



This project is co-funded by the European Union

Project SenGoR

Operative systems

capable to promote and incentive the travel of seniors in off-season to rural tourism services across Europe

OVERVIEW

(1) Rationale

The rationale is based on the general outline of the project SenGoR:

(2) Operative Systems for promotion, sales, and clearing such as off-season voucher, discount / club card, or similar. *The accredited senior-friendly products will be made accessible for Seniors by means of agreements that regulate promotion, sales, and payment in a homogeneous way across Europe. The reason for including such operative systems lies in the following:*

- Any agreed specific **benefit** (discounts, third-party subvention, complementary services free of charge, etc.) for seniors can be built into the system in a transparent way, while remaining at the same time neutral to free market and competition.
- The need to allow for **individual** booking decision and holiday planning, avoiding commitment to big allotments neither from the side of Senior organisations, nor service providers.
- The backing of such systems by the relevant transnational organisation for Seniors and for Rural Tourism generates **confidence** on both sides which increases their uptake: consumers (seniors), and micro-SMEs

These systems will again have the support and guarantee of the two only EU-wide representative organisations from Senior clients (AGE Platform) and Rural Tourism providers (EuroGites), both of which participate in the project. They will have the format of framework agreements; for practical application, these framework agreements will always require a separate specific adaptation to be closed between affiliated organisations of AGE and EuroGites. However, homogeneous basic procedures and rules are always maintained across Europe and for all implementations.

And

3.2.2.2 Operative systems *that are capable to promote and incentive the travel of seniors in off-season to rural tourism services across Europe. Envisaged basic concepts are the “cheque vacances” or a “Club Card”, amongst others. Each of the Operative Systems will be defined through a framework agreement template between senior organisations and tourist services. These framework agreements always are transnational, and formulated in such a way that they can be replicated to all countries. They will also include elements that allow for a reliable measurement of*

their use and impact (number of vouchers, cards, visitors that use discount agreements, etc.) for monitoring.

(2) Methodology

Based on the project content, research and recopilation about several possible alternatives for Operative Models was conducted starting from October 2014 until date:

- Cheques Vacances model (France)
- Vouchers and Gift Vouchers / Tokens
- Pre-paid cards
- Guest cards
 - with included clearing of consumed services
 - accumulating credits through regular consumption
- ID cards where benefits are applied in the moment of consumption

These systems were analysed following a common structure of criteria:

- responsible entity (DMO etc.)
- services that are covered
- Objectives of the system
- who participates on the side of the tourism services, and how (voluntary / mandatory / ...)
- Benefits for the visitor / tourist (in generic sense, ie. "discounts" / "extra services without charge" / "easy access to information" / ...)
- Benefits for the participating services
- Cost of the system and how this is covered ("Business model" of the system).

A list of studied reference cases is attached in the Annex

(3) Results of research

Responsible entity

For the B2C concept that is applied in SenGoR, a general matrix of possible combinations of responsible entities or agents was set up:

<i>Consumer Business</i>	Individual client	Association	European
Individual service	1 ¹	4	7
DMO / prof. entity	2	5	8
European	3	6	9

SenGoR will require solutions to be either of the existing types except type 1, with **preference** for types 2, 4 to 9, **and main focus on 2, 4 and 5**

¹ These cases are normally offered and managed by a commercial third-party company

Most existing examples belong to the type 1 and 2. Only the French Cheques de Vacances model covers type 4 and 5.

Types 3, 6, 7-9 do not yet exist

Services covered

No clear picture.

- Solutions type 1 are by definition a clear relation between client and service
- Solutions type 2 tend to cover all services in a specific territory
- Solutions type 4 and 5 normally refer to individual services or packages with one responsible business unit.

Objectives of the systems

All except the Cheques Vacances model are purely commercial, based on the direct interest of businesses and consumers, mediated by the responsible intermediate managing entity (DMO, association, private clearing company, etc.).

The general objective is to increase occupancy of services through direct measures (discounts, courtesy services for free) or indirect effects (visibility, access to specific market segments).

Only Cheques Vacances has a clearly consumer-based focus. This does, however, not indicate that social or assistential benefits cannot be included in commercial systems: this simply is not yet the case because their business model did not consider such aspects.

Participation from the side of service providers

Regarding the scope of services, see above “Services covered”

Where DMOs or professional entities are involved (types 2 and 5), the participation depends on the associated services to this entity. Some DMO have obligatory affiliation in their territory, in this case the coverage is complete; but mostly – even in the case of DMOs or professional association – participation in such schemes is voluntary or by subscription.

This is by definition the case of type 1, where the selection is brokered by an external third-party company or entity that establishes individual contracts with providers.

Benefits for the visitor / client and his representative organisations

Benefits for the client can be visible or transparent. The following are frequent, both stand-alone or combined amongst each other:

- Discount in the price

- Additional courtesy service included in regular price (either in the service consumed, or in handling / booking / organisation / ...)
- External support (subvention / grant or equivalent)
- Ease of order and use
- Others (trust, reliability, segmentation according to needs, ...)

Benefits for representative organisations of clients are of two kinds:

- Compliance with the statutory aims (ie. social, assistential, beneficency,)
- Corporate sustainability - generating advantages that are a motivation for affiliation to this entity

Benefits for the participating tourism service

Expected or real benefits are purely commercial. In the case of type 2 (where obligatory) they are integral part of their affiliation to a DMO or RT association. We could not detect any case of altruistic or non-commercial motivations.

More specific, the following apply in order of priority:

- Attract occupancy, specially in low and medium season
- Access to difficult or complex target markets
- Visibility (the fact to appear in a list for specific target of clients – even if not booked – generates publicity)
- Transparent additional services that externalise individual company efforts (clearing, security of payment, assessment and consultation, market access, ...)

Business model of the systems

“Business model” in this context refers to how the systems are made economically sustainable in time. This varies depending on the responsible entity, general lines are as follows:

<u>Social entities</u> (trade unions)	part of their social and political objectives, the related systems are managed and financed within their corporate structures. It was not possible to obtain information about internal rules (such as “profit center” concepts)
<u>DMOs / professional orgs</u>	similar to above, financed either through contribution of members or (alternative / complementary) additional fees.
<u>Private companies</u>	Pure business concept – either through fixed annual or periodical fees of affiliates, or by commission on bookings or other transactions. Special case: gift tokens (see below)

Frequently a two- or three-step model applies, with various intermediate entities involved. For example, in the cases of

- Guest cards: ownership (DMO or corporation); managing entity; clearing (bank)
- Gift vouchers: ownership; commercial distributors; clearing
- Pre-paid cards: managing entity; financial institution for clearing;

Operating costs

It was not possible to obtain information about cost-profit relations that could define a minimum margin or amount that any operating entity would need to charge from services or clients to run its system in a sustainable way. However, comparing several private systems and their conditions to adhere, the following orientative values seem realistic for individual services in the scope of rural tourism micro-SMEs:

- Full cost coverage on commission: <10% of price / cost of service
- Variable cost coverage on commission: 5-7% of idem
- Full cost "all included" 3-500 EUR flat rate
- Basic cost on fixed fee plus commission: 150 p.a. flat + 5% commission
- Only clearing service (pre-paid cards etc) 3-5% electronical / 7+% manual

These values need to be calculated as operating cost to be covered, regardless the moment(s) of the value chain where they are generated.

No case could be found where consumers pay for this service / operating cost on top of the regular price of the service they receive. Furthermore, to be attractive for a consumer, there must be visible or perceived benefits (or added values) compared with a "normal" booking process outside such a system.

Therefore and as a rule, costs must be covered either by price reduction / discount at the side of service providers, through ordinary budget of the intermediate organisation, or through external contribution (subventions). A special case seem to be Gift Vouchers and some prepaid guest cards: their redemption (cash-in) rate is only 75-85% of the sold volume.

.... and how to cover them

For a provider, in case no external contribution (subvention) is available, the resulting calculation is as follows (example):

- Ordinary tariff to public **100**
- Visible discount, or complementary services up to -20
- Contribution to the system -5 to -10
- Net result to be expected **70-80**

It is important to keep in mind that the initial "100" refers to the rate / tariff that is available to the wide general public as a reference. If a service sells e.g. through channels such as Booking.COM, the rates published at this site, NOT the official "rack rates" (which use to be higher), are this reference for consumers.

If no externalisation of the costs is available, services need to count – in one way or the other – with a difference of at least 20% between their lowest published rate to the public and real income received from the system.

This can be lowered to as little as 5-7% through

- Externalisation of costs (e.g. clearing of Cheques Vacances) at the side of consumer organisations or through subventions
- Fully electronic process of booking and clearing (*doubtful to be feasible with our target market of seniors*)

(4) Recommendations for application in SenGoR

In line with the project application, **TWO alternative systems** should be selected and implemented along the alternative lines of

- **Vouchers** where visitors pay the service with this voucher, plus posterior clearing with the services used. This can be done in different sub-models:
 - Cheques Vacances model
 - Voucher as used by travel agents / tour operators for a closed set of services
 - Pre-paid Gift Vouchers at nominal value instead of money, OR for closed services (tbd)
- **Guest ID Cards** with direct application of the benefit at the moment of payment or use of services by the client (ie. no clearing process)

However, with view to the future development it is strongly suggested to intend – if possible – a test with half- or fully electronic solutions. While not yet mainstream for the target of seniors, this situation is likely to change in very short time span especially for individual travellers at the beginning of the age group 50+ that already belong to the “digital generation”

Sales arguments for the target to use our SenGoR systems and products instead of free market channels, should be focussed around the following:

- Offered products and services take explicit care of the needs and expectations of the target
- Easy and reliable because it is guaranteed by senior and trade orgs
- Community feeling and shared philosophy (“we as members of the Senior Associations X travel with our people”)

MORE POINT AND DETAILS, to be added during discussion at the meeting

ANNEX

LIST OF ANALYSED SYSTEMS

GUEST CARDS

<http://welovecitycards.com/>

<http://www.up-group.coop/en.html>

<http://www.paris.es/paris-pass>

<http://www.londres.es/travel-card>

<http://www.visitberlin.de/es/welcomecard>

<http://www.madridcard.com/>

<http://alpbachtal.at/card> with QR

CHEQUES VACANCES

www.ancv.com

<http://www.up-group.coop/en/our-areas-of-expertise/our-expertises-in-france/employee-benefits/cheque-vacances.html>

GIFT TOKENS

<http://www.farmstay.co.uk/About/GiftTokens>

<http://vlaanderen vakantiecheque.be/nl>

PRE-PAID ELECTRONIC CARD

<https://www.wirecard.com>

MIXED

<http://6local.it> generate credits (fidelization) and offer discounts