the new product development project is defined and understood within the DMO organization.
  DMO market planners might develop a system of weighting each of these nine factors based upon expertise and experience before applying them to new product ideas.

Unit 6: Branding

A Marketing Brand:

Branding is a powerful force in consumer marketing today.

We will now discuss what a "brand" is, what branding entails and what the advantages of branding are for the destination.

In marketing, a "brand" is a name, symbol, design or combination of these intended to identify the products of an organization and differentiate them from those of competitors. Marriott Hotels and Hyatt Hotels are among the most powerful brands in lodging.

Marriott Hotels and Hyatt Hotels are among the most powerful brands in lodging.

Southwest Airlines and British Airways are strong brands in air passenger transportation.

Disney and Universal Studios lead theme park and entertainment brands. MacDonald's is one of the best known brands in the world, but there are a host of competitors in the foodservice industry. Among destinations, there are countries with strong brand images, such as Australia and Bermuda.

In the United States, Las Vegas, New York City and Washington, DC evoke strong brand images among travelers.

Among the states, California, Texas and Florida are considered powerful tourism brands.

Brand Equity:

Brand names, symbols, designs and the like evoke images in the minds of consumers. Indeed, some marketers define "a brand" as a collection of associations many consumers connect to a product. Positioning is one way to build a brand and maintain its influence over target markets. Marketers employ the term "brand equity", to refer to the effects that a brand name has on a product in the marketplace compared to what would accrue to the product without the brand name. Here are some of the elements of this brand equity.

- Branding helps insulates the product from shocks such as recessions, price inflation and product recalls.
- A strong brand is perceived as a guarantee of product quality by consumers.
- Branding facilitates identifying target markets by attracting some defined segments and discouraging others.

- An effective brand can serve as a beacon around which employees, investors, owners and managers can rally and promote consistently.
- A strong brand may be extended from one product to others. This is the reasoning behind the popularity of hats and T-shirts sporting the logo for Las Vegas.
- The brand name and the image it produces in consumers' minds differentiate the products under its umbrella from competitors. This helps explains why there is a hotel chain named, "Courtyard by Marriott."
- One of the most rewarding outcomes of successful branding is that it allows the company to charge a price premium for its products over those of weaker brands.
- Finally, a strong brand can be a powerful barrier to entry. It is difficult to open a successful chain of coffee shops in the wake of Starbuck's and Dunkin' Donuts successes.

Branding:

This diagram distinguishes the benefits to the business or destination of the brand name from the brand equity. A widely known brand name, such as Vail, Colorado or Hawaii, conveys to consumers certain attributes, levels of consistency in delivery of visitor satisfaction, quality and value of the destination, and immediate identification of what the product is among consumers. Successfully developed, the brand name is a kind of short hand for the product in consumers' minds. This reduces the marketing resources required to convey a particular image.

On the other hand, “brand equity” summarizes the effects of successful brand names on consumers. A strong brand enjoys a strong association among significant target markets, so that marketing can focus on reminding customers of the product’s availability rather that building rapport. Other facets of brand equity are the perceived level of quality in consumers’ minds and the immediate awareness of the name and what it represents. Finally, brand loyalty is a commanding component of equity. A strong destination brand will entice visitors to re-visit the destination frequently over many years.

Conditions that Support Branding:

Building brand equity is a costly and time-consuming process. Here are six factors that should be considered by a DMO in deciding whether to invest these resources in building its brand.

The first consideration may be whether the destination is easy to identify by a brand name. Nashville, Tennessee has this feature, while Pigeon Forge, Tennessee does not.

Next, is the destination considered as good value for money. Some travelers believe Las Vegas is good value while Atlantic City is not, even though both offer large-scale casino gaming facilities.

Third, are quality and standards easy to maintain? There are very few destinations of size that can control the level of service quality offered to visitors. So this is an admirable standard that has limited relevance to destination branding.

The fourth condition refers to the benefits a destination offers. The benefits of visiting Washington, DC, such as heritage and cultural attractions, are different from those of the beaches and climate of Miami Beach, Florida. In each case, however, marketers have found that the target markets seeking the respective benefits are large enough to be profitable regardless of the competition. Branding is more successful where there are economies of scale for a product. From the product consumption point of view, all urban destinations and most rural ones offer economies of scale.

“Economy of scale” refers to products where the cost of supplying one more unit is less than the average cost of supplying all previous units. We find economies of scale for those products, including tourism products, with high fixed costs and low variable costs. The cost to an urban destination of hosting one more visitor is miniscule if not zero. From the marketing cost point of view, destinations can take advantage of such economies in sharing advertising and other promotional expenses with resident suppliers.

Finally, branding will be effective if the product can be differentiated from those of competitors. Economists have found it useful to distinguish “commodities” from “differentiated products.” A product is a commodity if every unit is the same as every other unit. Traditionally, grains, livestock, fruit and vegetables, coal and petroleum are commodities. There is no discernible difference between units, so that the only feature that can distinguish one from another is its price. By definition, differentiated products differ from one another on features important to consumers other than price. Tourism destinations that can be differentiated from their competitors fall in this category and benefit from branding efforts.

Leaving aside number three in this list, If you have a destination that fails to satisfy one or more of these conditions, then it is unlikely inviting in branding will produce discernible brand equity.

This completes the discussion of destination branding for the time being. We will review a case study of destination branding later in this course.

Unit 7: Summary

Summary:

In this session of TSTD263.DE Tourism Marketing, we moved forward in the Tourism Marketing Plan by introducing the Marketing Mix, its elements and why it is so useful to marketers.

We distinguished the Tourism Marketing Mix as possibly adding additional elements to the traditional Product, Price, Place and Promotion variables.

We noted that the Marketing Mix is a producer concept and that consumers have different concepts important to their choices.

We then defined the first “P” of the Marketing Mix, “Product”, as the offer to a market to satisfy a want or need.

We noted that producers and consumers should recognize that there are four levels of a product offering that need to be managed: core, facilitating, supporting and augmented products.

We emphasized how the Buyer’s view of the Tourism Product differs from the Producer’s view. We noted how important understanding this distinction is for destination marketers.

We then discussed the process of New product development for destinations. We looked at factors that can suggest whether a new destination product will succeed or fail in advance of heavy investment in that new product.

Then we turned to a powerful aspect of products, the Marketing Brand. We explored what a “Brand” is and how it can provide “Brand Equity” to a destination.

Finally, we concluded by exploring the conditions that support investing in destination branding.