

# Ways of maximising the profitability of the planned package holiday essay sample

[Art & Culture](#), [Holidays](#)



For M3, learners must explain, with specific examples, ways in which profitability could be maximized. Aspects such as methods of contracting, consolidations, currency exchange, cancellation charge and commission must now be applied specifically to the planned tour, with explanations to show how they could contribute to its profitability.

#### Methods of contracting-

Like any tour operator I need to make a profit, and in order to increase the profit of my planned package holiday to La Charente in France I need to keep the contract with my suppliers flexible so that low booking numbers will not affect my overall revenue. In the contrary if I have a fixed contract then I would still have to pay for plane seats and hotel rooms even if they haven't been booked, this would result in me being out of pocket and could end up bankrupt like what happens to many small independent operators.

#### Methods and Benefits of selling-

When a tour operator sells a package successfully they receive many benefits, a tour operators uses many methods in order to sell the package.

#### Reservations-

If a tour operator sells their holiday effectively the number of reservations in the peak season increases. The more reservations a tour operator makes the more profit they will make therefore the tour operator can cover all their costs and start to generate extra profit.

#### Late Sales-

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As the holiday date approaches the tour operator will be attempting to make late sales. Late sales are cheaper towards the end of the sales period because the price comes down in order for the tour operators to make more sales. The tour operator's aim is to sell every ticket, seat and room of a holiday and this is helped by late sales. Also if a tour operator does sell all seats it makes a better impression on the customer because it shows it was a popular choice.

Late sales are not wanted from any operator when it comes to making a profit, if I had a fixed contract I would have to push late sale in order to help cover costs, but I would not be making any profit from them, however like many tour operators a trustworthy forecast of demand should be in place and so I would be able to avoid late sales.

Commission-

Commission is to do with benefits gained from selling packages. Travel agencies and sales people receive commission when they sell a tour operator's holiday. Commission is usually paid from a percentage of the tour operator's profits therefore the more sold the more commission that is gained. Sales people are employed by the tour operator to sell packages directly from the tour operator to the customer. Commission is used to motivate sales staff and is a benefit of selling package holidays; it is how travel agencies make their money.

Working on a commission based rate of pay can sometimes be difficult, i. e. no customers= no commission. Yet in order receive extra profit, selling third

party products and services such as holiday insurance/ car hire help as we buy them at a base rate and then can increase the price to our customers.

#### Consolidations-

Consolidation cannot be seen as a method of added profit but simply a way of saving money, if my tour operator joined with another operator which sold package holidays different to my own then we would be able to share administration costs and it would help fill up plane seats and booking numbers in order to avoid being out of pocket. Consolidation is popular among small independent operators as they may only have enough customers between them to fill one plane journey rather than having two half empty flights resulting in a poor income/debt, you could also look at this as an environmentally friendly method as it is cutting the number of flights.

#### Currency exchange-

Customers could use my services for a currency exchange; this would be a further way to increase profit, however not by much. I would order the money in their needed currency and then add on a 2% interest fee, I would make sure that my supplier is the cheapest so that once my interest fee is added on I still do not seem any dearer than other high street exchange rates. Providing a currency exchange is not a great source of profit yet it is an ancillary service to a tour operators customers.

#### Cancellation charges-

Like many tour operators I would cover cancellation fees in my terms and conditions part of the contract between buyer and seller. In order to maximise the profit cancellation charges are a good way to do so; if flight seats are fully booked and a couple need to cancel their holiday this is the ideal cancellation. If they cancel before 72 hours of the day of departure then they would receive up to 50% of the cost of their holiday, this means that I am left with two empty seats cost 50% of the total price (i.e. 1/2 \* 100pp) however what I would do is advertise the places at 75% of the original cost and if they sold I would have regained the total cost for the trip and also an added extra 25% which is pure profit!

I could maximise that profit further if the cancellation was within 24 hours of departure, then I would gain a 50% profit however it can be harder to find a buyer at such short notice.