

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, entertainment Travel 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 productsProfessional services
- Wide-variety of the tour package
- Provide bulk business to organizers

Advantages and Disadvantages of Packaged Tours

From both a travel agent's and a consumer's perspective, package tours provide a number of advantages, which often outweigh the disadvantages.

Advantages for the consumer:

- **Cost saving and budgeting** - the price of a trip when organized as a package is generally less as travel agencies bulk buy their package deals and therefore can sell the tours at a lower and more competitive rate. This is an instant cost saving benefit for the consumer, as the discount travel agencies receive is generally passed on to the consumer. Also, as the tour often includes all meals or trips for example, this reduces any uncertainty about the additional costs and allows the consumer to budget properly for costs associated with their travel. For example, if airport pick-ups or taxi transfers are pre-booked and paid for beforehand there is no potentially expensive surprise when travelling to the accommodation on arrival at the destination.
- **Responsibility is on the operator** - the lack of responsibility on the traveler is an advantage. If something goes wrong, e.g. a flight is delayed, resulting in the traveler missing a connecting flight, it is not the traveler's responsibility to arrange a new ticket. The responsibility lies with the airline or tour operator. In a certain respect, travelers can relax knowing if something goes wrong, someone else is there to solve the problem.
- **Convenience and time-saving** - this is definitely the most convenient way to arranging a vacation or tour. The travel agency deals with all the arrangements relating to airlines, hotels, transfers directly through the tour provider. This saves the consumer the effort and the time of contacting each company/service individually.
- **Social** - this is frequently a main reason why people may opt to travel on a package tour. The chances of social interaction are higher, allowing the fostering of short or long term friendships. People regularly choose a tour which ensures they are socializing with people of a similar age, for example, young people who like to party may opt for an 18-30 party group tour, some adults may choose to stay in accommodation which caters to the needs of children and will opt for a family tour or some people may choose to go on adult only tours to avoid children completely!
- **Quality of service** - tour operators (those who provide the travel agency with the tour package) spend a great deal of time assessing the airlines, hotels, sight-seeing operators etc, which they use to make up the tour package. By doing so they ensure a high standard of quality and the consumer can have peace of mind. Tour companies are eager to meet their own business needs and so they ensure that the most frequented areas of interest (cultural or geographical) are included in their tour, thus meeting the needs of the consumer.

Advantages for the travel agent:

Agent commission - travel agents normally receive 10% commission on all tours they confirm. Clearly the financial incentive means travel agencies find it extremely advantageous to sell tour packages and not solely flights and/ or accommodation.

- Savings in time and cost – in order for a travel agent to put together all the components of a package tour, this would take extensive communication with the different service providers, initially to check rates and availability and then to send through deposits and secure bookings. By using a tour provider, the travel agent only needs to make one call, send one email or use an online booking system once to confirm the tour package. Clearly this saves a great deal of time, freeing up the agent to work for other consumers, thus increasing sales and commission.
- Wide variety of package tours available - this means the travel agent can always make suggestions on tours which match the needs of the consumer. The high number of very different packages available allows people with possibly lower budgets to still enjoy tours.

Disadvantages for the consumer:

- Inflexibility - when a traveler purchases a tour they commit to follow the itinerary, flight schedule and accommodation arrangements. Generally they are unable to change or reschedule their tour and whilst on the tour they cannot change their plans as they wish. For example, they must be at a point of pick-up at a certain time and if they are not there they delay the rest of the tour (if they are booked onto a group tour that may create problems and possibly complaints from other travelers). Also, if travelers have any special requirements, again for example, dietary requirements, but they are out camping in the bush overnight, the tour provider may not be able to meet their needs but substituting the food provided. It is the responsibility of the travel agent at the time of booking to ensure all possible issues are raised and the traveler's needs are addressed due to the inflexible nature of a tour package

Disadvantages for the travel agent:

- Control - travel agents have little or no say over the tour operator's choice of services, restaurants, accommodation or attractions included in a tour package. As a result they must ensure they carefully choose the correct package which provides a high standard of quality, or is the most appropriate for the particular market. Also the business of tour packages and the number of tour providers is vast. This makes it very difficult for all travel agents to become and remain knowledgeable of all the available tour 'products' and so extensive time must be spent researching choices and selecting the best one for the consumer.

The saving in time and money a travel agent saves a consumer is invaluable. Contacts in the industry regarding reservations and availability then acquiring the best prices to suit an individual cannot be overlooked when considering travelling.

Travel agencies receive 10% commission on most packaged tours; however if the agency has a preferred product arrangement with a certain company this amount could be higher. As a commission is taken out before forwarding the final payment to the tour operator, the agency is able to receive the reward for its effort without delay.

Tour operators and wholesalers often reserve the right to alter their itineraries for various reasons such as weather, strikes or the outbreak of fighting in a particular area. Any price changes that might occur prior to departure are likely to be passed on the client.