




Unit 10: Tour Operations Management

CLASS 10 TOPICS

- Response to the competition
- Fluid Pricing
- Critical Success Factors
- Consolidation



How to Stand Out From Your Competition: 3 Steps for Tour Operators



How to Stand Out From Your Competition

► WITH YOUR OFFERING

The following factors impact your perceived value:

- **Your product and service.** The way you deliver your tour or activity matters because it contributes to the overall opinion of your brand. This includes the tour or activity itself and intangible elements like the level of service your customers receive.
- **Your presentation.** This is your physical location(s) and the atmosphere(s) you create.
- **Your communication skills.** How well you communicate with customers on your website – before they book, during the tour, and afterwards – are all indicators of how professional you are.
- **Your distribution channels.** When people see you being sold through third parties, it's a good look. For example, can they book via TripAdvisor? Or travel agents? How about the biggest OTAs? Daily deal sites are a good channel, too.
- **Many would argue that this is solely a pricing game, but that's not necessarily true.** While you can certainly compete with your competitors on pricing, remember that people are willing to pay more for more value.



How to Stand Out From Your Competition

► WITH YOUR CUSTOMER REVIEWS

- Customer reviews are highly influential in travelers' buying decisions. In fact, 93% of global travelers say their booking decisions are impacted by online reviews!
- If you're ranking higher than your competitors, or you're getting more positive reviews, then you can be sure that it will give you a competitive advantage.
- So once you have established an offering that your customers love, it's time to get them to spread the word.
- Stuck on ideas of how to do that? Some things you can do to bump up your customer reviews are:
- Offer a prize or incentive for leaving a review of your company and its services.
- Send out an email survey and ask for a review at the end of it.
- Advertise your TripAdvisor/Facebook page at the end of a tour.
- Simply ask for a review through a status update (pro tip: attach it to a photograph of your most recent tour so it's addressed to the people who had the most recent experience with you).
- Provided you've done a good job, they should be more than happy to share their experience in places like TripAdvisor and Facebook. All you need to do is ask.



How to Stand Out From Your Competition

► WITH MODERN TECHNOLOGY

- For tour operators, the main concern is how to use technology to make booking management easier for both customers and staff.
- Eye For Travel reports that “embracing new technologies and platforms will not only give the organisation a competitive advantage but will also provide services and facilities that satisfy today’s consumers, expand company revenues and allow to effectively control distribution costs to provide a reasonable return on investment.”
- With 52% of travelers who use a smart phone or tablet to complete travel bookings, one of your key success factors is the ability to incorporate the mobile trend into your strategy.
- If you fail on the mobile front, these mobile browsers may very well leave your website and head over to your competitors, instead.
- Your mobile booking site should have a good user experience design, be free of friction that keeps users from completing transactions and be fast to load.



3 Strategies That Will Make Your Tours More Competitive



3 Strategies That Will Make Your Tours More Competitive

► APPLYING DISCOUNTS FOR DIFFERENT THINGS

You can maintain your margins for regular sales, but get extra income by selling to other customers at a discount.

Based on season

It's a smart idea to apply a discount your products on low season to help with yield management. During a particular time period, your customers can get more for less. The value they receive goes up, and it's more tempting to book it in. You can distribute this via daily deal sites for quick results.

Based on loyalty

You can offer special pricing to customers who are part of your loyalty program, or perhaps an affiliate organisation. Rewarding customer loyalty is a great way to encourage an ongoing stream of bookings and get more revenue per customer.

Based on group size

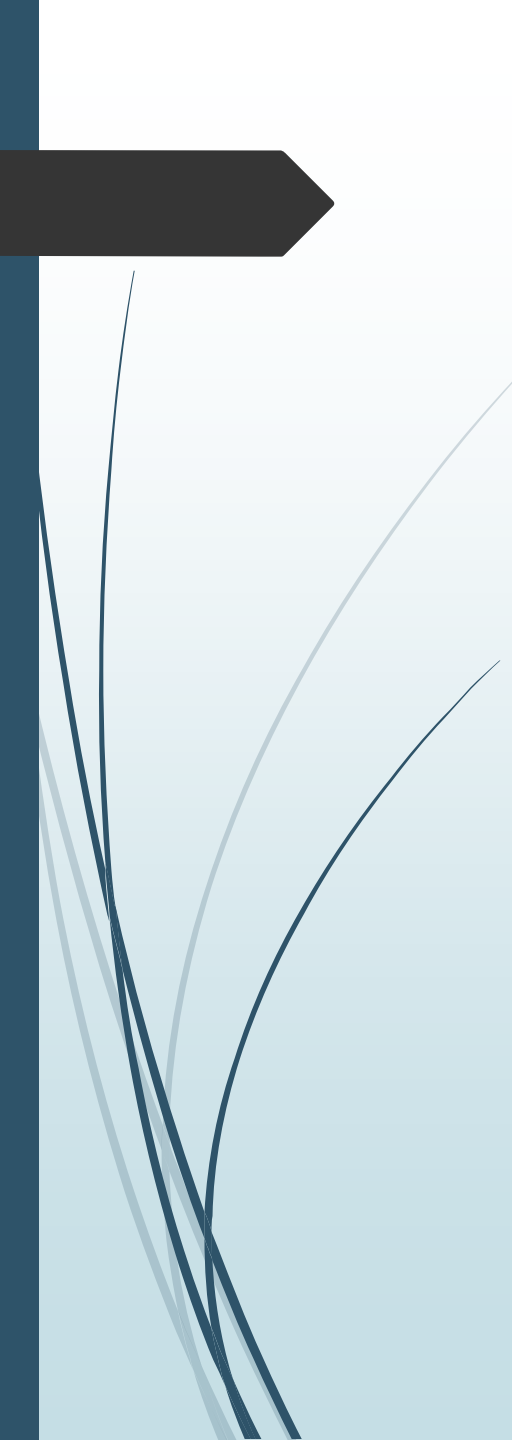
This makes sense – if someone's prepared to book in 20 seats, you'll give them a bit of a discount compared to someone who's only booking in 2 seats.

Based on payment terms

Consider offering a discount for instant online payment instead of cash on the day.

Based on total spending

This is part of your loyalty program – give customers something for free when they spend over a certain amount with you (eg. a free tour with a friend).

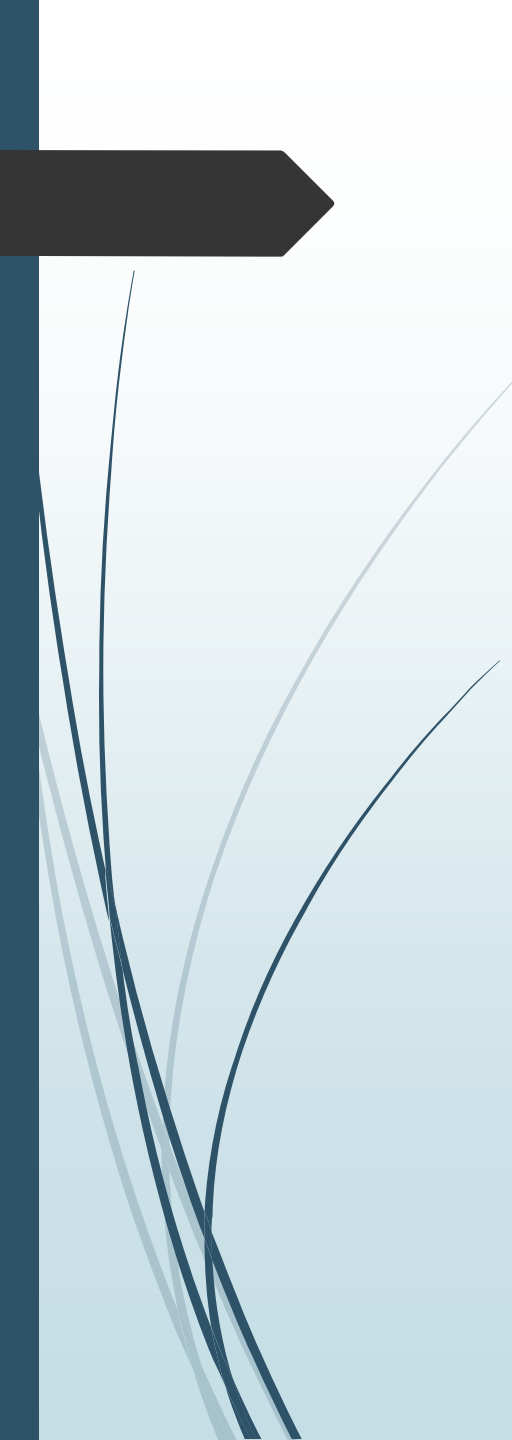


3 Strategies That Will Make Your Tours More Competitive

► **ADDING VALUE TO YOUR PRODUCTS**

Small things can be added to your product that will give it a lot of perceived value, without much hassle. For example, offer a free drink, or work with a local attraction and offer tickets for entry along with your tour.

Working with other tour operators in your region is a great idea, because you can create an experience that encompasses all of the activities they can experience there. They won't have to book and pay 5 times because it's all bundled together.



3 Strategies That Will Make Your Tours More Competitive

► **PACKAGING YOUR PRICING IN THE BEST WAY**

Finally, the way you display your pricing can definitely have an affect on whether or not your customers will book with you.

► **Disguised Pricing**

So if you bunch elements together that you include in your tour to add value, you will likely get a discount from all the people you're working with (for meals and entry fees for example).

By displaying just one overall price, it disguises how much each element cost you. You should have at least 3 elements before you disguise pricing.

► **Visible Pricing**

What if all the elements you can think of to include are a bit too pricey? In that case, show them the cost of each element in your tour, and let them mix and match what they want. They can then stick to their budget and customise the experience for themselves.



FLUID PRICING



FLUID PRICING

Fluid Pricing – What does this mean?

Fluid pricing is a method of adjusting the price in real time depending on current demand conditions. The purpose of fluid pricing is to maximize the sale and ensure that you always get the cheapest price if you book your holiday in advance. Fluid pricing has been in practice for a while and is the preference of several travel companies, especially low-cost airlines.

How does it work?

Usually prices start low and gradually rise up with the demand, with occasional promotions and discounts that will not drop beyond initial launch price. Consequently, customers are guaranteed to get the best prices, when they book early. Of course, sometimes you may be lucky enough to get a good price just a few weeks before the departure as well. However, the chances that you will get a standard or a single room is very low. So, with the fluid pricing practice it would be advised to plan your holidays well in advance.



FLUID PRICING

Case Study: Shearings Holidays

Before Fluid Pricing


Shearings' holidays began with a fixed base price with any new brochure launched. This was accompanied by an early booking discount promotion which would run for a few weeks. Customers then went back to paying the full brochure price, once the promotion had finished. Formerly, clients would book a tour in advance, at a higher price, to secure the best seats (vantage seats) on a coach. Booking early despite higher prices, meant clients had more options of standard rooms, without paying any extra for unwanted upgrades.

Time to change

Shearings' fluid pricing scheme is trying to eliminate a situation where a client has paid the full brochure price for a holiday (possibly with a slight early booking discount), but a few weeks before departure noticed that the price has dropped a lot. It used to happen if the coach was not half full and Shearings would then slash prices, with a last minute promotion in a bid to avoid cancelling the tour. Customers who booked earlier and paid much more, for the same holiday got wind of the last minute promotion and were understandably upset. Plus, last minute discounts are not applied retrospectively to existing booking, therefore compounding the frustration of early bookers even more.

Change is good

Shearings state you'll get, 'Best Prices for Booking Early – Booking early not only gives you the widest possible choice of holidays and departures – it also means you get the best price.'



Critical Success Factors for the Inter-organizational Relationship between Hotels and Tour Operators



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Hotels and tour operators are involved in a business relationship that enables tour operators to act as trade intermediaries or distributors for hotel services and in return they acquire fees, typically in a form of commissions.

Despite the advent of online direct selling and online travel agents (OTAs), traditional tour operators will continue to represent significant intermediaries for tourism services. Studies showed that a significant number of travellers will continue to depend on traditional tour operators to handle their travel and accommodation arrangements due to the expertise and ability of traditional tour operators to save time and effort in addition to their social interaction with customers.

However, due to the wide spread of direct selling and on-line intermediaries, establishing a sustainable relationship between hotels and tourism intermediaries has become a crucial issue for the future existence of tour operators, added that establishing a successful relationship between hotels and tour operator/travel agents is a very important issue to ensure business success and competitiveness of both partners.



Critical Success Factors for the Inter-organizational Relationship between Hotels and Tour Operators

IMPORTANCE OF HOTEL-INTERMEDIARIES RELATIONSHIP

The inter-organizational relationship between hotels and tour operators is an important process that provides numerous benefits for both sides. On one side, hotel-intermediaries relationship is important for tour operators for two main reasons.

First, hotel products and services represent the major parts of tourist packages sold by tour operators/travel agents providing a significant proportion of intermediaries' business.

Second, the survival of traditional tour operators depends on building a robust relationship with hotels to compete against new distribution channels, such as direct selling and on-line intermediaries.

On the other side, hotel-intermediaries relationship is also important for hotels due to five main reasons. First, tour operators/ travel agents represent global intermediaries/distribution channels for hotel services reaching many potential guests around the world at reasonable costs.

Second, tour operators can attract customers and handle their requests more efficiently than hotels due to their experience and shared culture and language.

Third, tour operators represent major distribution channels as they purchase hotel rooms in bulk (among other tourism services plan tickets, recreation services, etc.) in order to assemble them into attractive packages and sell them to guests, either directly or through travel agents.

Fourth, tour operators/travel agents handle most of the distribution and sales functions enabling hotel management to focus on providing better accommodation services and recreation facilities.

Fifth, tour operators/travel agents help hotels to reduce their operational expenses as hotels only pay commissions for transactions that had been produced, as well as to decrease promotional expenses of hotels through marketing and advertising support.



Critical Success Factors for the Inter-organizational Relationship between Hotels and Tour Operators

Critical Success Factors (CSFs) are the few factors or activities that control the success of a business organization; therefore these activities need to be well accomplished to guarantee business success. CSFs can be defined as a limited number of activities that require more attention of the management in order to ensure successful competitive performance for the organization.

In other words, CSFs are a few major activities in the organization that should receive careful attention of the management to guarantee business competitiveness and success.

CSFs are a combination of activities and processes upon which resources should be focused to achieve the intended goals of an organization.



Critical Success Factors For Hotel-intermediaries Relationship

These factors include trust; commitment and loyalty; formalization of the relationship; conflict resolution; communication quality and information exchange; coordination; participation; flexibility; frequency of interactions; organizational compatibility; history of the relationship; importance of the relationship; understanding and supporting partner's needs and goals.

Some supporting factors include relationship satisfaction; financial benefits and business success; marketing support.



Reasons For Unsuccessful Hotel-intermediaries Relationship

There are several issues that threaten the relationship between hotels and tour operators/travel agents resulting in unsuccessful alliance.

Hotel-intermediaries relationship tend to be problematic as both side face uncertainty regarding the amount of potential business transactions inherent in the fact that hotels do not know how many rooms will be sold and tour operators do not know what rates will be at the time of occupancy. The troubled relationship between hotels and tour operators could result from conflict of interests as both partners may have incompatible objectives or organizational culture. Power issues, exploiting market position and over-controlling practices tend to be serious threats for the relationship.

Tour operators act as a major distribution channel in the tourism industry, they have the ability to control tourism demand and influence service prices. Such market position gives them leverage in their relationship with the suppliers of tourist services, e.g. hotels, airway companies etc.

Unsatisfactory inter-organizational relationship occurs when one partner focuses on achieving his own goals and neglecting his partner's interests rather than serving the best interest of both sides. The disputes on commission of tour operators represent a serious challenge for hotel-intermediaries relationship.

Hoteliers tend to adopt direct selling through online distribution channels which in its turn threatens the business of traditional channels, i.e. tour operators. Many travellers prefer to book tourism services directly through the Internet due to easiness and accessibility which minimizes the need for traditional tourism intermediaries.



CONSOLIDATION



CONSOLIDATION

This is a business tactic in which a company concentrates its purchases with fewer suppliers to effect cost savings.



Why Some Tours May Consolidate

It's not uncommon for tour operators to advertise programs that they do not fully operate under their own banner. This practice sometimes befuddles travelers who don't read brochures and tour literature carefully, belatedly discovering that a second company is handling their day-to-day itineraries.

The fact that certain packages may be conducted in cooperation with other companies is disclosed in brochures, but the prominence given to this information varies. One tour operator might make a general statement without specifying which tours have such a joint relationship, while another might indicate the involvement of a different company on each pertinent tour.

When there is just a general disclosure, travelers may not learn that their tour might be operated in conjunction with another outfit until they receive their final documents (itinerary, tickets, etc).

You might also get a listing of other passengers in your group. Such a list could indicate a group of 15, but unless you paid attention to all the details in your brochures, you might be surprised to discover as the tour begins that you are joining another group of 15 or 30 people.



Why Some Tours May Consolidate

WHY DO TOUR OPERATORS USE A SECOND COMPANY? AND HOW FREQUENTLY DOES SUCH CONSOLIDATION TAKE PLACE?

This practice is not new. More packages may be operated in this fashion when traffic to a destination is low. "If a package is based on 30 passengers but the tour operator only gets 15 people booked, the choice becomes one of canceling the departure, increasing the price or joining another tour operator," says Albert Schmid, president of Marina Del Rey-based Far West Travel Corp.

Another possibility might be the use of local guides at sites on the itinerary instead of a tour manager staying with the group throughout.

Smaller tour operators, especially, may feed their passengers into the group of a larger operator to avoid canceling their own departures for lack of enough people. Thus upon deplaning in Europe you might join a group under the banner of another tour operator. "Using a larger tour operator enables us to take advantage of their greater buying power," says Jim Murphy, head of Los Angeles-based Brendan Tours.

Such pooling of passengers only takes place when the tour product is identical. "It has to be the same itinerary as in our brochure, down to every detail, including the type of hotels used in our packages and all the other elements of the individual itinerary," Murphy says.

For example, a Brendan Tours brochure indicates that travelers may be taking a package combined with Globus-Gateway Tours, also in Los Angeles, or the Automobile Assn. of Great Britain.

"On such a package we would use Globus-Gateway's motor coaches, which would say Brendan on one side and Globus-Gateway on the other," Murphy says. "The tour manager of such a package would be hired by Globus-Gateway and wear their identification but be working for us."

Brendan advises passengers in its brochures that some programs may be operated in such a manner, but travelers only learn the exact details when they get their final documents. There is no difficulty if someone wants to cancel, says Murphy. "This has never come up. And if it did, the person would not have a problem."



Why Some Tours May Consolidate

Refunds and Complaints

The tour operators have their own financial arrangements governing revenue received from travelers who take such jointly operated tours. The company you bought the package from is the one responsible for any refunds and the handling of complaints.

The consolidation of tour groups sometimes means that the operator with the most passengers is the one that provides the tour manager.

Says Joe Kristof, vice president of sales for Globus-Gateway: "Other tour operators may come to us because we're well-established in Europe and can get better rates due to our volume."

Globus-Gateway also has a separate division, Cosmos Tours, which runs budget packages. "These two kinds of packages are kept apart," Kristof says. "Travelers get nothing less than what they bought. Cosmos passengers are not mixed in with those of Globus-Gateway."

Los Angeles-based Jetset Tours is another tour operator that teams with Globus-Gateway on some of its motor-coach packages in Europe. Vouchers that its clients get with their final documents refer to Globus-Gateway as the coach operator, a Jetset spokesman says.

To avoid surprises, travelers should read brochures carefully and ask questions such as who will conduct the tour, how many people will be traveling in the motor coach and if the tour will be joining other groups.



ACTIVITIES

► READING ACTIVITY

Tours and Experiences: The Next Great Untapped Market in Online Travel

- <https://skift.com/2018/09/18/tours-and-experiences-the-next-great-untapped-market-in-online-travel/>

► ASSIGNMENT ASSISTANCE

Tour Operators In Florida

- <https://www.bbb.org/us/fl/category/tour-operators/accredited>



Q&A

► **IN THE BEGINNING OF OUR UPCOMING CLASS.**

