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Mark Mitchell
Coastal Carolina University

Michael Collins
Coastal Carolina University

L. Taylor Damonte
Coastal Carolina University

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EXAMINING THE POTENTIAL FOR BUNDLING THE ATTRACTIONS ALONG THE GRAND STRAND

Mark Mitchell, Coastal Carolina University
Michael Collins, Coastal Carolina University
Taylor Damonte, Coastal Carolina University

ABSTRACT

The Grand Strand area offers a broad assortment of entertainment and amusement options for its 14 million annual visitors. This paper examines the possibility of price bundling of area attractions. Two options are advanced: Targeted Selections and Broader Selections. Market-specific factors (such as seasonal demand for some attractions) may limit the effectiveness of such programs. As such, possible solutions to these market-specific factors are advanced.

INTRODUCTION

Price Bundling represents an effort by a marketer to combine parts of their portfolio into a combined offer. This practice, sometimes known as ‘solution-based’ pricing or ‘all-inclusive’ pricing, attempts to bring together complementary products into a single-offering where the final price is lower than the combined price of the components if sold (and purchased) separately (Ferrell and Hartline, 2011, p. 51). This strategy has been used effectively in the tourism industry to help simplify the vacation buying experience for consumer. Resorts (such as Sandals and Club Med), theme parks (Disney, Universal Studios), as well as local attractions (see Orlando, Chicago, San Francisco and others) have been successfully bundled their offerings for consumers.

Price bundling has been an important part of the Myrtle Beach market as hotels have worked cooperatively with local golf courses and Myrtle Beach Golf Holiday to merchandise golf packages and attract out-of-town guests. And, owners of related attractions (Ripley’s, Burroughs and Chapin, etc.) have self-bundled their own attractions. A unique feature of the Myrtle Beach market is the presence of a large number of smaller businesses that both compete for a consumer’s attention (and purchasing power) and concurrently cooperate in an effort to attract more total visitors (and total purchasing power) to the area.

The purpose of this manuscript is to explore the possibility of price bundling of the attractions in the Myrtle Beach tourism market. While individual firms have done price bundling of their company-owned attractions in the past, the idea of bundling across tourism operators will be advanced here. First, a review of the literature is provided, including a focus on price bundling in the tourism industry. Second, two approaches to price bundling are presented and an application to the Grand Strand market is provided. Finally, some structural challenges to a cross-operator price bundling package are discussed and possible solutions are recommended for consideration.

LITERATURE REVIEW

Price Bundling

As noted earlier, price bundling is the practice of offering two or more products or services for a single package price. Marketers have the option of employing a pure bundling strategy (i.e., the products and/or services are only available as a package) or a mixed bundling strategy (i.e., the consumer can choose between purchasing the products and/or services individually or as a package). For purposes of this discussion, the focus will largely be on mixed bundling. To be clear, there are certainly examples of pure bundling in the tourism industry. Golfers wishing to play Pebble Beach Golf Links, for example, must book a 2- or 3-night stay in order to reserve a tee time for golf (www.pebblebeach.com). Or, visitors to Las Vegas may be required to book a 2-night stay when attempting to reserve rooms for New Year's Eve. However, this discussion will largely focus on mixed bundling.

There are two forms of mixed bundling (Guiltinan, 1987):

1. Mixed-leader bundling, also referred to as tie-ins, involves offering a discounted price on an additional product or service when a specified product or service is purchased at the regular price.
2. Mixed-joint bundling involves offering a single, discounted price when multiple products and/or services are purchased simultaneously as a package.

The economic motivation behind bundling is to increase revenue and, ultimately, profitability. Bundling increases revenue by generating increased revenue per customer transaction and/or by increasing the frequency of transactions. For example, with pure bundling, customers may pay a higher price for a package of products and/or services or they may purchase a competitively priced product more frequently due to the positive perception of the price/value relationship generated as a result of the bundled offering. With mixed bundling, the customer may purchase additional products and services as components of a package that they may not have elected to purchase otherwise. This is accomplished through the transfer of the consumer surplus from the product or service highly valued by the consumer to the additional products and/or services included in the bundled offering. The consumer surplus represents the difference between the reservation price (i.e., the maximum price the customer is willing to pay for a product or service), and the actual price paid (Guiltinan, 1987). So, for example, the buyer would have paid \$20 for entry into a preferred attraction but elects to buy the bundle for \$30 thinking the added attractions for the marginal \$10 are well worth it, particularly given the 'good deal' s/he received on the primary entry fee.

Effective marketers must also consider the potential impact of bundling on profitability. With mixed bundling, the impact on profitability may be more difficult to discern. Revenue

gains may be generated due to cross selling, which occurs when the buyer of one or more products and/or services purchases additional products and/or services as a result of the bundled offering(s). Additionally, revenue can be increased by the attraction of new consumers who find the bundled approach appealing. However, these revenue gains may be partially offset by sales to existing customers that may have purchased the products and/or services individually (at a higher price point generating greater revenues) but now take advantage of the bundled discount. As a result, it is important for marketers to closely monitor and estimate the cost of cannibalization that may occur as a result of a mixed bundling strategy (Guiltinan, 1987).

Package breakage is a relevant consideration as well. Package breakage refers to the revenue or price premium that is collected for services that the customer elects not to consume (e.g., a hotel offers complimentary breakfast in combination with overnight accommodations, but the customer does not elect to consume breakfast at the hotel). So, the hotel received the marginal revenue of the breakfast inclusion but does not bear the marginal cost to earn it (i.e., the guest skipped breakfast).

It should be noted that a pure bundle approach may negatively impact short-term profitability, but enhance profitability in the long run due to increased customer loyalty and retention. In addition, if a firm's competitors choose to employ pure bundling strategies, it may become necessary for a firm to offer a comparable package of products and/or services to remain competitive (Guiltinan, 1987).

Price Bundling in the Tourism Industry

Price bundling frequently occurs in the hospitality, travel, and tourism industry. Perhaps the most basic and frequent form of bundling occurs when a firm provides a combination of its own products and/or services as a package available to the consumer at a competitive price. For instance, a select-service hotel includes a 'complimentary' breakfast to each overnight hotel guest (i.e., pure bundling), or a fast-food restaurant provides a 'value meal' that includes fries and a drink along with a sandwich (i.e., mixed joint bundling). Schwartz and Cohen (1999) assert that mixed bundling may be more effective than pure bundling, in a fast-food restaurant setting, due to the unintentional price decoy effect that occurs when bundled items are priced separately on the menu. By manipulating the individual pricing of bundled items, Schwartz and Cohen (1999) found that restaurants may impact the customers' willingness to purchase a value meal by altering perceptions of the consumer surplus. Another restaurant industry study that may be germane to the present discussion suggests that consumer quality certainty may have a moderating effect on a consumer's willingness to purchase a bundled meal (Kwon & Jang, 2011). That is, buyers may be less willing to buy a bundle when they possess lingering concerns over product quality.

The bundling of tourist attractions within a single destination, which are operated by a variety of organizations however, is much more complex than creating value meals by a single restaurant company. Consequently, previous research related to the sale of travel packages

through Online Travel Companies (or, OTCs) such as Expedia, Travelocity, and Priceline, may more closely parallel the bundling of tourism attractions by third-parties.

The online exchange of travel products and services has continued to grow over the past decade with Expedia (an OTC) reporting that, in 2010, OTCs controlled fifty-four (54%) of all travel sales in the United States and thirty-eight (38%) of revenue share in the U.S., Europe, and Asian-Pacific regions combined (Expedia, 2011). Online Travel Companies attempt to lure travelers to their websites with the promise of substantial savings coupled with the convenience of one-stop shopping since all components of the vacation experience can often be booked as a single package. Research indicates that the purchase of bundled travel packages through OTCs, as opposed to purchasing the package components separately from the individual service providers, may provide savings to the consumer, with higher level of savings occurring when high quality hotels (four-stars and above), rather than lower quality hotels (one-to-three-stars) are included in the travel package (Kim, Bojanic & Warnick, 2009).

The total package price appears to be the strongest determinant of a consumer's decision to select one package over a comparable alternative (Tanford, Erdem & Baloglu, 2011). The more interesting finding in this same study may be the impact of price transparency. Transparent pricing, in which the price of each package component is itemized for the consumer, may promote a perception of fairness and value when compared to opaque pricing – a package pricing alternative that provides only a total price. However, transparent pricing only appears to be more effective when the savings is revealed (full transparency). If the savings is not revealed, then opaque pricing appears to be a more effective strategy (Tanford, Erdem & Baloglu, 2011).

TWO APPROACHES TO PRICE BUNDLING OF ATTRACTIONS

CityPASS and Smart Destinations, Inc. are two companies that currently provide discounted access to multiple attractions, utilizing a mixed—joint bundle format, in multiple major cities located throughout the United States and Canada. But, each takes a distinctly different approach. CityPASS offers a TARGETED SELECTION – 5-10 highly attended attractions are identified and offered for one low price for a period of time. Conversely, Smart Destinations offers a BROADER SELECTION – the broad cross-section of attractions is offered for a larger price and consumers simply choose the attractions they frequent for a defined period of time. The difference here is very clear:

- **TARGETED SELECTION** – Lower price point for a smaller list of targeted attractions.
- **BROADER SELECTION** – Higher price point for a larger list of attractions.

A more detailed presentation of each provider is presented below.

Targeted Selection Option: CityPASS

CityPASS is a privately-owned company that offers bundled pricing on a small or targeted list of attractions in 11 major U.S. and Canadian cities. CityPASS identifies the top attractions in a market and then offers visitors a chance to visit all of these targeted attractions (4-7 attractions per city) for low price. Buyers typically save approximately 50% off of separately-purchased admission. Here is a description of the company, as well as an overview of their strategic philosophy, from the firm's website (www.citypass.com):

CityPASS is the idea of co-founders Mike Gallagher and Mike Morey, whose respective backgrounds in destination marketing and tourism industry research armed them with insight into how travelers want to experience a destination: without a lot of fuss and at significant savings.

Launched in 1997 in Seattle and San Francisco, CityPASS bundles prepaid admission to each city's top attractions – based on annual attendance – into one easy-to-use ticket booklet whose cost is up to half off what it would cost to purchase those same admissions separately. And, because CityPASS limits the number of attractions on each city's pass to five or six of the most popular sights, visitors have ample time to enjoy a destination, never feeling the need to rush frantically from attraction to attraction to get their money's worth.

An immediate hit, CityPASS is now available in 11 North American destinations: Atlanta, Boston, Chicago, Hollywood, Houston, New York City, Philadelphia, San Francisco, Seattle, Southern California and Toronto. More than a million happy travelers use CityPASS each year.

Based on the firm's website, CityPASS customers report a 99 percent customer approval rating. And, rated on a 5-point scale, the firm receives at least 4.70 / 5.00 in all eleven markets served. Currently, the CityPASS program is available in the following markets:

1. Atlanta
2. Boston
3. Chicago
4. Hollywood
5. Houston
6. New York
7. Philadelphia
8. San Francisco
9. Seattle
10. Southern California
11. Toronto

Broader Selection Option: Smart Destination (Go XYZ Cards)

Smart Destinations, Inc. offers bundled pricing on a larger assortment of attractions in 9 major U.S. cities. Unlike CityPASS which offers a smaller-but—targeted list of attractions per

city, Smart Destinations offers a much larger list of attractions for one fee. Buyers can then choose the specific attractions they visit. Consumers typically save approximately 50% off of separately-purchased admission. Here is a description of the company, as well as an overview of their strategic philosophy, from the firm's website (www.smartdestinations.com):

Smart Destinations provides the only multi-attraction passes that maximize the fun, savings and convenience of sightseeing with flexible purchase options for every type of traveler. Available online and at walk-up retail outlets, Smart Destinations passes, including Go City Cards, Go Explorer and Go Select Passes, provide admission to more than 400 attractions across nine North American destinations, including New York, Orlando, Oahu, San Diego, Chicago, Los Angeles, Miami, San Francisco and Boston. All passes come with valuable extras, including the ability to skip the line at select attractions and comprehensive city guides that offer insider tips and bonus discounts on shopping and dining. Smart Destinations passes leverage the company's patented technology and the industry's largest network of attraction partners to save consumers up to 55% compared to purchasing individual tickets.

Past users rated their Go XYZ card at least 4.50 / 5.00 in all nine markets served. Currently, the Smart Destinations program is available in the following markets:

1. Boston
2. Chicago
3. Los Angeles
4. Miami
5. Orlando
6. San Diego
7. New York
8. Oahu
9. San Francisco

It is interesting to note that Smart Destinations recently added an option for consumers to personally-pick a few attractions and then receive a discounted rate on these attractions (much like CityPASS). Table One provides an overview of the CityPass and Smart Destination programs in the four markets served by both organizations (Boston, Chicago, New York, and San Francisco).

Table One – An Overview of CityPASS and Smart Destination Programs for Selected Cities

| City | CityPASS Program | | Smart Destination Program | |
|---------------|---|---|--|--|
| | Inclusions | Price | Inclusions | Price |
| Boston | <ol style="list-style-type: none"> 1. New England Aquarium 2. Museum of Fine Arts, Boston 3. Museum of Science 4. Skywalk Observatory 5. Harvard Museum of Natural History OR Revolutionary Boston at the Old State House | <p>Adult = \$46 Child = \$29 (3-11)</p> <p>Cost if Purchased Separately:</p> <p>Adult = \$90 Child = \$57</p> <p>Estimated savings of 49%</p> <p>Pass is valid for 9 days after initial activation.</p> | <p>More than 58 attractions included. The TOP TEN highlighted attractions are:</p> <ol style="list-style-type: none"> 1. New England Aquarium 2. Boston Duck Tour (original) 3. USS Constitution Cruise 4. Museum of Science 5. Fenway Park Tour 6. Paul Revere House 7. Freedom Trail® Walking Tour 8. Skywalk Observatory 9. Plimoth Plantation 10. Hop on/Hop Off Beantown Trolley | <p><u>1-Day</u> Adult = \$59.99 Child = \$39.99</p> <p><u>2-Day</u> Adult = \$79.99 Child = \$57.99</p> <p><u>3-Day</u> Adult = \$119.99 Child = \$93.99</p> <p><u>5-Day</u> Adult = \$164.99 Child = \$109.99</p> <p><u>7-Day</u> Adult = \$194.99 Child = \$144.99</p> <p>Save up to 55% over regular admission rates.</p> |
| | <ol style="list-style-type: none"> 1. Shedd Aquarium 2. The Field | <p>Adult = \$84 Child = \$69 (3-11)</p> | <p>More than 26 attractions included. The</p> | <p><u>1-Day</u> Adult = \$71.99 Child = \$52.99</p> |

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| <p>Chicago</p> | <p>Museum 3. Skydeck Chicago 4. Adler Planetarium OR Art Institute of Chicago 5. John Hancock Observatory OR Museum of Science and Industry</p> | <p>Cost if Purchased Separately: Adult = \$158 Child = \$136 Estimated savings of 52% Pass is valid for 9 days after initial activation.</p> | <p>TOP TEN highlighted attractions are: 1. Shedd Aquarium 2. SkyDeck Chicago - Willis Tower 3. Lake Cruise by Shoreline 4. Navy Pier - Metropolitan Pier & Exposition Authority 5. Grand Tour by Gray Line 6. Museum of Science and Industry Plus Omnimax 7. John Hancock Observatory 8. Adler Planetarium 9. The Field Museum 10. Art Institute of Chicago</p> | <p><u>2-Day</u> Adult = \$104.99 Child = \$74.99 <u>3-Day</u> Adult = \$134.99 Child = \$99.99 <u>5-Day</u> Adult = \$159.99 Child = \$119.99 <u>7-Day</u> Adult = \$179.99 Child = \$139.99 Save up to 55% over regular admission rates.</p> |
|-----------------------|---|---|--|---|

| City | CityPASS Program | | Smart Destination Program | |
|-----------------|--|--|--|---|
| | Inclusions | Price | Inclusions | Price |
| New York | <ol style="list-style-type: none"> 1. Empire State Building 2. The Metropolitan Museum of Art 3. American Museum of Natural History 4. MoMA (The Museum of Modern Art) 5. Statue of Liberty & Ellis Island OR Circle Line Cruise 6. Top of the Rock OR Guggenheim Museum | <p>Adult = \$89 Child = \$64 (6-17)</p> <p>Cost if Purchased Separately:</p> <p>Adult = \$162 Child = \$118</p> <p>Estimated savings of 51%.</p> <p>Pass is valid for 9 days after initial activation.</p> | <p>More than 52 attractions included. The TOP TEN highlighted attractions are:</p> <ol style="list-style-type: none"> 1. Empire State Building Observatory 2. Museum of Modern Art 3. American Museum of Natural History 4. Hop on Hop off Downtown Tour 5. Ground Zero Museum 6. Statue of Liberty and Ellis Island Ferry Ticket 7. Madame Tussauds General Admission 8. Top of the Rock 9. Radio City Music Hall 10. Rockefeller Center | <p><u>3 Attractions</u> Adult = \$74.99 Child = \$52.99</p> <p><u>5 Attractions</u> Adult = \$124.99 Child = \$82.99</p> <p><u>7 Attractions</u> Adult = \$159.99 Child = \$106.99</p> <p><u>10 Attractions</u> Adult = \$199.99 Child = \$129.99</p> |
| San | <ol style="list-style-type: none"> 1. Muni & Cable Car 7-Day | <p>Adult = \$69 Child = \$39 (4-</p> | <p>More than 46 attractions</p> | <p><u>1-Day</u> Adult = \$54.99</p> |

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| <p>Francisco</p> | <p>Passport 2. California Academy of Sciences 3. Blue & Gold Fleet Bay Cruise 4. Aquarium of the Bay 5. San Francisco Museum of Modern Art (SFMOMA) 6. de Young Museum OR Exploratorium</p> | <p>12) Cost if Purchased Separately: Adult = \$132 Child = \$84 Estimated savings of 48%. Pass is valid for 9 days after initial activation.</p> | <p>included. The TOP TEN highlighted attractions are:</p> <ol style="list-style-type: none"> 1. Aquarium of the Bay 2. Golden Gate Bay Cruise - Red & White 3. Wine Country Tour - Grayline SF 4. California Academy of Sciences 5. Trolley Hop-On Hop-Off Tour - Grayline SF 6. The Wax Museum at Fisherman's Wharf 7. S.S. Jeremiah O'Brien 8. Historic Cable Car Ticket 9. Asian Art Museum 10. Six Flags Discovery Kingdom | <p>Child = \$39.99 <u>2-Day</u> Adult = \$79.99 Child = \$56.99 <u>3-Day</u> Adult = \$104.99 Child = \$73.99 <u>5-Day</u> Adult = \$139.99 Child = \$94.99 <u>7-Day</u> Adult = \$164.99 Child = \$109.99</p> |
|-------------------------|--|---|---|--|

TWO PRICE BUNDLING MODELS FOR THE GRAND STRAND MARKET

US News & World Report recently described Myrtle Beach as “one of the best East Coast family vacation destinations” and recognized Myrtle Beach in multiple categories: #3 in Best Cheap Summer Vacations; #6 in Best Family Beach Vacations in the USA; #6 in Best Golf Vacations; #7 in Best Affordable U.S. Destinations; and #9 Best Beaches U.S.A (travel.usnews.com). The references to affordability clearly indicate that families are price sensitive when planning their vacations. To compete successfully, operators (as well as destination communities) must achieve a price-point that is perceived as an acceptable value to attract these consumers. One response to these price-sensitive consumers is to offer price-bundled attractions to help them to manage (and possibly lower) the cost of their family vacations to the Myrtle Beach area. In addition to value, such packages can offer convenience and can reduce purchase risk.

Historically, as a destination, the Myrtle Beach area has enjoyed a high rate of repeat purchase. In 2008, 84% of travelers coming to the Myrtle Beach area were repeat visitors. Travelers having prior experience in the area would logically be less likely to need a third party to research the area’s offerings. But that situation may be changing. Longitudinal research by the Myrtle Beach Area Chamber of Commerce points to a higher percentage of ‘new converts’ each year since 2008. By 2011, only 67% of all travelers to the Myrtle Beach area indicated they had been to the area before and only 57% had been there since 2006. Simultaneously, available route offerings have increased at the Myrtle Beach International Airport. This includes the addition of new destination markets such as Spirit Airlines’ addition of Dallas-Fort Worth in Spring 2012 (see www.spirit.com). Consequently, the percentage of travelers arriving the Myrtle Beach area by automobile has declined from 91 percent in 2007 to 86 percent in 2011 (Myrtle Beach Chamber of Commerce, 2012). Intuitively it would seem that travelers new to the area, and those currently considering the area, might respond to attractions packages that offer a combination of convenience, assurance, and value.

Targeted Selection

The Myrtle Beach area contains a great diversity of attractions and amusements. Using a targeted selection strategy, specific options must be identified. US News & World Report, for example, lists the following TOP TEN Best Things to Do in Myrtle Beach (<http://travel.usnews.com>):

1. Myrtle Beach Beachfront (Free)
2. Mt. Atlanticus Miniature Golf
3. The Carolina Opry
4. Myrtle Beach State Park
5. Ripley’s Aquarium
6. Alabama Theatre
7. Legends Golf Club
8. Family Kingdom Amusement Park
9. Myrtle Waves Water Park

10. NASCAR SpeedPark

If we remove the Beach and State Park (with its undeveloped beach and dunes area), as well as the Legends Golf Course, we arrive at a beginning list of seven attractions. This could be a starting point for portfolio development. And, to be sure, this list could certainly be altered to include such items as the Pirates Voyage Dinner Theater, Medieval Times, Wild Water and Wheels, WonderWorks, a variety of miniature golf courses, Alligator Adventure, and others. The goal would be (should be) to achieve some sort of balanced Myrtle Beach experience. This discussion is not meant to advocate a CityPASS portfolio and these specific attractions; rather, the intent is to illustrate the application of the targeted selections option.

The presence of the Beach in Myrtle Beach is noteworthy. The area boasts of 60-miles of white sandy beaches that are free for all to enjoy. The beaches draw visitors to the community. It can be argued the beach represents a public good that is embedded in the product offering of all marketers in the area. However, all marketers compete with the consumer option to spend no money while having a lazy day sitting on the beach. So, the public good draws visitors to the area while concurrently presented very formidable competition to other attractions (see Rigall-I-Torrent and Fluvia 2009 for a greater discussion of this topic).

Broader Selection

Following the example of the Go Orlando Card (as Orlando is a similar family-destination filled with similar non-theme-park attractions), buyers would pay one price for admission to a broad cross-section of the entertainment portfolio of the area. The entire portfolio could be offered for one total price. And, if desired, some forced choice could be offered. A few examples are listed below:

- Pick one Dinner Theater Show: Pirates Voyage Dinner Theater OR Medieval Times.
- Pick one water park: Myrtle Waves OR Wild Water and Wheels.
- Pick two musical theater shows: Carolina Opry, Alabama Theater One Show, or Palace Theater, or Legends in Concert.
- Pick up to five rounds of Miniature Golf from an approved list of courses.
- Pick one round of golf from an approved list of courses.

Table Two provides an overview of the Go Orlando Card for illustration.

Table Two – Go Orlando Card

| Inclusions on Go Orlando Card | Cost of Go Orlando Card | Projected Savings to Consumers |
|---|--|---|
| <p>More than 48 attractions included. The TOP TEN highlighted attractions are:</p> <ol style="list-style-type: none"> 1. Wonderworks General Admission 2. Gatorland: The Alligator Capital of the World 3. Titanic: The Experience 4. Boggy Creek Airboats Scenic Nature Tour 5. Daytona International Speedway All Access Tour 6. Fun Spot Action Park 7. The Haunted Grimm House 8. Kennedy Space Center Visitor Complex 2 Day Admission 9. Ripley's Believe It Or Not! Odditorium 10. Arabian Nights Dinner Theater | <p><u>1-Day</u> Adult = \$79.99 Child = \$69.99</p> <p><u>2-Day</u> Adult = \$109.99 Child = \$87.99</p> <p><u>3-Day</u> Adult = \$184.99 Child = \$142.99</p> <p><u>5-Day</u> Adult = \$234.99 Child = \$182.99</p> <p><u>7-Day</u> Adult = \$274.99 Child = \$219.99</p> | <p>Save up to 50% over regular admission rates.</p> |

Using the same pricing as the Go Orlando card, the price for a family of four (2 adults, 2 children) to attend all included area attractions for 3-, 5-, and 7-days are provided below:

- 3-day = \$656
- 5-day = \$836
- 7-day = \$990

Under this approach, families would have certainly of the cost of the entertainment for their family vacation by buying the bundle. And, these same families may visit a broader cross-section of the portfolio of attractions given it was on in their pre-purchased list of options. And, as noted in the literature review, the likelihood of these ‘add-on’ visits may be increased as the consumer ‘spends’ the consumer surplus realized.

MARKET-SPECIFIC CHALLENGES TO IMPLEMENTATION

The Myrtle Beach tourism market consists of a large number of operators who each operate a single- or small-number of attractions. Across the entire destination there have been several new individual attractions added (WonderWorks, Myrtle Beach Sky Wheel, and others) and several others have undergone major renovations or theme changes (such as the former Dixie

Stampede to the now Pirates Voyage Fun, Feast, and Adventure). This alone suggests that investors believe the market is very attractive for further development. Other long-standing attractions (Carolina Opry, Ripley's Aquarium, Family Kingdom, and others) continue to enjoy success. The increase in entertainment options may increase the total visitors to the region, thus providing for increases in profitability. If, on the other hand, the number of visitors remains constant, there are more operators competing for the same entertainment dollar and could push down unit profitability.

It is possible that a well-designed price bundling plan may bring more visitors to the region. However, a poorly designed program may result in operators serving the same number of guests but realizing lower total revenue to do so. And, any bundling plan advanced will require independent operators to achieve a high level of trust and cooperation to ensure the success of the program. Specific structural challenges include: the business model driving out-of-market bundlers or aggregators; the area's position as a Beach and Golf destination; the seasonality of demand for the Myrtle Beach market; the variation in cost structures by area operators; and unknown impact on profitability by this new approach to pricing. An overview of each factor as well as some recommended strategies to (hopefully) overcome each is provided below.

Challenge #1: The Business Model of the Bundler

A CityPASS or Smart Destinations, Inc. (Go Myrtle Beach) approach to establishing a mixed-joint bundle of Myrtle Beach attractions typically involves the vendor, often referred to as an aggregator, to negotiate deep discounts, often of fifty percent (50%) or more, on tickets to the various attractions. In many cases, the aggregator may also negotiate access to these tickets, particularly for high demand attractions which may include a specific number of tickets for specific dates and/or last ticket availability. The aggregator collects payment for the bundle of services directly from the customer at the retail price of the bundle and remits payment to the vendors following actual consumption of the services. The aggregator retains the margin, or the difference between the retail price collected and the discounted prices paid to the service providers, as well as any package breakage. In this case, the breakage would be the aggregator takes in money for visits to attractions that are never visited. So, the aggregator pockets this amount.

The challenge with this business model is the deep discounts that must be offered by the participating attractions to participate in the bundle. As previously outlined, Myrtle Beach is a family-oriented, high value destination. Many of the attractions are small, local, and/or family businesses that operate on modest profit margins. Consequently, many of these firms may not be able or willing to offer the deep discounts required to participate in such bundles.

Possible Solution: An Alternative Business Model = Not-for-Profit Bundler

An alternative business model may be to encourage a local non-profit organization such as the Myrtle Beach Chamber of Commerce, which includes the Myrtle Beach Hospitality Association and Myrtle Beach Convention and Visitors Bureau, to spearhead a packaging effort. This organization already manages the official Myrtle Beach website,

www.visitmyrtlebeach.com, and offers vacation packages through its website, which include overnight accommodations, golf, and attractions. This would allow the margin and package breakage earned on the sale of the attractions package to be reinvested in promoting tourism to the destination as opposed to allowing a third-party to syphon a portion of the value from the transaction. In addition, a coordinating effort by a non-profit organization, that is governed by its members, versus a for-profit entity looking out for its own profit interests, may enhance the level of trust and cooperation between the vendor and the attractions.

Challenge #2: Myrtle Beach as a Beach and Golfing Destination

The top tourist attraction in Myrtle Beach is the beach, which has no access fee. In addition, many of the Spring and Fall visitors, in particular, arrive to golf on the more than one-hundred (100) golf courses in the area. Consequently, many tourists may plan to spend a major portion of their visit to the area on the beach or golf course and may be reluctant to invest a significant amount of their vacation budget on an attractions pass. Obviously, Myrtle Beach tourism attractions see increased business volumes when inclement weather moves into the area. As a result, area attractions, particularly attractions with operating hours in the morning and/or afternoon, may be less enthusiastic about redeeming deeply discounted passes on rainy or low temperature days.

Possible Solution: Variable Compensation Based on Timing

Attractions passes are purchased, in large part, due to the value that they provide to travelers. Many customers, when arriving in the area or purchasing admission to an attraction, become aware of the availability of the bundled package and determine at this time to purchase the pass. This may encourage cannibalization, particularly when inclement area moves into the area. For example, indoor attractions (such as Ripley's Aquarium) see an increase in traffic on rainy days. These rainy-day visitors may attend the attraction when, lacking the pass, they would have been willing to pay a higher admission fee. So, a solution may be to provide higher level of compensation for package redemptions to the daytime attractions when specific weather conditions occur. This will reduce the margin and package breakage retained by the coordinating organization; however, this reduction may potentially be offset by more widespread participation and acceptance of the attractions pass. Since most travelers visit the beach and golfers golf during the daylight hours, this increased inclement weather compensation would not apply to evening activities.

Challenge #3: Seasonal Demand of Myrtle Beach

Myrtle Beach is a seasonal market with a peak season that runs from Memorial Day weekend to Labor Day weekend. The shoulder seasons, which are the peak golf seasons, run from mid-February through May and September through mid-November, with the off-season running from mid-November through mid-February. Demand for the various attractions varies by the season due to the changing demographics and psychographics of the Myrtle Beach visitor. Many of the attractions experience overwhelming demand from mid-June through early August and lagging attendance the rest of the year. One strategy has been the use of local discounts

offered during these non-peak periods of demand. So, these attractions may be more willing to participate in a bundle during their non-peak season and would rather opt-out during the season (when, assumedly, they have adequate demand).

Possible Solution: Adjusting the Portfolio Based on Season

Distinct mixed-joint packages may be created to allow each attraction to price its offerings in order to achieve their targeted yield within each season based upon historical supply and demand considerations. So, operators that are busy during the summer months may wish to opt-out of the portfolio during that period but would like to participate during their slower season. Or, the portfolio offered on the bundle could change depending on the season offered. Continuing this thinking further, price bundles could be offered only during slower periods of demand (i.e., non-summer months in Myrtle Beach).

Challenge #4: Variation in Cost Structures of Participant Firms in the Bundle

The various Myrtle Beach attractions have considerably different cost structures and ability or willingness to discount. For example, there is minimal incremental cost associated with a musical theater (Carolina Opry, Alabama Theater, Palace Theater, and others) other than guest ticketing and entry, exit, and services. In addition, there is a wide variety of price points for attractions ranging from \$10 to over \$50 per person. High demand attractions, such as the Pirates Voyage, may not be willing to discount, particularly during the peak tourist season.

Possible Solution: Directing Consumer Choices

If a “targeted selection” (CityPASS-type) approach is taken, Myrtle Beach may want to take what Guiltinan (1987) defines as a mixed-leader approach to bundling through which an attraction pass provides access to a high demand, premium attraction at no (or only a small) discount in conjunction with deeply discounted access to a multiple additional attractions. To allow for the various cost structures at the various attractions when taking a “targeted approach”, providing customers with the ability to select one or the other of certain attractions (e.g. “Medieval Times OR Pirates Voyage”), as the CityPASS practices in other cities, may be appropriate.

If a “broader selection” (Go Myrtle Beach-style) approach is taken, then the savings enjoyed by the consumer by purchasing the attractions pass will be unique to each customer based upon the specific attractions that the traveler elects to visit. Consequently, a mixed-joint bundling strategy may be employed with opaque pricing since potential savings can only be broadly estimated. This approach may not be attractive to some attractions, since it may require substantial discounting in order to offer a substantial value to the consumer, and some attractions may only want to participate in this type of offer during specific, low demand time periods.

Challenge #5: Calculating the Impact on Profitability

One challenge that marketers face when implementing discounting programs in an effort to increase revenue is to calculate the cost of cannibalized sales. In this case, the trading of a full-fare paying guest for discounted-fare guest. Absent the bundle, would consumers have been willing to pay the full retail price of the attraction? While service providers will be fully aware

of the number of attraction passes that are redeemed at their specific location, it may be more difficult to determine whether this represents incremental or new business or if the attraction is discounting business that it may have received had the business not elected to participate in the attractions pass program.

Possible Solution: Appoint a Trusted 3rd Party Facilitator

By managing the program through a member directed, non-profit organization, such as the Myrtle Beach Chamber of Commerce, this information will be much more easily collected and shared with area operators. The Chamber can conduct surveys of attractions pass consumers to determine answers to this question. A for-profit aggregator may be motivated to report this information from as favorable perspective as possible to ensure continued participation in the program. Conversely, a Chamber of Commerce is working for its members and service providers. These members may be more confident in the statistics received from their member-driven Chamber or other third-party entity.

CLOSING REMARKS

At least two factors suggest that the timing may be right for one or more organization that provides bundled attractions and entertainment packages to gain a foothold in the Myrtle Beach market. First, the number of visitors to the market seems to be increasing each year. As an example, average spring occupancy levels increased by 9% between 2010 and 2012 while the average price of lodging in the area is kept pace with inflation (Damonte and Loftus, 2012). This suggests that demand for all vacation experiences combined in the Myrtle Beach area is increasing. Second, according to the Myrtle Beach Area Chamber of Commerce, the percentage of first time visitors is also increasing. The bigger question is whether or not the introduction of this new marketing channel (e.g., a bundled approach instead of consumers have a singular relationship with each attraction) would have a positive (or negative) impact on operator profits.

Due to the success that Myrtle Beach service providers have enjoyed in the past working in partnership with groups such as Myrtle Beach Golf Holiday and the Myrtle Beach Hospitality Association, the timing may be right for local leaders to examine a bundling of area attraction. What is advanced here is the potential to bundle separately-owned attractions into an attractive package for the nearly 14 million visitors who vacation in Myrtle Beach each year. It represents an interesting opportunity with some possible impediments to its implementation. In these pages, we attempted to provide a framework to guide local leaders to explore this issue more fully. To be clear, price bundling is occurring in many markets. What is unclear is whether it could be effectively done along the Grand Strand. As such, the authors hope to stimulate discussions on this topic among local leaders. This manuscript is not meant to advocate the bundling of area attractions but, rather, to stimulate a discussions about the merits of doing so.

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ABOUT THE AUTHORS

Mark Mitchell serves as Chair of the Department of Marketing and Resort Tourism in the Wall College of Business at Coastal Carolina University. He earned his D.B.A. in Marketing from Mississippi State University. His research has been published in a variety of outlets, including the *Coastal Business Journal*, *Journal of Food Products Marketing*, *Marketing Management Journal*, *Nonprofit World*, and others.

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Michael Collins serves as Associate Professor of Resort Tourism Management in the Wall College of Business at Coastal Carolina University. He earned his Ph.D. in Hospitality Management from the Ohio State University. His research has been published in a variety of outlets, including *International Journal of Culture, Tourism and Hospitality Research* and the *International Journal of Hospitality Management*. Michael previously served as a general manager of hotel properties for Hyatt, Wyndham, Marriott, and others. Michael was extensively involved in negotiating and managing bundling relationships for his hotel properties with area attractions.

Taylor Damonte serves as Professor of Resort Tourism and Director of the Brittain Center for Resort Tourism in the Wall College of Business at Coastal Carolina University. He earned his Ph.D. in Hospitality and Tourism Administration from Virginia Tech. His research has been published in a variety of outlets, including the *Coastal Business Journal*, *International Journal of Culture, Tourism and Hospitality Research*, *International Journal of Hospitality Policy*, and *Public Administration Quarterly*. Taylor is a former hotel and property manager who was extensively involved in negotiating and managing bundling relationships for his hotel properties with area attractions. He has worked extensively with the Myrtle Beach Area Hospitality Association, Myrtle Beach Area Chamber of Commerce, North Myrtle Beach Chamber of Commerce, and others.