

Tour Planning & Management

TGUI 3031

TOURISM & TRAVEL AN OVERVIEW

Lecture Notes

TOURISM & TRAVEL AN OVERVIEW

In order to plan a tour it is essential to know some definitions.

Such as :

- The discipline of Tourism.
- Why people travel?
- Travel Agencies & Tour Operators

THE DISCIPLINE



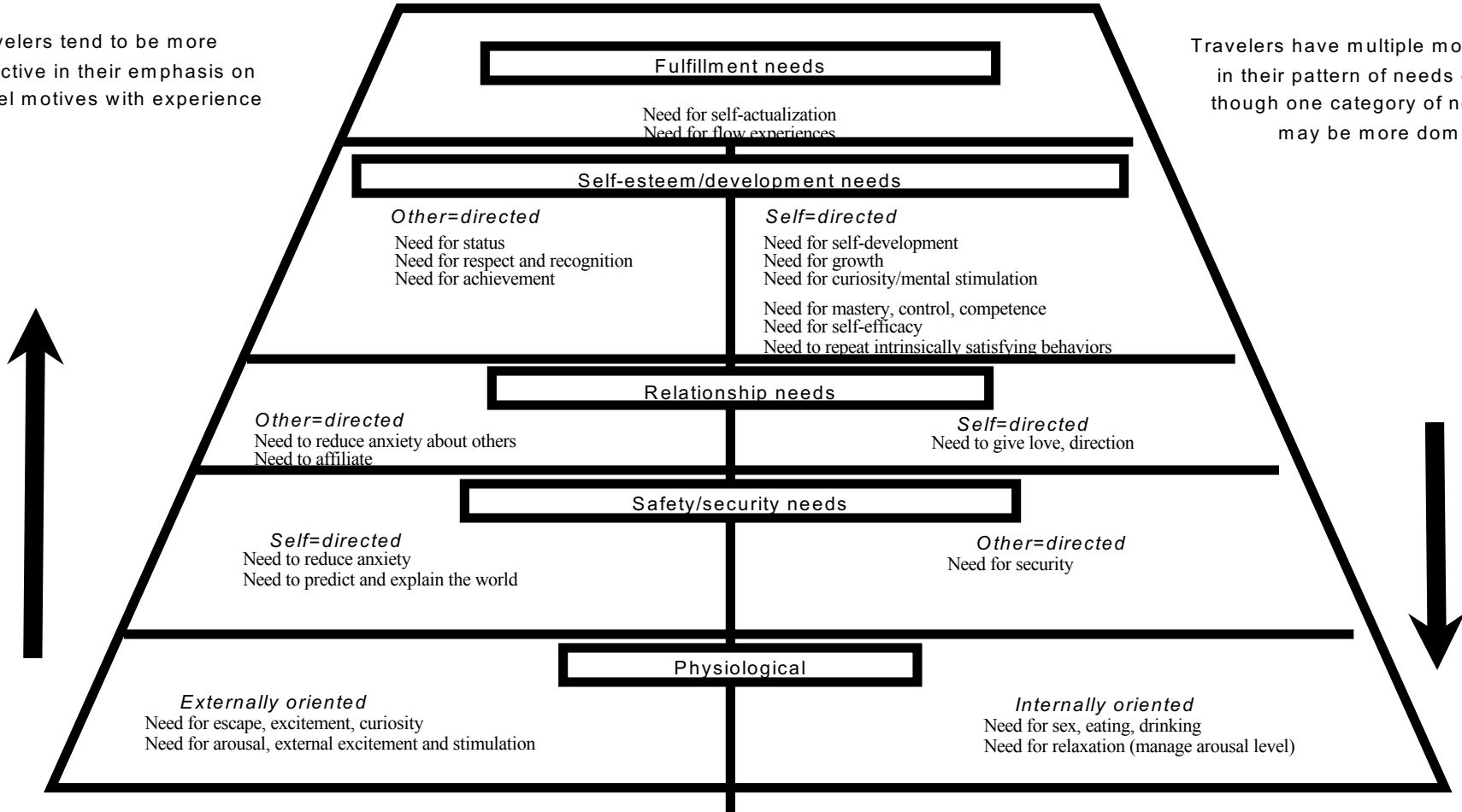
Tourism is the study of **man** away from his usual habitat, of the **industry** which responds to his needs, and of the **impacts** that he and the industry have on the host's socio-cultural, economic and physical environments J. Jafari

Tourism comprises the activities of persons traveling to and staying in places outside their usual environment for not more than one consecutive year for leisure, business and other purposes. (WTO)

Understanding Travel Behavior

Travelers tend to be more selective in their emphasis on travel motives with experience

Travelers have multiple motives in their pattern of needs even though one category of needs may be more dominant



A "spine" or "core" of needs for nearly all travelers seems to include relationships, curiosity, and relaxation

- A "**tour**" often refers to an escorted group vacation, where every detail, from flight arrangements to sightseeing, is arranged, and you travel in a group accompanied by a dedicated tour manager or escort. There are many variations in between the basic vacation package and the fully escorted tour, to suit virtually any budget and travel style.

Key Players in Tour Management

- Tour Organizer
- Tour Wholesaler
- Tour Operator
- Travel Agencies

- Tour organizer, tour wholesaler and tour operator, are used interchangeably, they have different meanings. **The tour organizer** is the person who brings together a group for travel purposes, usually one-occasion tour.
- **Tour wholesaler**, promote tours to retailers, such as travel agents, who sell tours to the public but do not operate the tour.

- **The term "tour operator"** actually refers to any entity that packages vacations. This can be a company or an individual that combines one or more travel elements – such as hotel accommodations and airport transfers – into a prepaid "package" or tour.
- **A tour operator – or vacation packager** -- creates, develops, and markets vacation packages.
- **A packaged vacation** can range from the simple hotel and airport transfer, to an all-inclusive, escorted tour. Most vacation packages are designed for independent travelers who want to be on their own, but have some of the details planned in advance.

- Tour Operators take travel, tourism and hospitality products and put them together for resale to the public. The packaging process showcases the products in ways that create consumer demand. Price tiers are part of tour operations as well as a function of hotel differentiation.

- Tours are directed to budget, standard and luxury travelers. Some tour operators offer tours for all levels, others focus on one segment.
- **Travel Agent;** a retailer who sells independent tour or tour packages created by tour operators. A business that attends to the details of transportation, itinerary, and accommodations for **travelers**.

Types of Tours

- Air, train and cruise lines call their customers *passengers*, hotels call theirs *guests*; travel agencies refer to people as *clients* and tour companies call their customers *tour members or participants*. **Participant** is a good word because the success of a tour depends on the active participation of its members.
- Tours can be divided into three categories:
 - **independent, hosted, escorted**
- Groups also can be divided into three categories:
 - individual (1-5 person), small party (6-15), group (16-+)**
- Pax (**person**)

Independent Tour

- It can be defined **as a prepaid package** of three travel elements. It can be a fly-drive that includes air transportation, a rental car at the destination, and the first night's lodging or a package that includes air, transfers and hotel.
- Clients on an independent tour **never see anyone** from the tour company; they exchange vouchers provided by the tour operator directly with the supplier of the car or lodging facility.

Hosted Tour

- Hosted tours **include** ground transportation and hotels booked in advance. Like independent tours, there is no organized groups.
- Hosted tours are **primarily to** one destination . Usually the traveler is met at the airport by a representative of the tour company and transferred to accommodation. The host may be available only at the beginning of the tour, by phone to a local office, or at the certain times of the day in the hotel. E.g. Resort vacations.

Charter tours

- A form of hosted tour.
- Tour operator rents an airplane and sells the seats in combination with a hotel package and other ground components.
- The tour operator becomes an indirect carrier responsible for the flight. The result is substantial savings to the customer. Charter prices can run 10 to 30 % less than prices of regularly scheduled carriers.

Escorted Tours

- Includes a **structured program** of transportation, lodging, meals and sightseeing.
- Group size **varies from** a few in a minivan to a motorcoach with an average of 45 passengers.
- Escorted tours are **efficient**. Drivers know the roads, tour directors know the territory and how to smooth over difficulties.

Benefits of Escorted Tours

- Baggage handling
- Comfortable seats with someone else doing the driving
- Company-usually with people from similar cultures.
- Group security
- No language barriers
- Prearranged sightseeing, less standing in lines.
- Prearranged tickets to hard to get into events
- Prechosen meals of familiar food
- Time saved.

Special Interest Tours

- Special interest tours blend clients' personal interests, hobbies or avocations with the travel experience.
- It is motivated more by special interest than by the destination.
- The consumer is no longer content with conventional sightseeing and is demanding new experiences.

The Advantages and Disadvantages of Organizing Special-Interest Travel

- Advantages:
 1. Volume- the possibility of organizing groups.
 2. Easy to target groups and fairly low communication costs.
 3. Travelers with high incomes, high education and experience with travelling.
 4. Travelers who want extended stays at a destination. (interest in depth of an experience)
 5. With the exception of activities determined by climate, not bound by seasons.
 6. High-yield participants with above-average expenditure patterns.
 7. Manageable size rarely exceeding 25.
 8. A growing market

Disadvantages

- Labor-intensive, requiring research and attention to detail.
- Requires a knowledge of the special interest.
- Tours almost always tailor-made.
- Requires a longer planning cycle than most tours.

Adventure Travel



- **Definition:** All pursuits that provide an inherently meaningful human experience that is related directly to a particular outdoor environment - air, water, hills, mountains,..
- Activities which involve human participation as a response to the challenge offered primarily by the physical, natural world such as hills, air current, and waves .
- Outdoor activity involving the natural environment where the outcome perceived by the participants is unknown.
- Many different levels of adventure travel exist.
- Soft adventures are usually day hikes or excursions that involve the feeling of adventure but no real physical challenge.

Most Common Adventure Travel Activities

- Arctic Trips,
- Backpacking,
- Ballooning, Bicycling, Bird watching, Bungee Jumping,
- Camping, Canoeing, Diving (Scuba, Sky)
- Dog sledding,
- Fishing, Four Wheel Drive Trips, Hang gliding, Hiking, Horseback Riding, Hunting, Jungle Exploring, Kayaking, Motorcycling, Mountain Biking, Mountain Climbing, nature trips, Orienteering, Paragliding, Rafting, Rappelling, Rogaining, Safaris, Sailing, Snorkeling, Skiing, Snow shoeing, Snowmobiling, Skydiving, Spelunking, Survival and Wilderness Training, Soaring, Walking Tours, Windsurfing, Trekking.

Food Centered Tours

- A traveler can go to Italy to prepare pasta, to France to finish off the finest desserts. Most food centered tours involve a famous chef teaching food preparation, telling about local food culture, and giving tours of market. Participants also eat well.

Other Types of Tours

- **Museum** tours
- Tours for **disabled**
- **Religious** group tours: Tracing the steps of pilgrimages to shrines thousand of years old or making visits to sites of recent religious experience is one of the biggest travel specialities.
- **Weekend** tours

Elements of Tour Development

- Accessing demand
- Negotiating with suppliers
- Determining costs
- Promoting the product
- Establishing reservations and documentation procedures
- Operating the tour
- Employing the tour escort and motorcoach driver
- Following through

ELEMENTS OF TOUR DEVELOPMENT

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graph TD; A[ELEMENTS OF TOUR DEVELOPMENT] --> B[1. Accessing Demand]; A --> C[2. Negotiating with Suppliers]; A --> D[3. Determining Costs]; A --> E[4. Promoting the product]; A --> F[5. Reservations procedures]; A --> G[6. Operating the Tour]; A --> H[7. Employing tour escort & driver]; A --> I[8. Following through];
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1. Accessing Demand

2. Negotiating with Suppliers

3. Determining Costs

4. Promoting the product

5. Reservations procedures

6. Operating the Tour

7. Employing tour escort & driver

8. Following through

1. Assessing Demand

- Involves market research, much of which is based on historical performance.
- Product development decisions flow from experience with existing and previous tours.
- The planning stage of a tour takes place long in advance of the tour's announcement. One year is the minimum lead time needed to design, package, promote and plan a tour.
- Tour companies that offer multidestination and season-round departures work several years in advance.
- Political upheavals, currency fluctuations and weather disasters eliminate areas from consideration.

Length of Tours

- In 1958, European tours averaged 40 or more days some were as long as 72 days.
- Today excluding world cruises, it is a rare tour perhaps one to Australia and New Zealand or points in Asia that goes beyond 24 days. Many tours take only a day. The demand for a long tour has dissipated as the demand for the getaway has increased.

Scope of Tour

Narrow-focus tours were introduced as people realized they wanted to see a country in more depth. In the past when people took an international tour, they often thought of it as their one and only trip. They wanted to see everything, so they took a long tour. Nowadays, people tend to consider the typical two-week trip an introduction to places they plan to revisit next year and the year after. Special-interest travel is an example of narrowing the scope of a tour.

Optionals

- Another way to keep cost low is to schedule tours with 'days at leisure' then offer tantalizing optional tours during the leisure days. An optional is something tour members do not have to join, but if they choose to join, they have to pay extra for it. – The visit to the cheese markets in Holland. The fondue party in Lucerne, the gondola ride in Venice, nightclub tour of Paris. During what the brochure calls 'free time' the escort offers these optionals. They are usually very tempting and most people on tour buy them. To the unaware traveller optionals can add hundreds of dollars to the cost of a tour. The high priced tours include more sightseeing and fewer optionals.

2. Negotiating with Suppliers

The components of a tour that require research and negotiation are;

- Transportation (air, sea, rail, motorcoach)
- Transfers
- Lodging
- Baggage handling
- Meals
- Taxes & Tips
- Sightseeing
- Entertainment
- Cost of a an escort or host
- Local guide services.

Not all tours need all components. Some tours are one day excursions by motorcoach, while elaborate multiday trips involve everything.

2. Negotiating with Suppliers

- Bargaining skill plays a big part in successful negotiation.
- Assume every cost is negotiable.
- Each component must be bargained for, and written agreements in the form of contracts must be produced.
- Tour operators must understand basic contract law and how to write a proposal.

3. Determining Costs

- Costing a tour takes practice, and it is easy to make a mistake. People who cost tours are a part of or work closely with a company's accounting department.
- They must anticipate such variables as net prices, commissions, overrides, special fares, markups, discounts, deposits and refunds.
- By buying in bulk from hotels, restaurants, bus companies and attractions, tour operators keep costs as low as possible.

3. Determining Costs

- The cost of tour components plus a portion of a company's administrative costs must be balanced against the tour's anticipated rate of sales.
- The difference between net cost and sale price is called the margin, if everything goes well this is called profit margin.

Key elements in determining costs

- Break-even point
- Breakage
- Currency fluctuations
- Transportation
- Tour numbers
- The motorcoach
- Transfers
- Lodging
- Baggage handling
- Meals
- Tips and taxes
- Sightseeing

Break-even Analysis

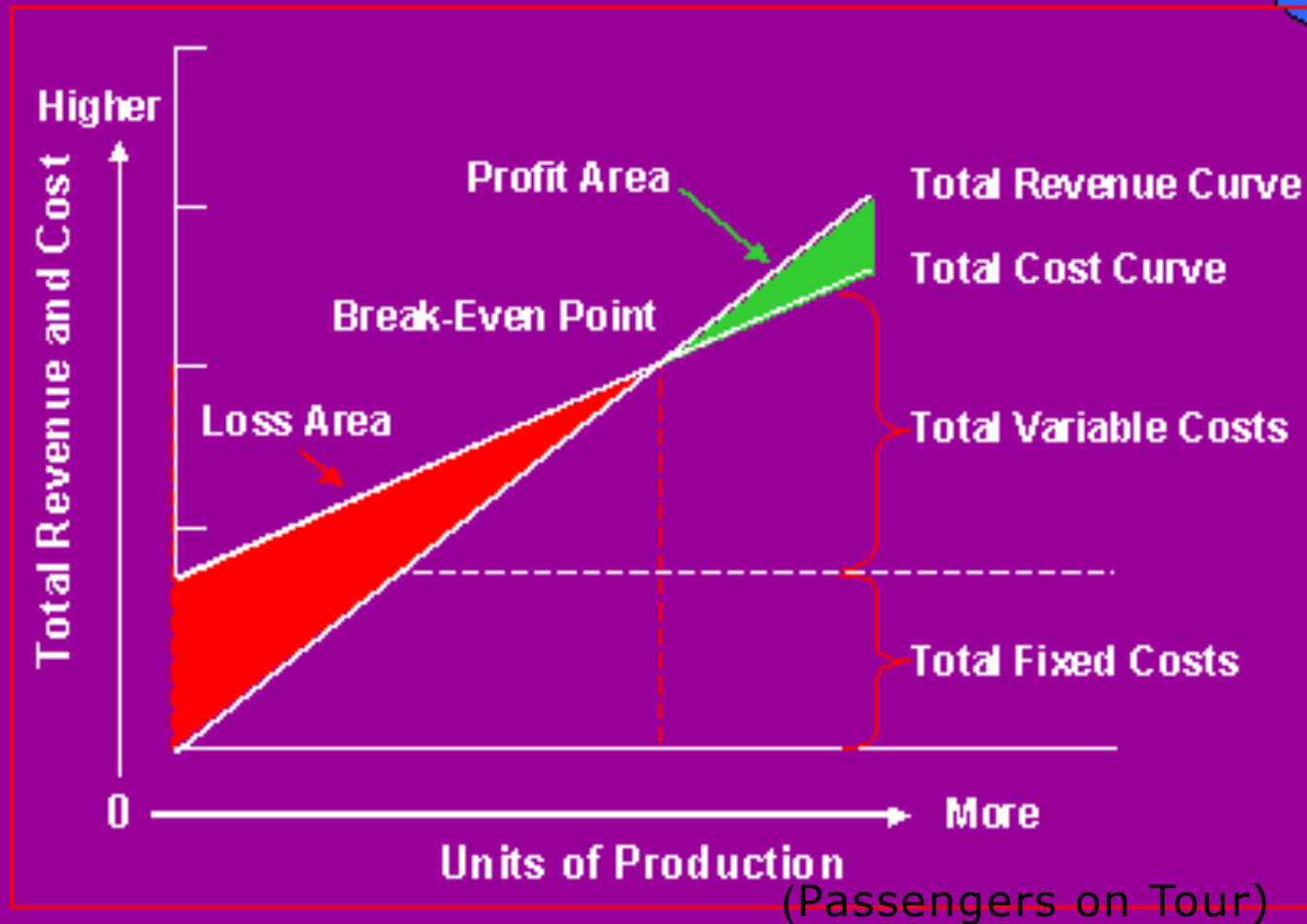


Exhibit 18-8

Break-even point

- When sales income equals costs, the point is called break-even. From then the tour makes a profit.
- The person responsible for costing must be aware of fixed and variable costs.
- Fixed costs, such as motorcoach rentals, expenses of escort, driver occur no matter how many people are on the tour. Other fixed costs include office rent, brochure production, advertising.
- Variable costs are meals, hotel rooms, entrance fees. These depend on how many people are actually on the tour.

Breakage

- Tour operators guarantee and pay for in advance the number of people expected for every activity. After the guarantee is made, the operator must pay for the number guaranteed. For every tour, a percentage of people cancel at the last minute.
- Experienced tour operators have a feel for the percentage of no-shows and make a room, meal, sightseeing and entertainment guarantees accordingly usually a bit less than the actual number signed up for any activity. This is called playing the breakage.

Promoting The Product

- Tours are promoted to retailers and the public through advertising in trade and consumer newspapers and magazines, direct mail, trade shows, videos, faxes and by sales presentations to groups. The race to the Internet has heated things up as suppliers announce their offerings directly to the public.

Tour Calendar

- Planning, negotiating, contracting, marketing and successfully administering a package holiday is a complex management task and takes place over a long period of time. For example prices are set and printed over a year in advance - despite the vagaries of exchange rates, inflation, fuel prices, etc. For someone taking a holiday in August 2007 the principal tour operator's events are as follows :

Tour Calendar

- Jan/Feb 2006 - Contracting with hoteliers and airlines
- May/April - 2006 Preparing brochures - prices, photographs, descriptions etc
- May 2006 - Brochure launch
- November 2006 - Airline scheduling meetings to avoid congested (dolmak) flight timings
- February 2007 - Bookings received and forecasts for programmes reviewed. Early adjustments made if necessary
- March/April 2007 - Employ overseas staff, update training, finalise arrangements with hoteliers, coach operators etc
- May 2007 - Issue tickets and final invoice
- July 2007 - Confirm names of customers to airlines, hotels, overseas staff
- August 2007 - Welcome holidaymakers.

Tour Preparation

- The preparation process begins with market research. By using the results of research organizations, by analyzing tourist movements and by surveying retail travel agents and past and potential tour patrons, the operator gets an indication of which tours will sell. This information is combined with past operating results which show which tours have sold well and have been profitable. The policies and tour destinations of competitors are also considered.

Tour Preparation

- MARKET RESEARCH is an organized, formal process of asking questions and gathering data about your market, competitors and potential customers in order to make marketing decisions. In this market-driven industry, it is one way in which you “...hear the voice of the market.” The purpose of marketing research is to reduce uncertainty and mistakes when it comes time to make your marketing decisions.’

Your market research should focus on providing answers to these kinds of questions:

- *is my package unique or different from others?*
- *what kind of person is likely to buy my package?*
- *are there enough of them to make a profit?*
- *is my price right?*
- *what share of sales will I get?*
- *How the competitors are fulfilling their needs?*
- *how can I reach them?*
- *what's the best way to get them to my product?*

- Market surveys, questionnaires, polls, interviews, focus groups and test markets are all legitimate methods of collecting primary market research data. To be meaningful, however, they must be designed and conducted properly according to accepted market research principles. If you think this kind of data is required, you should consider hiring a market research firm or studying the literature on the subject

Developing New Destinations

When preparing tours for new destinations tour operators often participate info and fam (familiarization) trips to determine tour potential, to evaluate ground services and to solicit government support for tour business. At this point detailed tour specifications are prepared such as:

Determining Tour Details

Tozur departure dates

Length of tours

Modes of Transportation

Ground services to be used.

These activities often take place fourteen to eighteen months before the first tour departure date. The actual tour program is usually confirmed from 12-14 months prior to the first tour departure. Ground services are negotiated and supplier agreements are signed.

Transportation commitments are made. When these steps are completed the tour program can be finalized.

Tour Pricing

The tour price is calculated by taking the negotiated costs for ground services adding a mark-up that when the expected number of tour patrons is considered, is sufficient to cover fixed costs and the tour operators profit.

Price Structure Sheet

- Variable Costs (per person)
 1. Air fare basis
 2. Surcharges (ek ücret)
 3. Airport taxes
 4. Transfers
 5. Baggage Tips
 6. Hotel Rooms (Single Room Supplement)
 7. VAT
 8. Service charges
 9. Meals (inc.tips)
 10. Sightseeing
 11. Insurance
 12. Publications/Postage
 13. Entrance fees
 14. Miscellaneous
- Total.....

- Fixed Costs (Tour Director)
 1. Transportation (home/gateaway/home)
 2. Transportation (on tour)
 3. Airport taxes
 4. Hotel rooms
 5. Meals, taxes, tips
 6. Transfers
 7. Sightseeing admissions
 8. Baggage tips
 9. Insurance
 10. Meals Hotels (Day before and day after tour)
 11. Travelers Checks
 12. Passport Visas
 13. Vaccinations
 14. Currency Conversion
 15. Salary
 16. Miscellaneous

Fixed Costs (Group)

Chartered vehicles

Tolls/ferries

Sightseeing

Admissions

Local guides

Transfers

Programs

Speaker fee

Driver tips

Brochures

Promotion

Communication

Administrative

Grand Total of all fixed costs

Computations

- A. Total variable costs
- B. Grand total of fixed costs (Divided by size of group)
- C. Sum of A and B
- D. Dollar mark-up %
- E. Air Fare
- F. Sum of C,D,E = SELLING PRICE

Formulas For Calculating Tour Prices

- Guide Costs= Guidance fee X number of days/ number of participants
- Transportation Costs= Daily transportation cost X number of days / number of participants

- Tips:

Baggage: price pp x number of hotels

Restaurant: price pp x number of meals

Reception: price pp x number of hotels

Exchange Rates and Tour Pricing

- A high proportion of the costs incurred by tour operators is in foreign currencies for hotels, transfers, airport charges etc. in the destination country. Also aviation fuel is priced in US dollars.
- As holiday prices are advertised a long time before the tour operator has to pay hotels, airlines, etc, variations in exchange rates could have a major impact on their profit. Take a £500 holiday as an example. £300 may be payable in foreign currencies. The tour operator would expect to earn 2-3% (say £15) profit. So if there is a change of only 5% in the rates of exchange the tour operator's profit is either doubled or reduced to zero (5% of £300 = £15). This is not a risk which a prudent business person would wish to take.

- Tour operators are able to protect themselves from some of these fluctuations by 'buying forward', this is expensive. Accurate forecasts are vital: unnecessary costs are incurred if too much is 'hedged'.
- Accurate forecasting is also necessary for another reason. Late surcharges to clients are not allowed under the Package Travel Regulations and surcharges under two percent of the package price can not be levied (zorla para almak) at any time.

