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Perceptions of Travel Packages by Customer Segments

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ABSTRACT

This study applied a customer segmentation method based on the cross-tabulation result using the two variables: “previous purchasing experience” of travel packages for an overnight pleasure or vacation trip and “level of interest in” purchasing a travel package when planning a pleasure or vacation trip of one or more nights. The segmentation results indicated that there are four distinct segments of pleasure travellers: “high prospects,” “potentials,” “uninterested customers,” and “unreachable customers.” This study also found that each customer segment had different perceptions of travel packages, positive or negative. In addition, each segment behaved differently when searching information about travel packages. This implies that travel package designers or operators need to know why customers perceive travel packages differently and should attempt for broader appeal with a focus on what customers want and need.

INTRODUCTION

Recently, Travel Activities and Motivation Survey (TAMS) reported that 7% of Canadian and 4.5% of U.S. travellers *always* buy travel packages for most of their pleasure trips. One quarter of all Canadian and U.S. pleasure travellers have purchased a travel package for at least one overnight pleasure trip in the past two years (Ontario, 2007a; 2007b).

Travel packages, including all-inclusive or partial or flexible packages (any combination of transportation, accommodation, meals, sightseeing, activities, dining, attraction passes, and/or other travel services) are an important component of the travel business. A package tour as a bundle of products is usually sold at a single (Sheldon & Mak, 1987). Package holidays play an important role in the tourism business and for destination marketing (Heung & Chu, 2000; Rewtrakunphaiboon & Oppewal, 2008). In general, consumers value package holidays because of the perceived lower price, lower risk, and higher convenience compared to individually purchased items (Laws 1997; Middleton & Clarke 2001; Money & Crotts 2003). However, as the travel market matures, customers desire more diverse package products and/or customized packages. Thus, major factors influencing success in the market should be determined by consumers' perceptions and evaluation for long-term prosperity.

The specific objective of this study is to identify (1) the attributes that consumers consider important when choosing a travel package, (2) interest in different types of

travel packages when purchasing a package, and (3) attitudes toward package travel. This includes examining significant differences of derived variables in relation to consumers' perceptions of travel packages. These consumers were segmented by previous purchase(s) of travel packages and levels of interest in purchasing a travel package when planning a pleasure or vacation trip of one or more nights.

METHODOLOGY

Sampling. This study used primary data collected on a proprietary on-line panel that was established by the Tourism Research Centre at the University of Prince Edward Island (PEI) on behalf of Tourism PEI. The panel includes both people who have visited and have not visited PEI, although all panel members had expressed interest in visiting PEI by requesting the visitor information package from Tourism PEI. The panel mix is 31% visitors to PEI, 69% non-visitors. It is a "blind" or unbranded panel. That is, it is comprised of travellers who opted to join the panel but are unaware of the panel sponsor seeking the data. Panel members are not aware that the data is being collected for the Province of PEI.

These panel members were utilized as the sampling frame. The survey was conducted from December 20 to December 30, 2007. In total, 3,185 panel members were invited to complete the survey through e-mail requests. Reminder emails were sent on December 27 to the panelists who had not yet started the survey. Overall, 970 panel members (30.5%) started the survey while 873 surveys were completed. Of these, only 672 Canadian panel members are used for this study.

Samples. Table 1 shows the characteristics of the sample. Of the total surveys used, 241 were respondents from Ontario (35.9%), 221 (32.9%) from Maritime Provinces (excluding PEI), 47 were from Quebec (7.0%), and 163 were from other Canadian province or territories (24.2%). Among respondents, about 66% were female, 81% were married, 60% worked full time, and 21% were retired. Respondents varied widely in age, education level, and annual household income.

Variables. Two questions served as variables to segment customers: (1) previous purchase of travel packages for an overnight pleasure or vacation trip within the past two years and (2) level of interest in purchasing a travel package when planning a pleasure or vacation trip of one or more nights. In addition, variables including (1) attributes influencing the customer to purchase a travel package, (2) interest in purchasing various types of travel package, and (3) attitudes toward package travel were used to identify perceptions of travel packages by customer segments.

Data Analysis. The study performed Chi-Square analysis to classify the customer segment and a series of ANOVA (analysis of variance) tests were analyzed on attributes influencing the decision to purchase a travel package, interest in purchasing various types of travel packages, and attitudes toward package travel to determine whether variables in customer segments differed.

Table 1. Demographic Characteristics of the Sample (Total N = 672).

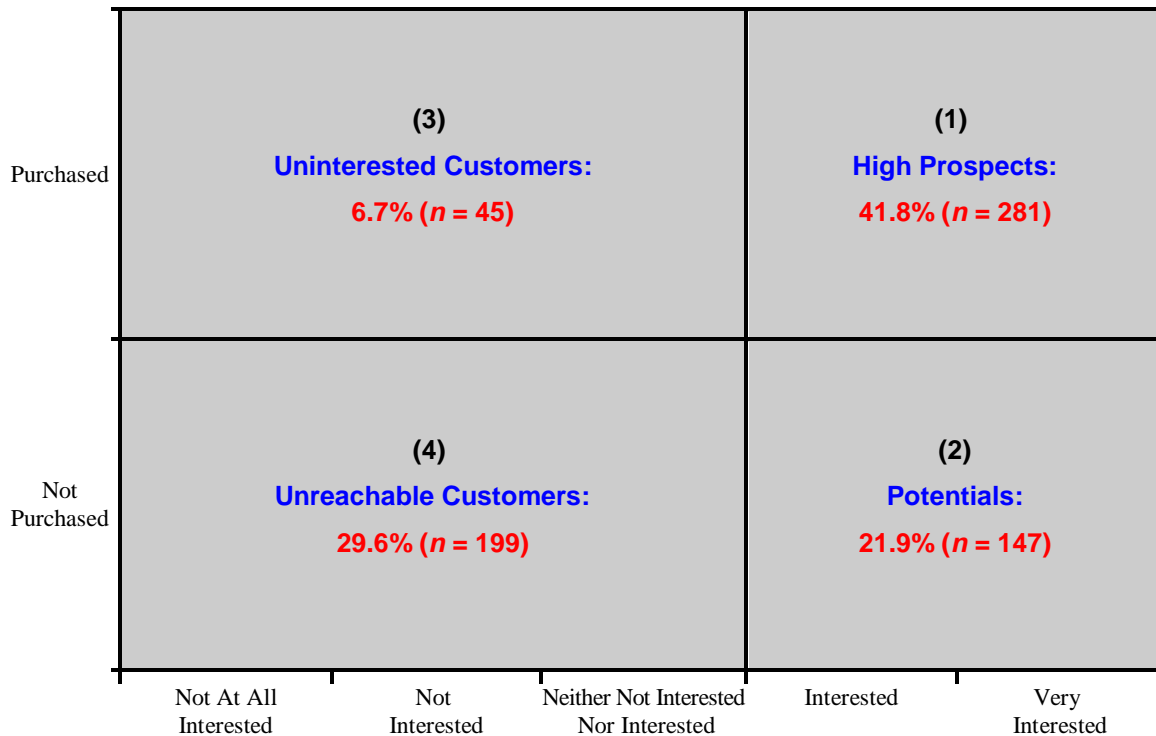
Variables	N	%
Gender		
Male	228	33.9%
Female	444	66.1%
Age		
18 - 24	6	0.9%
25 - 34	60	8.9%
35 - 44	148	22.0%
45 - 54	227	33.8%
55 - 64	182	27.1%
65 and over	49	7.3%
Marital Status		
Married/Common-law	547	81.4%
Single (Never married)	54	8.0%
Widow	13	1.9%
Divorced/Separated	55	8.2%
Other	3	0.4%
Education Level		
High school graduate or less	116	17.3%
Some college-did not graduate/Vocational/Technical school	138	20.5%
Technical/Community College graduate	206	30.7%
University graduate (Undergraduate)	124	18.5%
Post-graduate/Advanced degree/Professional designation	88	13.1%
Employment Status		
Working full time	402	59.8%
Working part time or seasonally	64	9.5%
Unemployed	20	2.9%
Retired	140	20.8%
Homemaker	46	6.8%
Annual Household Income		
Under \$40,000	102	15.2%
\$40,000 to \$59,999	147	21.9%
\$60,000 to \$79,999	142	21.1%
\$80,000 to \$99,999	122	18.2%
\$100,000 to \$124,999	76	11.3%
\$125,000 to \$149,999	42	6.3%
\$150,000 or more	41	6.1%
Place of Residence		
New Brunswick	92	13.7%
Nova Scotia	129	19.2%
Quebec	47	7.0%
Ontario	241	35.9%
Alberta/British Columbia	99	14.7%
Rest of Canada	64	9.5%

RESULTS

Customer Segmentation. Figure 1 summarizes segmentation results based on the cross-tabulation using the two variables of “previous purchasing experience” of travel packages for an overnight pleasure or vacation trip and “level of interest in” purchasing a travel package when planning a pleasure or vacation trip of one or more nights. Significant differences showed at better than the 0.001 level between respondents’ purchasing experience of a travel package for an overnight pleasure trip and levels of interest in purchasing when planning a trip ($\chi^2 = 152.22$; *d.f.* = 4).

This figure clearly illustrates that the 672 Canadian respondents could be neatly partitioned into four segments. Of the total, 281 (41.6%) reported high interest in purchasing a travel package when planning a trip and had purchased a travel package in the past two years; they are termed “high prospects.” In addition, 147 (21.9%) also expressed high interest in purchasing a travel package when planning an overnight pleasure trip but had not purchased a package in the past two years; they are classified as “potentials.” A further 45 (6.7%) had purchased a package in the past two years but were not interested in purchasing a package again when planning a trip, and are labeled “uninterested customers.” Finally, 199 (29.6%) are “unreachable customers,” respondents who had never purchased a package in the past two years and were not interested in purchasing a package.

Figure 1. Customer Segments for Travel Packages.



Note: As shown in this figure, sizes of the quadrants do not equal to the size of each segment (percent) because each quadrant in this figure is just based on the scales used; These four segments were clustered on the basis of the result of cross-tabulation of purchasing experience of travel packages in the past two years and level of interest in purchasing a travel package when planning a pleasure or vacation trip of one or more nights ($\chi^2 = 152.22$; *d.f.* = 4; $p < .0001$).

Attributes Influencing the Selection or Decision to Purchase a Travel Package.

Table 2 shows a list of travel package attributes with rating selections from 1 to 5 on level of importance. The overall most important attributes were destination (4.71) and package price (4.30). High prospects considered destination, availability of package from off-line travel agencies and from on-line travel companies, variety in choice of accommodations, free recreation and sport facilities available at the hotel, food and beverages, activities, sufficient information about packages available from the destination, and own previous experience the most important when selecting a travel package. Unreachable customers considered the following attributes to be of most importance: package price, cancellation policy, variety in choice of entertainment, sufficient brochures provided, travel package booklets, and advertisements in mass media.

Table 2. Attributes influencing the Selection or Decision to Purchase a Travel Package.

	High Prospects (n=281)	Potentials (n=147)	Uninterested Customers (n=45)	Unreachable Customers (n=199)	F-value
Destination	4.78 a	4.76 a	4.81 a	4.44 b	2.107*
Package price	4.15 b	4.87 a	3.40 c	4.77 a	3.515*
Group or family discount offered	3.53	3.47	3.34	3.35	0.940
Early-bird discount offered	3.93 b	4.50 a	3.42 c	3.33 c	4.632**
Terms of payment	3.33	3.27	3.18	3.21	0.401
Insurance scheme availability of travel insurance	3.08	3.20	3.02	3.15	0.408
Cancellation policy/availability of cancellation	3.57 b	3.89 a	3.54 b	3.99 a	2.479*
Convenient booking/purchasing processes	4.24 b	4.52 a	4.10 b	4.01 b	4.265**
Availability of packages in off-line travel agent	3.76 a	3.33 b	3.51 ab	3.21 b	10.172***
Availability of packages in on-line travel company	3.67 a	3.41 ab	3.16 b	3.15 b	9.102***
Variety in choice of accommodations with different levels of price and quality (star rating)	4.38 a	4.14 ab	4.09 ab	3.73 b	1.941*
Availability of recreation and sport facilities at the hotel without price surcharge	4.13 a	3.68 b	4.25 a	3.61 b	1.993*
Variety in choice of food and beverages (meals)	4.49 a	3.67 b	4.45 a	4.13 ab	3.593*
Variety in choice of entertainment offered	3.78	3.68	3.61	3.69	0.580
Variety in choice of tickets or fees for attractions	3.45 b	3.97 a	3.52 b	3.96 a	2.180*
Variety in choice of transportation to the destination	3.77	3.75	3.75	3.83	0.183
Variety in choice of transportation while at the destination	3.78	3.88	3.77	3.91	0.752
Variety in choice of specific holiday activities offered	3.76 b	3.75 b	4.05 a	3.80 b	1.984*
Variety of sightseeing points offered by the tour	3.94	3.95	4.09	4.02	0.501
Variety of activities	4.21 a	3.74 b	4.19 a	3.75 b	2.035*
Tour itinerary (if applicable)	3.74	3.86	3.79	3.80	0.395
Sufficient brochures provided	3.49 b	3.53 b	3.45 b	4.58 a	2.197*
Travel package booklet	3.73 b	4.23 a	3.52 b	4.39 a	4.304**
Sufficient information about travel packages available from the destination	4.45 a	3.92 c	4.25 b	4.01 c	4.619**
Avertissements in mass media	2.86 b	2.88 b	2.57 b	3.91 a	3.312*
Recommendation from friends, friends or relatives	3.86 b	4.78 a	3.78 b	3.86 b	3.276*
Agency/guide book recommendation	4.60 a	4.61 a	3.42 b	3.46 b	4.005**
Own previous experience	4.25 a	4.01 b	4.18 a	4.01 b	2.965*

Notes: * $p < .05$; ** $p < .01$; *** $p < .001$; Mean values are based on a 5-Point importance scale (1 = not at all important to 5 = very important); a, b, and c indicate the results from the Tukey's post-hoc multiple comparison tests (a > b > c).

While potentials tended to consider important attributes to be package price, early-bird discounts, cancellation policy, convenient booking, variety of choice for attraction tickets, recommendation from friends, family or relatives (word-of-mouth communications), and agency or guide book recommendations; uninterested customers were more likely to consider important attributes to be destination, variety of free recreation and sport facilities at the accommodation, food and beverages, specific holiday activities offered, activities, and own previous experience.

Interest in Different Types of Travel Packages. Based on Table 3, it is clear that travel packages for short getaways and those with a focus on and cultural attractions and events are the two highest rated types of travel packages based on level of interest. High prospects were more likely to be interested in golfing, spa, culinary, and ski packages, potentials tended to be interested in purchasing packages for a short getaway or one with a focus on theatre/entertainment, culinary, or spa. Uninterested customers were more likely to be interested in culinary and ski packages. Not surprisingly, unreachable customers showed the lowest interest in all types of travel packages. Overall, all respondents were least likely to be interested in purchasing packages related to ski and golfing.

Table 3. Interest in Purchasing Different Types of Travel Package.

	High Prospects (n=281)	Potentials (n=147)	Uninterested Customers (n=45)	Unreachable Customers (n=199)	F-value
Family oriented	3.14	3.14	2.96	2.90	1.328
Golfing	2.45 a	2.03 b	2.22 ab	2.01 b	5.256***
Spa	3.09 a	3.20 a	2.55 b	2.43 b	15.697***
Short getaway	3.98 ab	4.14 a	3.91 ab	3.78 b	4.947**
Cultural attractions and events	3.74	3.92	3.80	3.70	1.724
Theatre and entertainment	3.72 ab	3.85 a	3.40 b	3.40 b	7.093***
Dining/culinary/winery/brewery/distillery	3.66 a	3.71 a	3.62 a	3.40 b	2.771*
Ski	2.24 a	1.86 b	2.18 a	1.97 b	4.076**

Notes: * $p < .05$; ** $p < .01$; *** $p < .001$; Mean values are based on a 5-Point Likert scale (1 = not at all interested to 5 = very interested); a, b, and c indicate the results from the Tukey's post-hoc multiple comparison tests (a > b > c).

Attitudes toward Package Travel. The question on attitudes toward packages was asked to all respondents regardless of whether or not they had previously booked or purchased a travel package. As shown in Table 4, significant differences between the customer segment groups were found in many of the expressed attitudes toward package travel (15 out of 18 variables). On the whole, it was found that unreachable customers were more likely to perceive packages costing more than each component priced individually, prefer to make their own arrangements for vacation trips, and think packages should be flexible and customizable.

On the contrary, high prospects were more likely to see the advantages of package travel and overall had very positive attitudes toward package travel. Comparatively, mean values for potentials and uninterested customers were more likely to be middle ranges between high prospects and unreachable customers.

Table 4. Attitudes toward Package Travel.

	High Prospects (n=281)	Potentials (n=147)	Uninterested Customers (n=45)	Unreachable Customers (n=199)	F-value
I expect package tours to give me the best value for my money	4.61 a	4.71 a	4.60 a	4.37 b	7.644***
I tend to book last minute packages to maximize my cost savings	3.70 a	3.58 a	3.44 ab	3.29 b	5.262***
I expect packages to cost more; I am paying for the “convenience” of having everything set-up for me	2.64 b	2.70 b	2.71 b	2.99 a	4.267**
It’s important that my package is flexible and allows me to customize my holiday	3.92 b	4.16 a	4.02 ab	4.27 a	8.257***
I prefer my package to be part of an organized tour	2.81	2.84	2.64	2.68	1.162
I enjoy research and choosing a travel package	4.04	4.04	4.31	4.04	1.241
Travel packages give me most comprehensive way of seeing the destination chosen	3.74 a	3.66 a	3.56 a	3.13 b	16.730***
Travel packages are usually the cheapest option	3.42 a	3.17 b	3.00 bc	2.73 c	16.931***
I usually travel on all-inclusive package vacations	3.56 a	2.87 b	2.36 c	2.10 c	65.734***
Inexpensive travel to the destination is important to me	3.82	3.99	3.86	3.75	1.570
I enjoy making my own arrangements for vacation trips	3.60 b	3.82 b	4.16 a	4.27 a	19.950***
I like to have all my travel arrangements made before I start out on vacation	4.00 a	3.93 a	3.78 b	3.68 b	4.124**
I trust tourist-trade people	3.36 a	3.23 ab	3.18 ab	3.09 b	3.336*
I prefer well-planned, comprehensive packages	3.87 a	3.73 a	3.38 b	3.22 b	18.463***
I trust tour operators	3.38 a	3.25 ab	3.04 b	3.02 b	6.829***
I think a travel agency Web site gives me better access to tourism products adapted to my needs	3.39 a	3.38 a	3.18 b	3.07 b	5.190**
I think it is easy and practical to use an online travel service	3.69 a	3.52 ab	3.71 a	3.29 b	7.021***
Travel agents have a lot of experience and usually know what is best for me	3.50 a	3.50 a	3.40 ab	3.13 b	6.068***

Notes: * $p < .05$; ** $p < .01$; *** $p < .001$; Mean values are based on a 5-Point Likert scale (1 = strongly disagree to 5 = strongly agree); a, b, and c indicate the results from the Tukey’s post-hoc multiple comparison tests (a > b > c).

DISCUSSION AND CONCLUSIONS

This paper presented the results of customer segments based on “past purchasing experience” of travel packages and “level of interest in” purchasing a travel package when planning a pleasure or vacation trip of one or more nights. The results indicated that there are four distinct segments of customers: high prospects, potentials, uninterested customers, and unreachable customers.

The most important package attributes were destination, package price, variety of choice in accommodation, and convenient booking/purchasing process. Price is important for travellers thinking about buying packages: the majority expect to get good value with them, and expect packages to save them money. On the other hand, there may also be a perception that packages are more costly than purchasing individual components as cost brought forth a negative attitude and was often a reason why respondents had not purchased a package in the recent past. The top three types of travel packages in terms of level of interest were for short getaways, or themed around cultural attractions and events, and theatre and entertainment.

Furthermore, each customer segment had different perceptions of travel packages positively or negatively, implying that travel package designers or operators need to know why customers perceive travel packages differently and should attempt for broader appeal with a focus on what customers want and need. For example, unreachable customers may purchase a flexible or partial package when planning a pleasure trip if tourism marketers provide a variety of diverse, customizable packages.

In terms of information about packages, the high prospects tended to seek out information about travel packages for destinations, while the potentials preferred to be informed through word-of-mouth communications (recommendations from friends, family or relative and agency/guide book), and the unreachable customers wanted to see the information through printed materials and advertisement in mass media including brochures, magazines, newspapers, TV, etc.

In conclusion, it is clear that travel package marketers and operators need to emphasize unique elements of a destination and provide a variety of travel package components to appeal to and attract more prospective, potential, and uninterested customers. Further research would be useful using different methods of customer segmentation techniques.

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