



Pricing to entice: How travel operators can survive the cost-of-living crisis.

By Tom Wells



+44 7508 028 639



tomwells@pearsonham.com

PEARSON HAM GROUP

THE PRICING SPECIALISTS

If you're a business in the travel industry, you could be forgiven for wondering what the market is going to throw at you next. After facing the challenge of COVID-19, operators are now witnessing a cost-of-living crisis that is, once again, testing the limits of their resilience.

Nevertheless, the work you have already done to convince customers to return will still stand you in good stead for the coming summer.

From reassuring the public that it is now safe to holiday abroad to building new levels of flexibility into your standard offers, recent research by Mintel predicts that operators are likely to be able to navigate the upcoming recession with reasonable success.

One of the reasons for this is that the report expects consumers to prioritise their main summer holiday, predicting that many will continue to want to explore the locations that were so recently off-limits due to travel restrictions.

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This throws up a number of challenges for your business. Firstly, there is the question of how you encourage prospective holiday makers to take those short half term breaks and romantic weekends away that are so important to your revenue.

With limited supply in the summer months, it's inevitable that you will face higher costs from suppliers, and with more competition fighting for that all important main holiday, margins are going to be paper thin.

This then brings us to the relationship that your business has with holiday consolidator sites, which are unavoidable yet charge commissions that can push your margins even further down to the wire.

And finally, how can you ensure that customers remain loyal to your business regardless of how they first come to you?

Let's examine the answer in three parts:



1. Creating the right products for your customers



2. Optimising your channel strategy



3. Keeping your customers coming back



1. Creating the right products for your customers

First, you should explore how to properly differentiate offers and optimise your pricing to ensure you're delivering what customers value.

Where some customers will want an inclusive bargain, others will want the flexibility to choose their perfect break. Providing value to both ends of the spectrum can often come down to the range of options included as part of the package. But the devil is in the detail of what to add as an option and what can come as standard.

Whether it's free travel insurance or a complimentary hotel breakfast, knowing what your customers value has to come from in-depth research into the key drivers of your prospects' purchase behaviour.

Similarly, the packages you create for short breaks will differ depending on the occasion and what those celebrating it will prioritise. Friends on a weekend trip will have very different needs to a young couple spending the same amount of time in the same location.

Once you have a full picture of your customers and their value drivers, you can then build up a price model that accounts for the different factors influencing their final decision. This allows you to construct, price and communicate packages that speak directly to your target audiences.

However, this doesn't necessarily mean offering cheaper deals than anyone else. There will be factors that you can charge at a premium if you know customers value them above your competition.



2. Optimising your channel strategy

Once you have developed offers that you are confident will appeal to your prospects, the next step is configuring your sales channels to maximise the return on your investment.

Just as you have to differentiate your packages, you must also select which ones to market via consolidator websites, and which ones you can offer directly to customers.

Choosing the products to market via consolidator sites is a careful balancing act. A good professional relationship remains essential with a channel that has the potential to send so much new business your way. But at the same time, their commissions can make it prohibitive to use them for your entire range of offers.

You are unlikely to make a significant profit from an initial sale via a consolidator site, so instead, regard them as customer acquisition channels. Mitigate the lack of margin by restricting your offers with them to the more basic, pared back packages, which then enables you to target guests with additional promotional activity to turn them into return customers.

Not all sites will generate the same customer lifetime value, so differentiating your consolidator sites is just as important as differentiating your offers and channels.

Through data analysis, you can generate robust insights into which ones are providing the more reliably profitable customers, which deals they respond well to, and whether your hierarchy of products is selling effectively.



3. Keeping your customers coming back

While profitability may not be enormous in the short term, you can ensure a far higher customer lifetime value from consolidator sites by putting mechanisms in place to retain your guests' loyalty. That applies just as much for short term breaks as it does for peak holiday season.

Should a customer book a basic package via one of these sites, you can encourage guests to book their next trip directly with you using extras such as a complimentary breakfast, dinner, drinks or discounts.

For any customer who books their holiday directly with you, it costs almost nothing to offer them an additional discount to book a short break in the off-peak season.

Some operators have basic loyalty programmes. However, while they may generate more revenue in the medium term, it can be extremely challenging to marry up the systems and processes in order to enable such schemes to operate effectively.

In the short term, you can entice repeat custom by maximising the special offer occasions that are desirable for your target customer segment. From Valentine's weekends to Champions League games, the key is using your data to understand which events are relevant to your demographics and then weaving offers throughout your calendar to generate that additional spend.

However, you also need to understand what custom you should expect without these additional offers. Your loyalty promotions need to be closely linked to your demand forecasts, so you don't end up cannibalising the revenue you would have received through seasonal fluctuations or other marketing initiatives.



It's all about resilience

Since 2020, operators have had to be far more sophisticated with their products in order to survive. Securing your profitability over yet another fallow period means building on that work with the three interdependent strategies outlined here. Done well, this approach will allow you to improve your share of wallet, maximise your margins and attract customers by adapting to meet their needs as they evolve further.

And once the market does pick up again, your business will be in a far stronger position to enjoy its time in the sun.

Get In Touch

Tom Wells is a Pricing Director for Pearson Ham Group, with considerable experience helping business solve their pricing challenges.

Get in touch directly with Tom:

Tel: +44 (0) 7508 028 639

Email: tomwells@pearsonham.com

