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Price Bundling Opportunities for the Savannah, GA Market

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ABSTRACT

The Savannah area offers an eclectic mix of attractions for visitors. Broadly speaking, the tourism portfolio can be divided into four clusters: Museums, Bus/Trolley Tours, Water Tours, and Ghost Tours. This manuscript examines the possibility of combining the Savannah attractions into a price bundle to offer a lower price to consumers. Doing so may help stimulate demand during off-peak seasons. And, it may further promote greater awareness (and attendance) at attractions during the peak season.

INTRODUCTION

This meeting of the Association of Marketing Theory and Practice is taking place along the Georgia Coast in St. Simon's Island, approximately 80 miles southwest of the city of Savannah. Savannah is Georgia's oldest city, having been established in 1733. Savannah offers an eclectic mix of attractions for visitors, including bus and trolley tours, water tours, walking tours, military fort tours, water, rail and air museums, home tours, and culinary destinations such as Paula Deen's the Lady and Sons Restaurant, Mrs. Wilkes Dining Room, and others.

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). To date, there have been modest attempts to bundle the attractions of Savannah, GA. For example, visitors can buy the "SEE 3 PASS" and choose 3 attractions (Coastal Heritage Society website). Or, they can go on the Savannah Food Tour and their hosts will stop at 5-7 different restaurants to achieve a cross-section of the culinary treats of Savannah (Savannah Taste Experience website).

The purpose of this manuscript is to explore the possibility of increased price bundling of the attractions in the Savannah tourism market. First, a review of the literature is provided, including a focus on price bundling in the tourism industry. Second, price bundling options and examples for the Savannah market are provided. Finally, some implementation issues are offered 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 *mixed* bundling strategy (i.e., the consumer can choose between purchasing the products and/or services individually or as a package) or a *pure* bundling strategy (i.e., the products and/or services are only available as a package).

For purposes of this discussion, the focus will largely be on *mixed* bundling. There are two forms of mixed bundling (Guiltinan, 1987):

1. Mixed-joint bundling involves offering a single, discounted price when multiple products and/or services are purchased *simultaneously as a package*.
2. 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.

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. 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.

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 example, visitors to Seaworld Parks can save by committing to visit two or three Seaworld Parks (such as Busch Gardens, Seaworld, and Aquatica) (<http://seaworldparks.com>). Or, quick-service restaurants include 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.

Research in online vacation bundling has found that 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).

APPROACHES TO PRICE BUNDLING FOR THE TOURISM MARKET

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:

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

Targeted Selection Option: CityPASS

CityPASS is a privately-owned company that offers bundled pricing on a small or targeted list of attractions in 12 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. Currently, the CityPASS program is available in the following markets: Atlanta; Boston; Chicago; Dallas; Houston; New York; Philadelphia; San Francisco; Seattle; Southern California; Tampa Bay; and Toronto.

To date, over 13 million people have purchased a CityPASS in at least one market served. Currently, over a million travelers per year purchase a CityPASS in a market served. This number suggests a growing interest in a price bundled options among travelers. **Table One** provides an overview of CityPass Atlanta as it is most-closely located to Savannah, GA.

Table One
CityPASS Atlanta for Illustration

Attractions	Regular Price	
	Adults	Children
Georgia Aquarium	\$40.95	\$34.95
World of Coca-Cola	\$16.00	\$12.00
Inside CNN Studio Tour	\$14.80	\$12.04
Zoo Atlanta OR	\$31.48	\$26.49
Center for Civil and Human Rights	\$13.89	\$9.26
Fernback Museum of Natural History OR	\$26.00	\$22.00
College Football Hall of Fame	\$19.99	\$16.99
Total Cost	\$129.33	\$107.48
City Pass Price	\$73.25 Savings of \$55.98 Savings of 43%	\$59.35 Savings of \$48.13 Savings of 45%

Source: www.citypass.com (accessed October 2015).

It is interesting to note that the College Football Hall of Fame opened in August 2014. Within its first year of operation, they agreed to be included as an option in CityPass Atlanta.

Broad Selection Option: Smart Destinations

Smart Destinations is a privately-owned company that offers its “GO CITY CARDS” in 10 American cities. Unlike CityPASS, the GO CARD identifies a large list of area attractions and buyers choose the number of days they will have to visit attractions on the list. Buyers typically save approximately 50% off of separately-purchased admission. **Table Two** provides a pricing overview of the GO ORLANDO Card as it is most-closely located to Savannah, GA.

Table Two
GO ORLANDO Card Pricing

33 Attractions to Choose From	Pricing	
	Adults (13 and up)	Children (3-12)
2-Day Access	\$120	\$110
3-Day Access	\$175	\$150
5-Day Access	\$220	\$185
7-Day Access	\$290	\$230

Source: www.smartdestinations.com (accessed October 2015).

AN OVERVIEW OF THE SAVANNAH TOURISM MARKET

To provide better organization, the attractions in Savannah, GA can be divided into 4 related categories: (1) Museums, (2) Motorized Tours, (3) Water-based Tours, and (4) Ghost Tours. Selected attractions in these four categories are listed in **Table Three**.

Table Three
Selected Attractions in Savannah, Ga Area

Museums	Admission Price
Savannah History Museum	\$7 (adult), \$4 (child)
Old Fort Jackson Museum	\$7.50
Ships of the Sea Museum	\$8.50 (adult), \$6.50 (student)
Georgia State Railroad Museum	\$10 (adult), \$6 (child)
Savannah Children’s Museum	\$7.50
Pinpoint Heritage Museum	\$7 (adult), \$4 (child)
Mighty Eightieth Air Force Museum	\$10 (adult), \$6 (child)
Motorized Tours	
Old Savannah Tours	\$28 (adult), \$12 (child)
Old Town Trolley Tours of Savannah	\$32 (adult), \$12.50 (child)
Grey Line – Oglethorpe Trolley Tours	\$21 (adult), \$12 (child)
Water-based Tours	
Savannah Riverboat Harbor Cruise	\$22 (adult), \$13 (child)
Dolphin Magic Waterway Tours	\$30 (adult), \$15 (child)
Ghost Tours	
Blue Orb Savannah Ghost Tours	\$20 – \$30
Ghost City Tours	\$20 – \$30

Source: Original with information from websites for providers listed above.

Using Existing (Unrelated) Bundles

Currently, visitors to Savannah can purchase the **SEE 3 PASS** from the Coastal Heritage Society. Visitors have 3 days to visit any 3 sites, including Georgia State Railroad Museum, Savannah Children’s Museum, Savannah History Museum, Old Fort Jackson, and the Pinpoint Heritage Museum. At the current price of \$17 (adult) and \$11 (child), visitors are saving between \$4 and \$7 (or, between 25% and 41% savings), depending on the attraction chosen. Savannah Riverboat Cruises offers a choice of 4 bundles, each with a savings of at least \$7 per adult (if components were purchased separately). These options are profiled in **Table Four**.

Table Four
Savannah Riverboat Cruise Bundles

Package	Components
Package #1 (save \$8 per adult)	<ul style="list-style-type: none"> • Riverboat <i>Dinner</i> Cruise ** • Old Savannah Trolley Tour
Package #2 (save \$8 per adult)	<ul style="list-style-type: none"> • Riverboat <i>Sightseeing</i> Cruise • Savannah Walking Tour • Old Savannah Trolley Tour
Package #3 (save \$8 per adult)	<ul style="list-style-type: none"> • Riverboat <i>Dinner</i> Cruise ** • Haunted Savannah Trolley Tour
Package #4 (save \$7 per adult)	<ul style="list-style-type: none"> • Riverboat <i>Sightseeing</i> Cruise • Choose One of the Following: <ul style="list-style-type: none"> ○ Haunted Savannah Trolley Tour ○ Old Savannah Trolley Tour <p>** NOTE: Riverboat Dinner Cruise is \$56 per adult compared to the \$22 Sightseeing Cruise.</p>

Source: Savannah Riverboat Company (<http://www.savannahriverboat.com>).

Price Bundle for the Savannah Market

Let's assume a visitor wanted to explore all attractions in the Savannah area. They may visit all of the museums listed above. However, the TROLLEY, BOAT, and GHOST TOURS may be perceived as inter-changeable for purposes of discussion. So, that visitor may economize and take ONE Trolley Tour, ONE Boat Tour, and ONE Ghost Tour. The total costs of this scenario (without a price bundle) are provided in **Table Five**. From this information, we can then work to see what price points would be at various levels of discounting to encourage visitors to purchase a more inclusive bundle of experiences for their trips to Savannah, GA. This information is shown in **Table Six**.

Table Five
Economizing Visit for 1 Adult
All Museums and 1-Each Excursion for Bus/Trolley, Boat, and Ghost Tours

Museums	Admission Price	Adult	Child
Savannah History Museum	\$7 (adult), \$4 (child)	\$7.00	\$4.00
Old Fort Jackson Museum	\$7.50	\$7.50	\$7.50
Ships of the Sea Museum	\$8.50 (adult), \$6.50 (student)	\$8.50	\$6.50
Georgia State Railroad Museum	\$10 (adult), \$6 (child)	\$10.00	\$6.00
Savannah Children’s Museum	\$7.50	\$7.50	\$7.50
Pinpoint Heritage Museum	\$7 (adult), \$4 (child)	\$7.00	\$4.00
Mighty Eightieth Air Force Museum	\$10 (adult), \$6 (child)	\$10.00	\$6.00
Sub-Totals		\$57.50	\$41.50
Bus/Trolley Tours			
Old Savannah Tours	\$28 (adult), \$12 (child)		
Old Town Trolley Tours of Savannah	\$32 (adult), \$12.50 (child)		
Grey Line – Oglethorpe Trolley Tours	\$21 (adult), \$12 (child)		
Sub-Total (average fare)		\$27	\$27
Boat Tours			
Savannah Riverboat Harbor Cruise	\$22 (adult), \$13 (child)		
Dolphin Magic Waterway Tours	\$30 (adult), \$15 (child)		
Sub-Total (average fare)		\$26	\$26
Ghost Tours			
Blue Orb Savannah Ghost Tours	\$20 – \$30		
Ghost City Tours	\$20 – \$30		
Sub-Total (average fare)		\$30	\$30
Total Costs		Adult \$140.50	Child \$124.50

Source: Original with information from websites for providers listed above.

Table Six
A Price Bundling Framework for Savannah, GA Market (Adult Visitor)

Proposed Price Bundle	Regular Price	15% Savings	25% Savings	35% Savings	45% Savings
All Museums	\$57.00	\$48.45	\$42.75	\$37.05	\$31.35
All Museums Bus/Trolley Tour	\$84.00	\$71.40	\$63.00	\$54.60	\$46.20
All Museums Bus/Trolley Tour Boat Tour	\$110.00	\$93.50	\$82.50	\$71.50	\$60.50
All Museums Bus/Trolley Tour Boat Tour Ghost Tour	\$140.0	\$119.00	\$105.00	\$91.00	\$77.00
NO Museums Bus/Trolley Tour Boat Tour	\$53.00	\$45.05	\$39.75	\$34.45	\$29.15
NO Museums Bus/Trolley Tour Ghost Tour	\$56.00	\$47.60	\$42.00	\$36.40	\$30.80
NO Museums Bus/Trolley Tour Boat Tour Ghost Tour	\$83.00	\$70.55	\$62.25	\$53.95	\$45.65

Source: Original with information from websites for providers listed above. NOTE: Museums rounded down to nearest whole dollar amount for ease of analysis.

IMPLEMENTATION ISSUES TO ADDRESS

Challenge #1: The Business Model of the Bundler

A CityPASS or Smart Destinations, Inc. approach to establishing a mixed-joint bundle of attractions typically involves an aggregator negotiating deep discounts, often up to fifty percent (50%) or more, on tickets to the various attractions. 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 challenge with this business model is the deep discounts that must be offered by the participating attractions to participate in the bundle. Consequently, many of the attractions may not be willing/able to offer the deep discounts required to participate in such bundles. This can effectively limit the market appeal of the bundle to potential consumers.

Possible Solution: Use a Not-for-Profit Bundler
Encourage a local non-profit organization (such as the Savannah Conventions and Visitors Bureau or other) to lead development of a price bundling strategy.

Challenge #2: 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 or lost sales. In this case, the trading of a full-fare paying guest for discounted-fare guest in the bundle. 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 Record-Keeper
Encourage a local non-profit organization (such as the Savannah Conventions and Visitors Bureau or other) to track the financial and visitor numbers for participants in the bundle.

Challenge #3: Seasonal Demand

The Savannah market is a seasonal market with a peak season being Spring and Summer. This is particularly true of Motor Coach visitors who tend to be March-May (which includes the popular St. Patrick's Celebration) (see research conducted by Armstrong Atlantic State University in 2013). Many local attractions may be more willing to participate in a bundle during their non-peak season and possibly opt-out during the peak-season (when, assumedly, they have adequate demand).

Possible Solution: Focus on “Non-Peak Season” Visitors

The attractions of Savannah are likely to attract two primary market segments: (1) families with children, and (2) older adult visitors. Given the large number of Spring and Summer visitors, a bundle sold in Fall and Winter may be most appropriate to stimulate demand during non-peak (or off-season) periods.

Challenge #4: Varying Tempos of Visitors

If the bundle is targeted toward older visitors, it must be recognized that their visitor patterns will vary. CityPASS typically gives visitors 9 consecutive days to explore the attractions in their pass. The same model may be effective year. As previously noted, the SEE 3 pass is valid for 3 days. Research conducted locally by Armstrong Atlantic State University shows the following breakdown in length of stay among motor coach tours (Armstrong Atlantic, 2013): 1-Day Visit (8%); 2-Day Visit (31%); 3-Day Visit (41%); 4-Day Visit (20%). So, 92% of motor coach visitors stay between 2-4 days in Savannah. And, 75-90% of 3-Day visitors spend at least one day in the eastside area of Tybee Island (and Fort Jackson and Fort Pulaski). As such, a multi-day pass (4-9 days) may be most appropriate.

Possible Solution: Offer Multi-Day Options or “Add-On’s”

Provide flexibility in the bundle. Allow a single-day and multi-day option. And, allow multiple price-points with add-on attractions. One visitor may want to visit the Museums and to add a Boat tour and nothing else. The next visitor may want Museums and a Trolley tour. Still, the next visitor may skip the Museums and seek a variety of tours. Ideally, the proposed bundle will allow such flexibility.

CONCLUDING REMARKS

In the pages above, a framework for price bundling the attractions of Savannah, GA has been presented. In addition to the time and cost savings, travelers motivated to purchase a price bundle ensure they get ‘the essence of the city’ by experiencing all of the higher profile attractions for a lower price. As noted, the issues of the price bundler business model, separate ownership of attractions, the need for transparency, and seasonality and diversity of demand will all need to be addressed by some sort of bundling organization.

It has been suggested here that a local tourism-related not-for-profit entity (such as a Chamber of Commerce or a Convention and Visitors Bureau) assume the responsibility and initiative to bring such a tourism bundle to market. It is hoped that the development of this manuscript, and the subsequent discussions it may trigger, acts as a catalyst for such an initiative. As the AMTP typically includes Savannah in its rotation of meeting cities, we may be able to see first-hand if a Savannah Bundle gets developed and, perhaps, we will see many AMTP researchers conducting their ethnographic studies during a future trip to Savannah.

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