

3.2 Packaging and partnerships

Increasing demand and value

The tourism industry is well known for “packaging” tourism products together into a tour or holiday. Many tourists find buying a packaged tour a very convenient, economical and secure way to travel. Tourism operators can enhance the perceived value of their own product offerings when they are combined with other, complementary products. This Fact Sheet looks at how you might increase the value and demand for your tourism product through packaging and partnership. You will see that there are different reasons for taking one approach or another. Also, you may want to refer to the Fact Sheets on product development 3.11 and channelling your business 3.12 for related information.

Packaging

Packaging is the process of combining a number of tourism products and services that, together, offer one point of sale for a comprehensive, packaged experience for travellers. Packages are often designed to appeal to a specific target market or to provide a way for customers to easily purchase all of the aspects of the package with one point of contact and one point of sale. The most popular packages offer a unique and appealing experience, or series of experiences, providing good value at a competitive price.

Do-it-yourself packaging

Packaging your product is something that you can undertake independently as a business or that may be done by a tour operator or other packaging professional. You can consult and negotiate with other businesses, develop a tour package and market the package jointly. Or you can develop a tour package, informing the other businesses of your plans, negotiate pricing and service delivery and market the package yourself. Components of a typical package may include: attraction passes, event admissions, sightseeing activities, transportation, accommodations and meals. There are a number of steps involved in developing your own package. These include:

- market research to identify the experiences and features your target market desires
- assessing your area attractions and traveller services. An appealing inventory of experiences, attractions and support services is beneficial when selling your package.
- developing a package concept which includes setting a theme, a market position (economy, deluxe or standard) and describing the specific products/services in the package which appeal to your target market.
- pricing the package. On a per-customer basis, you will need to calculate the variable costs, the fixed costs and the overhead/marketing costs. **Variable costs** are those that will change according to the number of customers you have on the trip. They will include such things as meals, accommodation, admission fees, and other costs charged at a per person rate. The **fixed costs** are those that will not change, regardless of the number of packages sold. They include such items as the cost of a chartering a bus and hiring a guide or interpreter. The **overhead/marketing costs** are your share of the costs of developing and marketing the package. Calculations of these costs are referred to as your *break-even analysis*. Once you know your bottom line, which includes paying yourself and making a profit, you will mark that price up by 10% - 30% depending on the distribution channels for marketing and sales you use. (see Fact Sheet 3.11, 3.12)
- developing a clear booking and cancellation policy for your customers. Take into consideration the various distribution channels you may utilize for your sales and be willing to negotiate terms for working with these various channels.
- establishing management and quality control systems to coordinate your plans with your package partners, establishing credit policies, contingency arrangements, customer communications and tracking of results

Benefits of packaging

- opens new markets and increases sales and sales potential
- provides an opportunity to develop sales in slow periods
- your product becomes more marketable when it partners with other, compatible products
- you share or support marketing costs, increasing the marketing reach beyond your own resources
- you provide one point of sale for all components in the package, providing ease of booking for customers

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Characteristics of a successful package

A successful package is one that is properly matched and directed to the market. It is experientially based, in keeping with today's tourism motivation trend from escapism towards enrichment. A successful package offers a unique selling proposition – an interesting experience related to your area and not available to the traveller at his home.

Tour operator packages

The most common form of tour packaging are packages put together by outbound tour operators (aka tour wholesalers) and receptive/inbound tour operators. If your product is considered for inclusion in a tour package of this type, you will receive customers who are with a "tour company" and who have purchased that tour company's package. Your product will only be one of the many components in the package. Getting your product into this type of package will require a commitment to quality and consistent delivery along with competitive pricing. (see *Fact Sheet 3.12*)

Partnerships – in tourism terms

Partnership is a general concept which can mean a few different things. In one instance, it can mean two businesses jointly developing a product for a specific market. For example, a supplier that offers guided pack horse excursions into the wilderness partners with another that offers fly-fishing clinics at a remote lodge accessible by the pack horses. Another type of partnership is a *strategic alliance*, in which a group of businesses that share some common ground come to an understanding to work together to enhance the success of everyone in the group. The term *strategic alliance* is also used in reference to government and non-government partnerships with business or with each other as they pursue the promotion of tourism objectives.

Making a connection

Usually a partnership is formed around a logical connection between the products that will produce a response in the market or a *market demand*. For instance, a wilderness tour product could be matched with a First Nation cultural tourism product at the same location. Partnerships are always formed by people who want to do business together. If you consider a partnership, make sure that you are compatible with the principal people that you will deal with. Ask yourself, does my product complement the product my partner is offering? Does my partner appreciate and deliver the same service standards as I do? Does my partner make it easy for me to do business with him/her?

A business strategy

There are good reasons to consider both partnership and packaging as a business strategy. For a new business operator, partnership can bring experience and insight into the business. Packaging can bring much needed "identification" to a new or small product. On its own in the market, your product could easily be lost in the huge crush of products being offered for sale. If, on the other hand, it is identified by something familiar, like the brand name or logo of a tour operator, it has a much better chance of gaining recognition. Often a packaged tourism product will be far more marketable, outside Yukon, than a tourism product on its own.

A value-added benefit

Both packaging and partnerships can give your products a "value-added" benefit. A tourism product which you have developed will have some value of its own. If you form a partnership, or if your product is included in a package, the market value of the products offered together is greater than if the products were offered separately. This "value" can be in the form of dollar sales value or it can be in the form of a stronger market demand. In either case, your business will benefit.

Value-added can also mean a component of the package which has been included "free of charge" and adds additional value to the overall price of the package, i.e. receiving "more" for "less" spent.

Costs and selling prices

There are some important considerations from a cost point of view. The total cost of the products being offered together in the package or partnership has to be within a range which will produce competitive market prices once each business has calculated the profit margin that it wants from its product. The retail price will likely be discounted once it is offered in a package to make the overall package attractively priced for travel trade distribution channels. This will only reduce your business' profit margin on a per-sale basis *if you did not* build in mark-ups for selling through the travel trade. Your business will benefit overall from being included in a package due to the increased volume which you will get if the package is marketed successfully. This greater volume of business spreads the fixed costs of doing business (such as management, rent, and insurance) over a greater sales revenue, reducing the fixed cost which you have to cover per sale.