Price Bundling Opportunities for the Charleston (SC) Tourism Market

Mark Mitchell  
*Coastal Carolina University*, mmitchel@coastal.edu

Michael Collins  
*Coastal Carolina University*

Gregory Turner  
*Claflin University*

Jordan Smith  
*Coastal Carolina University*

Follow this and additional works at: [https://digitalcommons.georgiasouthern.edu/amtp-proceedings_2013](https://digitalcommons.georgiasouthern.edu/amtp-proceedings_2013)

Part of the Marketing Commons

**Recommended Citation**

[https://digitalcommons.georgiasouthern.edu/amtp-proceedings_2013/42](https://digitalcommons.georgiasouthern.edu/amtp-proceedings_2013/42)

This conference proceeding is brought to you for free and open access by the Association of Marketing Theory and Practice Proceedings at Digital Commons@Georgia Southern. It has been accepted for inclusion in Association of Marketing Theory and Practice Proceedings 2013 by an authorized administrator of Digital Commons@Georgia Southern. For more information, please contact [digitalcommons@georgiasouthern.edu](mailto:digitalcommons@georgiasouthern.edu).
Price Bundling Opportunities for the Charleston (SC) Tourism Market

Mark Mitchell  
*Coastal Carolina University*

Michael Collins  
*Coastal Carolina University*

Gregory Turner  
*Claflin University*

Jordan Smith  
*Coastal Carolina University*

**ABSTRACT**

The Charleston area offers a rich mix of historical, cultural, educational, social, and natural entertainment options for visitors. This paper examines the possibility of price bundling of area attractions to offer a lower price to area visitors. Two options are advanced: Targeted Selections and Broader Selections. Finally, market-specific factor influencing implementation are discussed.

**INTRODUCTION**

This meeting of Association of Marketing Theory and Practice is taking place in Charleston, SC. Currently, Charleston is the home port of the cruise ship, Carnival Fantasy. From Charleston, visitors leave on 5-, 6- and 7-day Caribbean cruises. The cruise industry has been very effective at price bundling the components of a vacation experience such as lodging, meals, and entertainment. For example, the Carnival website ([www.carnival.com](http://www.carnival.com)) describes the vacation experience as follows:

*"A Carnival cruise isn't just a vacation. It's way better. You get awesome onboard activities, delicious dining choices, nightlife, comedy and plenty of places to just kick back – all as you go from one fun destination to another."*

In addition to the cruise industry, price bundling has been used effectively in the broader tourism industry to help simplify the vacation buying experience. Resorts (such as Sandals and Club Med), theme parks (Disney, Universal Studios), as well as local markets (Orlando, Chicago, San Francisco and others) have successfully bundled their offerings for consumers. Still other markets, including Charleston, have shown more limited use of price bundling to date.

The purpose of this manuscript is to explore the possibility of increased price bundling of the attractions in the Charleston tourism market. 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 Charleston market is provided. Finally, some market-specific factors of the Charleston market are offered for consideration.

LITERATURE REVIEW

Price Bundling

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). 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 (Guiltnan, 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 (Guiltnan, 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.
TWO APPROACHES TO PRICEE 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.

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. The firm notes that more than one million ‘happy travelers’ use CityPASS each year.

**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.

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). Currently, there are four markets served by both CityPASS and Smart Destinations (Boston, Chicago, New York, and San Francisco). Table 1 presents an overview of both programs for representative city (San Francisco) for ease of comparison.
Table 1
A Comparison of CityPASS and Smart Destinations for San Francisco

<table>
<thead>
<tr>
<th>City</th>
<th>CityPass Program</th>
<th></th>
<th>Smart Destination Program</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Inclusions</td>
<td>Price</td>
<td>Inclusions</td>
<td>Price</td>
</tr>
<tr>
<td>San Francisco</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Cost if Purchased Separately:</td>
<td>The TOP TEN highlighted attractions are:</td>
<td>2-Day Adult = $79.99 Child = $56.99</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Adult = $132 Child = $84</td>
<td>1. Aquarium of the Bay</td>
<td>3-Day Adult = $104.99 Child = $73.99</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Estimated savings of 48%.</td>
<td>2. Golden Gate Bay Cruise - Red &amp; White</td>
<td>5-Day Adult = $139.99 Child = $94.99</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Pass is valid for 9 days after initial activation.</td>
<td>3. Wine Country Tour - Grayline SF</td>
<td>7-Day Adult = $164.99 Child = $109.99</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.</td>
<td>California Academy of Sciences</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.</td>
<td>Blue &amp; Gold Fleet Bay Cruise</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4.</td>
<td>Aquarium of the Bay</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5.</td>
<td>San Francisco Museum of Modern Art (SFMOMA)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6.</td>
<td>de Young Museum OR Exploratorium</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>


AN OVERVIEW OF THE CHARLESTON TOURISM MARKET

Charleston was recently named the number one U.S. city two years in a row by Conde Nast Traveler’s Reader’s Choice Awards. As the oldest city in South Carolina, Charleston’s rich history, architecture, and seaside location make it an appealing destination city. Visitors enjoy the cobblestone streets, slate sidewalks, and over 1,400 historical buildings in the downtown area. Visitors tend to congregate along King Street and the Market area, either looking in the exclusive shops or frequenting any of the 70-plus restaurants in the downtown area. Charleston
boasts over 70 museums and/or plantation homes and gardens. The South Carolina Aquarium, carriage tours pulled by horses, the Market area (where the staple Sweetgrass baskets can be found), and dozens of other uniquely Charleston attractions help lure visitors to the city. In 2011, 4.51 million visitors journeyed to Charleston, providing a $3.22 billion economic impact on the city and region (see Charleston Metro Chamber of Commerce, 2012).

Although the tourism demand peaks in the summer months (due to Charleston’s close proximity to the beach) tourists visit Charleston year round. North Carolina, South Carolina, Georgia, Florida and New York are the top states from which visitors travel. Charleston attracts many different markets, including families and couples—both young and retired. The city’s rich history draws many “history buffs” to the area. Many festivals bring in particular markets. For example, Spoleto USA attracts high-income art and humanities-minded individuals around the world. The Southeastern Wildlife Exposition attracts middle- to high-income families from the southeast and mid-Atlantic regions (see Moore School of Business, 2005; Southeastern Wildlife Exposition, 2012).

CURRENT PRICE BUNDLING EFFORTS IN THE CHARLESTON MARKET

Currently, there are several price bundling packages that allow tourists to see more of the city for a lower price. Most of these bundles are associated with specific groups of attractions that Charleston offers. Bundles revolve around museums, restaurants, historic tours, or unique shopping. Attraction-packaging websites, like Insider Packages or Vacations Made Easy, offer “themed” Charleston market bundles.

The bundles currently offered vary in that some come with lodging while others do not. For example, Vacations Made Easy suggests a “Historic Charleston Vacation.” This includes two night’s accommodations and a tour of the Charleston Harbor aboard the Carolina Belle, a popular tour boat. However, the lodging offered is largely in North Charleston, which, for some tourists, is too far away from the atmosphere of downtown Charleston. Another bundle offered is the “Romantic Getaway,” offering two nights lodging and a Haunted Jail Tour. A Haunted Jail Tour might be romantic for some, but other things come to mind for most couples who want to escape to Charleston for a weekend. Again, the lodging options offered are in North Charleston. The “Attractions” package largely centers on wildlife; it gives each person admission to the South Carolina Aquarium, Audubon Center, and Center for Birds of Prey, plus four nights lodging in North Charleston (see www.vacationsmadeeasy.com).

Insider Packaging, another online website for vacation bundles, also provides bundles that center around specific niches of the Charleston tourism market. The “Charleston Tour” package gives two adults access to a Historic Carriage tour, a Fort Sumter tour, and a Visa Dining Card. The “Plantation” package presents tours of Middleton Place, Magnolia Plantation, and Boone Hall Plantation plus a Visa Dining Card (see www.insiderpackages.com).

There are also price-bundling packages available for Charleston offline. Most of these are found walking around the city, especially down Market Street, where college-age students standing behind mobile outdoor carts attempt to sell tourists packages within walking distance. For
example, one might buy two tickets for a carriage tour—Charleston’s unique tour-guided attraction pulled by horses—and receive half-off a haunted walking tour, usually owned by the same umbrella company. Other types of such on-the-street packages include certain restaurant groups native to Charleston, like Maverick Southern Kitchens or the Neighborhood Dining Group. For example, one could eat dinner at SNOB on East Bay and receive a free appetizer at The Post House, Maverick’s Mount Pleasant restaurant.

Although there are savings and sites to be found in Charleston by way of bundles, the authors suggest there is opportunity to more fully bundle the attractions of Charleston, SC. Currently, very few bundles attempt to combine different types of experiences. For example, history-related packages contain historical sights and locations but do not include escape-type attractions. What follows is an attempt to illustrate some potential price bundling in the Charleston market.

**TWO PRICE BUNDLING MODELS FOR THE CHARLESTON MARKET**

**Targeted Selection**

A targeted selection would offer a smaller list of attractions for one fee (as illustrated by the CityPASS example). Below is a hypothetical Charleston bundle for the broader audience:

1. Admission to the South Carolina Aquarium
2. Admission to Patriot’s Point (USS Yorktown)
3. Admission to the Charleston Museum
4. Admission to the Gibbes Museum of Art
5. Boarding Fees for Charleston Harbor Tour
6. One ticket for a Carriage Tour—Palmetto Carriage, Old South Carriage, Classic Carriage, Old Towne Carriage, Carolina Polo and Carriage Company are examples of companies that could be used for this bundle.

It is possible that segmented bundled could be developed as well. (The authors note the successful use of this approach in Chattanooga, TN., see [www.chattanoogafun.com](http://www.chattanoogafun.com).) Examples are provided in Table 2.
Table 2
Example Targeted Price Bundles for Specific Market Segments

<table>
<thead>
<tr>
<th>Family Vacationers</th>
<th>History Buffs</th>
<th>Sandlappers (water-oriented)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. South Carolina Aquarium</td>
<td>1. Patriot’s Point (USS Yorktown)</td>
<td>1. South Carolina Aquarium</td>
</tr>
</tbody>
</table>

Broader Selection

Following the example of the Go Boston Card (as Boston is a similar destination filled with many historical and cultural attractions), buyers would pay one price for admission to a broad cross-section of the entertainment portfolio of the Charleston area. Table 3 provides an overview of the Go Boston Card for illustration.

Table 3
Go Boston Card

<table>
<thead>
<tr>
<th>Inclusions on Go Boston Card</th>
<th>Cost of Go Boston Card</th>
<th>Projected Savings to Consumers</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>More than 58 attractions included.</strong> The TOP TEN highlighted attractions are:</td>
<td>1-Day</td>
<td>Save up to 55% over regular admission rates.</td>
</tr>
<tr>
<td>2. Boston Duck Tour (original)</td>
<td>2-Day</td>
<td>Child = $57.99</td>
</tr>
<tr>
<td>3. USS Constitution Cruise</td>
<td>Adult = $79.99</td>
<td></td>
</tr>
<tr>
<td>4. Museum of Science</td>
<td>3-Day</td>
<td>Adult = $119.99</td>
</tr>
<tr>
<td>5. Fenway Park Tour</td>
<td>Child = $93.99</td>
<td></td>
</tr>
<tr>
<td>6. Paul Revere House</td>
<td>5-Day</td>
<td>Adult = $164.99</td>
</tr>
<tr>
<td>8. Skywalk Observatory</td>
<td>7-Day</td>
<td>Adult = $194.99</td>
</tr>
<tr>
<td>9. Plimoth Plantation</td>
<td>Child = $144.99</td>
<td></td>
</tr>
<tr>
<td>10. Hop on/Hop Off Beantown Trolley</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Association of Marketing Theory and Practice Proceedings March 2013
Copyright of the Author(s) and published under a Creative Commons License Agreement
http://creativecommons.org/licenses/by-nc-nd/3.0/us/
Under this approach, families would have certainty 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. The most-visited Charleston attractions are listed below as a starting point for such a strategy:

1. The South Carolina Aquarium
2. Boone Hall Plantation
3. Patriot's Point (USS Yorktown)
4. Carriage tours—Palmetto Carriage, Old South Carriage, Classic Carriage, and Old Towne Carriage, Carolina Polo and Carriage Company and others to choose from.
5. Gibbes Museum of Art
6. Children’s Museum of the Lowcountry
7. Charleston walking tour—Charleston Walks, Charleston Footprints, Charleston Strolls, and others
8. The Charleston Museum
9. Harbor Cruise—Charleston Harbor Tours, Spirit Line Cruises, or Adventure Harbor Tours
10. Fort Sumter Tour
11. Confederate Museum of Charleston—located at the Market
12. The Aiken-Rhett House, Nathaniel Russell House, amongst others.
13. Middleton Place
14. The Confederate Home
15. Drayton Hall
16. American LaFrance Fire Museum
17. Fort Moultrie
18. Nathaniel Russell House, Rhett-Aiken House
19. Others, to be determined.

The presence of the Beach in close proximity to Charleston is noteworthy to any discussion of price bundling. The beach is a ‘free attraction’ that helps to 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).

**MARKET-SPECIFIC FACTORS FOR CONSIDERATION**

**Large Number of Smaller Operations in Charleston Market**
The Charleston tourism market is served by a large number of independent organizations each tending to the needs of their individual businesses or organizations as opposed to a smaller number of operators with multiple attractions. As such, cross-organization cooperation to create an effective price bundling strategy will be necessary. This outcome is not always easily achieved. Operators will have to see a net increase in their total revenue (and visitor traffic) to draw their interest in participating. Their pragmatic concern will be whether participation in any bundling program increases both the number of customers served as well as the concurrent marginal revenue generated.

**Large Number of Non-Profit Organizations in Charleston**

Many Charleston attractions are wholly or partly supported by Nonprofit Organizations. For example, the South Carolina Aquarium is operated by a nonprofit organization (www.scaquarium.org). Also, the Middleton Trust operates the popular Middleton Place with its landscaped gardens, home museum, and plantation stableyards (www.middletonplace.org). A review of the CityPASS participants in their currently served markets indicates a large number of nonprofit organizations included. Overall, nonprofit organizations make up 69% of CityPASS participants (49 of 71) with the remainder divided between private for-profit organizations (27%) and governmental entities (4%). Expanding access to the attraction to improve public awareness (and appreciation in the attraction, property, etc.) are typically mission-desired outcomes. As such, localized bundling may be easier to achieve when working with the many non-profit foundations supporting the key attractions of Charleston.

**Large Number of Government Organizations in Charleston**

Charleston also has a significant number of attractions that are operated by local, county, state, or the federal government. For example, Charles Towne Landing is a South Carolina State Park. Visitors often visit both Fort Sumter and Fort Moultrie. These two military forts are part of the United States National Park system. There are also situations where government-controlled attractions are supported by nonprofit entities. For example, The Patriots Point Development Authority is a state entity supported by the Patriots Point Foundation, an independent nonprofit fundraising organization (see www.patriotspoint.org). Expanding access to these attractions is desired by both the governmental and nonprofit entities. So, localized bundling may be easier to achieve when working with these governmental and nonprofit entities supporting the key attractions of Charleston.

**High Fixed Cost Locations**

When an attraction has a high fixed cost of operation, the marginal cost of serving another guest is often negligible. For example, a museum must provide security regardless of the number of guests who visit the facility. As such, such facilities may be open to price bundling to concurrently build traffic and raise total revenue. An historic trust wants to promote the awareness of history while preserving important historical artefacts (such as buildings). So, they wish to achieve increasing foot traffic in the property to expose growing numbers of citizens to their collections. Concurrently, they wish to raise total revenue to ensure access to their
collections for future generations and to support historical restoration efforts. Bundling may effectively increase both visitor counts and total revenue.

**Presence of Natural Clusters**

Charleston is the oldest city in South Carolina, established in 1670. Understandably, there is a rich cluster of historical attractions in the area. The presence of such similarly-themed attractions may aid in market segmentation and, thus, promote more bundling of similar attractions. In addition to historical attractions, other natural clusters of Charleston attractions include water-related (harbor tours, South Carolina Aquarium, Fort Sumter, etc.), arts and culture-related, ghost and paranormal-related, and others.

**Cruise Industry Impact**

As noted in the introduction, Charleston is home to the Carnival Fantasy and hosts other cruise ships throughout the year (approximately 70 cruise departures). Slade (2012) noted that hotel occupancy rates in Charleston tend to go up just prior to (and just following) cruise ship departures/arrivals. This indicates many cruise passengers are combining time in Charleston with their cruise in-and-out of the city. The Charleston Port Authority estimates that 30-40% of cruise passengers spend at least one night in a hotel in Charleston during their cruise vacations (see Tomsic, 2011). These passengers may have time restrictions that would limit their interest in a broad bundling package. It must be noted that many of these hotel nights are provided by hotels that provide transportation to-and-from the terminal. With a $15 per day parking fee at the terminal, some cruise visitors are opting for a $100 room night rather than a $100 parking fee. As such, they may have limited interest in bundled attractions.

**SUMMARY AND CONCLUSIONS**

Price bundling has been used effectively in many markets to stimulate overall tourism demand and concurrent spending. To date, some price bundling has been done in the Charleston market. What is posited here is a more active program of price bundling by separately-owned attractions into an attractive package for the nearly 5 million visitors who vacation in Charleston each year. It represents an interesting opportunity with some local market factors influencing its possible implementation. In these pages, we attempted to provide a framework for discussions by local leaders.

As visitors to the Association of Marketing Theory and Practice in Charleston, we will be able to watch the market to see if such price bundling programs are developed and in what form it is done. That may be the subject of a future AMTP presentation. We’ll see what happens…
REFERENCES

Carnival website, www.carnival.com


Chattanooga Fun website, www.chattanoogafun.com

CityPASS website, www.citypass.com


Insider Packages website, www.insiderpackages.com

Middleton Place website, www.middletonplace.org


Patriot’s Point website, www.patriotspoint.org

Pebble Beach Golf Links website, www.pebblebeach.com


Smart Destinations website, www.smartdestinations.com

South Carolina Aquarium website, www.scaquarium.org


Vacations Made Easy website, www.vacationsmadeeasy.com

ABOUT THE AUTHORS

Mark Mitchell serves as Chair of the Department of Marketing and Resort Tourism and Professor of Marketing at Coastal Carolina University (Conway, SC). He earned his DBA in Marketing from Mississippi State University.

Michael Collins serves as Associate Professor of Resort Tourism at Coastal Carolina University (Conway, SC). Following a successful 25-year career in hotel management, he earned his PhD in Hospitality Management from The Ohio State University.

Gregory Turner serves as Associate Professor of Business at Claflin University in Orangeburg, SC. He earned his DBA in Marketing from Mississippi State University. Greg spent 15+ years in Charleston, SC as a student and professional.

Jordan Smith is an MBA candidate in the Wall College of Business at Coastal Carolina University (Conway, SC). She earned her undergraduate degree from the College of Charleston. She has much direct experience with the Charleston tourism market as an employee in the hospitality industry and as a resident of Charleston.