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# Predicting packaged holiday purchases: the case of a mature market (Switzerland)

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## Abstract

Tour operators in Europe and Switzerland face multiple challenges. Yet, against all expectations, they more or less manage to maintain their overall market share. This paper explores why this is so by exploring determinants which predict packaged holiday purchases (as opposed to independent travel) by means of a binary logistic regression. The case is a mature outbound market — Switzerland. The results somewhat contrast with previous research, and reveal that choosing a packaged holiday cannot be predicted by socio-demographics, but rather by a given travel situation. Lack of familiarity with the destination, small travel groups, the travel motivations diversion/experience of something new, enjoyment of comfort and pampering, and the search for self-time increase the likelihood of people taking up a packaged holiday.



## Keywords

Predicting, packaged, holiday, purchases, case, mature, market, Switzerland

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# Predicting Packaged Holiday Purchases — The case of a mature market (Switzerland)

**Christian Laesser, University of St. Gallen, Switzerland**

## Abstract

Tour operators in Europe and Switzerland face multiple challenges. Yet, against all expectations, they more or less manage to maintain their overall market share. This paper explores why this is so by exploring determinants which predict packaged holiday purchases (as opposed to independent travel) by means of a binary logistic regression. The case is a mature outbound market — Switzerland. The results somewhat contrast with previous research, and reveal that choosing a packaged holiday cannot be predicted by socio-demographics, but rather by a given travel situation. Lack of familiarity with the destination, small travel groups, the travel motivations diversion/experience of something new, enjoyment of comfort and pampering, and the search for self-time increase the likelihood of people taking up a packaged holiday.

**Key words:** tour operator, independent travel, trip organization, package tour

## Introduction

As one of the major producing intermediaries in tourism, tour operators are faced with significant challenges. For some time, indicators have shown a profound disintermediation taking place, driven by the enabling power of the internet. This increasingly enables travellers to make their own arrangements, no matter where they go (Law et al., 2004; Winston et al., 1997). Additionally, a growing number of low-cost airlines, as well as package activities of major flag airlines, are attacking the core of tour operators' business. This can also be observed in Switzerland, considered a mature travel market, due to: (1) travel behaviour (refer to Hopkins et al., 2002; Ehrenberg et al., 1997), and (2) travel experience (Hopkins et al. 2002; the net travel propensity, for instance, has amounted to well above 75 percent; Bieger and Laesser, 2005).

Regardless, tour operators in Europe as well as Switzerland hold a consistent market share of between 25 and 35 per cent (Binggeli and Pompeo, 2002; Bieger and Laesser, 2005), some of it associated with their recent repositioning efforts (Harwood, 2006; Done, 2006).

This paper explores why this is so by identifying the determinants of package tour purchases as opposed to independent travel, exemplified by the case of a mature outbound market — Switzerland.

## Literature Review

Little previous scholarly research exists that investigates a traveller's choice of travel on a package, as opposed to independent travel. Most existing studies (1) investigate travel mode behaviour (based on surveys conducted on behalf of tour operators), (2) take an inbound perspective, (3) and/ or are based on qualitative rather than quantitative research. From this

body of knowledge, several findings emerge regarding the choice between taking a package tour as opposed to independent travel.

This choice is primarily reported to be associated with socio-demographics (especially age and gender of travellers), as well as several travel characteristics, including length of stay, size of travel party, previous travel experience, destinations, travel motivation, trip types, pricing, and cost of trip (Sheldon and Mak, 1987; Hsie et al., 1994; Morrison et al., 1994; Bieger and Laesser, 2002; Tsaur and Wu, 2005). In particular, the study by Hsie et al. (1994) indicates that non-package travellers are twice as large a group as package travellers, and that package travellers prefer to leave their arrangements to travel agents and co-travellers. The market split between independent and package is supported by several other studies, including Morrison et al. (1994) and more recently, Dolnicar and Laesser (2007). Another study by Sheldon and Mak (1987) on 1980 data of westward inbound travellers to Hawaii indicated that people more likely to purchase package tours were: (1) elderly, (2) tended to visit several destinations, (3) had few people in the party, (4) intended to make short visits, and (5) were on their first trip. The findings of this study are complemented by results from Morrison et al. (1994), which indicate that escorted packaged tours were preferred by travellers aged over 55, whereas non-escorted package tours attracted travellers from the 35–44 age group. All younger groups preferred to travel independently. A more recent qualitative study on the nature of independent travel to New Zealand by Hyde and Lawson (2003) demonstrated that the motivations for independent travel had three distinguishable characteristics: (1) evolving itinerary, (2) willingness to take risks in selecting holiday elements, and (3) desire to experience the unplanned. An earlier study by Bieger and Laesser (2002) on motivation-based travel segments had already revealed that within their "curious hedonism" cluster, a significantly higher than expected share of independent travel existed.

From the above review, we can derive several hypotheses: the choice in favour of a package tour as opposed to independent travel is associated with: (1) choice of destination, (2) familiarity with destination, (3) size of travel party, (4) duration of stay, (5) travel types, (6) travel motivation, (7) gender, (8) age, (9) education, and (10) professional position. These hypotheses are to be tested, taking an outbound perspective.

## Data and methodology

### Data collection and data treatment

This study is based on data from an extensive representative survey of travel behaviour within the Swiss population (citizens, naturalized and foreign citizens; refer to "Travel Market Switzerland 2004" by Bieger and Laesser, 2005; data on travel behaviour has been continuously collected since 1972; for an extensive technical report including all methodological issues go to http://www.alexandria.unisg.ch/Publikationen/46512). The unit of analysis is "trip cases"; with these regarded as a leisure journey by private persons with at least one overnight stay outside their residence community, away from everyday life. The sample includes 1,540 households, incorporating 4,081 persons undertaking an overall of 11,245 person trips. One variable in the survey recorded if a given trip was independent in nature or packaged (that is, binary), with packaged travel delimited as travel without combined prearrangements minimally consisting of transportation and accommodation (Morrison et al., 1993; WTO, 1993).

### Data analysis

Based on the hypotheses from the literature review, the following variables *characterizing a trip* from the survey were stepwise binary regressed towards the independent/package (0/1) variable: choice of destination (scale: nine categories), number of previous trips to destination (scale: metric), number of travel companions from household (scale: metric), duration of trip (scale: metric), 19 travel types (scale: four-point relevance scale), 25 travel motivations (scale: four-point importance scale), means of transportation to destination (scale: 11 categories), and total expenditures per person (scale: metric). The following *socio-demographic characteristics* were also included in the analysis: age (scale: eight categories), highest completed education (scale: 10 categories), and professional position (scale: 15 categories). Regarding the categorical variables, we used indicator contrasts, taking into account the presence or absence of category membership, as opposed to a reference category (choice of destination: Switzerland, means of transportation: car, age: younger than five years, highest completed education: compulsory schooling, professional position: CEO/top management).

## Results

The model fitted the data satisfactorily, with R square amounting to .553. Overall, 85 percent of all trips were correctly assigned by the regression to either independent or package travel. Table 1 displays all significant coefficients. For readability reasons, we have refrained from presenting non-significant coefficients (cut-off level .05). Among those were: (1) destination: Benelux (Netherlands, Belgium and Luxemburg), Eastern Europe, and the Americas; (2) duration of trip, and a number of (3) trip types as well as (4) motivations. Gender, age, and the majority of highest completed education and professional positions were not significant in explaining the purchase of a package travel as opposed to independent travel.

From the coefficients and their significance, we can delineate the results with regard to the hypotheses. The choice in favour of a package tour as opposed to independent travel is associated with (1) choice of destination — supported, (2) familiarity with destination — supported, (3) size of travel party — supported, (4) duration of stay — rejected, (5) travel types — selectively supported, (6) travel motivation — selectively supported, (7) gender — rejected, (8) age — rejected, (9) education — rejected, and (10) professional position — rejected.

The greatest likelihood of a package tour can be reported for trips where the traveller takes off with only a small number of travel companions from their own household, and where there is a lack of familiarity with the destination. Further predictors of a package trip are:

- destination: Africa, Asia, Oceania, Greece, Spain, UK and Ireland, Portugal
- trip type: study tour, cruise, beach holidays, health-oriented holidays and regimen breaks
- motivation: enjoyment of comfort and pampering, experience of exotic, diversion/experience something new, active sports, time for oneself
- means or transportation: bus, charter flight from Swiss airport, charter flight from non-Swiss airport, scheduled flight from non-Swiss airport.

In contrast, the results reveal that high completed education (university or similar) as well as being a student at such an educational institution led to purchasing independent travel elements rather than a package tour. Additionally, the purchase of package tours is unlikely with regard to the following characteristics:

- destination: domestic trips and travel to neighbouring countries
- trip type: fostering social networks (visiting friends and relatives, family event)
- motivation: desire to make flexible decisions, rest and relaxation, regeneration from daily routine, sun and beach, time for partner

- means or transportation: car and motorbike.

The results can be summarized as follows: Package tours are probably purchased by everyone except highly educated persons or persons in higher education. However, gender and age do not appear to determine the choice of travel by package tour or independently. Packaged travel is probably purchased if the traveller is not familiar with the destination but at the same time wants to experience something new, including the exotic, or just wants to relax actively (sports) as conveniently as possible (packaged beach or regimen break). Moreover, the wish to enjoy comfort and pampering is also associated with package travel. However, the traveller should not demand a high degree of flexibility or want to make numerous spontaneous decisions; if that wish predominates, they are likely to choose independent travel over packaged.

## Discussion and Conclusions

Some of the results here are not in line with existing literature, which indicates only a weak significant association between package holiday purchase and travel or traveller characteristics. Among these are: (1) socio-demographic characteristics of traveller, (2) duration of trip, and a number of (3) travel types as well as (4) motivations. However, when we put the results with regard to socio-demographics into perspective, we could argue (and this is supported by previous studies) that persons with a high level of education (either completed or currently studying) tend not to make use of package travel, and instead travel independently. Several other issues are worth discussing:

(1) One share of package travel is more often chosen in relation to highly commoditized types of travel, such as beach holidays and cruises to some of the most popular Mediterranean destinations by charter flight, including Spain, Greece, and Portugal. Another share can be associated with study tours (or similar) to non-familiar destinations.
(2) As supported by the results of a study by Bieger and Laesser (2002), the high likelihood for packaged travel to Africa is probably associated with (a) the inexperience with travelling to this continent, combined with (b) the motivation ‘enjoyment of comfort and pampering’.
(3) Package travel is still very much related to the type of transportation dominated by charter flight and bus.
(4) Per diem travel expenditures do not differ between packaged and independent travel.
(5) There may be a trade-off between packaged travel and the wish of the traveller to make flexible decisions. Basically, the two mutually exclude each other (refer to one of the lowest coefficients).
(6) There is no significant association between packaged holiday/independent travel and the travel type ‘city trip.’ This result is surprising, insofar as city trips — apart from beach holidays — comprise another type of highly commoditized travel. (Until the market entry of low-cost airlines and the widespread applications and use of internet for travel purchase, city trips have been a core product of Swiss tour operators — see Dolnicar and Laesser, 2007.)

From the above one can draw several conclusions for the future development of the package travel industry. First we must bear in mind that (1) the majority of trips are still considered independent travel, and (2) the desire for flexibility while travelling clearly decreases the likelihood of packaged holiday purchase. Therefore, tour operators should increase the number of decision points, and thus options, during a given trip, potentially to attract a higher number of customers. Second, and respecting the first conclusion, tour operators should con-

sider a further individualized disintermediation of the elements (transportation and accommodation) of a packaged holiday. This is supported by the fact that such disintermediation has already taken place in the case of city trips; however, tour operators have more or less lost that market. Third, the study results strongly support the claim that tour operators should refrain from full-scale socio-demographic segmentation (except when trying to attract small household-specific travel groups), and instead focus on type of travel, that is: commoditized beach and potentially individualized study tours (or similar) to popular (beach) and non-familiar destinations (study tour or similar) respectively.

With regard to further research, the results of this study strongly encourage further investigation into the role of less time- and place-constraining options with regard to package tours.

**Table 1: Significant model coefficients**

| | B | S.E. | Wald | df | Sig. | Exp(B) | Change in odds |
|---|---|---|---|---|---|---|---|
| Destination (Reference category: Switzerland) | | | 144.507 | 16 | 0.000 | | |
| – *Austria* | 0.553 | 0.132 | 17.673 | 1 | 0.000 | 1.739 | 74% |
| – *Germany* | 0.178 | 0.138 | 1.657 | 1 | 0.198 | 1.195 | 20% |
| – *France* | 0.619 | 0.124 | 24.824 | 1 | 0.000 | 1.857 | 86% |
| – *Italy* | 0.677 | 0.126 | 28.927 | 1 | 0.000 | 1.968 | 97% |
| – *Spain* | 1.112 | 0.171 | 42.429 | 1 | 0.000 | 3.040 | 204% |
| – *Portugal* | 0.735 | 0.420 | 3.069 | 1 | 0.080 | 2.085 | 109% |
| – *Greece* | 1.413 | 0.341 | 17.124 | 1 | 0.000 | 4.109 | 311% |
| – *Former Yugoslavija* | 0.896 | 0.401 | 4.995 | 1 | 0.025 | 2.451 | 145% |
| – *UK and Ireland* | 0.913 | 0.311 | 8.650 | 1 | 0.003 | 2.493 | 149% |
| – *Scandinavia* | 0.668 | 0.281 | 5.664 | 1 | 0.017 | 1.950 | 95% |
| – *Africa* | 2.106 | 0.286 | 54.329 | 1 | 0.000 | 8.217 | 722% |
| – *Asia* | 2.078 | 0.244 | 72.490 | 1 | 0.000 | 7.986 | 699% |
| – *Oceania* | 1.778 | 0.480 | 13.736 | 1 | 0.000 | 5.918 | 492% |
| Number of previous trips to destination | -0.011 | 0.002 | 22.265 | 1 | 0.000 | 0.989 | -1% |
| Number of travel companions | -0.103 | 0.040 | 6.592 | 1 | 0.010 | 0.902 | -10% |
| Trip type: beach holiday | 0.230 | 0.044 | 27.103 | 1 | 0.000 | 1.259 | 26% |
| Trip type: cruise | 0.409 | 0.074 | 30.593 | 1 | 0.000 | 1.505 | 51% |
| Trip type: holiday in the countryside | -0.192 | 0.053 | 13.019 | 1 | 0.000 | 0.825 | -18% |
| Trip type: health-oriented holiday | 0.163 | 0.044 | 13.604 | 1 | 0.000 | 1.177 | 18% |
| Trip type: regimen break | 0.243 | 0.092 | 6.930 | 1 | 0.008 | 1.275 | 28% |
| Trip type: shopping trip | -0.304 | 0.063 | 23.561 | 1 | 0.000 | 0.738 | -26% |
| Trip type: study tour | 1.216 | 0.470 | 6.681 | 1 | 0.010 | 3.373 | 237% |
| Trip type: visit friends and relatives | -0.616 | 0.048 | 165.376 | 1 | 0.000 | 0.540 | -46% |
| Trip type: family event/reason | -0.111 | 0.054 | 4.307 | 1 | 0.038 | 0.895 | -11% |
| Motivation: diversion, experience something new | 0.264 | 0.123 | 4.615 | 1 | 0.032 | 1.303 | 30% |
| Motivation: rest and relaxation | -0.357 | 0.055 | 42.255 | 1 | 0.000 | 0.700 | -30% |
| Motivation: experience of exotic | 0.265 | 0.125 | 4.489 | 1 | 0.034 | 1.304 | 30% |
| Motivation: ability to make flexible decisions | -0.575 | 0.106 | 29.480 | 1 | 0.000 | 0.563 | -44% |
| Motivation: enjoyment of comfort and pampering | 0.332 | 0.066 | 25.374 | 1 | 0.000 | 1.393 | 39% |
| Motivation: experience landscapes and nature | -0.196 | 0.052 | 14.067 | 1 | 0.000 | 0.822 | -18% |
| Motivation: regeneration from daily routine | -0.306 | 0.061 | 25.541 | 1 | 0.000 | 0.736 | -26% |
| Motivation: sun and beach | -0.315 | 0.088 | 12.795 | 1 | 0.000 | 0.730 | -27% |
| Motivation: sports (active) | 0.184 | 0.053 | 12.134 | 1 | 0.000 | 1.202 | 20% |
| Motivation: time for partner | -0.131 | 0.056 | 5.528 | 1 | 0.019 | 0.877 | -12% |
| Motivation: time for oneself | 0.154 | 0.064 | 5.817 | 1 | 0.016 | 1.166 | 17% |
| Means of transportation to destination (reference: car) | | | 527.380 | 11 | 0.000 | | |
| – *Railway/train* | 1.006 | 0.095 | 113.001 | 1 | 0.000 | 2.735 | 174% |
| – *Scheduled flight from Swiss airport* | 0.897 | 0.145 | 38.113 | 1 | 0.000 | 2.451 | 145% |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| – *Scheduled flight from non-Swiss airport* | 1.345 | 0.318 | 17.829 | 1 | 0.000 | 3.837 | 284% |
| – *Charter flight from Swiss airport* | 2.499 | 0.188 | 176.377 | 1 | 0.000 | 12.176 | 1118% |
| – *Charter flight from non-Swiss airport* | 1.857 | 0.413 | 20.172 | 1 | 0.000 | 6.402 | 540% |
| – *Boat/ship* | 1.216 | 0.470 | 6.681 | 1 | 0.010 | 3.373 | 237% |
| – *Bus (tour)* | 3.189 | 0.168 | 360.214 | 1 | 0.000 | 24.276 | 2328% |
| – *Motorbike* | -1.434 | 0.757 | 3.591 | 1 | 0.058 | 0.238 | -76% |
| Expenditures per person per day | 0.001 | 0.000 | 34.067 | 1 | 0.000 | 1.001 | 0% |
| Highest completed education (reference: compulsory schooling) | | | 28.903 | 9 | 0.001 | | |
| *University of applied sciences* | -0.492 | 0.185 | 7.046 | 1 | 0.008 | 0.611 | -39% |
| University | -0.675 | 0.191 | 12.516 | 1 | 0.000 | 0.509 | -49% |
| Professional position (reference category; CEO/top management) | | | 27.271 | 15 | 0.027 | | |
| *In training/school: student at university* | -1.039 | 0.384 | 7.326 | 1 | 0.007 | 0.354 | -65% |

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