Packaging products

In order to sell your product, it must be easy to buy. Packaging can improve business and provide customers with well priced, attractive and convenient holiday options.

**WHAT IS A TOURIST PACKAGE?**
A package combines two or more products so the customer and market segment being targeted gain an advantage compared with buying the items separately. Core holiday components, such as transport, accommodation, meals, attractions and entertainment, can be carefully combined into a complete packaged experience. Packages provide the customer with either greater convenience or a more competitive price.

Traditional objections to packaging, such as a perception that it is downmarket or only useful to inexperienced travellers, large groups or older holidaymakers, are changing. With the introduction of more flexible packaging methods that represent good value for money, packages can be attractive to other markets, such as the growing free and independent traveller (known as FITs) market. Flexible packages can be tailored to meet the needs of FITs, for example, by presenting components that appeal to their travel values.

**Package benefits**

**Customer convenience**
Packages reduce the time and money spent looking for key product and booking information on a destination.

**Savings**
Packages reduce the cost of products and services and provide greater discounts and better value for money.

**Ease of payment and planning**
Travel arrangements are generally pre-paid and confirmed prior to travel or handled by tour staff or guides.

**Low stress**
Packages relieve travel anxiety for new and older travellers, satisfying their need for security, reliability and companionship.

**Co-operative packaging**
Your product’s appeal may be enhanced, and promotional costs reduced, by working with other operators to create an attractive package.

Examples of co-operative packaging include:
- Presenting a range of products from your area to markets with related interests and sharing associated promotion costs with other tourism operators.
- Offering a selection of components within your locality or region that provide customers with the flexibility to create a personalised itinerary, with the price advantages of a package.

**The role of wholesalers**
Wholesalers are an important channel in the travel distribution system. An affiliation with a wholesaler provides smaller businesses with a range of benefits, including exposure to larger market segments and assistance with product marketing. Your promotional costs can be reduced by focusing marketing efforts on wholesalers, airlines and retail travel agents rather than on the individual traveller.

**DOMESTIC MARKETS**
Domestic travellers account for the majority of business for many tourism operators. In 2010, the domestic market accounted for over 54% of total visitor nights in NSW [Tourism Research Australia, *International visitor survey & national visitor survey*, year ended September 2011].
Given this market is so significant and easy to reach, it is wise to focus your first packaging efforts at this level. Domestic packaging is less expensive to compile than international packaging; it also requires fewer distributors and generally achieves faster results.

Modern packages that are flexible and good value for money will appeal both to groups seeking guided and unaccompanied itineraries, as well as to the more independent traveller.

Domestic market groups include:

**Clubs and associations**
Members of clubs, such as RSL, Legacy, Probus, community service clubs and groups or associations catering to retirees, are a major market.

**Schools and educational institutions**
Schools and other educational institutions regularly conduct day and overnight excursions. If your product has significant educational content, creating a package to suit this sizeable market can be a profitable venture.

**Families**
The ability to purchase a complete package, which includes a number of components at a cheaper rate than if the items were purchased individually, will appeal to families seeking value for money holiday options.

**Special interest groups and individuals**
Special interest markets should not be overlooked. These include groups with a special interest in a particular recreation or experience, the arts, events, festivals, history and culture, fishing, bushwalking, sporting and 4WD adventures.

**PACKAGING ESSENTIALS**
During the package design process, seek the advice of industry members who have proven packaging experience. Also, consider the following:

**Timing**
If your business is seasonal or experiences peak periods, allow for this when determining package availability. The most popular holiday periods of your target markets should be noted.

**Pricing**
Prices should be fixed for at least a 12 month period (generally April to March, which is the tourism calendar year). Ensure all costs are included in this price, such as product development costs, entry and guide fees, meals, maintenance and marketing costs.

If compiling a package in co-operation with other operators or on behalf of a number of operators:
- allow a satisfactory profit margin for all concerned;
- make an allowance for unexpected costs;
- determine product break-even points;
- and consider if all operators will agree to promote and sell the package.

If trimming the package price, look for an appropriate cost to reduce that will not compromise quality. Alternatively, enhance package appeal by upgrading aspects or by offering an enticing package souvenir.

**Commission**
If you are using retail travel agents, wholesalers or inbound tour operators (applicable for international packages only) to distribute your product, you are required to pay a commission for any sales they make on your behalf. Commission rates vary between 10% and 30%. Allow for these rates in the overall price and consider how the commissions will be split between each operator involved in the package.

**HANDY HINT**
For bookings and promotional material, prepare packages at least 12 months in advance to cater for industry lead times.
Development expectations
Packaging a product requires substantial lead time and the financial returns are gradual. Profits can take at least two to three years to eventuate but may occur earlier if promoted and distributed effectively. Your booking system may be improved by providing a free call telephone reservation number or email reservations address, or by establishing links with a central booking office servicing a number of industry operators.

Legal implications
Wholesalers and retail travel agents must provide explicit conditions of sale and be selective with product endorsements. Misleading advertising and failure to deliver advertised services as inclusions are common consumer complaints.

Package promotion
Presenting a package in an attractive brochure provides sales opportunities through major distributors.

Conducting product and package familiarisations for retail travel agents, wholesalers, suppliers and sample target markets, will improve product awareness and motivate distributors to sell your product.

Maintaining regular contact with distributors can build confidence in your product and develop a close business relationship. Keep them informed of your activities through regular email communication [say, every three months] and personal sales calls.

Bundling
For ideas on how to work collaboratively with operators who have complementary products, refer to bundling in *Boosting Your Bottom Line*, part of Tourism Australia’s Industry Resources toolkit. Go to www.tourism.australia.com.

PACKAGING FOR OVERSEAS
After achieving results on a domestic level, consider whether your package has potential international appeal. Be sure to contact the appropriate distributors who understand international packages and markets. For international packaging advice, contact Destination NSW on (02) 9931 1111.

You may not need to create a new package because an inbound tour operator may bundle a range of products, including yours, for a wholesaler.

PACKAGING POINTERS
- Be pro-active. Create a package that is people and market oriented.
- Do not discount to a point where you sacrifice profits and/or quality.
- Price clearly, making sure all elements including commissions are costed.
- Create a package with components that can readily be mixed and matched to appeal to different identified markets.
- Plan well in advance, allowing adequate promotion and booking time.
- Expect gradual financial returns.
- Ensure your staff are well trained, well informed and enthusiastic.
- Retain a degree of flexibility to appeal to the more independent traveller.
- Be sure that you deliver on your promise!

HANDY HINT
In regional areas, a package featuring complementary products that are a well targeted mix of visitor experiences can enhance the appeal of a destination – often much more than selling your product individually.