

Co-creation a Vacation Package Tour: Here Comes the New Chinese Travelers' Wish List!

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Abstract

Three friends, who are experienced travelers, planned a custom-tailored vacation package for themselves and three other friends. Due to insufficient resources and inaccurate travel information, tensions rose. Despite the challenges, the friends agreed to explore a vacation based on the emerging trend associated with the Chinese travel market. However, the results were not as they expected. This calls for specialized agents, travel consultants, or individual travel planners to meet the emerging needs of experienced travelers in China. What should the industry do to work with this new segment of the market, in order to co-create value for both parties?

The Story

During the summer of 2015, three friends and experienced travelers from Beijing, China, agreed to develop a custom-tailored vacation for themselves. Their pre-travel planning discussion is provided below.

Mary: Betty, Joy, let's talk about our holiday.

Betty: I'd like to go somewhere in China.

Mary: How about Hainan Island?

Betty: That sounds exciting.

Joy: Good choice! How should we travel?

Betty: By plane, of course.

Mary: Not a bad choice, but why don't we travel by ship?

Betty: That's a good idea.

*The article consists of two parts. The authors of the case study, Le (Mandy) Zhang, the Editorial Commentary at the end of this case was written by Po-Ju Chen. Send correspondence to Le (Mandy) Zhang, 45 North Yingbin Rd. Yanjiao Etdz. Langfang, Hebei, China, telephone: (0086) 13343069187 email: zhanglemandy@126.com.

Joy: What do you want to do there?

Mary: I was thinking about scuba diving. I've heard the fishing is great and the coral reefs are beautiful.

Betty: That sounds really cool!

Joy: How long do think we'll be away?

Mary: About two weeks.

Betty: Where can we stay while there?

Joy: How about at a five-star hotel?

Betty: Sounds good. But won't five-star accommodations be too expensive?

Joy: Maybe we can book on-line and get a lower price.

Mary: Sounds great! But I think we'd better do some research before traveling.

Over the next few days, they researched and compiled a significant amount of information related to Hainan. The information included attractions, accommodations, restaurants, entertainment, transportation, travel tips, climate and more. Despite investing more than a week in planning their travel itinerary and booking the hotel and transportation, the trip still didn't feel as great as anticipated.

Although they booked a hotel farther from the attractions than they preferred, they expected they felt the trade-off was worth the money they saved on accommodation. However, after talking to other travelers they met at the destination, they learned the room and transportation they booked on the internet was not the bargain they thought they were.

Many young people in China travel extensively with family or friends, typically with tour groups booked through travel agencies. Although shopping is often considered an enjoyable aspect of vacationing, many travelers report that tour groups often over-emphasize shopping to the point of becoming compulsory, with sightseeing perceived as an after-thought. Disappointment with travel agencies seems to be motivating younger travelers to investigate free and independent travel alternatives. As travelers explore alternatives to tour groups and travel agencies, they seem to be realizing that independence and flexibility sometimes come at increased costs – often resulting from missing out on discounts travel professionals get after years of cultivating business relationships with hotels, transportation, and tour operators. In addition, inexperienced vacationers sometimes fall victim to misleading information which ultimately offsets the original goals of economical and efficient travel. Thus, information asymmetry can be an overlooked consideration. Detailed information cannot be easily found on the internet, and often yields inaccurate or even false information. In addition, planning a tour itinerary can be very time consuming and often does not turn out as expected.

Possible Solution Options

Select (circle) one of the following alternative solutions:

- A. Travel customization products subject to different themes offered by traditional travel agencies.
- B. High-end tailor-made travel products offered by traditional travel agencies. Travel agencies could customize travel plans to match traveler needs, interests and expectations.
- C. Online travel agency with cooperative partnerships. The travel agency partners are not employees; rather they cooperate with the travel agencies on specific travel products designed for travelers.
- D. Online travel agency counselors employed by the travel agencies work backstage and communicate with travelers online.
- E. Combination of D and E integrated with database technology. Online travel agencies employ travel counselors (50%) and travel facilitators (50%) to work backstage to develop custom-tailored travel products for travelers.

Assessments

Surface Assessment

For travelers (especially those with limited travel experience), planning is very time consuming and challenging. Effective planning relies on obtaining useful and correct information. Challenges include knowing where to get information, estimating time required to get the most out of activities, finding scenic spots, arranging travel, knowing what to bring, booking hotels and attraction tickets, and planning for the unexpected (such as weather, oversold conditions, and other uncertainties).

This complexity calls for specialized agents, travel consultants, or individual travel planners to meet the emerging needs of experienced travelers in China.

Deep Assessment

As the younger generation of Chinese travelers become more experienced, they increasingly seek satisfaction of higher needs (Pearce, 1991). Those with a history of past tourism experience in a specific destination, or with similar types of holidays elsewhere, indicated closer correlation between wants and ability to meet those desires (Ryan, 1998).

Young Chinese travelers are placing new demands on travel agencies to provide independent travel planning products. Travel professionals are now being asked to provide tailor-made travel plans which offer choices for attractions, transportation, accommodations, meals, shopping, entertainment, etc. Due to online marketing, direct booking, and other “shared economy” services, travel professionals would be wise to anticipate shifts away from core business activities such as booking and guiding services. An increasing number of young generation independent travelers often only need a suggested travel plan and are willing to construct their packages based on newly available resources.

Po-Ju Chen served as editorial supervisor for this case study.

To remain viable, travel agencies will have to adapt to meet this new type of customer needs. Adaptation will likely involve providing customized budget specific travel products that are flexible yet proven.

Currently, there are some travel agencies which provide tailor-made tours, for example, the Honghu Travel of Ctrip (which focus on the high-end tailor-made travel products), DIADEMA, Sun Pala, Life TM Group, etc. These travel agencies all focus on high net value customers in the 40 to 50 years old age group. Catering to this demographic usually translates to high profit through high unit price.

For younger travelers, sharing economy services provide market alternatives which help to lower costs. In addition to being economical, collaborative consumption options are growing in popularity for high-end consumers as well, partly because these options are becoming “trendy”, as well as providing the means to travel like a local rather than a tourist. Sharing and interacting with locals is often described as the best part of participating in collaborative consumption. (Trivett and Staff, 2013)

References

- Pearce, P. L., (1991), “Analysing Tourist Attractions,” *Journal of Tourism Studies*, 2(1), 46-55.
- Ryan, C., (1998), “The Travel Career Ladder: An Appraisal,” *Annals of Tourism Research*, 25(4), 936-957.
- Trivett, V. and S. Staff, (2013), *What the Sharing Economy Means to the Future of Travel*, New York (Skift Report, 7).

Appendix: Solution Points Awards for Multiple Choice Selection

- A. Travel customization products subject to different themes offered by traditional travel agencies. 0 points. This is not co-creation model. It is not truly “tailor made” because the travel product is not customized according to individual traveler preferences.
- B. High-end tailor-made travel products offered by traditional travel agencies. Travel agencies could customize travel plans to match traveler needs, interests and expectations. 1 point. In this case, the travel product is customized, but the price is probably too high and may only be suitable for high-end consumers, but not the mass market.
- C. Online travel agency with cooperative partnerships. The travel agency partners are not employees; rather they cooperate with the travel agencies on specific travel products designed for travelers. 2 points. This model is based on the sharing economy, which can lower the costs and increase access for mass production consumers.
- D. Online travel agency counselors employed by the travel agencies work backstage and communicate with travelers online. 2 points. This model relies on the travel counselor’s destination knowledge, which could, in fact,

be limited. As a result, the customer's individual needs may not be fully satisfied.

- E. Combination of D and E integrated with database technology. Online travel agencies employ travel counselors (50%) and travel facilitators (50%) to work backstage to develop custom-tailored travel products for travelers. 4 points. This model combines the advantages of "Travel Partners" and "Travel Counselors" to provide services and products from the initial travel planning stage to the actual trip itself.

Editorial Commentary

Online travel agencies could offer individual "hotel plus ticket" travel services. Travelers can obtain cheaper hotel and airline tickets using online travel agencies or phone apps. However, for less experienced travelers, such options may be viewed as an interesting and worthwhile part of the planning experience, as long as they realize they may experience some inconveniences due to unfamiliarity with the destination and timing.

Travel websites and bulletin board systems provide travel guides and travel notes, which can help travelers plan by themselves. However, these services cannot solve the problem of information asymmetry. Information obtained from a bulletin board system is often fragmented. The travel planner needs to read many sources, which is time-consuming. Furthermore, accuracy and timeliness can be questionable.

For Option A, travel customization products subject to different themes offered by traditional travel agencies. For instance, travel agencies could offer several travel themes based on market analysis, and design travel products accordingly. Customers could then choose from these pre-packaged selections, providing an increased sense of independence and planning involvement. Different from Option A, travel agencies could customize travel plans to match traveler needs, interests, and expectations. Such services should include one-on-one face to face consulting services.

In Option C, online travel agencies form cooperative partnerships. The travel agency partners are not employees; rather they cooperate with travel agencies on specific travel projects. They contact and communicate with travelers through the platform provided by the travel agency, and their services include the whole pre-travel planning process. The travel partners are paid after completing the vacation package. A potential issue with this approach is service quality and management. Because they are not travel agency employees, the business relationship may be fragile and subject to high turnover due to competition. Not to mention, this model only focuses on pre-travel planning. Traveler needs during the trip may not be satisfied after the client has paid the fee.

Option D focuses more on the online travel agency acts as counselors. Unlike partners, travel agencies employ the counselors. They work backstage and communicate with travelers online. They offer travel planning services before the tour and become travel butlers during the tour, offering individualized on-demand

service to travelers. They contact and communicate with travelers through the platform provided by the travel agency, and their services include the whole pre-travel planning process. The travel partners are paid after completing the vacation package. Travel counselors focus on travel plan designs based on individual customer needs. Moreover, counselors are also responsible for maintaining the accuracy and validity of customer travel plans in the database. Travel counselors, also develop the services and products offered during the trip and recommend travel plans according to the database. Facilitators act as travel butlers and offer one-on-one services to travelers, ensuring trips go according to plan. They offer travel planning services before the tour and become travel butlers during the tour, offering individualized on-demand service to travelers.

Option E integrated with database technology to enable the co-creation values for both the travel agencies and the travelers. Online travel agencies employ travel counselors (50%) and travel facilitators (50%) to work backstage. Travel counselors focus on travel plan designs based on individual customer needs. Moreover, counselors are also responsible for maintaining the accuracy and validity of customer travel plans in the database. Travel counselors, also develop the services and products offered during the trip and recommend travel plans according to the database. Facilitators act as travel butlers and offer one-on-one services to travelers, ensuring trips go according to plan.

By using a database, the customer needs become well understood, resulting in reduced costs and improved efficiency. However, this model places higher requirements on maintaining service quality control.