



PRODUCT PACKAGING

HISTORY OF PRODUCT PACKAGE TOURS

Since their establishment in the 1960's, package tours and the number of receptive tour operators have steadily grown in importance to all aspects of Canadian tourism. It is commonly perceived as a growth opportunity for both travel volume and type of tour package offered.

A number of factors contributed to the popularity of packaged tours but the single largest factor was the airlines participation in creating packages to promote their inventory of seats. This not only widened travel options and destinations but also increased the number of travelers.

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

THE PRINCIPLES OF PRODUCT PACKAGE DEVELOPMENT

Tourists do not visit Toronto just to stay at the Royal York Hotel or travel to Vancouver to visit the Aquarium.

Visitors are attracted for a number of widely diverse reasons:

- History
- Culture
- Scenic Splendor (Spectacular)
- Unique and different destination

They are drawn to a destination because of what they have seen, read, or heard, about an area's attractions.

Today most people learn about a destination through the media:

- Newspaper
- Magazines
- Television
- Internet/web

Travel patterns evolve from this point and invariably centre on the individual's interest in a particular area but seldom on one specific service element.

It is here that the convenience and organized structure of a complete travel program becomes the reason for making the choice of destinations.

These arrangements can come in a varied assortment of components known as PACKAGE TOURS.

The benefits of packaging can be illustrated as follows:

5 DAY/4 NIGHT GENERAL INTEREST TOUR

Day 1

Yellowknife

Afternoon Arrival

- Transfer to hotel
- Check-in
- Balance of day at leisure, shopping
- Dinner
- Film presentation of North Slave Region

Day 2

Yellowknife

Breakfast

- Town Tour and Visitor Center
- Lunch
- Boat Cruise
- Dinner

Day 3

Fort Smith

Breakfast

- Flight to Fort Smith
- Fort Smith tour including lunch
- Late afternoon flight to Hay River
- Dinner

Day 4

Hay River

Breakfast

- Morning community tour
- Lunch
- Afternoon hiking excursion
- Dinner
- Local traditional entertainment
- Overnight hotel

Day 5

Hay River

Breakfast

- Drive/flight to Yellowknife
- Lunch in Fort Providence
- Art Tour
- Departure for Yellowknife/Drive or flight to Yellowknife and points south

A number of advantages are immediately apparent:

- Visitor length of stay
- Coordinated presentation of the area's attraction base
- Distribution of visitors throughout the area
- Variety of facilities and services involved
- Economic impact in overall terms

Packaging pays dividends beyond the revenue it produces. By having a comprehensive inventory of services circulating in the marketplace, it presents a consistent regional identification. This is accomplished through promotional campaigns aimed at:

- Tour wholesales
- Travel agents
- Special interest groups

The possibilities are endless and should be implemented through co-operative actions by all interested parties within the community.

WHAT IS A PACKAGE

A package is a group of products and services presented as a unit and sold for one fixed price. Products and services may include accommodation, transportation, sightseeing, and meals.

Some packages may even include helicopter rides, theatre tickets, picnics, community events, and hands-on learning experiences.

There are no limits to what can be included.

Packages are operated for a specific duration.

A tour may be packaged for one or two people travelling as individuals, or for a coach-load of people travelling as a group.

ADVANTAGES OF DEVELOPING A PACKAGE

Packaging's intent is to create user-friendly products. It is intended to make carrying out business more convenient for both the business and the customer.

ADVANTAGES FOR THE CUSTOMER

- It increases convenience for the clients by combining services that would otherwise have to be purchased individually, often with some difficulty.
- It makes vacations more affordable and less time consuming to plan.
- It allows customers to budget and more closely predict the cost of their vacations. It can provide some security of product quality.

ADVANTAGES FOR THE BUSINESS

- It increases the number of sellable features, allowing the business to appeal to wider markets.
- It creates unique products, because elements are usually different than the packages of other tours.

- It provides newer businesses the opportunity to partner with well-established, high-quality products.
- It facilitates tourism and regional economic development by increasing demand for some components of packages.
- It encourages participation in tourism development.
- It may maximize revenue for the package partners by decreasing marketing costs.
- It increases marketing effectiveness through a well-organized effort.
- It enables operators to provide control over the visitor's experience through the selection of appropriate partners.

DISADVANTAGES OF DEVELOPING A PACKAGE

DISADVANTAGES OF A PACKAGE

- Partners have not got as much control over the quality of the total product.
- Package 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 package.
- Packages may create client volume that a partner does not have the capacity to handle.
- Package may create the feeling of inflexibility among customers, since most packages have predetermined components and often have pre-determined dates.

PACKAGED TOURS

A pre-planned, organized travel experience consisting of several and separate elements operated over a fixed itinerary and time frame.

These programs may encompass a wide spectrum of interests, events and activities but must, by regulatory requirement, contain at least one night's confirmed accommodation any two of the following components:

- Air transportation
- Surface transportation
- Local transfers
- Car or recreation vehicle rental
- Sightseeing or guide services
- Meals and/or entertainment

Realistically, from an external sales and marketing point of view, the basic requirements for qualifications are:

- Accommodation
- Transfers
- Sightseeing

These are accepted by regulatory authorities to constitute a packaged offering and qualify for a variety of promotional air fares and tariffs which provide competitive pricing of the product.

Packaged tour sales are especially attractive to travel agents as they derive increased commission rates on the air transportation segments of the program.

Packages take many forms. For example:

- A local canoe-guiding business and the hotel down the road get together to market a day long canoe trip with overnight accommodations to residents of a nearby city.
- A bus-tour company buys accommodation and meals at a community lodge to include in the bus-tour company's own package.
- A guest farm and a foreign-language school organize a farm stay for the language school's students.
- European travel wholesaler combines air travel, bus transport, hotel accommodation, meal vouchers, city tours, and outdoor activities, such as rafting and horseback riding, for Europeans who want to come to Canada.

TYPES OF PACKAGES

The greatest distinction in types of packages is between packages for groups and packages for individual travelers. Purchasers of both types of packages seek as complete an experience as possible, at a reasonable price. In addition, these packages are then categorized according to whether they are touring/trip-oriented or destination-oriented.

PACKAGES FOR GROUPS

Group Inclusive Tour (GIT) is a prepaid tour for a specified minimum number of people, travelling as a unit. Most group tours in the N.W.T. are comprised of 10 to 35 people (standard coach size is 47 passengers), GIT's are usually travel-escorted on chartered transportation and generally include all baggage handling, entrance fees, taxes, and some meals.

As the title indicated, an operation specifically tailored to accommodate a number of participants with similar interests.

This type of tour product is often used to service lengthy itineraries utilizing a mixture of services, transportation, accommodations and attractions.

Based on their duration and areas of operation, they fall into three distinct categories which are:

- Escorted
- Hosted
- Unescorted

PACKAGES FOR INDIVIDUAL TRAVELLERS

A Fully Inclusive Tour (FIT) is a prearranged and prepaid tour, for one to ten people travelling without an escort or tour guide. Most typically, an air carrier originates the booking. The customers usually travel by public transportation or U-drive. FIT generally includes accommodation, transportation, and sightseeing. The traveler is issued a "voucher" for each component of the package. Taxes and baggage-handling are usually the responsibility of the individual traveler.

S.I.T: SPECIAL INTEREST TOUR

A rapidly expanding segment of the tourist market is being serviced by this category of tour designations. Its composition and operation is very similar to that of the G.I.T. but it is almost always applied to small dedicated groups.

Principal areas of application refer to established outdoor activities which emphasize client participation such as:

- Fishing
- Hunting
- Trail Riding
- Canoeing and River Rafting

In addition, the greatest increase in market growth has been recorded in non-consumptive pursuits, notably:

- Environmental study groups
- Wildlife observation
- Historic and cultural programs
- Photographic Safaris

There has been a growing clamour among sophisticated Canadian travelers to experience, and to add to their travels, unpredictable and sometimes strenuous, vacations.

WHO DEVELOPS PACKAGES?

Small tourism businesses often partner with other local services to create a more complete product. An example of this would be the canoe-guiding business that combines its service with a hotel to form a package.

The same tourism business may instead sell its service to a tour operator, thus becoming a supplier to, and part of, the tour operator's package. For example, a sea-kayaking business could be approached by a van-tour company that wants to include sea-kayaking in its brochure. The sea-kayaking company agrees and becomes part of the van-tour company's package.

Independent business operators from around the Northwest Territory may offer one component or service for sale to tour operators, thereby becoming a "supplier" to a tour operator. For example, an amateur live-stage theatre in Yellowknife may sell evening show tickets to a tour operator (FIT) selling Art Tours.

A professional tour operator offers a variety of tours (comprised of many products and services) to more than one market.

Tour operators are always seeking new products and services to include in their packages.

The innovative features of their tour components gives them "unique selling points" over their competition.

POTENTIAL PARTNERS IN PACKAGING

- Restaurants/Food & Beverage Services
- Accommodations
- Transportation Services
- Adventure Tourism & Recreation
- Packager/Wholesaler
- Attractions
- Entertainment
- Special Events Festivals/Conferences

DISTRIBUTION OF TOUR PACKAGES

- Tourist operators
- Local Wholesalers
- Target Market Wholesalers
- Consumers
- Retail Travel Agencies

TRAVEL INDUSTRY TERMS OF REFERENCE

The benefits of tourism development are substantial with the opportunities to create new and lasting employment, supported by increased revenue generation, being the principal rewards. Tourism does not happen by accident and requires a number of elements to be brought together to formulate a coordinated and planned approach.

- Public Bodies
- Local Authorities
- Government Agencies
- Travel Trade
- Private Sector

The private sector providing the leading and critical component. As a global industry, the need for a common language is required.

TOUR OPERATOR

The individual who runs his or her operation such as a river cruise or town tour. Assumes full responsibility for the day to day operation of the attraction

RECEPTIVE OPERATOR

The travel industry principal who co-ordinates and contracts for the variety of services involved in the tour package, In general, these organizations are located in the region within which the programs operate and assume the role of BROKER between the product supplier (Tour Operator) and the external industry sales outlets.

TOUR WHOLESALER

The tour wholesaler plans, packages and promotes the sale of the product in its region of operation. Traditionally, the wholesaler markets its offerings through retail travel agents by means of a brochure and pays a commission to the selling agency

TRAVEL AGENT

A travel agency sells a multitude of travel services to its clientele. It acts as a middle man between the supplier and the individual traveler.

A travel agent's services are free to the user. They earn commissions from the suppliers.

It is extremely important that product suppliers concentrate their marketing efforts through co-operative programs involving receptive operators and tour wholesalers.

WHAT SHOULD BE INCLUDED IN A PACKAGE?

Packages may include a wide variety of components, and vary according to a key element or theme. Components may 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).
- Extra and/or creative elements (photo service and film delivery, self-help coffee, discount coupons from local gift stores).

WAYS TO MAKE A PACKAGE SUCCESSFUL

As the developer of a package, you should:

- plan far enough ahead to ensure that no important aspects will be overlooked
- build the package around a core activity or attraction that is appealing to the target market
- price the package competitively
- package compatible activities and services together, based on the market group you expect to attract
- ensure that quality can be maintained
- pay attention to details and impress your customers with your professionalism
- communicate clearly with your customers to avoid surprises when they arrive
- earn an acceptable profit!

There are **Six Steps** used in developing a package. First, you need to have an idea in mind of what you think your package might look like. Then you can explore its feasibility by following the six steps.

STEP 1: DETERMINING YOUR GOALS AND OBJECTIVES

Goals and objectives can vary from package to package. Clearly articulate the goals for your proposed package.

These may be:

- to bring new visitors to your region
- to develop new markets and diversify your products
- to increase income during shoulder seasons
- to partner with an upcoming event
- to diversify economic development in your community

Exercise

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

STEP 2: IDENTIFYING STRENGTHS AND OPPORTUNITIES

You may need to carry out an inventory of the existing tourism services, attractions and strengths in your region as a way to identify new opportunities. In addition, you may need to realistically assess your personal and business strengths and abilities in order to help clarify how you fit into the package.

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
- restaurants

Exercise

Create an inventory of the resources within your community that would be suitable for inclusion in a package. The following headings are general areas for which your community might have resources that you can access.

Resource Inventory

Natural resources

Cultural resources

Recreational resources

Special events

Historical resources

Staffing resources

Accommodation and restaurants

Transportation services

Public services

Marketing services

Other

STEP 3: IDENTIFYING TARGET MARKETS

Identify as specifically as possible your expected markets for the package. Be sure to identify their characteristics, origins and motivations.

There may be more than one market for a package; each should be clearly identified. Identify market research information you need in order to confirm the proposed markets, e.g. research into what age group might be expected to participate in hiking trips in the Canadian Arctic.

Identify the research tools you will use to find out more about the target market, e.g. questionnaires, focus groups.

Exercise

Make a list of the primary and secondary markets you think would be interested in purchasing your package. List their characteristics, origins and motivations.

Market Identification

	Target Market 1	Target Market 2	Target Market 3
Characteristics of the market			
Origin of the market			
Motivation for the market to buy the package			
What market research information do I need?			
What research tools should I use?			

STEP 4: DEVELOPING THE PACKAGE

Determine the potential components to be included, considering your strengths and opportunities and your target market. Then 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)
- fees, admissions and service charges

Exercise

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

Complete one planning sheet for each day of the package, remembering that the first and last days may only require services for part of the day. Leave the supplier/partner and cost columns empty for now. An example follows for your reference.

PACKAGE ITINERARY PLANNING SHEET

Sample Lake Louise to Jasper Tour

Day: _____

Group size of 20

Itinerary	Time	Supplier/partner	Cost per person
Breakfast	7:00 am	Wintergreen Restaurant	\$8.50
Bus departure	8:30 am	Whitesaddle vanlines	\$35.00
Arrive and tour the Columbia ice fields information center	9:30 am	Staff at interpretative center	\$0.00
Bus departs	10:30 am	Whitesaddle vanlines	\$0.00
Arrive at Sunwapta falls/tour area	11:00 am	Staff at interpretative center	\$0.00
Lunch	12:00 pm	Falls restaurant	\$12.00
Bus departs	1:00 pm	Whitesaddle vanlines	\$0.00
Join voyageur canoe trip	2:00 pm	Athabasca River Heritage Voyageurs	\$20.00
Meet bus at canoe take out	4:00 pm	WhiteSaddle Vanlines	\$0.00
Arrive in Jasper	4:30 pm	Elk Hotel	\$45.00
Dinner	6:00 pm	Albatross Inn	\$14.00
Total cost per person			\$134.50

STEP 5: OBTAINING PARTNERS SERVICES AND SUPPLIERS

Traditional competitive business means being self-sufficient, trying to control all of the operational services, employees, infrastructure and marketing as a single company.

A new, emerging trend is to shift to partnerships by focusing on your basic products and services and then by collaborating with others to help reduce your costs while making your business more appealing to target markets. This allows you to share expertise and offer a better experience to clients. It also allows you to concentrate on what you do best.

Obtaining suppliers, services and partners occurs in the areas of, for example:

- entertainment, e.g. music, storytelling, cultural performers, artisans
- accommodations
- travel transportation/charters
- meal suppliers, e.g. restaurants, caterers, community organizations
- rental services, e.g. skis, bicycles
- local businesses, e.g. retail
- guides, e.g. tour guides, scientists, aboriginal guides, non-government staff, etc.

Exercise

Using the Package Itinerary Planning Sheet in the previous exercise, add the list of partners you would like to have participate in your package.

Determine the cost per person for each service listed. Total the costs at the bottom of the planning sheet. You will use this number to calculate the product cost in Step 6.

STEP 6: PRICING THE PACKAGE

There are seven calculations involved in pricing a package. Use the Pricing Worksheets that follow the description of these seven calculations to price a package that you wish to produce. A completed set of Pricing Worksheet Samples is in the Appendix.)

Calculation 1

Calculate the total cost per person of operating the package (**package variable cost**). This is the cost you will incur for each person who is included in the package. The cost may include meals, rentals, entry fees, accommodation, baggage handling, ground transport (if charged per person), gratuities, etc. Use the Package Itinerary Planning Sheet(s) used in Step 5 to help you.

Calculation 2

Calculate the total cost per person that will occur regardless of the number of people in the package (**package fixed cost**). This is the package operating cost and does not vary according to the number of people in each package. It may include marketing (if it is done specifically for this one package), ground transport (if charged per package -e.g. a weekly van rental), a driver, a guide or an interpreter.

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 20 customers, your package fixed cost per person is \$2,000 divided by 20 customers = \$100.

Calculation 3

Calculate the share of the total annual overhead cost of the business (business fixed cost) that you want the package to contribute to the business. This is 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 4

Calculate the total package cost per person. Add the package variable cost per person (box A), the package fixed cost per person (box B) and the business fixed 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 occupancy rate for the package in 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 significantly increased profits if you sell more seats.

Calculation 5

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 buoy your business over slower times, allowing you to keep staff, relieve low-season cash-flow shortages, etc.

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

Calculation 6

Add travel agent and wholesaler commissions. Commission amounts will vary depending on how you are intending to sell the package. Travel agents generally require a commission of at least 10%; travel wholesalers require a commission of 20% - 30%.

If you are planning on selling 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. Multiple the commission rate you decide on by the figure in box E, and then add the resulting number to figure E.

Calculation 7

Adjust the price for a full spectrum of customer types. 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.

SAMPLE PRICING WORKSHEET

PACKAGE DESCRIPTION

The following pricing example is for a backcountry ski-touring package in the Kootenay region of southeastern British Columbia. A backcountry lodge has recently been constructed by a ski guide who guides groups and hires an assistant guide as required.

The package includes all ground transportation to and from the airport, helicopter transport from the hotel in Nelson to the lodge and back, all meals accommodation, equipment rental, guiding and interpreting.

The guests arrive on the afternoon of the first day and are transported from the airport to a hotel for the night. On the morning of the second day, they are flown by helicopter to the lodge, where they receive instruction and ski through to the fifth day. On the sixth day, after a half day of skiing, the guests are flown from the lodge back to Nelson, where there is a wind-up party. They stay overnight in the hotel. On the last day of the package, the guests are transported to the airport to catch their flights home.

The business has been open for a number of years and its occupancy rate is high, over 80%. All figures are rounded off to the nearest dollar.

PRICING WORKSHEET

Calculation 1: Calculate the package variable cost.

Package variable cost per person	Day 1	Day 2	Day 3	Day 4	Day 5	Day 6	Day 7	Total cost per person
Meals	18	25	25	25	25	35	6	159
Accommodation	35 Hotel	30 lodge	30 lodge	30 lodge	30 lodge	30 hotel		190
Transportation	10 van	80 flight				80 flight	10 van	180
Ski equipment rental		20	20	20	20	20		100
Safety equipment rental		6	6	6	6	6		30
Wind-up party						15		15
Total package variable cost								A 674

PRICING WORKSHEET

Calculation 2: 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)	750	12	63
Cook wages	625	12	52
Helicopter flights for two guide and one cook	480	12	40
Other			
Total package fixed cost			B 155

PRICING WORKSHEET

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 (i.e. 2.5%)	Divide by the number of spaces available in this package	Total cost per person
Marketing	15000	375	12	31
Owner, management and guiding wages	35000	875	12	73
Package development	1800	45	12	4
Administration and Support staff	8000	200	12	17
Office cost	6500	163	12	14
Telephone	2400	60	12	5
Insurance	3600	90	12	8
Lodge payment	11000	275	12	23
Total business fixed cost				C 175

PRICING WORKSHEET

Calculation 4: Calculate the total package cost per person.

	Total package cost per person
Carry forward the package variable cost per person from box A	674
Carry forward the package fixed cost per person from box B	155
Carry forward the business fixed cost per person from box C	175
Add A + B + C	1004
Divide by a realistic sales occupancy rate (i.e. 80%) to get the total package cost per person	D 1255

PRICING WORKSHEET

Calculation 5: Add the appropriate amount of profit.

Carry forward the total per person package cost from box D	1255
Multiply by the profit percentage you want to add to the package(i.e. 5%)	63
Add the two numbers to get the total per person package cost, including profit	E 1318

PRICING WORKSHEET

Calculation 6: Add travel agent and wholesaler commissions.

Carry forward the total package cost per person including profit from box E	1318
Multiply by the commission percentage you want to add to the package (i.e.10%)	132
Add the two numbers to get the total package cost per person, including commission and profit	F 1450

PRICING WORKSHEET

Calculation 7: Adjust the price for a full spectrum of customer types.

	Carry forward the total package cost per person including commission and profit (Box F)	Add percentage of the price increase for single occupancy (i.e.10%)	Add percentage of the price increase for high-season booking 0%	Subtract discount percentage for group booking (i.e. 5%)	Subtract discount percentage for children under 12 years of age (15%)	Subtract discount percentage for low season booking (20%)
	1450	145	0	72	217	290
Adjusted Price		1595	1459	1378	1233	1160

ADMINISTRATION OF THE PACKAGE

Decisions need to be made regarding administrative details that facilitate the operation of the package and portray a professional image. These may include:

- How customers or their agents can reserve seats in the package. Options may include, telephone, facsimile, Internet/Email and regular mail.
- How records of reservations will be kept, how to handle reservations when the package is full, cancellation deadlines, customer payments and mailing list.
- How customers prove their purchase upon arrival. This usually involves customers receiving some form of voucher that acts as their proof of purchase, provide confirmation to you of the service level required and provides identification of the particular agency that originated the sale, if applicable.

EXAMPLES

Reservations

Procedures administering reservations vary among companies.

If there is enough time between the initial reservation and travel commencement, it is suggested that a deposit be secured. Final payment should be received prior to the product being used. Companies providing volume sales may negotiate less strict requirements and use roll-over deposits. (Please see Glossary.)

Travel agents, tour operators, suppliers, and consumers rely heavily on, 1- 800 numbers, fax and internet to make reservations. The cost of a 1-800 line, fax and internet has decreased, making this service more affordable for small business operators.

Operations

Terms and Conditions spell out company payment and cancellation policies. Cancellation policies are often flexible to promote positive public relations with repeat clients. Examples of terms and conditions can be viewed on the back of better travel brochures.

Tour operators generally receive advance payment for travel arrangements and therefore can be accommodating in meeting payment schedules of product and service suppliers.

Confirmation and travel documents are sent directly to the booking agent, who in turn, sends them to the client.

Vouchers and Travel Documents

A voucher or travel coupon will include these details:

- Name of Tour Operator, Tour Name, Passenger Name, Supplier Name
- Dates and Services to be Supplied (coupon value)
- Official Validation Stamp

Travel documents require a step-by-step itinerary. For a group, the itinerary may be incorporated into a tour operator's materials to provide the escort with a daily activity schedule.

For the FIT traveler, a precise itinerary will ensure the client can conduct his or her own tour with confidence, and can easily find local points of interest along the way.

DESCRIPTIONS - CONDITIONS - WAIVERS

Suppliers and/or operators dealing with TOUR WHOLESALERS should provide clear and concise information on all conditions affecting the provision of their product. These should be communicated in written form and provide the following information.

- A thorough description of what the program consists of.
- All ingredients of the offer should be listed and it should be noted whether or not they are actually included in the price quoted.
- A list of exact arrival and departure dates.
- An indication for what periods the prices are quoted.
- 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, such as single room charges or others should be spelled out.
- An indication whether the prices are quoted net or gross.
- An indication, if applicable of what the commission payment structure is.

When doing so it should be realized wholesalers generally expect a commission of at least 20 percent, as approximately 10 percent has to be passed on to the retailers.

When quoting net prices, these must be net and not those that the consumer would be charged locally.

WAIVERS

Any conditions outlining responsibility must be clearly expressed in exact terms.

INSURANCE

Any specific insurance requirements must be detailed, exactly. With regard to communications, the ideal method from the standpoint of speed and maintaining proper records is the fax machine or email.

The fax or email should not only be used as a means to exchange information on offers, reservations or booking, but also to keep wholesalers abreast of new developments that effect the status of the product. Finally, suppliers should ensure that their fax number, website and email is on their business cards, stationary and tariffs.

DESIGNING YOUR TOUR

STANDARD INCLUSIONS AND COMPONENTS

As noted in the Types of Packages section, standard inclusions may vary between group and FIT tours.

"Typical" inclusions and "expected" services on a traditional tour may include many of the following.

Meet & Greet

Generally conducted at an airport, port or entry point into a region. A professional local guide or company representative meets and greets members of the group and gives them a brief run-down on what activities, transportation, lodging, etc. to expect while in the care of your company. The fee for this service is built into the overall package cost or may be included in baggage-handling charges.

Lodging Welcome

Conducted for groups by local hotel/resort staff.

While the group escort goes to the front desk to do administrative chores (i.e., update rooming lists, check special needs, ensure rooms are ready, and get room keys), the welcome person uses the bus microphone (ask the driver's/escort's permission) and gives a brief welcome announcement to the group. The welcome person then leads the group off the coach into a small gathering area/room. No fee is charged for this service.

Welcome Reception

Provides groups with basic lodging information.

This includes location of ice machines, nearest drug store, bar and pop service, etc. Fruit punch and cookies (or something inexpensive and simple) are served. This reception is kept brief (i.e. 10-15 minutes) and, allows for the smooth delivery of baggage to each room while the reception is taking place. The minor cost of the refreshments is born by the hotel or motel.

Baggage-Handling

Often not included for FIT. The charges, based on a per-bag-in and per bag-out basis, are charged to the package organizer.

Extra Services

Extra services are low-cost or no-cost complimentary services that ensure you get repeat business in the future. Here are some suggestions

- a full Ice bucket in each room
- a photo film/disk pick-up and delivery service to a local film-developing shop
- fresh-up towelettes distributed on arrival/departure or during the day
- shoe-polishing service
- self-help coffee, late night/early morning, in the lobby
- a discount coupon from local/in-house gift store
- a display of local aboriginal art
- a locally crafted farewell gift upon departure

Meals

Often, groups are made to feel like inferior customers. This can be avoided. Preplanning will show that added effort was made to celebrate their arrival.

Print restricted or single-item main course meals on a letterhead sheet that includes a special greeting for the group, and the day's date.

Arrange for the group to sit at regular-size tables (not group, tables).

Allot a set dollar value for each meal and let group members order, from the regular menu, accordingly. (Note: Always include staff \ gratuities in quotes.)

Entertainment

Set up a specific area for the group. You may wish to provide them with a few complimentary activities.

- playing cards and card tables
- travel films
- bingo
- a talk about tomorrow's tour
- a scavenger hunt

Community entertainment for members of coach tours will hold more appeal if it is not too far from the accommodation base.

Sightseeing

Select your tours with your target markets in mind. For example, keep in mind that seniors find it difficult to walk on uneven ground, require assistance getting in and out of boats, and enjoy the fresh air but need to keep walking to a minimum.

Groups enjoy the "grass roots," local community perspective. Allow time for shopping and for getting the group back to the evening lodging. Include time for resting and refreshing before dinner.

Farewell

A representative from each place of lodging and the local tour operator should be on-hand as the group loads for final departure. A simple "thanks for coming" can be enough, but a treat of candy or some fruit for the day's journey is a nice touch.

Creative Inclusions

Creative inclusions are components that add a perceived value to the tour.

Suggestions:

- an evening presentation on aboriginal history
- a slide show of regional highlights
- an aboriginal carving demonstration
- local food specialty display

The Duration of a Package

Once target markets have been pinpointed, you will see a travel pattern emerge. 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 and remain only one night, and sometimes only a few hours. The

N.W.T. resident visitor is often only in an area for a weekend and frequently travels to visit friends and relatives (VFR).

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.

Other examples include: one-hour interpretive walk through a local garden; a guided, half-day nature hike through local meadows; a half-day four-wheel-drive excursion to the local fire lookout.

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 the province or territories.

PRICING WORKSHEET

Calculation 1: Calculate the package variable cost. (The number; for this worksheet come from the Package Itinerary Planning Shed in Step 4.)

Package variable cost per person	Day 1	Day 2	Day 3	Day 4	Day 5	Day 6	Day 7	Total cost per person
Meals								
Accommodation								
Transportation								
Activity								
Other								
Total package variable cost								A

You may photocopy this worksheet for your own use.

PRICING WORKSHEET

Calculation 2: 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			
Interpreter wages			
Vehicle rental			
Other			
Total package fixed cost			B

PRICING WORKSHEET

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	Divide by the number of spaces available in this package	Total cost Per person
Marketing				
Wages				
Package development				
Supply cost				
Telephone				
Insurance				
Rent				
Other				
Total business fixed cost				C

PRICING WORKSHEET

Calculation 4: Calculate the total package cost per person.

	Total package cost per person
Carry forward the package variable cost per person from box A	
Carry forward the package fixed cost per person from box B	
Carry forward the business fixed cost per person from box C	
Add A + B + C	
Divide by a realistic sales occupancy rate to get the total package cost per person	D

PRICING WORKSHEET

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	
Add the two numbers to get the total per person package cost, including profit	E

PRICING WORKSHEET

Calculation 6: Add travel agent and wholesaler commissions.

Carry forward the total package cost per person from including profit from box E	
Multiply by the commission percentage you want to add to the package	
Add the two numbers to get the total package cost per person, including commission and profit	F

PRICING WORKSHEET

Calculation 7: Adjust the price for a full spectrum of customer types.

	Carry forward the total package cost per person including commission and profit (Box F)	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						

HOW TO MARKET PACKAGES

LEAD TIME

Organizing a successful group tour requires a minimum of one year lead time.

This allows:

- Three months to research, plan, negotiate, book, price the tour, and produce promotional materials,
- Six months for a promotional and sales campaign, and
- Ninety days for billing, dispatch, and wrap-up.

Tour operators packaging around a large event (The Olympics) make their plans up to five years in advance.

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 60-90 days.

The Marketing Plan

The marketing plan is a component of your overall business plan. The business plan may include: corporate plans for the coming year, operational problems and opportunities, strategies for pricing, a marketing plan, and a budget. The business plan lays the foundation of company expectations for the coming year.

The marketing plan is an objective document against which progress can be measured. Used as a yardstick to determine achievement of set objectives within a rapidly changing business environment, it is generally written every year as part of the yearly financial budget.

Basic marketing may be done through the following methods.

- Cooperating with regional tourism associations
- Networking
- Cooperating with other like-minded regional businesses
- Direct mailing
- Fam tours (displays first-hand the attitudes of management/staff)
- Slide and video travel shows
- Advertising
- Direct sales
- Internet

The networking aspect of marketing by the small business owner and operator is of utmost importance. To assist this process, attendees may be assigned tasks.

Get to know visitor Infocentre front-counter staff members and introduce them to the product.

Promote the product to service staff along business corridors in the region, e.g., gas station attendants, lodging desk clerks, scheduled-bus drivers, airlines, corporate

office workers who come in contact with visiting business personnel, craft and gift store sales staff, etc.

COORDINATION, CONTROL AND REVIEW

One final point should be stressed here, if you are putting together your own package:

- Do not fall into the trap of thinking that your job is done once you have designed the package, priced it, promoted it and (perhaps) assigned someone to manage it.
- Unforeseen events, poor staff performance, lack of attention to detail, and a variety of other factors can still destroy the fruits of your efforts. As mentioned earlier, you must have checking, monitoring and problem-solving systems in place, and these systems must be closely supervised. Also, you should review the results of your package to see if any improvements can be made.

PACKAGE TOUR PROFILE QUESTIONNAIRE

1. Name of Tour Operator: _____

2. Name of Tour(s): _____

3. Background of Tour Operator: _____

How many years in the business? _____

Special licences or qualifications: _____

Other background information that qualifies you to operate this tour (i.e. number of years in the N.W. T., knowledge of canoeing, etc.)

4. Detailed itinerary. On a separate page, please provide a detailed, day by day itinerary of your trip. (It could include how long on the water each day if fishing, what time you would set out, etc.)

5. Professional tourism organizations you or your company belong to:

6. Season(s) during which you operate:

7. Special licences, etc. required by operator?

8. Licences required by participants in the tour, and their cost

_____ \$ _____
_____ \$ _____

9. Business desired (groups, individuals, meetings, incentive travel, other)

10. Type of clientele your tour appeals to (i.e. outdoor adventurer's of any age or mature people who are no longer interested in roughing it, etc.)

11. Are there any health or fitness requirements? Yes No

If yes, what are they? _____

12. Reservations:

How long in advance? _____

Who to contact? _____

Minimum and maximum group size? _____

Total number of departures? _____

13. Total cost of package: CDN \$ _____ U.S. \$ _____

14. Commissions payable/structure: _____

If not based on a standard percentage, please explain how it works:

15. Deposit and final payment policy:

16. Cancellation policy as it relates to the client:

17. Cancellation policy as it relates to the tour operator in the event he has to cancel a trip.

18. Insurance:

Do you expect guests to carry their own insurance? _____

Do you request any special insurance from them due to risk level of a trip?

19. Tour cost includes (provide details for the ones that apply):

Air transportation: _____

Ground/other transportation: _____

Meals: _____

Sightseeing: _____

Use of equipment (Please specify
– i.e. boats and motors): _____

Airport Transfers: _____

Promotional items (i.e. flight bas,
caps, etc.): _____

Attendance at consumer shows: _____

Promotional brochures: _____

Other: _____

Are there any co-operative
marketing possibilities? _____

20. Wardrobe requirements (specify): _____

21. Personal requirements to bring along on trip (i.e. tackle, camera, binoculars)

22. Tips/gratuities -included in price? Yes No
Suggestions re handling same: _____

23. Luggage limitations/restrictions (i.e. do you encourage guests to bring soft packs, as opposed to standard suit cases?). Are there any limitations to the weight of baggage or the number of pieces?

24. Language – Is translation available if you are marketing to a foreign country?

25. Do you have any schematics or floor plans of special facilities, or of lodges

For example, a floor plan of a boat that sleeps passengers, to show the space, or a diagram showing the arrangement of sleeping cabins in relation to a main dining/lounge lodge.

26. Specific starting point of the tour: _____
Specific ending point of the tour: _____