

The roles of the tour operator tourism essay



\n[[toc title="Table of Contents"](#)]\n

\n \t

1. [Anchorage Marriott Downtown,](#) \n \t
2. [Anchorage, Alaska, United States of America](#) \n \t
3. [Contractual method suggested with Anchorage Marriott Downtown](#) \n \t
4. [Option One](#) \n \t
5. [Option Two](#) \n

\n[/toc]\n \n

Tour operator is a person or company who purchases the different items that make up an inclusive holiday in bulk, combines them together to produce package holiday and then sell the final product to the public either directly or through travel agencies (Yale 1995).

A package holiday consists of at least two of the following. Services must be sold to customer to cover a period of 24 hours and should include an overnight stay (Council Directive 90/314/EEC of 13 June 1990 on package travel, package holidays and package tours): -

Transport (flights, ferry crossings, coaches)

Accommodation (for period of 24 hours)

Other tourist services (foreign exchange, airport transfers, guiding etc.)

To be able to serve customer a tour operator must know the customer as of what are the needs and requirements of a customer and how much he/she is willing to pay for the services offered. For a better understanding of

customer, Customers are classified under six different socio-economic groups namely: -

A - Professionals (Lawyers, Doctors, Software Developers etc.)

Frequent travellers

B - Semi Professionals (Small-business owners, Craftspeople etc.)

C1 - Skilled Workers (Nurses, Clerical staff etc.)

C2 - Semi Skilled Workers (Shop assistants, Office workers etc.)

D - Unskilled Worker (Manual labourers, Agricultural workers etc.)

E - Unemployed

The standard of accommodation offered in a package must be suitable for different socio- economic group. For example:-

For group A to B, a hotel can be a 4 or 5 star.

For group C1 to C2, a hotel can be 3 or 2 star.

Similarly, the services offered in the accommodation should have facilities suitable for customers.

Spas and Golf courses for A and B clients.

Bars and Casinos for C and D clients.

Entertainment for E and beyond.

A tour operator may design a special product to target a particular group of customers; which can be based on different social, economical or geographical factors. Such sub setting of market is known as Niche Marketing. Stanton states niche marketing as “ a method to meet customer needs through tailoring goods and services for small markets” (Stanton et al. 1994).

In the following assignment, the market research department of ABC Tours – a medium sized tour operator based in London, United Kingdom which specialises in a number of niche markets serving to customers in the A – B socio economic groups has come up with a new destination – Alaska

Alaska

Alaska – the largest state of United State of America has got everything to call itself an emerging tourist destination. From its assorted wildlife sanctuaries to scenic natural beauty; Alaska also offers is a unique blend of wilderness and native culture which coexist peacefully. DuFresne states that “ Alaska is where human being stands on an equal footing with nature. Nowhere in United States is there such an undeveloped, unpopulated and untrampled place” (DuFresne et al. 2009).

Task One – Contracting Hotel Accommodation

Accommodation determines a major portion of cost of a package vacation; it also significantly influences the degree of satisfaction of the tourists who purchase such packages (R. D. Medina-Muñoz et al. 2003). A tour operator

must the following factors in mind while contracting accommodation for a packaged tour:-

Price – In a packaged tour, price of accommodation is a primary factor that affects the costing of tour.

Quality and Safety – The quality of accommodation must match the price paid for accommodation by a customer. Also, no compromises should be made with the level of safety in an accommodation. A tour operator must enquire if accommodation complies with the local health and safety regulations.

Right accommodation for the right customer – Different customers have different needs. Accommodation being an influential factor for tourist, it must be wisely chosen. For example, A couple going on a holiday with their children may require a hotel accommodation with children play area facility or in case of babies, babysitting facilities may be required.

Methods of contracting accommodation

' Rack' rate – This is the public price payable for an accommodation. A tour operator need no contractual relationship but is dependent on accommodation being available at the time of booking it and also will be paying the public price. To make a profit, you may need to charge more than the rack rate. This will ultimately result in an expensive product.

Ad-hoc rate – Tour operators have a contract with agreed price, below the rack rate, but the hotel does not guarantee room. Thus, operator does not guarantee bookings.

Commitment - As the term suggests, in this method the tour operator agrees to buy a set number of rooms for the coming season regardless of how many it actually manages to sell. This method of contracting bears a higher degree of risk as tour operator has a commitment with hotelier. Yale states, in a bad year commitment may mean the operator paying for lots of beds it is ultimately unable to sell (Yale 1995).

Allocation - Tour operators agree to take a specified number of rooms for the whole season. The contract will have a "release date" normally 21 or 28 days before arrival. At that point they can return any unsold room to the hotel with no financial commitment but they must then pay for all the room they have not released. Dale states that these contracts are popular with hoteliers (Dale & Oliver 2005). But this is also the way most large tour operators contract their accommodation and when holidays were sold in advance of travelling, it meant that operator carried no financial obligation of paying for unsold accommodation. Now, with late booking operator either have to hold on to the room and pay whether they sell them or not or release them back to hotel with the risk they cannot get them back if they want to make late sales.

Free sale rate or Sell and Report rate - In this method, Hotel guarantees accommodation for booking made by the tour operator. The operator simply reports the sale in due course. The hotel must provide the room until such time as it issues a stop sale notice or gives a list of 'blackout' dates to the tour operator. In these circumstances; operator must book room availability before confirming anything to the client.

Hotel and Contracting Term Suggested

Anchorage Marriott Downtown,

Anchorage, Alaska, United States of America

Located in the city centre Anchorage Marriott Downtown is the only four star luxury hotel in Anchorage, Alaska. It offers 390 guestrooms and 3 suites. The hotel is conveniently located in Downtown Anchorage and is close to 5th Avenue Mall, an upscale shopping mall located within minutes from hotel; other nearby attractions include AK Experiences Theatre, AK Mint & AK Zoo. The standard room amenities include cable /satellite television channels, oversized picture windows framing Chugach Mountain Range, wireless high-speed internet access. The hotel is at close proximity from Anchorage international airport. A shuttle service is provided by the hotel at an additional cost. During peak season, Average nightly rates are in the range from £150-£350. Being a part of Marriott International Inc, Anchorage Marriott Downtown provides excellent customer service. As one of the guest reviews Anchorage Marriott Downtown as "...hotel staff was very friendly and accommodating..." (Anon 2010).

Contractual method suggested with Anchorage Marriott Downtown

From the above-listed methods of contracting hotel accommodation, Allocation method will be suggested as it holds lesser risks than commitment contracts, Commitment contracts are usually for those destinations which are already in mass demand or for those destinations whose image of a big experience has been matured. These destinations have more dependable market trends (political/ economic stability, climate, culture etc) which help

<https://assignbuster.com/the-roles-of-the-tour-operator-tourism-essay/>

the tour operator to reduce the risk involved in commitment contracts.

However, for a not-so-matured destination like Alaska, an allotment contract would be an ideal option for a medium sized operator like ours. Reasons for opting allotment contract for accommodation in Alaska would be:-

Allotment contract averts a tour operator from paying for unsold service by allowing tour operator to release any unsold room to hotel by release date. This prevents tour operator from facing liquidity crunch in the event of poor sales season.

Contracting accommodation in a new destination like Alaska, there are number of threats which characterize the market; these are monetary fluctuations, climate, terrorist attacks and political/social conflicts. A tour operator cannot rely on such market trends which can adversely affect demand of a tourism product.

Contracting accommodation by method of allotment in such a price sensitive market also gives tour operator a scope to renegotiate prices with suppliers if the demand of a product is not as expected.

On the contrary, Commitment contracts are preferred by large tour operators as they have more bargaining power as compared to medium sized tour operators. Buhalis states that some big tour operators are able to obtain up to 70% of discount (Buhalis 2001).

Other Services to be contracted in Hotel

Excursions/ Safaris - Hotel have established links with local excursion providers. Such services can be contracted from hotel at discounted rates and

<https://assignbuster.com/the-roles-of-the-tour-operator-tourism-essay/>

be sold to customers at premium rates. Excursion are usually booked and paid for in the resort and one of reps is to publicise them at the welcome party and take booking (Yale 1995).

Airport Transfer - Generally airport transfers are provided by the hotel but at Anchorage Marriott Downtown, airport transfer is an add-on. Hotel can be contacted to arrange airport transfer services at negotiated rates which are generally less than the rack rates. And we as tour operator can include the cost in the package deal and highlight it as a premium service.

Travel Assistance (Guiding) - Tour operators can contract the services of guides in hotel. As Anchorage Marriott Downtown has highly trained and multi lingual guides. Services of these guides can be contracted and can be sold separately to the customers.

Car Hire service - Anchorage Marriott Downtown offers car hiring services at discounted rate to their customers. Tour operator can offer these services to customers if they contract them during the time of contracting accommodation.

Task Two- Report on arranging transport to the destination

REPORT ON RECCOMENDATIONS REGARDING FLIGHT OPTIONS AVAILABLE FOR PACKAGED TOURS TO ALASKA.

Kunal Puri

- Addressing General Manager, ABC tours

Following is the report recommending flight options available to arrange transportation for the package tour from The UK to Alaska, US.

Considering the location of destination and also the fact that there are no direct flights available from The UK to Alaska, US. The flight journey has to include a technical stopover. The possible stopover point can be Seattle which is approximately 1500 miles from Alaska.

After evaluating various options available for our tour I found the following options to be most feasible for tours to Alaska, US.

Option One

Type: Scheduled Flight

Carrier: British Airways

Flight Itinerary: LHR-SEA-ANC__ANC-SEA-LHR

In the above option, a schedule flight has been recommended for transportation. Departing from London Heathrow, stopping at Seattle Tacoma Int. and then continuing its journey to Anchorage Ted Stevens Int. Alaska. Reasons for recommending a scheduled flight are:-

Competitive Rates - Scheduled flights used to be much more expensive than charter flights but due to level of competition in the aviation industry, prices of seats have come at par with those of charter flights.

Higher Standard of comfort & Service - Considering our itinerary, which is a long-haul flight from the UK to Alaska; the level of service delivered is

generally higher if compared to short-haul flights. This is in view of providing better service to our customers of A-B socio-economic group.

Cost - We as a tour operator can contract flight seats from a scheduled airline at ad-hoc fares which are available on certain GDS systems. These fares do not require tickets issue until 21-28 days before departure; they can be cancelled up to 8 weeks before departure either free of charge or at minimal fee.

Financial Implications of contracting Scheduled flight seats

In case of Scheduled airlines, costing are usually done as soon as we enter into contract; we as a tour operator are able to make rough estimate of our future cash inflows and outflows. In case of cancellations, a minor fee is payable to scheduled airline which can be collected from the customer as cancellation fee. Prices of scheduled flights seat can increase or decrease according to demand; If it is anticipated properly we can make profit out of such contract.

Option Two

Type: Charter Flight

Carrier: XYZ Charters

Flight Itinerary: LGW-ORD-ANC___ANC-ORD-LGW

In this case, I analyzed the option of considering charter flight seats as transportation for our tour to Alaska. In this option, flight will be departing from London Gatwick, stopping at Chicago O'Hare Int. and then continuing

its journey to Anchorage Ted Stevens Int. Alaska. After analyzing the option, the following were my observations:-

Availability - In case of charter flights, we as a tour operator can contract the seats for the whole season. Thus, the availability of aircraft is guaranteed.

Customisable - The in-flight service in a charter flight are customisable according to our needs. Services like entertainment, food and baggage allowance can be customised and delivered to the customer. This helps us to provide add-on services to clients at an extra cost.

Network - Charter flights have network advantage over scheduled flights as charter flights generally have operations from regional local airports. It can be beneficial for our tour to remote areas in Alaska.

Financial Implications of contracting Charter flight seats

Charter flight have right to increase prices if the price of fuel increases. And as we are aware fuel prices are on constant rise; which makes charter flights a risky business to get into. Also, we as tour operator might have to pay some variable charges such as landing fees (at some airports) duties and taxes; such unforeseen payments can make our profits suffer.

I, hereby submit the report on my recommendations for transportation for our tour to Alaska for your kind consideration.

- Kunal Puri