Business Operation: Product Development

Sustainable Tourism Online is an EarthCheck initiative.

Sustainable Tourism Online (STO) is a comprehensive online information resource delivering substantial research, data and tools within three main sustainability themes – Destinations & Communities, Business Operations, and Parks & Culture. STO also offers relevant information and knowledge on broader sustainability tourism topics.

Developed by Australia's Sustainable Tourism Cooperative Research Centre (STCRC) in 2010 to support sustainable policy, planning and practice, STO provides access to tourism research and tools developed by STCRC as well as other trusted sources of information.

Product development, whether it be the development of new products or refreshment of existing products is the cornerstone for the success of a tourism business. Without appropriate products or services that are relevant to visitor demand a business cannot survive. Product development should be based on the findings of the 'Planning' process of business development, in particular the situation analysis and strategic planning phases. The planning process identifies the market potential and goals for business development and growth, while the product development phase is the implementation of specific actions for the business.

A product development plan can be developed as a guide for the successful management of the product development and implementation process. A product development plan looks at the marketing mix including product, price, place, promotion and packaging. The type of product development will depend on the stage of development of the business. The Passages to Innovation Program developed by the Canadian Tourism Commission identifies the four quadrants of product development:

- **Q1 – Existing Customers / Existing Products:** a low risk strategy that aims to refresh existing products for the current market segments;
- **Q2 – New Customers / Existing Products:** a medium risk strategy that looks at repositioning existing products with a new market segment;
- **Q3 – New Customers / New Products**: a very high risk category that all new businesses start in. Extensive research and a unique selling point is required;
- **Q4 – Existing Customers / New Product**: a high risk strategy that presents new products to existing customers that are still aligned with the market's needs.

1. CERTIFICATION AND ACCREDITATION

Meeting and/or exceeding visitor expectations generates positive word of mouth, potential repeat visitation and long-term customer loyalty. Poor quality products and standards below visitor expectations can undermine a business' profit and long-term success. Product quality and standards influence visitor satisfaction, their length of stay and expenditure, and their likelihood to visit again or refer the destination to a friend or relative; and these are the fundamentals of sustainable visitation.

Accreditation and certification programs provide business owners with the opportunity to have their products and operations assessed and then recognised as providing a certain standard of practice. There are a range of different accreditation or certification programs available within the tourism industry, from national and international product quality accreditation to environmental certification and sustainability programs and specific quality standards for tourism

industry sectors. The Australian Government is developing a standard National Tourism Accreditation Framework.

Selecting an appropriate certification or accreditation program depends on:

- The **type of accreditation** required e.g. Environmental, product quality etc
- The **reputation and current participation** levels of the program
- The **criteria and process** used to certify or accredit a business
- The **rigour of the program** including the use of third party auditors to confirm the accreditation
- The **price and value for money**
- The level of **support and assistance** provided
- The ability to **track and benchmark performance**

Huon Valley's 'GreenTEA' program provides an example of a regional approach to sustainability, encouraging industry operators to participate in an Earthcheck benchmarking program to enhance the region's image and environmental credentials of individual businesses. Promoting visitor awareness of these accreditation programs is important in influencing consumer purchasing behaviour and perceptions of a product or business. Accreditation programs also provide businesses with a framework for identifying areas for improvement or development.

2. PRODUCT AND EXPERIENCES DEVELOPMENT

Simply developing a tourism product does not necessarily mean that visitors will come. Extensive research has been undertaken by many organisations into the successful development of tourism products and experiences. Key lessons from this research shows that:

- The development of tourism related products and experiences in a destination requires a clear understanding of the **existing supply and current and future demand** for products in a particular region.
- Dedicated **market research on visitor demand** can assist in understanding both visitor need and satisfaction, and to identify product development gaps and opportunities, as demonstrated by Victoria's Raw Travel with the extensive research and analysis undertaken prior to developing their business.
- Visitors are increasingly **demanding tourism experiences** rather than simply tourism attractions or products. Identifying the types of experiences that a visitor market seeks can assist in identifying the type of development required.

- A product / experience development opportunity should also be based on whether the proposed **product will create a competitive advantage** or add value to the existing tourism assets of a destination.
- A **4-Way Test** can be used to help assess the value and sustainability of a tourism project or proposal. The test assesses the tourism development opportunity based on factors such as competitive advantage, responsibility and stakeholders, resource commitment necessary and action required.

A range of resources are available on Regional, State and National tourism websites to assist businesses in product and experience development. A key resource developed by Tourism Australia is the two-part Australian Industry Experiences Toolkit that focuses on the development of experiences that match with target market needs and aspirations.

2.1 ACCOMMODATION

The availability of quality, value for money accommodation is a key component in a visitor's destination choice and a top three consideration in short-break travel. Key learnings for tourist accommodation development:

- A **strong business case** is required in order to secure investment or funding for accommodation development;
- A business case should be based on extensive **market demand research**, **pre-feasibility studies** of potential development opportunities, assessment of **expected return on investment** and **input from a wide range of public and private sector stakeholders**;
- Understanding **historic and forecast supply and demand** trends is required looking at occupancy rates, average room rates and revenue per room night to determine the project need.
- **Clearly identifying the target market,** their preferences and motivations is important not only for planning and developing accommodation but also for developing marketing and promotion strategies as demonstrated by Melbourne's Jasper Hotel who was able to identify a market need and reposition their hotel's image to target a new market. Visitors **preferences for accommodation** are often influenced by age, gender, family structure, income and reasons for travelling;
- Accommodation development should be **aligned with the overall brand and image** of a destination to ensure it is aligned with both consumer and host community values.

One of the landmark resources developed from Sustainable Tourism Cooperative Research Centre research is the Motel Makeover Guide. This tool provides a simple guide to assist accommodation operators with the refurbishment and refreshment of accommodation facilities.

2.2 CULTURE AND HERITAGE

Cultural heritage areas are growing in importance for tourism as visitors are increasingly interested in experiencing local cultures and traditions. The successful development of cultural and heritage tourism products and experience includes:

- Providing visitors with access to **authentic and tangible evidence of past and existing cultures**;
- Identification of the **unique point of difference** of cultural attractions in order to provide value for the visitor;
- The development of a **critical mass of heritage tourism attractions** in partnership with industry operators can assist in attracting and retaining visitors such as the development of the Clare Valley Heartland Heritage Trail;
- **Involvement of the local community** including Heritage Managers and local Indigenous groups in the development of cultural heritage attractions to ensure that the stories and traditions of past and existing cultures can be effectively communicated;
- The development of cultural and heritage attractions must **balance both conservation and** protection of the cultural assets as well as **business needs**;
- Clear **visitor guidelines** must be established to ensure that the cultural and heritage assets are maintained;
- **Interpretation of cultural heritage**, through brochures, guided tours, interactive displays or interpretive information boards is an important part of providing a positive visitor experience as well as an education tool for the conservation of heritage.

The Sustainable Tourism Cooperative Research Centre has a large body of research into the development of cultural and heritage tourism, summarised in the Culture and Heritage Tourism: Understanding the Issues and Success Factors, as well as specific information in the 'Parks and Culture' section of the portal. A landmark report in this sector, developed in conjunction with the Australian Heritage Council, provides a guide to the development of successful cultural and heritage tourism facilities and attractions, identifying the key considerations for planning, developing, managing and marketing these tourism products – Successful Tourism at Heritage Places.

2.3 EVENTS AND FESTIVALS

Events and festivals provide numerous benefits not only for the individual business but for a community and tourism region. Local and regional events, including business events and conferences can increase visitation and expenditure, reduce seasonality, encourage repeat visitation and heighten regional awareness. They can also provide the stimulus for additional

infrastructure development in the local area and building community pride. Provided below are some of the key findings from research regarding the successful development of an event.

Event Planning and Management

Developing a successful event, whether it is a local event, special event, business event or major event, commonly requires extensive planning and commitment from a wide range of stakeholders. The development of an event should consider:

- Establishment of an **event management committee** to develop and plan specific events, as demonstrated by the successful operation and management of Queensland's Woodford Festival with an established event committee.
- Developing an **event concept or theme** that is aligned with the destination and business' values;
- **Consideration of event requirements** including funding, sponsorship, promotion, facilities and equipment, access, legal obligations and risk management;
- **Coordinating involvement of other tourism industry stakeholders** including accommodation providers, attractions and transport providers to encourage packaging and cooperative marketing.

Event Evaluation and Improvement

The evaluation of a festival or event is important to assess the value generated as a result of hosting the event. An economic evaluation of an event is the most common, however an evaluation can also provide demographic, marketing and visitor satisfaction data to assist in ongoing monitoring and improvement.

'Encore' is a Festival and Event Evaluation Tool developed by the Sustainable Tourism Cooperative Research Centre that is designed for event organisers and sponsors to assess the economic, environmental and social performance of an event, allowing event managers, funding agencies and host communities to monitor and improve their activities over time.

2.4 FOOD AND WINE

With the growing trend towards experiential tourism, the food and wine tourism sector has grown in importance as a product development opportunity. The development of successful food and wine tourism products and experiences requires consideration of a number of factors, including:

- Developing an **authentic food and wine experience** that provides high quality products and experiences that are value for money;

- The **setting of a food and wine attraction** is important in a visitor's decision making process. Maintaining the **tranquillity and uniqueness** of the surrounding environments is essential for visitor satisfaction.
- **Clustering of food and wine products** and experiences to provide a variety of options for the visitor and enhance their overall experience, as demonstrated by operators in the Huon Valley with the creation of the Huon Food and Wine Trail. Proximity to other facilities such as accommodation and transport is therefore also important.
- **Effective dissemination of information** to visitors in selecting either a food and wine destination or particular attraction. Research has shown the three major sources of information commonly used by food and wine tourists were **print media, visitor information centres** and **'word-of-mouth'**. More recently, the growth in **online information and social networking** for pre-trip planning has shown a significant increase.
- **Commitment of businesses and staff** in the delivery of high quality customer service.

The Sustainable Tourism Cooperative Research Centre has an extensive research library on the planning and development of food and wine tourism. The body of research, summarised in the Food and Wine Tourism in Australia Snapshot, highlights the growing importance of food and wine tourism, particularly in regional areas, and identifies significant trends and opportunities for the development of the industry.

2.5 GROWING NICHE MARKETS

There are a variety of niche tourism markets that may be developed depending on supply and demand assessments. Niche markets might include Farm and Country Tourism, Ecotourism, Bird-Watching, Cycle Tourism, Indigenous Tourism, Adventure, Health (Wellness and Medical), Backpacking, Gay and Lesbian or Educational Tourism. The development of products and experiences to meet the needs of these markets should be based on an understanding of the market's characteristics, behaviours and preferences. National and State tourism organisations regularly conduct research into niche products which can be accessed via their websites.

Research produced by the Sustainable Tourism Cooperative Research Centre (STCRC) has focused on the niche markets of:

- **Farm and Country Tourism** – Developing a tourism business on a property can provide a good source of additional income for landowners. The success of rural tourism ventures is dependent on the nature of the locality, property characteristics, human resources, market characteristics, marketing and accessibility.

- **Backpacking Tourism** – The importance of providing suitable work opportunities, appropriate accommodation facilities and opportunities for socialising for the backpacking market have been highlighted as the key factors for developing backpacker tourism.
- **Educational Tourism** – Research has shown that pricing, accommodation availability and ease of access are key influencers in a study of a tourism visitor's destination choice. Increasing expenditure from educational tourism can be achieved through targeted promotion and packaging of attractions and experiences to students.
- **Bird-Watching –** Research has shown that the core elements of a bird-watching tour or walk are the opportunities to identify birds, observe behaviour and have social interaction. In particular the opportunity to see rare, threatened and endemic bird species are important in holiday choice for bird-watching tourists.
- **Cycle Tourism –** Increasing interest in cycle tourism from both a visitor and government perspective has been identified in research, in particular with the growth of the touring market. This research has also shown that domestic cycle tourists are very active travellers with a strong destination familiarity.
- **Indigenous Tourism –** Indigenous and aboriginal tourism is a growing tourism niche market for many destinations around the world. Indigenous involvement in tourism can provide significant economic development and social benefits for regional and remote communities and provide the opportunity for visitors to experience unique and tangible culture.

2.6 INTERPRETATION AND EDUCATION

As visitor demand has increasingly focused on the provision of tourism experiences rather than products, the importance of interpretation and education has risen. The interpretation of tourism attractions, products, stories and history is an important part of providing a positive visitor experience as well as an education tool. Interpretation and education can be achieved through a range of methods including informative brochures, guided or self-guided tours, interactive displays, signage, media displays, audio information or interpretive information boards.

Research into the effective design and delivery of interpretation and education programs and facilities has shown that:

- Interpretation and education needs to be **targeted and specific** and aligned with the customer's expectations and demands from the business, service or attraction;
- **Interactive interpretive programs** and facilities provide an informative and enjoyable way for information to be communicated to visitors;
- **ICT technologies for the dissemination of visitor information** is increasingly used as a more efficient means of providing information to a visitor, as demonstrated by the use of audio-guided tours at the Alice Springs Desert Park;

- Staff need to be trained in customer service skills as well as strategies for **communicating and promoting the significance of a business' products** /services.

The Sustainable Tourism Cooperative Research Centre has a number of research reports into the effective dissemination of information and the design of interpretation. One of the landmark research tools developed by the STCRC is the 'Interpretation Evaluation Tool Kit' which assists in reviewing and evaluating face-to-face interpretive programs.

2.7 NATURE-BASED TOURISM

Nature-Based Tourism is a large and growing industry sector in many destinations across the world. A wide range of recreational, activity based, educational, cultural activities and experiences, can be accessed by visitors in natural and protected areas. The development of natural and/or protected areas for tourism products and experiences requires a careful balance between providing adequate visitor experiences and services, protecting the ecological and cultural values of the area and ensuring the long-term sustainability of the site. Key considerations for the development of nature-based tourism include:

- **Development of collaborative public / private partnerships** for the identification of tourism development opportunities, understanding planning and development regulations and the management of visitors in the natural area; as demonstrated by the partnerships between Kakadu National Park Management and commercial tour operators to ensure sustainable operations are developed.
- **Understanding the political, social, cultural demographic and ecological environment** surrounding the natural area when identifying potential tourism opportunities;
- **Alignment with the park management plan** and the park management objectives and goals in developing a tourism operation;
- Development of **visitor education and interpretative information** to provide an enhanced visitor experience and encourage conservation education;
- Working with the public sector to develop **clear development and operational guidelines** to ensure sustainable practices;
- Developing effective **environmental management practices** for tourism operations in natural areas.