



Marketing a Bed & Breakfast

PACKAGING: A Tourism Marketing Tool

Time is a valuable commodity for today's travelers. Dual-income families find it difficult to schedule vacation time; family members often have jobs or activities that conflict; or an individual's job makes long vacations impractical. As a result, more families and individuals are taking long weekend or holiday vacations, or extending business trips into short getaway vacations. Packaging is a popular technique used for attracting these customers, because packages make travel easier and more convenient.

In the hospitality and tourism industry, "packaging" is the process of combining two or more related and complimentary offerings into a single-price offering. A package may include a wide variety of services such as lodging, meals, entrance fees to attractions, entertainment, transportation costs (air, auto, train, cab or bus), guide services, or other similar activities.

Packaging can also create a variety of benefits for participating businesses.

Why Packages Are Popular

Travel packages have become increasingly popular over the years. They are attractive because they benefit both the customer and participating businesses; packaging provides convenience and value to the customer, and added revenue for participating businesses.

Benefits to the Customer

Packaging can be an effective marketing tool to provide several customer benefits. These may include:

Ability to budget for trips. Packages include most of the components a customer must pay for during a trip. The customer pays at one time and has a good idea of the trip's total cost.

Increased convenience. Trips can be time consuming and difficult to arrange. Several telephone calls and letters may be required to arrange for tickets, accommodations, reservations, and other components of a trip. A package allows a customer to arrange many components of a trip with one call or letter and one payment, saving the customer time and aggravation.

Greater economy. Businesses that package can frequently purchase tickets, meals, and other package components at wholesale prices. The business can add in the cost of packaging and still provide a competitive price to the customer. Thus, the cost to the customer is usually more economical than purchasing the package components individually.

Popular programs and activities. Visitors and travelers are often unfamiliar with many of the activities and attractions in an area: a package can help customers find them easily.

Specialized interests. Packaging provides a unique opportunity to design components of a package for specialized interests. These so-called "benefit bundles" can include a package component not readily available to individual customers. For example, a package weekend may feature a cooking demonstration by a well-known chef or a lecture by a well-known author.

Benefits to Participating Businesses

Packaging can be used by businesses to help improve profitability and build customer volume. Examples include:

Improved profitability. During peak or high-demand periods, use packaging to add value to an existing product. Purchasers may be required to stay a prescribed period or purchase a combination of goods and services. Packaging may also allow a business to price its product at a premium by adding special goods and services.

Smooth business patterns. Use packaging during low demand periods to add attractive features to the business's service or product, thus generating additional business. Other businesses may also be willing, to discount their services during this time. Adding these services to the existing product mix may generate new business.

Joint marketing opportunities. Packaging can allow the business to reduce marketing costs or start a new program one could not normally afford by joining with one or more businesses to conduct a marketing or advertising program. This strategy can be especially effective if the businesses involved have similar customers.

Improved target marketing. Packaging can be an effective tool to tailor tourism and travel products for specific target markets. Examples can be ski, sports, or theater weekends. Good market research is needed so an appropriate mix of tourism and travel services will meet the needs and desires of a target group of customers.

Greater holiday weekend business. Packaging can be used to highlight special holiday weekends by developing services appropriate to the theme of the weekend. New Year's, Valentine's Day, or Mother's Day are just a few of the holidays that can be used to develop special programs for parties, couples, or family gifts.

Unique recurring events. Businesses can create their own events that can occur throughout the year. Events could be tournaments such as chess or bridge or crime re-enactments that let guests do the detective work. Events of this type will require imagination and inventiveness to take advantage of the wide variety of activities that take place in the community. This technique is often called "programming."

Redirected traffic to lesser-known attractions. Directing visitors to often overlooked attractions can help in two ways: heavily visited attractions may be offered some relief, while newly discovered attractions may thrive and prosper.

Businesses can use many different strategies in designing a package product. Success will depend on good market research, an understanding of existing customers, research, an understanding of existing customers, and a good knowledge of the community and its activities.

Items to Consider in Developing a Package

Before developing a tourism packaging program, the business should devise a marketing plan through practical marketing research. The business owner should ask him/herself the following questions:

- Are you willing to do market research to determine who your customers are and what they want?
- What are the potential attractions, businesses, or marketing service firms that could provide a part of the package? Meet with the managers of these businesses and public attractions to discuss their interests and ideas.
- What are potential marketing and promotional networks that will help spread the word about your product? Convention and visitors bureaus, chambers of commerce, retail travel agents, clubs and organizations, state offices of tourism, and other attractions or travel businesses all have the potential to play an important role in merchandising your package.

- Will the physical appearance and service skills of your business match the target audience?
- Does your business have the ability to manage and service the customers you generate through your packaging program?
- Are you prepared for a risk? Because you will be including customer service activities that are not under your direct control, you will be required to develop formal, written agreements between the cooperating businesses.

Elements of a Successful Package

Putting together a successful package is not easy. However, by following the suggestions listed below, the chances of success will be greater.

Include attractions or demand generators. Every package needs one or more core attractions. These could be tickets to a special event, specialized programming, or reduced prices.

Provide value to the customer. Many travelers buy packages because they perceive they will receive greater value for the travel dollars they spend. For some, this translates into a package that costs less than the sum of the regular prices of individual elements. Almost everybody is interested in getting something for nothing or next to nothing.

Be well planned and coordinated. A successful package must be well planned and coordinated. Each element should flow naturally from one to the next. Use a theme to hold the package together and create a positive experience for the tourist.

Offer consistent quality and compatibility among elements. Many customers buy packages because they expect consistency in quality. Combine only package components that are compatible and enhance the overall quality of the traveler's experience. Customer dissatisfaction with one part of the package will often spoil the entire experience.

Provide a distinctive customer benefit. The best packages provide customers something they would not get if they purchased package elements separately. Sometimes this benefit is the offer of value, but in other cases, it is a component that is not readily available to individual customers. This might involve incorporating special lectures or appearances, unique dining experiences, or other activities.

Cover all the details. The temptation might be to throw a package together, but the close attention to detail makes some packages more successful than others. Remember, it is often the little things a business does for guests that matter the most. Some things to consider include a policy on refunds and cancellations and complete information on all package elements included in the price, as well as items not included.

Generate a profit. Clearly, packages offer a unique way to satisfy traveler needs and wants. Of course, the package should also be designed to generate a profit. The ideal time to offer packages is when demand is low and when the package will not displace customers who may generate higher revenues.

Pricing a Package

Lodging or transportation---the most expensive parts of a package product---are usually the first contact points for customers who purchase a packaged vacation or travel product. Lodging operations or travel agents are usually the key to organizing a packaging program, even though an area's attractions may bring visitors to a community.

Although accommodations and transportation are the basic ingredients of a package, tickets to attractions, dining, and other services are other key parts of the product mix that make the package marketable. It is necessary for a business to understand its target market and conduct basic practical market research in order to develop a successful package. Experimenting with a set of packages can also help you identify which sets of activities are most attractive to your customers.

Issues to consider when pricing a package include:

The package must be a good value and competitive in the market. Customers should not be able to purchase separate items in the package for less than the package price. A large user of package components should be able to receive discounts from businesses that provide them.

Evaluate the role packaging can play in the business's marketing program. While packaging can be used to implement many different strategies, the basic intent is to generate additional business.

Determine if the package is feasible by applying a break-even analysis to help determine how many packages a business must sell before earning a profit.

Break-Even Analysis

Break-even analysis is a tool used to determine total sales needed to recoup costs, hence the name "break-even." This analysis technique can also be used to evaluate alternative pricing levels.

Break-even sales = Fixed costs

$$\frac{\quad}{1 - (\text{Variable costs divided By Package Price})}$$

Definitions

Fixed costs are expenses the business incurs before any sales are made. These costs often include advertising, flyers, brochures, costs of employee time to organize the package, and prepayment costs for other package components.

Variable costs include the actual expenses (direct costs) of rooms, tickets, and other package components incurred with the sale of each package.

Package price is the actual sale price of the package.

Packaging Example

The Lake Hotel plans to offer a weekend sports package during the professional baseball season to include tickets, room, a ride to the stadium, two meals, and executive hotel service. The total fixed cost of developing this program, including marketing expenses, is \$5,000. The variable cost of this weekend package is \$100 a day per person. Lake Hotel is selling this package for \$125 a day per person. The break-even analysis:

Break-even sales =

$$\$5,000 = \$5,000 = \$5,000 = \$25,000$$

$$\frac{\quad}{1 - (\$100 + \$125) 1.0 - .8 .2}$$

The Lake Hotel must have package sales of \$25,000 or sell 100 weekend packages before it makes any profit from its package program.

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