

UNIT – III: TOUR PACKAGING

Tour Packages

Package holidays, popularly known as a tour package or simply the word ‘tour’ in the travel and tourism industry refers either to a package tour escorted or not escorted by the tourist guide. When we say tour package, it means a pre-arrangement, prepaid trip that combines two or more travel components like airfare, airport transfer, accommodation, and other services. Practically, to define the tour package concept is complex one rather to understand.

Holloway defines a tour package as “a total tourism product consisting of transportation from the market area to the destination, accommodation at the destination and recreational activities promoted by the tourists.”

According to Gregorg “a tour package is advertised journey including specific features, arranged and promoted with tour literature by a tour operator and paid for in full by the tourists before starting the tour.”

Technically, a package tour/tour package is a total tourism product as it generally includes transport from the origin place to the destination, accommodation at an en route place or at the destination and other recreational or travel services. These components are purchased by an individual, firm or company called the ‘tour operator’. He combines all the travel components in a package and sells them at all-inclusive prices to the clients.

History of Tour Packaging

The term ‘tour’ was in vogue as early as 1670. The Britishers traveled to widen their knowledge of the continent, especially to study the culture and social life. This practice was gradually adopted by other lovers of cultural centers. The result of the process was that many European historic and cultural centers were opened to the British tourist. By the early 1730’s the small fishing resorts around the British coast begin to attract tourists seeking to their diseases by drinking the sea-water or by immersing themselves in it.

The introduction of a rail link between the major centers in 1830 had a profound impact on the pleasure travelers for the first time. Many entrepreneurs began to inspire rail travel by organizing excursions for the public at discounted offers.

However, to 'the origin of package tour' the credit goes to Mr. Thomas Cook in 1855, Cook, extended his business operation to different countries by introducing the first 'inclusive tour' to the Paris. Mr. Cook put together all the components of tourism products and sold them as 'inclusive tour' to the tourists. His pre-packaged tour inspired other tour organizations in the travel industry to organize similar tours to all parts of the globe.

Most of the Cook's tours were a linear tour i.e., the person went from place to place on a single destination. Basically, Mr. Cook developed the concept of 'grand tour and escorted tour', the concept which is still used. Incidentally, World War II has tremendously developed the package tour concept because of the following reasons:

- Social and Economic Conditions
- Lower Cost
- Increase in Aircrafts
- Marketing Conditions
- Legal Requirements
- Integration took place.

Today, package tours are a vital segment of the world's travel and tourism industry. According to WTTC, the package tour sales generate \$25 billion annually in the United States, \$18 billion in Europe, \$19 billion in Britain and \$21 billion in Asia. Today tour sales represented 50 percent of all leisure travel sales and 35 percent of all travel agency revenues.

Types of Tour Packages

A travel agency/tour operator deals with variety of 'tour packages,' catering to the diverse needs of tourists such as adventure, beach, architecture, cultural, business, conference, incentive tours, ayurvedic packages, Buddhist, religious, incentive tour, special interest tours, cruise tour group tour, educational tour, heritage, monuments, wildlife lovers, etc. These are broadly classified into **five categories**:

1. Independent Tours

2. Escorted Tours
3. Hosted Tours
4. Incentives Travel/Tours
5. Freedom Tours

Independent Tour

Independent tours are prepared/formulated for those tourists who want to travel independently. The components of such tours are air travel, air transfer, accommodation, travel documents, sightseeing, boat riding, entertainment, and other travel services. However, in some cases, the tourists are free to purchase every single component separately. Thus, this type of tour provides the tourists considerable freedom to plan the activities according to their own choice.

An independent tour may or may not be an all-inclusive tour. Therefore, tour price varies depending on the type of air travel, air transfer, accommodation and is inclusive of other tour components. The foreign independent travel (FITs) and domestic independent travel (DITs) are examples of an independent tour.

Escorted Tour

When a travel agency includes the services of a well educated and trained tour manager in its package, the tour is called an escorted tour. Basically, escorted tours are meant for those travelers who are planning to visit a foreign country first time.

The escort's responsibilities and duties are to provide comprehensive information and assistance to the group or individual traveler, at the origin, en route and the destination place. The excursion tours are the example of escorted tours.

Hosted Tours

A hosted tour means when an agency utilizes the services of another agency at a particular destination. Suppose a group of French tourists is coming to India. When the group arrives in India, they are greeted at the airports by TCI, which assists them in clearing their baggage and transfer them to the hotel.

Their tour-host (TCI) is available to offer device and information about the local attractions and entertainment. Further, when the group arrives at another designation in India, a

different travel agency greets them at each tourist spot. Thus, a hosted tour provides the tourists maximum level of pre-arranged and personalized services.

Incentives Travel/Tour

It is a motivational programme or a fully paid holiday which is given to the employees by the enterprises as a reward. Mostly in medium and large-scale companies and usually too distant destinations to spur them in maintaining their track record, to increase output, improve the image and moreover to earn the long period loyalty of the employees. There are a number of the other packages offered by a tour company such as a custom touran excursion tour, an adventure, and special interest package tours.

Freedom Tours

Freedom tours are becoming very popular these days among the working class. These tours are designed as per the choice of tourists. The tourist is free to choose and plan how they want to travel and enjoy their holidays. These types of tours are meant for that kind of people who like to decide how, when, and where to travel. This tourist may an individual, family, group holidays for families and group travel for business. These tours are promoted and developed by the ORBIT.

Components of a Standard Tour Package

What is to be included in a package tour largely depends and varies from one tour organization to another, or from the one country to another, or from one destination to another and from one market to another market. But there are certain well-defined travel services which always turn a part of a package tour irrespective of the tour operator/travel agency, destination and even the market condition.

If we study and see the package tours offered by Thomas Cook and Sons Ltd., Cox and King Ltd., and other international travel companies, we find that a package tour has two major components. Therefore, a standard package tour has two basic components namely:

- Travel
- Ground Arrangements

Travel industry experience has shown that the first component, i.e. 'Travel' is directly bought by the agency from the principal providers like airlines and transport operators and for ground arrangement, the travel agency management asks the ground operators.

The reason behind buying ground arrangement from a handling agency is that it represents as a ground operator at a particular destination for the numerous tour organizations. Secondly, the prices offered by it are much lower than an individual agency obtain. Thirdly, it is very difficult to get credit from the supplier and finally, it ensures professional travel services.

Factor Affecting the Tour Package Formulation

Generally, the business of package tours involves great risk, high breakeven, high-quality product, and competitive prices. Therefore, the tour management requires in-depth tour planning and market survey. However, before a tour is designed the tour manager should take into consideration certain factors which are crucial in the formulation process. These factors have a profound impact on the tourist's satisfaction. The main factors are:

- Purpose of Tour
- Choice of Destinations
- Tourist Budget
- Legal Requirement
- Types of Tourist Accommodation
- Tour Period
- Departure and stay information
- Tour price; inflationary condition
- Tour Reference Tools
- Tour Features – political stability
- The relationship between the host and tourist generating nation

Tour Package Design and Selection Process

The quality of a package tour is entirely based on the above factors. Essentially, to design/formulate a travel product, the tour manager has to take the biggest responsibility, intuitiveness, imagination, and innovation coupled with a lot of business activities which range from finding new exotic destinations and planning, organizing or promoting such tour. The following are the main stages in the tour design and selection process:

1# Initial Research

(i) The Destination Research

The decision to develop and formulate a new package is a multi-stage process that involves various positive and negative points/steps. Normally, the idea for a new product comes either from the tour executive within the company due to a review of the questionnaire completed by the previous tour members because of the political, economic and social development in a particular area.

When a tour manager see that a large number of old clients are interested in taking a trip to particular destinations, naturally, those destinations become the nucleus of a new 'tour concept'.

(ii) Market Research

Since tour package is a complete tourism product, obviously, before formulating/designing this product, market research needs to be analyzed and assessed in a systematic manner. Market research provides us the answer to the following questions:

- What is the size of the tourism market?
- Who are the existing clients?
- Where do they live?
- Who will be their potential buyers?
- Who are their competitors – their strategy and area of business leisure?
- How many tourist ones want to cater?
- What price will the clients accept?
- What facilities are available and required?
- What are the constraints viz., license, permission, finance, restrictions, taxes, and others?

Once we know the basic components of the package tour, distribution channels, market conditions, constraints in the tourism market, we can develop the marketing strategy. It enables the smooth functioning of the agency and also offers a clear picture of the tour programme. Practically, market research is conducted by the private tour companies/ private tourism enterprises in order to penetrate the market.

2# Itinerary Preparation

By itinerary one means the designing of a programme which one wants to sell and it includes destinations, stopping points, number of days and the travel services that are to be included in the programme. Whether it is a lean season or an offseason, escorted or not escorted, consumer-

oriented or readymade tour programme, the itinerary is prepared to identify the origin, destinations, stopping points, accommodations, sightseeing and other travel services on travelers' trip.

3# Handling Agency or Destination Company

The appointment of handling agency not only ensure excellent travel services to the tourist but also make the operation smooth and profitable. It is a matter of great significance as the success of travel business largely depends upon the clients are actually taken care of during the tour.

It is a positive match between the promised services and tourist's actual experiences or feelings.

Thus, the tour operator should consider the experience of the handling travel agency in the business, the area of operation, reputation, credibility, professional staff, credit facilities and the competitive price in appointing a handling agency.

4# Negotiation

It is another important management decision area in tour designing and planning. Once the decision has been made regarding the destination's concerning their date, duration and number of clients to be carried during the trip, the tour management starts negotiations with the principals' suppliers for a normal contract.

Negotiation means talk between the travel companies and the principal suppliers for the terms, conditions, and prices of the components of a tour package. When both parties are satisfied, it leads to a formal or informal contract between them. The tour company negotiates with the following tour vendors/suppliers:

- Airlines
- Accommodation
- Transport Operations- Rail and Road
- Ground Operators
- Cruise Companies
- Car Rental Companies
- The overseas representatives
- Ancillary Service Organizations

5# Coasting and Pricing a Package Tour

The cost of a package tour encompasses the air ticket, the hotel room, car rental, entertainment charges, administrative costs, promotional costs, and other travel services. The confidential tariff helps the travel company in preparing the cost sheet which will enable the concern to determine its price strategy.

Tour pricing is a big factor in the success of the company's tour programme. The price of a package tour is, whether it is an escorted, independent or hosted the tour, often lower than the combined costs of the same components purchased separately from the principals. However, the purchase price of a travel product is based on three factors: Cost, competition, and demand. Every tour package sold by a vendor has a quantifiable cost. To produce profit the price paid by the tourists must be greater than the agency's cost.

6# Tour Brochure

The tour package is an intangible product which has to be purchased by the tourists/clients without inspection and sometimes even without adequate knowledge. In these circumstances, the brochure becomes the principal instrument to perform the major tasks to inform the clients about the products and to pursue them to purchase it.

Designing, printing, and distributions of tour brochures require necessary skills and knowledge about the components of the tour package. Basically, in the era of specialization and intense competition, tour brochure creates awareness and provides the description of the holiday programme.

Thus, tour management should consider various pros and cons while preparing a tour brochure. A brochure should contain the following information:

- Name of the Travel Company
- Means of transport
- Details about destinations
- Itinerary
- Accommodation, types, location, meals
- Name of the overseas representative
- Duration of each tour

- Booking, reservation and cancellation conditions
- Details of other services – insurance, currency, entertainmentTravel documents required
- Details of price

7# Development of Reservation System

The next step in tour formulation process is reservation system. The agency management in order to put a package into operation must develop and implement a scientific reservation system. The system depends on whether the reservation is to be handled manually or with a computer working on the distribution method.

Whatever method the agency may adopt, the agency management should always keep in mind the sole objective of the reservation system.

8# Marketing of Tour Package

Once a tour package is ready, travel agency management has to make a careful decision regarding promotion and marketing of the particular package tour. The basic objective of management is to make a tour package widely known to make it more and more attractive.

To achieve these objectives, the management must consider the budget available, promotion mix, potential market, easiest and most effective media, campaigning through the international, regional or the public/private sector etc.

The promotion of a package tour means increasing its sales potential and creating an awareness of the existing and potential markets. The following methods are commonly used to promote package tours:

- Middlemen – Retail Travel Agents, GSA, consolidators
- Familiarization tours
- Building Brand Loyalty
- Encouraging Potential Buyers
- Competitive Market
- Courier

9# Tour Handling/Actual Tour Operation

After the successful marketing and achieving target sales, the next and final step in the process of tour designing is tour handling. It means an actual operation of tours, which generally includes administrative work and passenger handling like maintaining reservations, handling deposits,

sending advice to ground operators, arranging travel representation, analyzing the feedback received from clients/escorts/ground operator and so on.

All this is not an easy task. At every stage, one has to face different types of queries and problems due to lack of coordination and communication.

Significances of Tour Package

Tour package is beneficial to travel companies, travelers, destinations and other organizations which are directly or indirectly involved in the tourism business. The main benefits are:

- Time Saver
- Increase the seasonality of a destination cost/price
- Earn foreign currency
- Better quality of products/professional services
- Wide-variety of the tour package
- Provide bulk business to organizers