Outlook for the Packaged Travel Industry

National Tour Association

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Outlook for the Packaged Travel Industry
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With members in more than 40 countries, including every U.S. state and every Canadian province, NTA (National Tour Association) is the leading association for travel professionals who package travel to, from and within North America. NTA’s more than 2,300 member organizations include 700 tour companies, which have a diverse business model evident from the fact that the majority serve multiple markets: Seventy-five percent of these NTA tour operators package travel within North America, 48% package travel outbound from North America and 39% package travel into North America from abroad. Collectively, NTA tour operators serve more than 13.5 million travelers each year.

The state of the packaged travel industry is strong and growing according to NTA tour operators. In the 2014 NTA Tour Operator Profile survey, the companies, on average, did approximately $12.6 million in business and as a whole had more than $8.8 billion in sales in 2013. And when you look at the first six months of 2014, they reported that business was greater than the same period in 2013. Sixty-one percent of operators reported bookings were up and 63% said their sales volume was greater than it was in 2013. Not only is business better than it was in 2013, a majority of NTA operators reported that business is now better than before the 2007/8 recession: 72% say revenues are up, 81% are charging more per tour/package offered, 64% are offering more tours/packages and 63% have higher profits. These positive responses are another indicator that the travel industry has rebounded from the lows seen during the recession.

And 2015 is shaping up to be another banner year according to operators surveyed in the 2015 Business Outlook survey. Sixty-seven percent said they are optimistic about the future of packaged travel and feel business is healthy and 77% believe the business they book for 2015 will be greater than the business they booked in 2014. Additionally, to ensure future growth, they are adapting their product and marketing as the industry and traveler needs continually evolve. As the world economy grows and stabilizes, NTA operators believe more and more people will be interested in travel and see the U.S. market developing along with international destinations, like China, Europe and South America. However, NTA and operators are closely watching domestic and international matters, including the Ebola outbreak in Africa and the unrest in the Middle East, to identify how these issues may create obstacles and impact the growth of business and travel in 2015.

Adjusting and adapting to today’s travelers is critical to tour operators. In NTA’s 2014 Mid-year Business Survey, operators were asked to identify the current trends they foresee changing the way they do business. The five trends mentioned most frequently were: 1) tour customization/flexibility/choice, 2) demand for memorable experiences, 3) advancements in and use of technology/internet/social media, 4) smaller groups, and 5) adapting and appealing to younger travelers.

<table>
<thead>
<tr>
<th>Tour Operator Business Compared to Pre-recession Levels</th>
<th>Greater than 2007-08</th>
<th>Equal to 2007-08</th>
<th>Lower than 2007-08</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of tours/packages offered</td>
<td>64.1%</td>
<td>17.6%</td>
<td>18.3%</td>
</tr>
<tr>
<td>Number of tours/packages booked</td>
<td>62.1%</td>
<td>14.4%</td>
<td>23.5%</td>
</tr>
<tr>
<td>Average price per tour/package</td>
<td>80.5%</td>
<td>17.3%</td>
<td>2.3%</td>
</tr>
<tr>
<td>Revenue</td>
<td>71.8%</td>
<td>9.9%</td>
<td>18.3%</td>
</tr>
<tr>
<td>Profit/net income</td>
<td>62.6%</td>
<td>18.3%</td>
<td>19.1%</td>
</tr>
<tr>
<td>Staffing</td>
<td>43.5%</td>
<td>35.9%</td>
<td>20.6%</td>
</tr>
</tbody>
</table>
In today’s world, consumers are using the internet extensively to research travel. The “new” traveler is doing his/her own research and is a savvier consumer than travelers of the past. They want experiences and are requesting more niche, special interest and affinity travel. They are making late bookings, are requesting more individualized experiences within a group tour itinerary, and want a heavy focus on “unique” experiences. Experiential travel is nothing new but more and more traditional groups want the level of customization and flexibility once afforded only to FIT, or independent travel, and small groups. Travelers today are not measuring the success of their vacations by the number of things they see and do or the price they pay, but by the experiences they have. And they’re willing to pay more for great experiences. These new demands challenge the traditional tour operator to find a balance between individual experiences, or choice, and inclusive elements so that their clients not only get a unique experience, but also feel they received it for a price they could not have found on their own.

The changing environment is not limited to the experiences travelers are expecting from operators. As technology, the internet and social media change the way consumers access information, operators will need to adjust their marketing and communications outreach. Since 2007, operators have seen a decrease in the number of senior clients while their student, young adult and boomer clients have increased. To reach these tech-savvy consumers, it may require operators to change their marketing mix from traditional print to more e-marketing platforms and social media. Furthermore, operators will need to include new technologies for clients to easily share their experiences with their friends and family. They also will need to offer flexibility to alter their itineraries for more free time or offer alternatives to give their clients an experience they may not be able to get on their own. Operators cannot forget their clients are a part of this new connected generation. The vast amount of information consumers have at their fingertips via review websites and internet searches will now require tour companies to focus more extensively on providing outstanding customer service to earn and retain loyalty or risk losing clients to negative exposure.

Not only are consumers using the Internet to research and plan travel, operators, too, are using the same sites for itinerary/product development, market/product expansion, price comparison and booking. However, operators are only using OTAs and sites like Trip Advisor, Yelp, DMO websites and search engines for research, price comparison and market/product expansion. When it comes to booking, operators prefer to go directly to the source’s website (hotels, airlines and attractions). NTA operators like the relationships they build with representatives from these companies through their
association membership and at trade shows/business building events. These face-to-face meetings give operators a level of comfort when booking components of their tours online. They know with whom they are dealing and know their clients will be in good hands during their trip.

Currently, NTA tour operators offer travel packages in a wide range of markets from adventure to voluntourism. The top five markets served or package components offered by NTA tour operators are: National Parks (69%), Historic/Heritage (61%), Student Travel (58%), Events (58%) and Family/Multi-generational (53%). In the next three years, operators identified these five markets where they plan to develop new product: Agritourism (11%), EcoTours (11%), Sports (11%), Voluntourism (10%) and Faith-based (10%). Operators did not state these were the fastest growing, yet that they saw potential growth for their businesses.

Since 2008, NTA has had a leading role in facilitating leisure group travel inbound from China to the United States through its China Inbound Program. This program upholds the tenets of the Memorandum of Understanding signed in 2007 by the U.S. and Chinese governments to open this market. NTA registers U.S.-based tour companies qualified to work with Chinese travel agents to facilitate inbound group leisure travel. In the first quarter of 2014, more than 16,500 Chinese groups visited the United States and accounted for nearly $1 billion in economic impact. The areas most visited include: Hawaii, California, New York, Florida and Washington, D.C.. These destinations tend to be entry points as many second and third tier cities have reported growing numbers of Chinese tourists.

Overall, the positive news is that NTA operators are seeing their businesses grow. Fewer are facing the troubles of years past and the obstacles to their growth are becoming less and less. They recognize the changing consumer needs and are adapting their product, marketing and customer service to appeal to younger travelers and are excited to plan travel for the “new” traveler looking for an experience that meets their desires.