Part Three

The marketing mix and leisure

Introduction

This section of the book examines the application of the marketing mix in leisure. In other words, the 4 Ps of product, price, place and promotion.

The chapter will seek to identify similarities and differences in the 4 Ps between leisure industries.

Consideration will be given to how the concept of the marketing mix is changing within leisure, in response to a range of factors, including technological developments.

Where appropriate, the chapter will also endeavour to highlight where there are differences in the application of the 4 Ps between different countries.

Four chapters address the following topics:

Chapter 6 Product
Chapter 7 Price
Chapter 8 Place
Chapter 9 Promotion

CHAPTER 6

Product

Key concepts

The main concepts covered in the chapter are:

- The concept of a product
- Core, augmented and ancillary products
- The benefits customers seek from products
- Branding
- Product and market positioning
- Product life cycle
- New product development.

Introduction

Clearly, the product is at the heart of all marketing in leisure. It is what gives consumers the benefits they are seeking and its production and delivery is the core activity of all leisure organisations.

The aim of this chapter is to examine the nature and scope of the product in leisure. It will therefore cover the following topics on the supply side:

- the types of products offered in terms of their designed characteristics, both tangible and intangible;
- the service element of the product;
- branding and package positioning.

We will also look at products from the demand point of view, for example, in terms of the benefits consumers expect when they purchase a product.

Later, the chapter will go on to look at the concept of the product life cycle, in terms of its application to leisure products. This will include a discussion of relaunches, together with a number of recent examples.

What is a product?

The term 'product' is commonly used and often defined. Many definitions of the word exist, none of which are universally accepted. A large number of them are derived from manufacturing industries:

> 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, persons, places, organisations and ideas.
>
> Kotler and Armstrong (2004)

In recent years, the growth of service industries has led to new concepts of product, linked to the fact that in most services, the product is a mixture of tangible goods and intangible services. This concept has come to be known as the 'product/service mix' from which other definitions have flowed.

> The product/service mix is the combination of products and services aimed at satisfying the needs of the target market.
>
> Renaghan (1981)

Dibb, Simkin, Pride and Ferrell defined a product as:

> Everything, both favourable and unfavourable that is received in an exchange. It is a complexity of tangible and intangible attributes, including functional, social and psychological utilities or benefits. A product can be of an idea, a service, a good or any combination of these three.
>
> Dibb et al. (2001)

This definition again stresses the tangible and intangible elements of the product/service mix.

Services are, of course, intangible and are the result of the application of human and mechanical efforts to people or objects. Services are often bought on the basis of promises of satisfaction. The holiday brochure, for example, offers you the promise of exotic locations and luxurious hotels. These promises are often strengthened with symbols.

There are a number of special characteristics that make services different from products. Most of them relate to the idea that 'services are consumed in the process of their production' (Sasser et al., 1978). A number of factors make the problems of service marketing very different from that of product marketing. The concepts of *intangibility*, *inseparability*, *perishability* and *heterogeneity* have already been explored in Chapter 1.

These factors mean that the staff involved in producing and delivering the product are part of the product itself. The customer is also an inherent part of the production process.

It also means that service products cannot be standardised. This is very important when it comes to the development of quality management systems. The fact that a service is perishable and cannot be stored means that it is often difficult for the provider to manage the balance between supply and demand. Capacity planning and utilisation are therefore vital management tasks.

The intangibility of the service means that the customer cannot inspect the item before purchase. Customers only have a 'feeling' left after consumption of the service. Coupled with this, the service will never be the same for the customer twice. The visitor experience of a restaurant, for example, may differ according to the conditions at different eating occasions.

Service providers do have the advantage of being face to face with the customer. This factor can alleviate some of the added complexities of services marketing if used correctly by the providers.

Work was carried out in the late 1970s and 1980s trying to develop a terminology for service products and there were different views put forward (see Sasser et al., 1978; Grönroos, 1980; Eiglier and Langeard, 1981).

These academics agreed that all services have different elements, which make up the total item which the customer purchases.

Sasser et al. (1978) explained the concept further by reference to the example of an expensive restaurant. In this case there are goods and services on offer which they defined as:

1. The physical items (e.g. food, drink)
2. The sensual benefits or explicit services (e.g. taste, aroma, service)
3. The psychological benefits or implicit services (e.g. comfort, status).

Leisure products and services have a varying degree of tangible and intangible elements in their 'product–service mix'. Shostack (1977), for example, argued that a fast-food outlet has an equal mix of tangible and intangible elements, whereas an airline has a dominance of intangible elements.

The three levels of product

Kotler and Armstrong (2004) expanded their original definition of products to include the service elements. They termed this concept as the three levels of the product. The three levels of the product include the core product, the actual product that includes important features such as the brand name, quality, styling and features, and the augmented product which includes delivery and credit, installation, warrant and after-sales service (Kotler and Armstrong, 2004).

This three-level concept tries to explain the fact that the consumers do not just purchase a product, they purchase benefits such as brand names, service elements and after-sales service.

The core product is what the customer is really buying. It consists of the main benefit or benefits the purchaser identifies as a personal need that will be met by the product.

Marketers need to turn the core product into an *actual product.* The *actual product* will include features, brand name, quality, styling and packaging.

Finally, there is the *augmented product* which includes all the additional services and benefits the customer receives. The augmented product is the total product bundle that should solve all the customers' problems, and even some they have not thought of yet (Lewis and Chambers, 2000).

This model was developed with the manufacturing company in mind. However, it has been adopted, with modifications, to services such as visitor attractions by Swarbrooke as is illustrated in Figure 6.1.

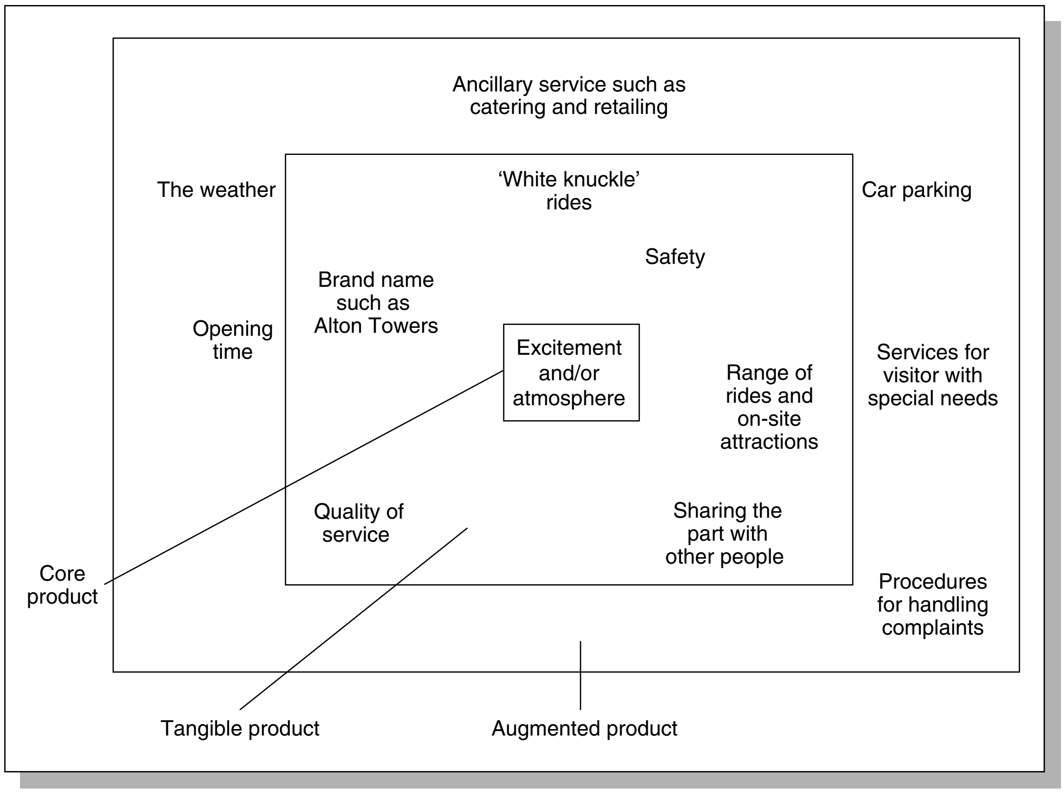

Figure 6.1 The three levels of product – the example of a theme park (*Source*: Swarbrooke, 1999)

Kotler and Armstrong (2004) envisaged that all the elements of the augmented product are under the control of the producer. Swarbrooke (1999) pointed out that for service products such as attractions, some of the elements are outside the control of the service deliverer. The weather, for example, is outside the control of a visitor attraction provider, but may have potential positive or negative effects on sales.

The concept of the augmented product has also been developed for leisure organisations. According to Buttle (1986), every hotel offers the same core product but this is modified and enhanced to make it more attractive to the target market. Competition, he says, takes place largely at the augmented level. This includes added services such as customer recognition and information services in accomodation and customer advice and overall quality of services in the food and beverage area of the business.

Lewis and Chambers (2000) stressed the three levels of product for hospitality products. They talk about formal, core and augmented product. They define the formal product as the thing that the customer thinks they are buying – it is in fact what the customer can easily articulate.

In truth, however, it may not be the real underlying reason why the customer is buying the product. They may be covering up their real needs which are deep-seated ones.

The consumer benefit concept

Customers who are buying leisure products are buying benefits not products.

Bateson (1977) argued that it is only from the idea of a consumer benefit that the service concept can be defined. As Bateson said:

> For any firm the 'consumer benefit concept' will be a bundle of functional, effectual and psychological attributes. It is important to separate this consumer benefit concept from the product itself.

The task of the marketer of leisure products and services is to try and understand the benefits which customers seek. This is a complex issue, because different customer groups who purchase the same service may be seeking different benefits.

As an example, some of the main benefits sought by groups of customers with different characteristics for a fast-food chain are shown in Table 6.1.

Customer characteristics	Main benefits sought
Young, adventurous personalities	Excitement New experience
Fashion-conscious	Status Being seen taking part in a fashionable activity
Families with young children	Entertainment for children Special events for children Economy Reliability
Health-conscious	Healthy, nutritional food Clean environment
Elderly people	Reliability Safety Economy

Table 6.1 Customers for a fast-food chain and the benefits sought

Clearly this diagram is based on stereotyping. Nevertheless, the idea of using customer characteristics to speculate on the types of benefits particular groups of customers will seek is a useful tool for the development of products and services.

Customer characteristics are only half the story. The second factor which influences the benefits sought is the nature of the product itself. This was developed by Swarbrooke (1999) when he looked at certain types of attractions and the main benefits sought as shown below in Table 6.2.

The key to the success in the development of leisure products depends on the ability to match the product which is offered with the benefits sought by the customers. The matching of the two is a challenging process.

Types of attraction	Main benefits sought
Theme park	Excitement Variety of on-site attractions Atmosphere The company of other users Value for money Light-hearted fun
Beach	Suntan Sea bathing Economy Company of others *or* solitude
Cathedral	History Aesthetic pleasure derived from architecture Atmosphere – sense of peace and spirituality
Museum	Learning something new Nostalgia Purchasing souvenirs
Theatre	Entertainment Atmosphere Status
Leisure centre	Exercise Physical challenges and competing against others Status

Table 6.2 Types of attraction and benefits sought (*Source*: Swarbrooke, 1999)

Branding and packaging

Branding and packaging are part of the product's tangible features that help customers decide which products to buy.

Branding

Kotler and Armstrong (2004) define a brand as:

> a name, term, symbol or design or combination of them, intended to identify goods or services of one seller or group of sellers and to differentiate them from those of 'competitors'.

Brand names, logos or trademarks encourage people to buy particular products because they give the customers the benefits they are seeking. These benefits may range from familiarity and safety to status and self esteem. Branding offers particular advantages to organisations that are marketing services.

Given the intangible nature of services and the potential difficulty of differentiating one service from another, branding provides a significant method for achieving a degree of product differentiation.

Some leisure organisations have developed a long-term branding strategy. Disney, for example, has developed a brand which offers customers a reliable product linking their film, video and leisure products.

There has also been a flurry of service organisations in the leisure industries, which have been implementing branding strategies in the last decade. Forte, for example, has developed a strong branding strategy. The company has been transformed from the old Trusthouse Forte name into Forte on the back of a well-developed branding strategy. This is allowing the company to develop internationally, which was a key objective of the branding strategy.

Organisations have also tried to use brands to give themselves a perceived improved image with customers. Large football clubs such as Manchester United FC and Barcelona FC use branding to develop a clear positioning statement and brand image.

The value of established brand names such as Holiday Inn and McDonald's is closely related to the perceptions of consistency and quality which they represent internationally. The disadvantages of branding are that it requires large amounts of expensive advertising. This means that brands tend to be developed by large organisations because they have the necessary money.

Branding in Europe

Research has shown that consumers in Europe express a growing desire for brands which are well known. The Frontiers Research (1991/92) which was an international survey in Europe showed that consumers in European countries thought that 'buying branded articles is best as you can trust the quality'.

There are questions now being asked about the future of brands in the postmodern era. This is a theme that will be covered later in the book.

Branding does, at the moment, however, seem to offer an organisation one way of developing a European or international marketing strategy. A multinational company can sell an identical product in the form of a global brand throughout the sales area. Alternatively, it can make modifications which will take account of local differences in taste. Local brands, although different in name, may also be endowed with corporate values (Wolfe, 1991).

The central question, therefore, is whether an organisation marketing across national boundaries should *standardise* their product offering and branding or *customise* it to meet a local set of conditions. This will be dependent on the type of product which is marketed and the local conditions in the individual countries in which the product is sold.

The *standardised* approach has been characterised by the Holiday Inn company. The company recognised early on that the Holiday Inn concept and brand could be standardised and offer customers high levels of service on an international basis.

The *customised approach* has been characterised by the Hilton International hotel company. Hilton have developed a Japanese service brand 'Wa No Kutsurogi' meaning 'comfort and service' to appeal to Japanese business and leisure travellers (Bould et al., 1992). This has been adopted both in Japan and internationally. It consists of distinctive service features and special amenities appealing to both Japanese business and leisure travellers.

The company has customers that approach their products and services within brand identities. The customised approach is also used by exclusive service organisations such as luxury hotels.

New approaches in branding

There are indications that other sectors of the leisure market are beginning to recognise the value of branding. Some recent examples of the use of branding are shown in Table 6.3. Branding is being used as a marketing technique by an increasing number of leisure organisations.

Sector	Examples	Comments
1. Destination sector	Spain – España Passion for Life The 'English Riviera' Torquay, Brixham and Paignton	Tried to improve image of Spain Local authority created 'brand'. Intended to revitalise the market
2. Accommodation sector	Formule 1	Development of the budget sector – Accor
3. Attractions sector	Alton Towers Air Oblivion Tussauds Group Port Aventura	The use of the rides as brands in their own right Development of a new attraction in Spain
4. Transport sector	Eurostar, Eurotunnel	Development of the cross-channel tunnel project
5. Tour operators sector	TUI – Thomson	Rebranding of the package holiday company due to change of ownership

Table 6.3 Use of branding techniques in leisure organisations – some recent examples

Packaging

Packaging is very easy to understand in the case of manufactured goods, but what does it mean in the context of services? The answer will depend on what we mean by packaging. Packaging could be defined as the thing which makes it easier for customers to pick up, transport and use the goods.

Packaging in the context of services could therefore include:

- the use of brand names and logos;
- attractive entrances;
- attractive merchandising materials;
- the use of other organisations such as tour operators or ticket companies to sell the product as part of a package.

Product positioning

One of the key objectives of an organisation's marketing strategy must be to create a favourable impression of the organisation's products amongst their target customers. This is achieved by creating a favourable *product position*. It is also often referred to as *market positioning*. Kotler and Armstrong (2004) defined *product positioning* as:

> The way the product is defined by consumers on important attributes – the place the product occupies in the consumers' minds relative to competing products.

Market positioning

It is defined as:

> arranging for a product to occupy a clear, distinctive, and desirable place relative to competing products in the minds of target consumers. Formulating competitive positioning for a product and a detailed marketing mix.

The logic is that if a product is perceived to be exactly the same as the competitors' product, then the customer will have no reason to buy or use it. The positioning of a product means that the organisation must identify how it is going to offer greater value to chosen segments. This may be by charging lower prices than the competition or, alternatively, it may offer greater values associated with the product.

Effective positioning therefore, involves the organisation *differentiating* its products and services in the eyes of the target customers. Dibb et al. (2001) suggested that there is a step-by-step approach which can be used to develop a positioning plan. This approach involves seven key steps as follows:

1. Define the segments in a particular market.
2. Decide which segment(s) to target.
3. Understand what the target consumers expect and believe to be the most important when deciding to purchase.
4. Develop product(s) which cater specifically for these needs and expectations.
5. Evaluate the positioning and images, as perceived by target customers, of competing products in the selected market segment(s).
6. Select an image which sets the product(s) apart from the competing products, thus ensuring that the chosen image matches the aspirations of the target customers.
7. Tell target customers about the product (promotion) as well as making it readily available at the right price. This is the development of the marketing mix.

A good example of a positioning strategy in the hospitality industry has been the development of the *budget hotel chains*.

In the last decade, the budget market has become the fastest growing hotel sector in the UK and much of Europe. The opportunity for budget hotels was first recognised by companies such as Forte and Whitbread. The opportunity could be shown on a positioning map which showed consumer preferences in the UK hospitality market and made predictions about the way these would move (Figure 6.2).

Research had shown that customer preferences in certain market segments were moving towards a hotel offering a lower service element, but offering accommodation of a reasonable standard and lower price. This was clearly a marketing opportunity.

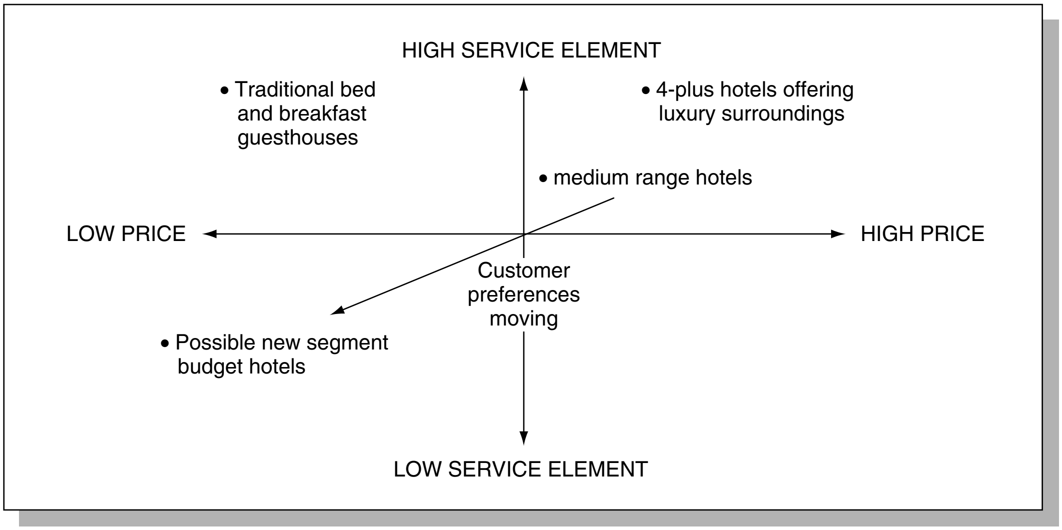

Figure 6.2 The position map of the UK hospitality industry prior to the development of the budget market

As a result of this, many hotel companies have now entered the budget sector in Europe and the major players are shown in Table 6.4.

Ten top budget-hotel brands in Europe by room capacity

Rank brand	Owner	Number of hotels (Europe only)	Number of rooms (Europe only)
1. Ibis	Accor	528	51,731
2. Formule 1	Accor	325	23,538
3. Campanile	Group Envergure	369	22,582
4. Etap	Accor	229	16,489
5. Comfort Inn	Choice	236	14,417
6. Travel Inn	Whitbread	266	14,000
7. Premiere Classe	Group Envergure	176	12,337
8. Travelodge	Compass	208	10,825
9. Kyriad	Group Envergure	170	9,090
10. Express by Holiday Inn	Six Continents	91	8,374
Total		2,598	183,383

Source: Mintel (2002a,b)

Table 6.4 Key players in the European budget market

The companies involved in the budget sector are now having to differentiate their products by developing their brands. This is particularly important because Holiday Inn Worldwide entered the UK market, in the early 1990s, with its own budget brand, Holiday Inn Express.

This budget market trend has been seen even more strongly in the airline sector, with companies like Southwest in the USA and Ryanair in Europe.

The product life-cycle concept

There is a view that products pass through stages during their lifetime like people. This is the basic premise of the product life-cycle concept, which was originally developed by marketing academics for manufactured goods.

Figure 6.3 shows the traditional model for the product life cycle. Table 6.5 illustrates the suggested characteristics and strategic responses at each stage of the life cycle.

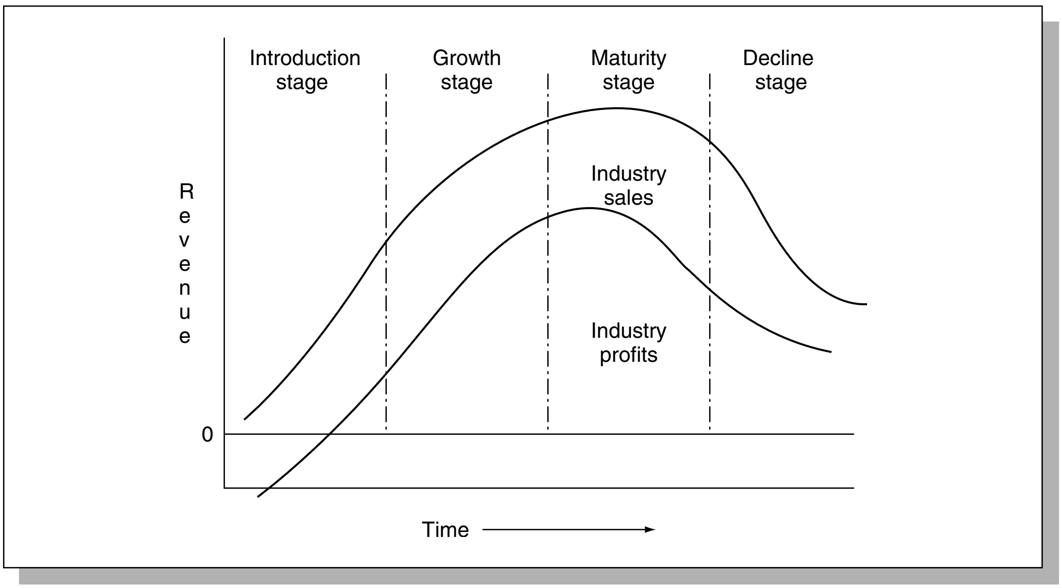

Figure 6.3 The four stages of the product life cycle

There are a number of general points which can be made about the product life-cycle concept:

1. It is suggested that the product life-cycle curve will be 'S'-shaped.
2. The product life-cycle curve will comprise four stages which have been termed – *introduction*, *growth*, *maturity* and *decline*.
3. Product life cycles are used to describe the sales behaviour of items, brands, types, lines or classes of products.
4. The characteristic of each of the four stages are shown in Table 6.5. The cycle begins with *product innovation* and *development* when an organisation finds an acceptable new product idea. The *introduction* stage is characterised by slow growth and low profits. If the new product is successful it then enters the *growth stage* which is characterised by rapid sales growth and increasing profits. The product then enters the *maturity stage* in which sales growth peaks and profits stabilise. The company seeks here to renew sales growth typically relaunching the product. Finally the product enters a *decline stage* in which sales and profits decrease. The organisation then has to decide whether to get rid of the product, maintain it or harvest it.

	Introduction	Growth stage	Maturity stage	Decline stage
Characteristics				
Sales	Low	Rapidly rising	Peak	Declining
Costs	High per customer	Average per customer	Low per customer	Low per customer
Profits	Negative	Rising	High	Declining
Customers	Innovative	Early adopters	Middle majority	Laggards
Competitors	Few	Growing number	Stable number beginning to decline	Declining
Marketing objectives				
	Create product awareness and trial	Maximize market share	Maximize profit while defending market share	Reduce expenditure and milk the brand
Strategies				
Product	Offer a basic product	Offer product extensions, service, warranty	Diversify brands and models	Phase out weak items
Price	Use cost-plus	Price to penetrate market	Price to match or best competitors	Cut price
Distribution	Build selective distribution	Build intensive distribution	Build more intensive distribution	Go selective: phase out unprofitable outlets
Advertising	Build product awareness among early adopters and dealers	Build awareness and interest in the mass market	Stress brand differences and benefits	Reduce to level needed to retain hard-core loyals
Sales promotion	Use heavy sales promotion to entice trial	Produce to take advantage of heavy consumer demand	Increase to encourage brand switching	Reduce to minimal level

Source: Horner and Swarbrooke (1996)

Table 6.5 Summary of product life-cycle characteristics, objectives and strategies

Problems with the product life-cycle (PLC) concept

The PLC concept has been criticised by various individuals and groups. The most notable critics were Dhalla and Yuspeh (1976) who argued that

> The PLC is a dependent variable, which is determined by marketing actions; it is not an independent variable to which companies should adapt their marketing programmes.

A further problem is the fact that a temporary plateau in sales can be interpreted as the onset of maturity, which may be an incorrect assumption. Some attractions, for example, have a bimodal profile because they achieve an initial spectacular success which is temporary and are relaunched based on a change of core attraction or massive new product developments (Swarbrooke, 1999). The use of the PLC curve as a predictive tool for this type of organisation would be very dangerous indeed.

The shape of the PLC curve may not always follow the 'S'-shape model; it may be bimodal with two peaks or skewed, perhaps with the growth not occurring until the last quarter of the timescale. Researchers have found that there are at least seventeen variants on the shape of the PLC curve (Tellis and Crawford, 1981).

A fad product will show a shape which represents a period of rapid growth followed by an equally rapid collapse.

Product life cycles can vary dramatically in their time span. Products which are sold in a traditional market may have life cycles measured in decades, whereas fashion-conscious products may last only a few weeks. Studies have also shown that products do not necessarily pass through all the four stages (Rink and Swan, 1979).

Many products sold by organisations seem to have been in the mature stage of their life cycle for decades and show no signs of entering the decline stage. Old traditional hotels such as Claridges and The Savoy are examples of these types of organisation. Many products may also never enter the growth stage because they are refused in the marketplace, and fail.

Decline of products is not inevitable. Most products in their mature stage are subject to intense marketing activity to delay any possible loss in sales. It is possible to recycle the PLC curve through further growth stages by increasing promotional spend, relaunching the product or introducing the product to new markets and users.

The relaunch of major attractions is an example of this type of activity. Most attractions introduce new rides, use new technology or improve support services to effectively relaunch the product. The introduction of a new 'white knuckle' ride at a major attraction is often enough to revitalise the market. One such recent example of this is the introduction of the 'Oblivion' and 'Air' rides at the Alton Towers theme park in the UK.

Hotel chains have also shown evidence of relaunching their products. The introduction of leisure and health facilities within hotels has been a good example of this type of activity.

Organisations can therefore change the course of the life cycle if they adopt a proactive approach to marketing activity.

There is also some dispute about the level to which the PLC concept applies. It seems to have validity at the product level, rather than the brand level (Dhalla and Yuspeh, 1976). This means that it could be applied to the beer market in general, for example, but it would be less appropriate to apply it to an individual brand such as Guinness.

The PLC cannot be used to predict when a product will move from stage to stage. This means that it only has limited value to product planners. Product life cycle is therefore a generally accepted, if rather simplified, model which can form the basis for discussion when formulating marketing strategies for individual products.

Product life cycle in use

The PLC concept cannot be applied to all products and its value to managers is highly questionable. However, it may allow an organisation to focus attention on some of the key characteristics related to their products and markets. Let us consider an example of how a tour operator could use the PLC concept in setting their marketing strategy. This example is shown in Table 6.6.

Product	PLC stage	Marketing strategy
1. Summer sun holidays or fully inclusive tours (FITs)	Maturity	Relaunch with new destinations Heavy promotion
2. Long-haul holidays or FITs	Introduction stage	Heavy promotion to build awareness Sales promotions with distributors
3. Fly-drive holidays to the USA	Growth stage	Use promotion to build brand preference Work on improving distribution

Table 6.6 Example 1 – The tour operator product-portfolio

Product development

Product innovation and product development are key activities in which any organisation in the leisure industry should be involved. The PLC concept has shown that products at some time enter maturity and decline. It is very important that an organisation replaces these outdated products with new innovative ideas.

Sources of new ideas

New product ideas may arise from sources both inside and outside the organisation. The sources of new product ideas for a hotel are shown in Figure 6.4.

Inside the organisation

New product ideas can come from a number of sources inside the organisation. It will be one of the key functions of the *marketing department* to think about the future and the sort of products and services to be introduced. They should also be thinking about how to continually upgrade their current products and services to meet new customer demands.

The marketing department may look to ideas which originate from other sources in the company. If the hotel is part of a chain, new ideas may be generated at the *head office* level. They will supply new ideas and may even help the hotel staff with their introduction.

Figure 6.4 Sources of new product ideas for a hotel

If the hotel is strongly branded or franchised, it is likely that new product development will be controlled by the head office of the company, so that quality standards can be maintained throughout the group.

This is common in other organisations. The introduction of new products at the McDonald's chain, for example, is managed by the head office of the organisation. If the hotel is part of a large group, ideas may come from other parts of the organisation. The ideas which are generated from other companies in the group can be particularly different and innovative if they originate from another country.

Other *staff members* can also have ideas for new products. These ideas should be encouraged at all levels in the organisation and discussed openly and fairly. The senior managers of the company are also likely to be travelling abroad, both for work and in their leisure time. They should be encouraged to look around at other leisure organisations and consider any new ideas which arise.

Outside the organisation

Many new ideas originate from outside the organisation. The marketers in the organisation must make sure that they have the system in place to make themselves aware of these potential sources.

Customers can provide a vital source for new product ideas, particularly if the organisation carries out regular quantitative and qualitative market research surveys with them. A customer, if questioned, can often talk about the area in the hotel where improvements could be made, and offer very good suggestions for possible additional products and services which would make the hotel more appealing. Corporate customers can also give some vital clues to the ways in which the hotel could improve and offer new products and services. Corporate customers can represent a substantial part of the hotel's sales, and so it is particularly important that their ideas are considered.

Suppliers can offer new product ideas. This may be in the form of new recipe ideas, or new equipment which will offer competitive advantages.

It is important to consider that the supplier may not necessarily come from the traditional sources of food materials or equipment. The suppliers of compact business equipment, for example, have allowed hotels to develop sophisticated 'business' rooms where customers can use computers, faxes, etc. This has offered the leading hotels, in this market, significant competitive advantage.

Marketing intermediaries can offer new product ideas. The travel agent, for example, can suggest new ideas for destinations to the tour operators as a result of customer feedback.

Competitors can also give the hotel ideas for the future. These may range from the marketers at the hotel noticing the new products that the competitor is developing, and copying these, to working in a joint venture to produce new products. Joint ventures can be particularly attractive if the development costs are very large.

Management consultants can be used as a source of new ideas. Consultants are often used if the organisation is planning major investment in new products. If the hotel is planning to build a major extension to the hotel, or build a new hotel, it will often employ a management consultant to provide ideas and carry out feasibility studies.

Advertising agencies can also help with the development of new markets and products. They can be employed to look at one particular market area and make suggestions for future developments. Using an agency, such as a management consultant, has the advantage of a 'fresh pair of eyes'. This may give the organisation very innovative and novel ideas which they had not previously thought of.

Private research organisations are a source of ideas for new products. They produce commercial reports which the hotel can buy and use. The hotel can also commission a specially designed piece of research on a particular market and use a private research organisation to carry out the work.

Phases of new product development

Once the new product idea has been generated, the organisation must then develop the idea so that it can be commercially sold. This involves a series of steps which the organisation must carry out. These steps are summarised by Dibb et al. (2001) as being:

1. Idea generation
2. Screening
3. Business analysis
4. Product development
5. Test marketing
6. Commercialisation.

Idea generation

The organisation must seek to generate new ideas. The sources of ideas have already been discussed. There will be more ideas generated than it is possible for the organisation to develop, so there must be a screening process carried out to select possible developments.

Screening

All the new product ideas should be screened to see which are acceptable for the organisation. This may involve talking to experts or market research with potential customers. This stage should prove that the ideas are suitable for the market.

Business analysis

Once the ideas have been selected, the organisation should carry out a business analysis to see whether it is possible commercially to develop the idea. There should be estimates of predicted cost involved in the development. This should be balanced against the likely pay-back period. It is only then that the organisation can assess whether it can afford to carry on with the development process.

Product development

Work will now be carried out to produce a prototype product. For manufactured goods this involves the production of a mock-up product which can then be researched. In service organisations, the prototype ideas may be in the form of an illustration. Some of the elements of the new service may be produced. If the new service involves a new uniform for example, this can be made.

Test marketing

This is a very important step in the development process. The product or idea is test marketed before it is introduced commercially. In a hotel chain this could involve testing the new product or service idea in one hotel to see whether it is well accepted. This will prevent the organisation from spending the large amounts of money involved in the final commercialisation process, if the product or service idea is generally rejected.

Commercialisation

This is the final stage when the new product idea is introduced to the market. This will usually involve a large marketing budget to promote the product or service, and build customer awareness and preference.

New product development in the leisure industries

New product development in the leisure industries often involves investment in new facilities which involve a high capital.

The ‘feasibility study’ is carried out to test the potential viability of the proposed project as accurately as possible before a decision is made to go ahead. This is particularly important if the project involves a large financial risk for the organisation, in the case of attractions, for example. The stages of the feasibility study have been discussed by Swarbrooke (1999). These stages are summarised below in Figure 6.5, in relation to a visitor attraction.

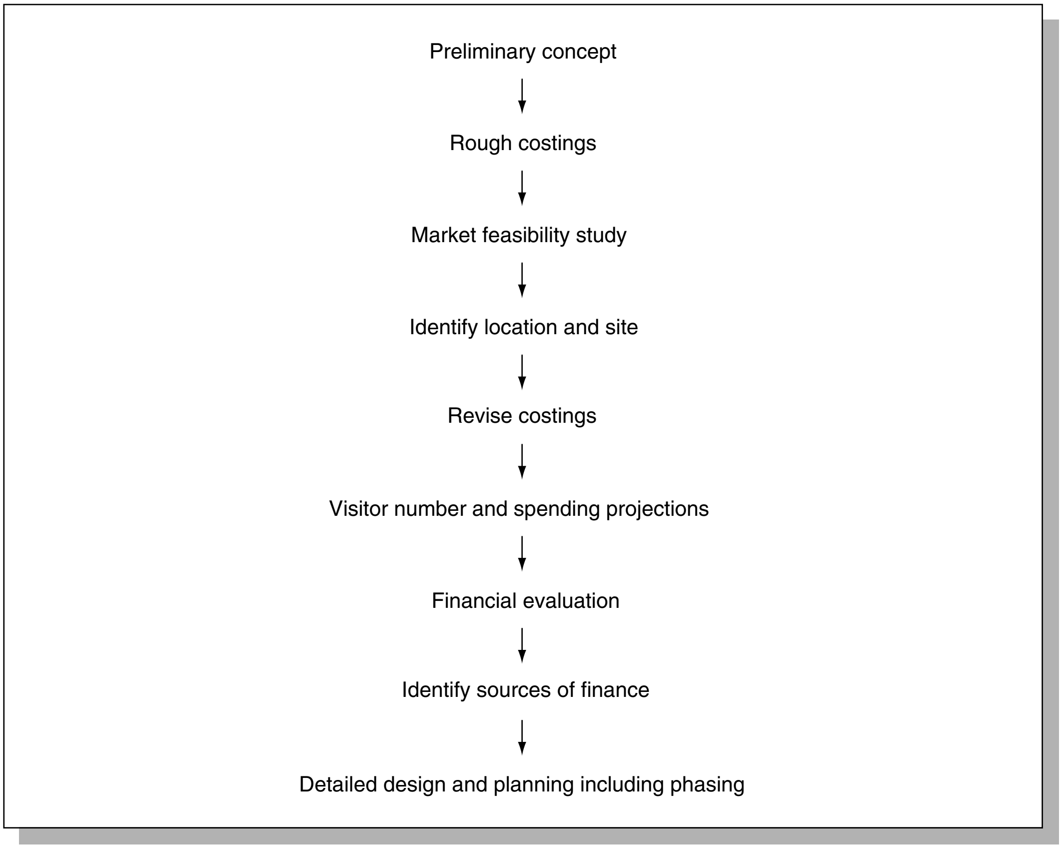

Figure 6.5 The feasibility study process for a visitor attraction (*Source*: Swarbrooke, 1999)

Key points of the feasibility study include:

- The penetration factor – predictions for actual numbers of people in each market segment.
- Analysis of where the visitors will come from and when they will come.
- Analysis of capital costs and estimated likely income. Breakeven analysis may be used here.

However, where relatively little capital or financial risk is involved the ‘feasibility study’ process may be shorter, quicker and far less structured. An example of this might be the decision to offer a new destination within a tour operator’s summer sun programme.

Recent trends

One of the recent trends in the leisure markets has been the move of the large service organisations to European and international trade.

International trade in services is becoming more and more important because of several important market developments (Segal-Horn, 1989). There is an increasing importance in the use of information technology in services which leads to important economies of scale in service delivery. This is most notable in the airline reservation systems.

A second development that Segal-Horn (1989) identified, which encourages the internationalisation of services is the emergence of the 'global consumer'. This was looked at earlier in the book. A third factor is the internationalisation of business itself, which leads to the internationalisation of services that are provided to the business traveller. The international hotel chains such as Hilton, Marriott and Intercontinental are examples of this development.

Segal-Horn (1989) also argued that the internationalisation of services is just as important as the internationalisation of manufacturing firms. It is however, different, she says. In services the internationalisation process tends to involve the replication of the 'service delivery outlet' such as with a McDonald's hamburger outlet or a Hilton International hotel. This internationalisation is often accompanied with a global marketing campaign.

International services also offer a uniform quality of service delivery no matter where they are delivered.

If it is in fact possible to internationalise services, on the supply side, then will the demand for these products be there? European market segments were identified many years ago by the Italian research company Eurisko (reported by Martin, 1988) as being:

- Young people who have unified tastes across Europe in music, sports and cultural activities.
- The trendsetters and social climbers are wealthier and more educated Europeans who tend to value independence, refuse consumer stereotypes and appreciate exclusive products. Europe's business people are a rich target audience of approximately six million people. They are about 40 years old, regularly travel abroad and have a taste for luxury goods.

The targeting of these market segments will involve a special approach in marketing strategy. It has been recognised that it is easier to standardise products and brand names, for example, than it is to standardise pricing and distribution (Porter, 1986). This is shown in Table 6.7.

Easy to standardise	**Difficult to standardise**
Brand name	Distribution
Product positioning	Personal selling
Service standards	Training sales personnel
Warranties	Pricing
Advertising theme-packages	Media selection

Table 6.7 Marketing activities according to ease or difficulty of standardisation

Many organisations in the leisure industries own the outlet, and this theoretically makes the introduction of European and global products an easier task. Once the target market segment has been identified, the organisation can develop its product strategy to meet their needs (Guido, 1991). These developments should focus on gaining production and marketing efficiencies. As more uniform standards are introduced, the organisations are more and more likely to target pan-European consumer segments. The ownership or acquisition of strong national brand names will allow the organisation to develop these throughout Europe with common positioning strategies.

It is more important to carry out detailed market research to assess the potential response of customers to new products in all the countries in which the organisation intends to market the product or service.

Patenting and branding of products is also a significant step in the product development phase.

It is easy to be carried away with these new developments, and assume that the market will be dominated by large companies targeting the new Euro-consumers with specifically designed products. It is important to remember, however, that although this is an important recent trend, the industry is still fragmented and dominated by small operators. These two areas of business must continue to develop products hand in hand.

Conclusion

This chapter has explored the issues in relation to the product element of the marketing mix. It has looked at the augmentation of products and their positioning. The final part of the chapter has looked at the recent trends in products for leisure organisations.

Discussion points and essay questions

1. Discuss the main characteristics and components of *either* the tour operation product *or* an arts product, *or* a sport product.
2. Examine the 'consumer benefit' concept in relation to *either* a visit to a theme park *or* the purchase of a fast-food meal.
3. Critically evaluate the current role of branding in the leisure industries.
4. Discuss the value of the PLC concept for marketers in the leisure sector.

Exercise

Choose one of the following products:

- an airline flight
- a theatre performance
- a package holiday or FIT
- a restaurant meal.

For your chosen product you should identify the core, actual and augmented elements of the product.

You should present your ideas in diagram form, together with a brief explanation of the content of your diagram.