

TOURISM PRODUCT PACKAGING

Government of
Northwest Territories



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Kīspin ki nitawihtīn ē nīhīyawihk ōma ācimōwin, tipwāsinān.
Cree

Tł̄chö yati k'è è. Dı wegodi newq dè, gots'o gonede.
Tł̄chö

?eriht'ís Dëne Sųłiné yati t'a huts'elkér xa beyáyatı the?q̄ ?at'e, nuwe ts'ën yólti.
Chipewyan

Edí gondí dehgáh got'jé zhatié k'é é edatí'éh enahddhé níde naxets'é edahlí.
South Slavey

K'áhshó got'í ne xədə k'é hederí ɬedɬ htl'é yeriniwé ní dé dúle.
North Slavey

Jii gwandak izhii ginjik vat'atr'ijahchuu zhit yinohthan jii', diits'at ginohkhii.
Gwich'in

Uvanittuaq ilitchurisukupku Inuvialuktun, ququaqluta.
Inuvialuktun

Čđdđ უუხხბაჯ აქლარი ამხუცხუხული, დფიცი დებრედუ.

Hapkua titiqqat pijumagupkit Inuinnaqtun, uvaptinnut hivajarlutit.
Inuinnaqtun

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Introduction

Hello and welcome to the *Tourism Product Packaging* training workbook. Here you will learn about the benefits of packaging your tourism products for visitors to the NWT. Packaging tourism products can improve your business and provides visitors with an attractive, well priced, and convenient holiday option. Packaging combines at least two or more service elements such as airfare and accommodation. It may also include airport-to-hotel transfers, activities, meals, gear rental, tours, or almost anything you can imagine.

Product packaging has many benefits to you as a tourism operator and may help you sell your products to a broader audience. You will also learn about how to package your tourism products, the different types of tourism packages, the types of travellers who purchase packages, how to develop strategic partnerships with other tourism service providers, and how to price your packages.

This self-guided workbook is intended to get you thinking about what it means to package tourism products, how to get your products to the visitors, and what to charge for them. This workbook has been developed by the GNWT Department of Industry, Tourism, and Investment (ITI), Tourism and Parks Division, as a way to support the growth of the tourism sector for the Northwest Territories (NWT). If you are interested in learning about other opportunities through ITI such as training, mentorship, or funding programs, please contact the regional tourism officer in your region or refer to the Tourism Programs and Services Catalogue (www.itin.gov.nt.ca/en/publications).



What is a Tourism Package?

Product packaging combines various tourism services into one all-inclusive experience for the visitor. Tourism packages may be long or short in distance and/or duration: lasting one-day, overnights, or for a period of a month or longer. An experience may be for one, two or more people travelling as individuals, or for a bus-load of people travelling as a group.

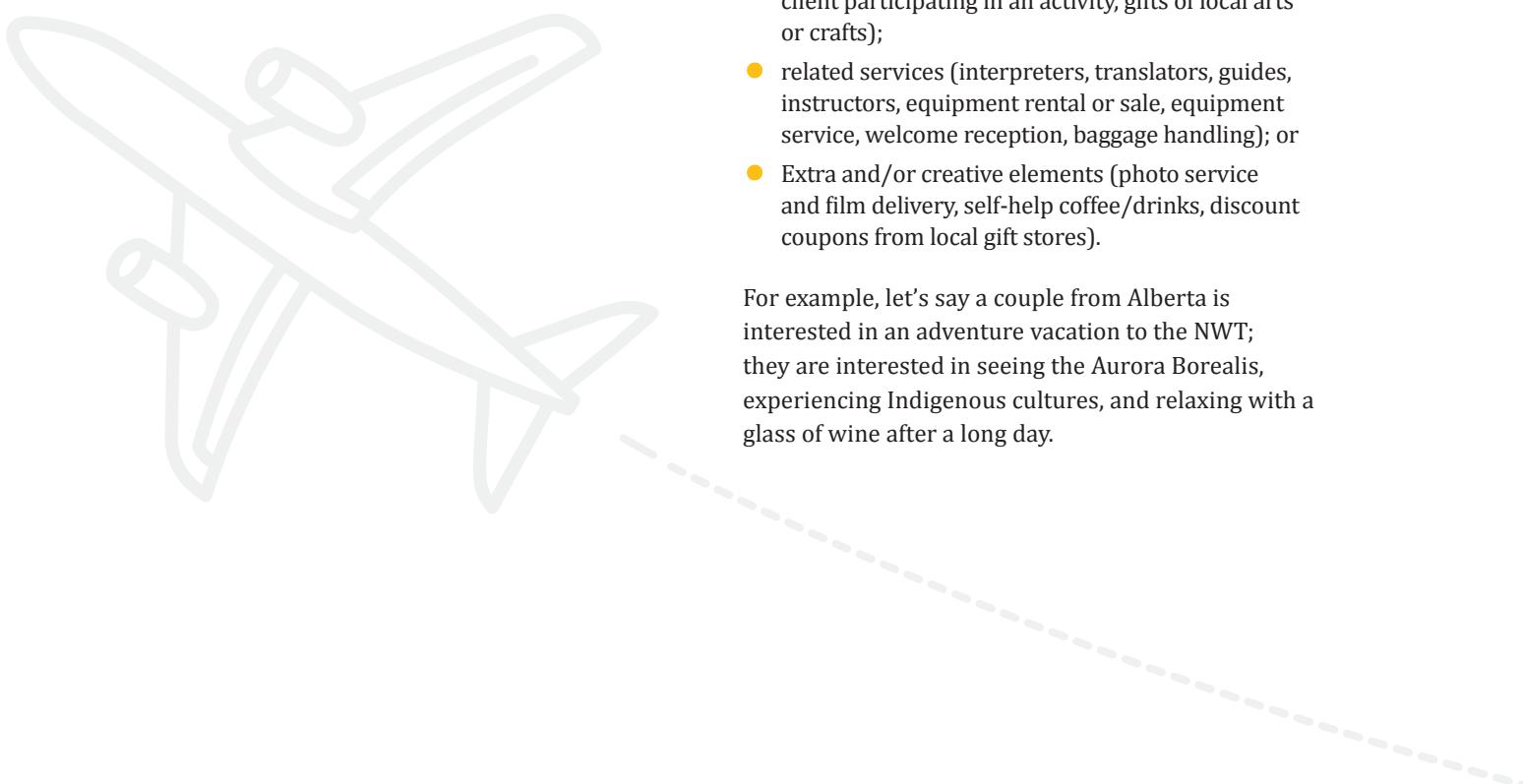
Package tours combine the cost of all the services and are sold for an “all-inclusive” price that is attractive to tourists. Packaged vacations take the guesswork out of travel planning, and create peace-of-mind and simplicity for the visitor. By doing the planning ahead of time, creating the itinerary, and ensuring streamlined service for them, visitors can simply arrive and enjoy their time without any worry or stress.

What Should Be Included in a Package?

Tourism packages may include a wide variety of components, and will vary according to a key element or theme. Typical components of tourism packages include:

- transportation to or within the destination area (flights, vehicle or bicycle rental; van, boat or bus transport);
- accommodations en route or at the destination (hotel, motel, bed and breakfast, cottage, campground);
- meals at or en route to the destination (bed and breakfast plan, all meals included, meal vouchers at a variety of restaurants);
- activities or entertainment, which may be the main reason for the package or be secondary to the tour (adventure, recreational or educational activities; workshops or conventions; visits to museums or galleries; evening slide presentations; sightseeing);
- mementoes or souvenirs (T-shirts, photos of the client participating in an activity, gifts of local arts or crafts);
- related services (interpreters, translators, guides, instructors, equipment rental or sale, equipment service, welcome reception, baggage handling); or
- Extra and/or creative elements (photo service and film delivery, self-help coffee/drinks, discount coupons from local gift stores).

For example, let's say a couple from Alberta is interested in an adventure vacation to the NWT; they are interested in seeing the Aurora Borealis, experiencing Indigenous cultures, and relaxing with a glass of wine after a long day.



Here is an example of a tourism package based on the interests of the couple:

FLIGHTS TO YELLOWKNIFE

Airport transfers to the Explorer Hotel (three nights' accommodation)

DAY 1 Arrival, dinner, aurora viewing

Arrive at hotel (check-in)	3 p.m.
Free time	
Dinner reservation at Thornton's Wine & Tapas Room	6 p.m.
Bus transfer to Aurora Village for aurora hunting	9 p.m.–3 a.m.

DAY 2 Excursion, aurora viewing

MORNING	
Breakfast available at Explorer Hotel (at visitor's preferred time)	
Indigenous city tour of Yellowknife	11 a.m.
AFTERNOON	
Lunch at Bullock's Bistro	1 p.m.
Shopping and guided tour in Old Town	2 p.m.
EVENING	
Dinner at Explorer Hotel	5 p.m.
Bus transfer to Aurora Village for aurora hunting	9 p.m.–3 a.m.

DAY 3 Check-out, lunch and airport transfer

MORNING	
Breakfast available at Explorer Hotel (at visitor's preferred time)	11 a.m.
Check-out	
NOON	
Noon – Lunch/coffee at Birchwood Coffee Ko	1:30 p.m.
Bus drop off at airport	

As you can see, there are many elements and businesses working together to create the three-day itinerary. Each business plays a role in ensuring an enjoyable experience for the guests and in return gains business they might not have had access to previously. In addition to the businesses listed in the itinerary are various other individuals working behind the scene to ensure a smooth transition to and from each destination. All parties involved have benefitted from combining their services for the visitors.

Package tours have several key advantages for the northern traveller including discounted rates, convenience of one-time payment for all or most travel services, ease of vacation planning, and more travel options and opportunities.

Ways to Make a Package Successful

As the developer of a package, some of the considerations you may want to make are:

- planning far enough ahead to ensure that no important aspects will be overlooked;
- building the package around a core activity or attraction that is appealing to the target market;
- pricing the package competitively;
- packaging compatible activities and services together, based on the market group you expect to attract;
- ensuring that quality can be maintained;
- paying attention to details and impressing your customers with your professionalism.
- communicating clearly with your customers to avoid surprises when they arrive; and
- earning an acceptable profit.

Types of Tourism Packages

All-Inclusive Packages

An all-inclusive package means travellers pay one fee for the entire stay. The price often includes airfare to and from a clearly defined departure point, airport transfers, hotel stay, meals, snacks, alcoholic and non-alcoholic drinks, and some activities. All-inclusive vacations are popular at beach destinations (sea/sun/sand), but the concept can be adapted to suit any destination.

Packages for Groups

A group inclusive tour (GIT) is a prepaid tour for a specified minimum number of people, travelling as a unit. Most group tours in the NWT are comprised of a minimum of 10 people. GITs usually involve travel escorts on chartered transportation (buses, airplanes, boats) and generally include all baggage handling, entrance fees, taxes, and some meals. This type of tour product is often used to service lengthy itineraries utilizing a variety of tourism services, transportation, accommodations and attractions. Below are the different types of group inclusive tours.

- **Escorted tour:** A group tour travelling to a destination with an expert guide.
- **Non-escorted tour:** A group tour travelling to a destination without an expert guide.
- **Affiliated tour:** A tour where a group of people has a special common affiliation with each other. For example, a family and group of friends travel to a destination in a group
- **Non-affiliated tour:** A tour where a group of people does not have a special common affiliation with each other. For example, a day-tour of a city by bus.
- **Operator-based tour:** A group tour that is arranged and managed by a tour operator.
- **Non-operator-based tour:** A group tour that has not been arranged by a tour operator.



Packages for Individual Travellers

Individual visitors are commonly referred to as fully independent travellers (FIT). Individual travellers design their own travel itineraries and arrange their own travel plans. The rise in booking sites that allow travellers to do their travel planning online has made it easier for FITs to plan their own unique and specialized itineraries, on sites such as Expedia or Travelocity. FITs are typically uninterested in set packages, the reason being that they have the ability to design packages specific to their personal interests. However, packages for solo travellers are on the rise. For example, solo woman travellers might feel more comfortable travelling in a small group of other solo women travellers for safety reasons.

Dynamic Packaging

Dynamic packaging enables travellers to build their own package of flights, accommodations, and car rental instead of purchasing a pre-defined package. This type of packaging differs from traditional package tours in that the pricing is always based on current availability. Escorted group tours are rarely included and trip-specific add-ons such as airport parking and show tickets are often available. Dynamic packages are primarily sold online, but online travel agencies will also sell by phone owing to the strong margins, complexity and high sale price of the product.

Special-Interest Tourism

Special-interest tourism, also known as “niche tourism,” is a type of tourism that is specific and customised to the interests of travellers. It represents a more meaningful type of experience—one that is unique to the traveller’s interests. This could mean travellers are motivated by the desire to go on holiday and take part in a current interest or develop a new interest in a new or familiar location. Special interest tourism may also be considered an alternative to “mass tourism” (tourism in which large numbers of people from different parts of the world travel to the same place, often at a beach destination or large resort). It can include leisure activities, adventure activities, cultural or educational activities, etc. Some examples of special interest tourism include:

- culinary tourism,
- Indigenous tourism,
- shopping tourism,
- cultural/heritage tourism,
- bird watching, and
- cycling tours.



Advantages of Developing a Package

Packaging's intent is to create user-friendly, convenient, and affordable travel products for the traveller, while increasing sales and market reach for the business. Packages can help you as a business owner gain access to new and additional travellers you by sharing business with other operations nearby. Some of the immediately apparent advantages of packaging tourism products include:

- encouraging travellers to visit your area by offering attractively priced holidays;
- making it convenient for travellers to book their plans;
- driving business in low seasons or off-peak periods through promotions, marketing campaigns, partnerships, and seasonal activities;
- creating access to new market segments;
- increasing the length of time that visitors stay in the area;
- increasing visitor spending; and
- increasing the distribution of visitors throughout the area.

Advantages for the Traveller

For the traveller, tourism packages provide convenience, attractive pricing, and peace of mind because:

- Someone else does the planning and booking of the arrangements, which takes the stress of planning a complex itinerary away from the traveller.
- Travellers simply arrive and enjoy the destination, knowing that all of the elements have been taken care of.
- Trips are more affordable because the package price costs less than purchasing the individual elements separately.
- Businesses and wholesalers gain access to discounted services, passing the savings on to the traveller.

Advantages for the Business

Packaging has numerous benefits for the host business as well as partnering businesses as it:

- increases the number of sellable features, allowing the business to appeal to wider markets;
- creates unique products, because elements are usually different than the packages of other tours;
- provides newer businesses the opportunity to partner with well-established businesses that offer high-quality products;
- facilitates tourism and regional economic development by increasing demand for some components of packages;
- encourages participation in tourism development;
- may maximize revenue for the package partners by decreasing marketing costs;
- increases marketing effectiveness through a well-organized effort; and
- enables operators to provide control over the visitor's experience through the selection of appropriate partners.

Disadvantages of Developing a Package

While packaging has many advantages, disadvantages also exist, and it is helpful to consider them. It's wise to keep these in mind:

- Dealing with multiple partners may result in the loss of control over the quality of the total product.
- Packages may increase the logistics required to handle a client.
- Packages may increase the potential for things to go wrong, as more players are involved in the delivery of the package.
- Packages may create client volume that a partner does not have the capacity to handle.
- Packages may create the feeling of inflexibility among customers, since most packages have predetermined components and often have pre-determined dates.

Who Develops Packages?

Tourism packages are developed by many different organizations within the tourism industry and can be both simple and complex in nature. Any size of business or organization can develop or participate in a package. Small tourism businesses often partner with other local services to create a more complete product. For example, a regional accommodations operator looking to bring travellers to the area might partner with a local eatery and tourism operator to create a regional tourism experience.

Another option is that a tourism business may sell its service to a tour supplier, thus becoming a supplier to, and part of, the tour supplier's package. For example, a kayaking business could be approached by a float plane tour company that wants to include kayaking in its brochure. The kayaking company agrees and becomes part of the float plane tour company's tourism package.

Independent business operators from around the Northwest Territories may offer one component or service for sale to tour operators, thereby becoming a "supplier" to a tour operator. For example, if an aurora viewing tourism operator administers a package that includes products and services from a dogsledding company and a local café, the dogsledding company and the café would be suppliers to the aurora viewing tourism operator.

Tour operators are always seeking new products and services to include in their packages. The innovative features of their tour components give them unique selling points over their competition. Some examples of potential partners to be included in a tourism package include:

- restaurants/food and beverage services,
- accommodations,
- transportation services,
- special events/festivals/conferences,
- distributors of tour packages,
- tourism operators,
- local wholesalers,
- target-market wholesalers, and
- retail travel agencies



How to Develop a Package: **The Six Steps**

There are six steps used in developing a package. Before going through the steps, you need to have an idea of what you want your package to look like. Then you can explore its feasibility by following the six steps.



What is your idea for a package?

Step 1:

Determining Your Goals and Objectives

Your goals and objectives will vary from package to package, depending on target market, region, and availability of services. It is helpful to clearly articulate the goals for your proposed package to maximize its potential.

These may be:

- to bring new visitors to your region,
- to develop new markets and diversify your products,
- to increase income during low or off-peak seasons,
- to partner with an upcoming event or festival, or
- to diversify economic development in your community.



Exercise 1

Write a list of your goals and objectives for creating your proposed package.

Step 2:

Identifying Strengths and Opportunities

Identifying the strengths and opportunities within your community, region, or your business, and those of neighboring businesses will help you decide who and what to include in your package. It would be helpful to create an inventory of the existing tourism services, attractions and strengths in your region as a way to identify new opportunities. A community asset inventory would be a great start in identifying the strengths and opportunities in your community. Depending on where you live, your community leaders or economic development officers (EDO) may already have an asset inventory completed. Reaching out to your community EDO would be a great first step. A similarly great resource would be the *Product Development* workbook developed by GNWT's Tourism and Parks Division of ITI. If you have already completed the *Product Development* workbook, you may want to refer to the asset inventory you created in that workbook and make additions with the knowledge you have gained since. You can find the workbook online at www.iti.gov.nt.ca/en/services/tourism-training-resources/tourism-product-development or by contacting your regional tourism development officer.

An inventory of the existing services and attractions in your region may include an analysis of:

- your product and services,
- transportation availability,
- physical attractions,
- natural history and wildlife,
- cultural and heritage attractions,
- entertainment,
- special events and their dates,
- guides, naturalists and interpreters,
- accommodations, and
- restaurants.

Step 3:

Identifying Target Markets

It is helpful to have a thorough understanding of the target markets that are travelling to Canada and to the NWT. By doing so, you will be better equipped to successfully market your packages and attract more travellers. There are a number of ways that you can identify your particular target market, based on the type of tourism package, the destination, and activities within the package itself. Think back to when we talked about the different types of packages, such as dynamic, FIT, and SIT. These terms will be useful in differentiating target markets based on your products.

In addition, as a Canadian tour supplier, a lot of the market research has already been done for you. Destination marketing organizations such as Destination Canada and Northwest Territories Tourism (NWTT) are great resources for accessing industry market research data and learning about specific types of travelers coming to the country and to the NWT.

Destination Canada (DC) is Canada's destination marketing organization. Their job is to market Canada and its regions internationally as a destination to visit. This organization has many resources that you may find useful when developing your tour package. For example, the Explorer Quotient Profiles and Explorer Quotient Toolkit both contain information regarding traveler types, their motivations, and travel styles and values. This information can help you to develop packages tailored to specific traveler groups. To learn more about the Explorer Quotient Profiles and Toolkit, please visit www.destinationcanada.com/en/tools

Identifying your target market is an important step when developing a tourism product or package. It will determine the type, duration, activities, and price of your package. Once you have identified a target market, you will need to communicate the availability of your package through marketing and/or advertising. We will learn more about tourism marketing a little later in this workbook. In addition, Tourism and Parks, a division of Industry, Tourism, and Investment, has training resources available specifically on tourism product development and tourism marketing. To learn more, contact your regional tourism development officer or visit www.iti.gov.nt.ca/en/services/tourism-training-resources



Exercise 2

Let's have a look at the EQ Profiles at www.destinationcanada.com/en/tools

Try to identify three target markets you think might be interested in purchasing your tourism package, based on their travel motivations, interests, and worldviews.

Market Identification

	TARGET MARKET 1	TARGET MARKET 2	TARGET MARKET 3
Demographics of the Market			
Percentage of the Global Market			
Social Values			
Travel Values			
Experience Appeal			

The Duration of a Package

Once you have identified who your target markets are, you can begin to design your package based on their travel values, styles, and interests. Duration of the travel package is an important element to decide based on who will be taking part in the package. You may have to adjust the length of the trip based on age, physical condition, or interests. For example, German visitors, to a large extent, travel on FIT packages or independently, by recreational vehicle (RV), and will stay in a region for up to three weeks. Japanese tend to travel by groups into an area providing superior accommodations, activities, and shopping and will remain only one or two nights and sometimes only a few hours. Canadian residents will often travel to the NWT by road seeking outdoor adventure and usually travel as a family for a week at a time. Residents of the NWT often travel from their home communities to neighboring communities throughout the NWT for business, medical services, visiting friends and relatives, or shopping.

Tour operators have an ongoing need to locate product offerings of less than one day to incorporate into established travel patterns. Businesses and communities are encouraged to participate in packaging by programming products or events to fill these needs. Examples could include: a one-hour interpretive walk through a historic part of town; a guided, half-day nature hike; or a half-day snowmobile ride on the ice road.

You may establish the appropriate side-trip duration by:

- researching target market travel patterns,
- reviewing tours already established in the area, and
- studying packages and programs sold in other areas of Canada.

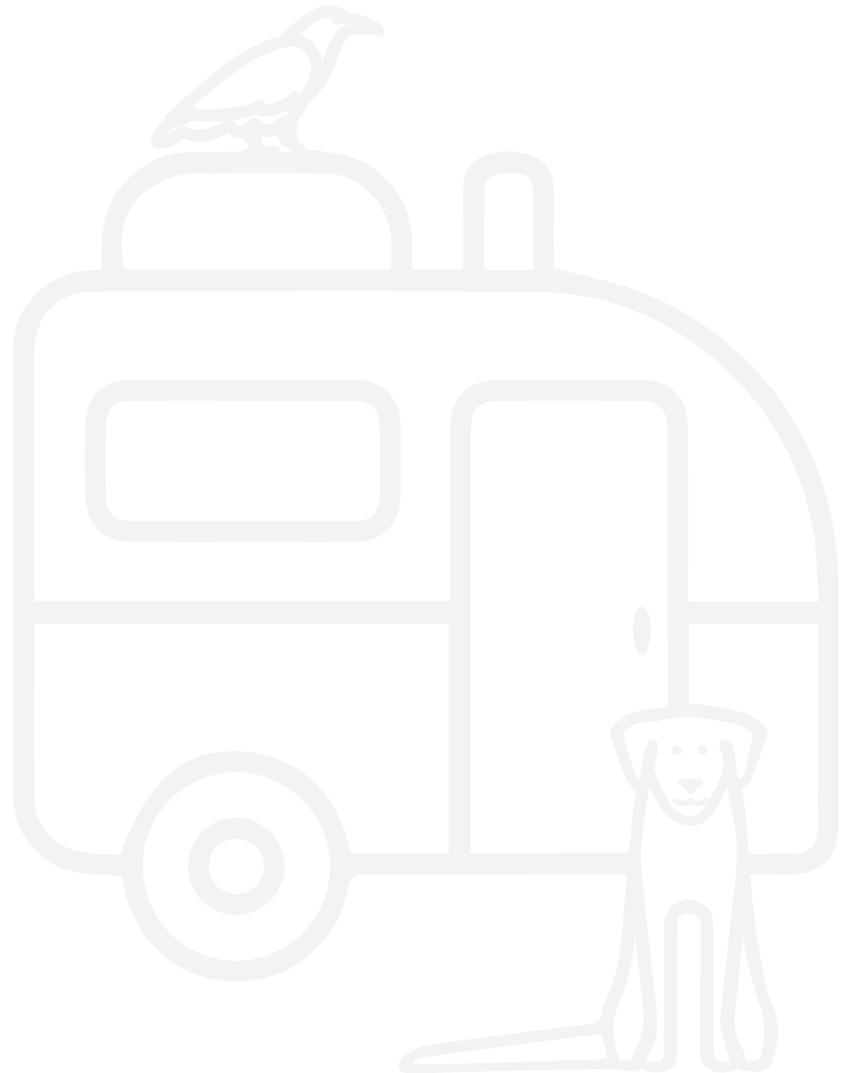
Step 4:

Developing the Package

Think back to earlier in this workbook, when you listed your goals and objectives for your tourism package. Let's take it one step further and decide what you want to include in the package. Then we will develop the itinerary.

Will you include any or all of the following?

- transportation (and transfers),
- accommodations (e.g. hotels, campsites, lodges, bed and breakfasts),
- relevant services (e.g. meet and greet, translators, guides, outfitters, naturalists, rentals, instructors, hosts, interpretative guides),
- meals (e.g. snacks, main meals, beverages),
- attractions, entertainment, activities (e.g. museums, parks, community events, galleries, sporting events, hiking),
- extra items (e.g. mementoes, coupons, welcome breakfasts, greeting from the mayor), or
- fees, admissions and service charges.





Exercise 3

Using the following blank Package Itinerary Planning Sheet, create a single-day package itinerary with each activity in a sequence as it will occur during the package.

Complete only the itinerary and time columns for now. We will come back to this page later to fill in the supplier/partner and cost per person columns. See the example below.

Tour Name: Adventures to the Arctic Ocean

Group size: 12

ITINERARY	TIME	SUPPLIER/PARTNER	COST PER PERSON
Breakfast	8 a.m.		
Bus departure	9 a.m.		
Arrive and tour the Western Arctic Visitor Centre	9:30 a.m.		
Bus departs	10:30 a.m.		
Arrive at Reindeer Station	11:30 a.m.		
Arrive at Hamlet of Tuktoyaktuk	1 p.m.		
Lunch	1:15 p.m.		
Join voyageur canoe trip	2:30 p.m.		
Meet bus at pick-up location	4:30 p.m.		
Drive back to Inuvik	5 p.m.		
Dinner at Shivers	7 p.m.		
TOTAL COST PER PERSON			

Now it's your turn....You may wish to print out this page because you will add to it as you work through the following steps.



Package Itinerary Planning Sheet

**Tour Name:
Number in Group:**

Step 5:

Finding Partners, Services, and Suppliers

Traditional competitive business means being self-sufficient, and controlling all of the operational services, employees, infrastructure and marketing as a single company. You and your business have the potential to be successful operating as a single competitive business; however, developing strategic partnerships can enhance your product offering and make the experience more appealing to the target market.

Strategic partnerships are one way that your business can gain access to new target markets and new products, obtain customer loyalty, and grow market share. This way of doing business can enhance your products and the way markets access them. Partnerships allow you to share expertise and offer a better experience to clients. They also allows you to assist other businesses in the same way, making for a stronger tourism economy in the NWT.

Finding suppliers, services and partners occurs in the areas of:

- entertainment (e.g. music, storytelling, cultural performers, artisans),
- accommodations,
- travel transportation/charters,
- meal suppliers (e.g. restaurants, caterers, community organizations),
- rental services (e.g. winter clothing, skis, bicycles),
- local businesses (e.g. retail), and
- guides (e.g. tour guides, scientists, Indigenous guides, etc.).





Exercise 4

Using the Package Itinerary Planning Sheet in the previous exercise, let's go back and fill in the supplier/partner columns. Considering the elements you would like to include in your package, who are the partners you would need to reach out to? Once you have filled in that information, estimate the cost per person for each service listed. Finally, total the costs at the bottom of the planning sheet. You will use this number to calculate the product cost in Step 6.

ITINERARY	TIME	SUPPLIER/PARTNER	COST PER PERSON
Breakfast	8 a.m.	Mackenzie Grill	\$10
*Tour Departs	9 a.m.	Arctic Expedition Vanlines	\$110
Arrive and tour the Western Arctic Visitor Centre	9:30 a.m.	Staff at interpretative center	\$0
Bus departs	10:30 a.m.	Arctic Expedition Vanlines	\$0
Arrive at Reindeer Station	11:30 a.m.	Arctic Nature Tours	\$20
Arrive at Hamlet of Tuktoyaktuk	1 p.m.	Welcome Gift	\$20
Lunch	1:15 p.m.	Tuktoyaktuk Diner	\$20
Join voyageur canoe trip	2:30 p.m.	Arctic Ocean Heritage Voyageurs	\$100
Meet bus at pick-up location	4:30 p.m.	Arctic Expedition Vanlines	\$0
Drive back to Inuvik	5 p.m.	Arctic Expedition Vanlines	\$0
Dinner at Shivers	7 p.m.	Mackenzie Hotel	\$55
TOTAL COST PER PERSON			\$335

**Includes guide and driver wages, and fuel*

Step 6:

Pricing the Package

There are seven calculations involved in pricing a package. Below is a description and step-by-step instructions on how to price your package. Let's use Adventures to the Arctic Ocean for 12 people as an example. The calculations in the following tables are based on the assumption that Arctic Expedition Van Lines is the primary service provider and the one selling the package.

NOTE: There are blank worksheets for all of these calculation tables at the end of this workbook.

Calculation 1

First you want to calculate the total cost per person that will occur regardless of the number of people in the package. This is known as the package's fixed cost. This is the package's total operating cost and does not vary according to the number of people in each package. Fixed costs include things like tour guide wages, interpreter fees, driver salaries, and fuel. It may also include ground transport (if charged per package, e.g. a weekly van rental).

Calculate the total fixed cost of the package and then divide by the number of total possible participants to arrive at the cost per person. For example, if you determine that you will incur \$2,000 of fixed costs per package and each package will hold 12 customers, your package fixed cost per person is \$2,000 divided by 12 customers = \$166.

Calculation 1: Calculate the package fixed cost.

PACKAGE FIXED COST	COST PER PACKAGE	DIVIDE BY THE NUMBER OF SPACES AVAILABLE ON TOUR	TOTAL COST PER PERSON
Guide wages (guide and assistant guide)	\$720	12	\$60
Driver wages	\$480	12	\$40
Fuel	\$120	12	\$10
Fuel	\$120	12	\$10
TOTAL PACKAGE FIXED COST	\$880		\$110 A

Calculation 2

Next, you will want to calculate the total variable cost per person to operate the package. This is the cost you will incur for each person who is included in the package. Variable costs include items such as meals, rentals, entry fees, accommodation, baggage handling, ground transport (if charged per person), gratuities, etc. Using the package itinerary planning sheet(s) used in Step 5 will help you determine the total cost per person.

Calculation 2: Calculate the package variable cost.

PACKAGE VARIABLE COSTS	COST PER PERSON
Meals	\$85
Welcome Gift	\$20
Reindeer Station admission fee	\$20
Voyageur canoe trip (participant fee)	\$100
TOTAL PACKAGE VARIABLE COST	\$225 B



Calculation 3

Next, calculate the share of the total overhead costs that you want the package to contribute to the business. This is the amount that you want the package to contribute to the business—the per-person contribution that you want the package to make to the annual overhead costs. Overhead costs may include package development, marketing, wages, administration, office costs, telephone, staff training, rent and insurance.

Calculation 3: Calculate the share of the total overhead costs you would like the package to contribute to.

BUSINESS FIXED COST	ANNUAL COST	MULTIPLY BY THE PERCENTAGE YOU WANT THIS PACKAGE TO CONTRIBUTE (E.G. 2.5%)	DIVIDE BY THE NUMBER OF SPACES AVAILABLE IN THIS PACKAGE	TOTAL COST PER PERSON
Marketing	\$14,400	\$360	12	\$30
Owner, management wages	\$43,200	\$1,080	12	\$90
Package development	\$2,400	\$60	12	\$5
Administration and support staff	\$9,600	\$240	12	\$20
Office cost	\$7,200	\$180	12	\$15
Telephone	\$2,400	\$60	12	\$5
Insurance	\$4,800	\$120	12	\$10
Lodge payment	\$12,000	\$300	12	\$25
License, memberships, etc.	\$2,400	\$60	12	\$5
Meal supplier payment	\$9,600	\$240	12	\$20
TOTAL BUSINESS FIXED COST	\$98,400	-	12	\$205 C

Calculation 4

Next, calculate the total package cost per person. Add the package fixed cost per person (box A), the package variable cost per person (box B) and the business overhead cost per person (box C) to get the total cost of operating the package for each person (These numbers go in the first blank column of calculation 4). You have now calculated your costs as if you were going to be operating full packages all of the time.

This is a best-case scenario, and you now need to build a realistic increase into your price to account for the fact that you may not sell all of your package seats during the season. In order to do this, you need to estimate as closely as possible your package bookings for the coming year, and then divide your total per person package cost by this amount.

For example, if you arrived at a package cost of \$45 per person, and if you realistically expected to sell 60% of the available seats in the package, you would divide \$45 by 60% to arrive at a package price of \$75 per person. If you arrived at a package cost of \$300 per person and you expect to sell 70% of your available seats in the package, you would divide \$300 by 70% to arrive at a package price of \$429 per person.

Doing this type of calculation reduces your risk of financial loss and results in increased profits if you sell more seats.

Calculation 4: Calculate the total package cost per person.

TOTAL PACKAGE COST PER PERSON	
Carry forward the package fixed cost per person from box A	\$110
Carry forward the package variable cost per person from box B	\$225
Carry forward the business overhead cost per person from box C	\$205
Add A + B + C	\$540
Divide by realistic sales bookings (e.g. 80%) to get the total package cost per person	\$675 D



Calculation 5

Now, you can add an appropriate amount of profit. Profit margins are added to the package price in order to provide a return to the business owner that is over and above any money made from wages earned, and to provide a reasonable return on the money invested in the business.

Profit margins may range anywhere from 2–30%, but generally fall in the 5–10% range. The amount added may ultimately depend on the customer's willingness to pay, your original goals and objectives, and your desire to attract the customer.

Your profit margin for a high-season package might be higher than for a low-season package. The high-season profit can help support your business over slower times, allowing you to keep staff, relieve low-season cash-flow shortages, etc.

After you have determined the profit margin percentage, you may wish to add it to the package: multiply the percentage by the figure in box D, and then add the resulting number to figure D.

Calculation 5: Add the appropriate amount of profit.

Carry forward the total per person package cost from box D	\$675
Multiply by the profit percentage you want to add to the package (e.g. 10%)	\$67.50
Add the two numbers to get the total per-person package cost, including profit	\$742.50 E



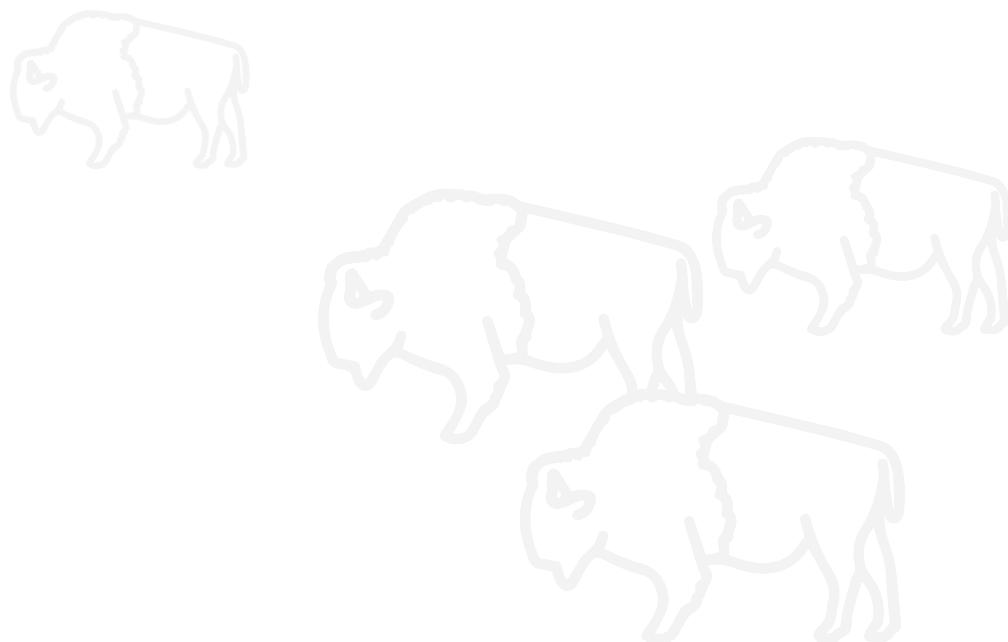
Calculation 6

Next, you may need to adjust the price for different times of the year, the number of travellers, child travellers, or groups. This means you may decide to adjust the package price up or down according to a variety of factors. These may include discounts for groups, rates for single occupancy, rates for children, low-season and high-season rates, and the willingness of some groups to pay more than others.

You will have to determine these amounts based on your assumptions of who will travel and how much you can afford to increase and decrease your profit margin. Add the percentage that you decide on for each factor to the number in box F. This will give you the different package prices for a variety of customer types.

Calculation 6: Adjust the price for a range of customer types.

	Carry forward the total package cost per person including commission and profit (box E)	Add percentage of the price increase for single occupancy (e.g. 10%)	Add percentage of the price increase for high-season booking (e.g. 10%)	Subtract discount percentage for group booking (e.g. 5%)	Subtract discount percentage for children under 12 years of age (e.g. 15%)	Subtract discount percentage for low-season booking (e.g. 20%)
	\$742.50	\$0	\$74.25	\$37.12	\$111.38	\$148.50
ADJUSTED PRICE		\$742.50 F₁	\$816.75 F₂	\$705.38 F₃	\$631.12 F₄	\$594.00 F₅



Calculation 7

Another consideration you may want to make is whether or not you will utilize travel agents or wholesalers to help sell your package. If so, you will need to pay them a percentage of the revenue, known as a commission or offer a reduced (net) rate for your package. Commissions and net rates will vary depending on how you intend to sell the package. Travel agents generally require a commission of at least 10%; travel wholesalers require a net rate of 20% off the published retail rate and receptive or inbound tour operators (RTOs) require a net rate of 25%-30% off the published retail rate.

If you are planning to sell directly to your customers, you may not need to add a commission. However, if you will have mixed sales—direct and indirect—you will need to add commission. For those packages that you sell directly, you would then keep the commission amount for yourself.

If you know what proportion of sales will be direct and what proportion will be indirect, you may be able to calculate a weighted-average commission. For example, if you expect 50% of your sales to come from each method and you need to offer a 30% commission to the indirect marketer, you may choose to add a smaller commission of 15% to the package. Multiply the commission rate you decide on by the figure in box E, and then add the resulting number to figure E.

It is important to note that the commission is based on the final package price. Therefore the multiplier rate must be higher than the percentage of the actual commission. For example, to offer a commission of 20% you will need to increase your price by 25%

- To offer a 10% commission – multiply the total package price by 11%
- To offer a 20% commission – multiply the total package price by 25%
- To offer a 25% commission – multiply the total package price by 33%

Calculation 7: Add travel agent and wholesaler commissions.

Carry forward the total package cost per person including profit from box F	\$742.50
Multiply by the package by the commission being offered, taking into account the increase in the total package price (multiply by 25% for 20% commission)	\$185.63
Add the two numbers to get the total package cost per person, including commission and profit (Retail Rate)	\$928.13
Minus 20% to calculate commission/net rate	\$185.63
NET RATE PAID FOR PACKAGE	\$742.50

**when calculating the total package price, you would only calculate the total package price based on the highest rate of commission paid*

Calculation 8

Lastly, you need to adjust the rates for the remaining customer types (box F1 through F5).

Calculation 8: Adjust the rates for the remaining customer types.

	SINGLE OCCUPANCY	HIGH SEASON RATE	GROUP DISCOUNT	UNDER 12 RATE	LOW SEASON RATE
Package Rate	\$742.50 F1	\$816.75 F2	\$705.38 F3	\$631.12 F4	\$594.00 F5
Multiply by 25%	\$185.63	\$204.19	\$176.35	\$157.78	\$148.50
Retail Package Price	\$928.13	\$1,020.94	\$881.73	\$788.90	\$742.50
Minus 20%	\$185.63	\$204.19	\$176.35	\$157.78	\$148.50
NET RATE	\$742.50	\$816.75	\$705.38	\$631.12	\$594.00

And as a reminder, at the end of the workbook, you can find blank worksheets for all of these tables to help you organize your own calculations for pricing your package.



Administration of the Package

Now that we have learned how to properly price a package, we need to decide how to administer the package. This means taking care of the “behind the scenes” tasks, either personally or by delegating them to your staff. These tasks might include receiving bookings and deposits, making reservations, taking payments, issuing receipts and tickets, coordinating transfers, and updating the company’s social media platforms. Ensuring that these tasks are taken care of in a timely and orderly fashion will help to promote a professional image of your business. Facilitating the delivery and operation of tourism packages is an important consideration for businesses that offer packages. Tourism packages often involve multiple businesses; it is helpful to delegate one or more people to ensure services are delivered smoothly and professionally. This will also encourage new and repeat customers.

Some important factors to consider in administering your package include:

- how customers or their agents can reserve seats;
- how records of reservations will be kept;
- how to handle reservations when the package is full;
- how to handle cancellations and cancellation deadlines, charges, and refunds;
- who will receive customer payments and how you will receive them;
- how customers prove their purchase upon arrival; and
- how you will take deposits.

If there is enough time between when a customer first makes their reservation and when they start their travel, it is a good idea to take a deposit. Final payment should be received before the experience starts. Companies providing volume sales may negotiate less strict requirements and use roll-over deposits.



Tour Descriptions, Conditions, and Commissions

Descriptions and Conditions

Suppliers and operators who deal with wholesalers should provide clear and concise information on all the conditions that could affect how their products are delivered. These should be communicated in writing and include the following information:

- a thorough description of what the program consists of;
- a list of exact arrival and departure dates;
- an indication of the periods that are covered by the quoted prices;
- a clear description of payment procedures (e.g. deposit requirements, final payments, cancellation procedures and charges);
- a clear description of reservation and booking procedures;
- the pricing (e.g. double-occupancy room charges);
- an indication whether the quoted prices are net or gross; and
- an indication, if applicable, of what the commission payment structure is.

Waivers

Tourism often requires people to leave the comfort of their homes to travel to unfamiliar destinations. Keeping people safe is part of your responsibility as a tourism operator. Some activities carry a higher level of risk than others, such as whitewater rafting or outfitting. But even on the safest tourism experiences such as hiking tours or kayaking lessons, accidents can still happen. Whatever the type of tourism experience, it is always important to ensure your business is prepared with a liability waiver.

If a guest is injured during your tourism experience, they may get lawyers involved, in which case, fault is the first thing they will want to establish. If found at fault, your business could be at risk of having to cover medical costs, lost wages, court costs, and damages, among other costs. A liability waiver protects you from fault if someone accidentally gets hurt. The liability waiver should clearly outline any and all conditions of responsibility and must be clearly expressed in exact terms. You may be able to get a waiver template from your insurance company.

It is important to remember that liability waivers do not remove your responsibility for safety. It is your responsibility as a business owner to ensure that you give clear and concise instructions, hire expertly trained guides, and operate well-cared-for and maintained equipment. You also need to ensure that your guests are well aware of the risk and they are willingly and knowingly signing a waiver which says that you are not at fault should an accident happen.

Commissions

Before you develop your package, it will be helpful to know and understand the travel industry's role in selling and promoting your package. Let's have a look at the process:

- The tourist contacts a travel agent to book experiences, accommodations, flights, and tours.
- The travel agent then plans an itinerary, based on the traveller's interests, through a brochure provided by a tour wholesaler.
- The tour wholesaler contacts inbound tour operators (if the traveller is coming from overseas) to book each element in the itinerary provided to the traveller.
- The inbound travel operator contacts individual local tour operators to book each element directly.

Services fees, also known as commission, are a percentage paid to travel agents, wholesalers, and partners involved the tourism package. These are the people who help bring travellers to your business through travel agents, tour wholesalers and/or inbound travel operators, and will often expect to be paid a percentage of the booking price. Standard commission rates may vary between 10% and 30% depending on the agent. Think back to calculation 6 when we learned in the pricing exercise how to properly calculate percentages of commissions that need to be paid out, as this will be a useful tool for calculating commission into the purchase price.

Coordination, Control, and Review

It is important to remember that regular monitoring of package elements such as pricing, advertising, partnerships, and equipment will help support continuous business growth. Unforeseen events such as poor staff performance and training, lack of attention to detail, unprofessionalism, bad business partnerships, or a variety of other factors can negatively affect the success of your tourism business. As mentioned earlier, you must have checking, monitoring and problem-solving systems in place, and these systems must be closely supervised. Also, it is helpful to consistently review the results of your package to see if any improvements can be made.



How to Market Packages

Marketing is an important aspect of any tourism business as this is how you will communicate with potential buyers of your package. Tourism marketing is the act of promoting and selling tourism products through advertisements, social media, brochures, trade shows, etc. Marketing can take many forms, and is usually a result of extensive market research findings that show consumer trends, tourism trends, buying patterns, and seasonal purchasing patterns, among other information.

It is helpful to give yourself plenty of time to create, modify, organize, and market a successful tour package. Some examples of time frames for marketing activities include:

- three months to research, plan, negotiate, book, and price the tour, and produce promotional materials;
- six months to create and execute a promotional and sales campaign; and
- ninety days to conduct billing, dispatch, and wrap-up.

Many program and package offerings from smaller businesses may operate on a much shorter time frame when marketing to short-haul markets. Often, a “special event” (e.g. a guided fishing excursion on a local lake timed to coincide with a community festival or event) can be successfully launched and implemented within 60 to 90 days.

It will be helpful to create a marketing schedule for at least a year in advance to effectively reach target audiences at the times in which they are looking for experiences. If you are interested in learning about marketing in more depth, including the different types of marketing strategies available, please see the training resource on *Tourism Marketing* offered by Tourism and Parks. It can be found here: www.iti.gov.nt.ca/en/services/tourism-training-resources/tourism-product-development

Online Marketing

Before the rise in popularity of the internet and social media platforms, travel agents, tour operators, suppliers, and consumers relied heavily on 1-800 numbers to make reservations. While they are still used to some extent today, 1-800 numbers are losing their appeal to online booking platforms as the preferred method for making reservations. It is very helpful for both your business and your tourism package to be present online, as this will be how potential travellers and consumers of your business will find, learn about, and book their experiences with you.

Online travel companies such as Expedia and Travelocity are important sales channels, especially for small and start-up businesses. Using the internet to market and make sales is an affordable and effective way to reach your target market. This is in line with the rising trend of travellers booking their own vacations, as well as the trend of FIT, as we have learned.

It is equally important to ensure that your business can be found through search engines such as Google. You can do this by incorporating a few simple key words into your website that relate to your business and products.

Your website should also be equipped with a reservation booking system to take inquiries, bookings, and reservations all at once, so you do not lose potential customers.

Congratulations, you have now completed training on tourism product packaging. You now have the knowledge and the tools to successfully combine tourism products into packages for travellers. ITI is committed to providing useful training material to help support the growth of the tourism industry for the Northwest Territories. If you are interested in any of the additional training resources and services available to you, please visit www.iti.gov.nt.ca/en/services/tourism-training-resources

Appendix A: Pricing Worksheets



Calculation 1

Calculate the package fixed cost.

PACKAGE FIXED COST	COST PER PACKAGE	DIVIDE BY THE NUMBER OF SPACES AVAILABLE ON TOUR	TOTAL COST PER PERSON
Guide wages (guide and assistant guide)			
Driver wages			
Fuel			
Fuel			
TOTAL PACKAGE FIXED COST			A



Calculation 2

Calculate the package variable cost. (The number for this worksheet come from the Package Itinerary Planning Sheet in Step 4.)

PACKAGE VARIABLE COSTS	DAY 1	DAY 2	DAY 3	TOTAL COST PER PERSON
Meals				
Accommodation				
Activity				
Other				
TOTAL PACKAGE VARIABLE COST				B



Calculation 3

Calculate the share of the total business fixed cost (overhead) you want the package to contribute.

BUSINESS FIXED COST	ANNUAL COST	MULTIPLY BY THE PERCENTAGE YOU WANT THIS PACKAGE TO CONTRIBUTE (E.G. 2.5%)	DIVIDE BY THE NUMBER OF SPACES AVAILABLE IN THIS PACKAGE	TOTAL COST PER PERSON
Marketing				
Wages				
Package development				
Supply cost				
Telephone				
Insurance				
Rent				
License, memberships etc.				
Other				
TOTAL BUSINESS FIXED COST				C



Calculation 4

Calculate the total package cost per person.

	TOTAL PACKAGE COST PER PERSON
Carry forward the package fixed cost per person from box A	
Carry forward the package variable cost per person from box B	
Carry forward the business overhead cost per person from box C	
Add A + B + C	
Divide by realistic sales bookings (e.g. 80%) to get the total package cost per person	D



Calculation 5

Add the appropriate amount of profit.

Carry forward the total per person package cost from box D	
Multiply by the profit percentage you want to add to the package (e.g. 10%)	
Add the two numbers to get the total per-person package cost, including profit	E



Calculation 6

Adjust the price for a full spectrum of customer types.

	Carry forward the total package cost per person including commission and profit (box E)	Add percentage of the price increase for single occupancy	Add percentage of the price increase for high-season booking	Subtract discount percentage for group booking	Subtract discount percentage for children under 12 years of age	Subtract discount percentage for low-season booking
ADJUSTED PRICE		F₁	F₂	F₃	F₄	F₅



Calculation 7

Add travel agent and wholesaler commissions.

Carry forward the total package cost per person including profit from box F	
Multiply by the package by the commission being offered, taking into account the increase in the total package price (multiply by 25% for 20% commission)	
Add the two numbers to get the total package cost per person, including commission and profit (Retail Rate)	
Minus 20% to calculate commission/net rate	
NET RATE PAID FOR PACKAGE	



Calculation 8

Adjust the rates for the remaining customer types.

	SINGLE OCCUPANCY	HIGH SEASON RATE	GROUP DISCOUNT	UNDER 12 RATE	LOW SEASON RATE
Package Rate	F ₁	F ₂	F ₃	F ₄	F ₅
Multiply by 25%					
Retail Package Price					
Minus 20%					
NET RATE					

