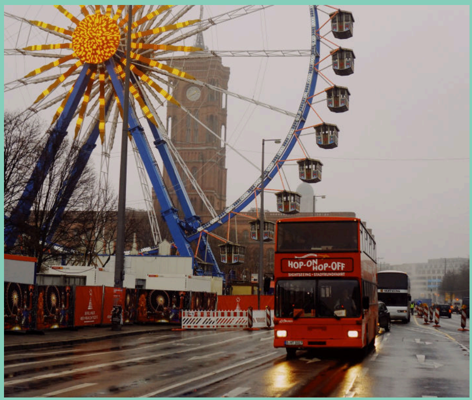
ARIVAL GUIDE

# THE FUTURE OF TOURING



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**FEBRUARY 2019**

*Presented by*

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# PUTTING TOURS INTO CONTEXT

Since 2002, Context Travel has provided private and small group day tours based on a very simple premise: when you really want to learn something, it's best to learn with an expert.

We've cultivated a network of deep subject-matter experts in over 50 cities across six continents to deliver a uniquely special experience: cultural and historical tours built for the traveler who loves to learn.

From our foundations in Rome to the emergence of cultural destinations from Mexico City to Kyoto, Context sets the standard for learning-focused travel. We achieve industry-defining customer satisfaction, loyalty and trust, as evidenced by our net promoter scores of +90. We consistently hear that a Context tour is the highlight of a trip.

The marketplace for day tours is undergoing incredible change. We are delighted to partner with Arival to help the broader travel and tourism industry understand the future of one of the most important parts of any trip: the experiential tour. Trusted brands that can consistently deliver incredible experiences at a global scale are in short supply. That's the Context difference.

Travel is better with Context.

Evan Frank,
CEO of Context Travel

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## ABOUT ARIVAL

Arival advances the business of creating amazing in-destination experiences through events, insights and community for creators and sellers of Tours, Activities & Attractions.

Our mission: establish the Best Part of Travel as the major sector of the global travel, tourism and hospitality industry that it deserves to be.

www.arival.travel






## ABOUT CONTEXT

Context Travel offers cultural and historical tours and activities led by deep subject-matter experts in over 50 cities around the world. With coverage of lesser known locales as well as main city sites, our experts take clients through in-depth, thematic topics to help them get to know a city more deeply. Our tours are designed to be the ideal environment for learning – they are conversation-driven private experiences that are structured, but never scripted.

Learn more at www.contexttravel.com

Photo by Context

## The Renaissance of Tours

Tours, fairly or unfairly, have gotten a bit of a tarnished reputation over the past two decades. Large, crowded tour buses lined up by iconic attractions have become almost synonymous with impersonal mass-market tourism. The rapid growth in independent travel, furthered by the rise of low-cost airlines, online travel agencies and do-it-yourself booking apps and mobile travel guides, has only added to the perception that independent travel – not organized tours – represents the future of tourism.

But tours, as with so many other sectors of travel, have been experiencing a renaissance over the past few years: an influx of new tour companies, concepts and experiences that are enticing travelers and redefining the very nature of "tour" in tourism. From foodie tours and craft brewery tours to tours by bike, e-bike, Segway or scooter, from tours that explore the classic sites in new ways or go deep into a particular topic with a truly expert guide and the PhD to prove it, the touring possibilities for travelers have exploded over the past decade.  The industry has adapted to the increasing demand from independent travelers who are adding day tours to their unpackaged itineraries.

  

## WHY YOU SHOULD READ THIS

While the tour industry now offers more options than ever before, it remains to be seen if the industry is actually meeting the needs of travelers. This Arival Guide takes a look at the state of tours and touring from the traveler's point of view. It looks at the role of tours in travel, what travelers truly want, and where our industry stands in meeting those expectations.

Here are five key things you'll learn in this report:

- How tours influence travel
- Key characteristics and behaviors of the U.S. tour taker
- What U.S. travelers want when they tour
- Key gaps in the marketplace that provide opportunities for new entrants
- What the future of touring looks like in three key themes

## OUR METHODOLOGY

In August 2018, Arival undertook a comprehensive study to provide insights on the in-destination experience to help creators and sellers of attractions, activities, events and tours understand the key trends and drivers around traveler behavior.  Arival fielded an online survey to 1,000 U.S. adult travelers (18+) who took a trip 100+ miles from home that included an overnight stay and a qualifying in-destination experience.

  

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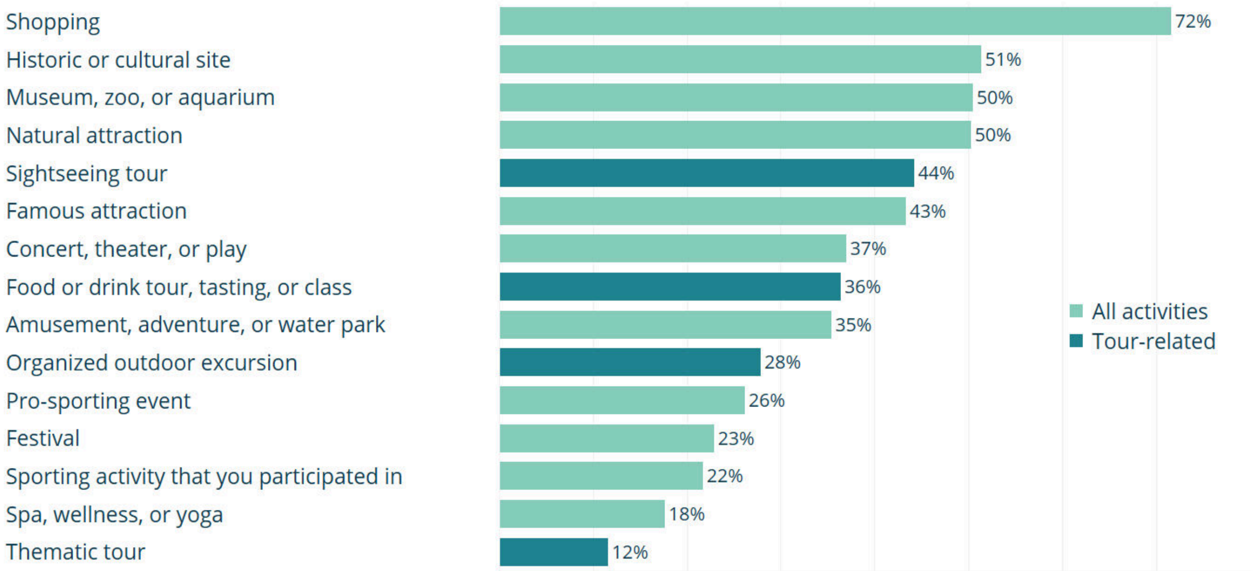
# TOURS DRIVE TOURISM

Tours are a key component of the in-destination experience for a majority of travelers. More than half of U.S. travelers – 54% – took some type of tour on their last trip.  But if we expand that beyond traditional sightseeing tours, the number is greater.

Some 44% of U.S. travelers took a sightseeing tour on any of their travels in the past year (see Figure 1).  Culinary tours were also popular among the in-destination experiences, with almost four in ten U.S. travelers including such an experience on their trip. More than one in four travelers participated in some type of organized outdoor excursion or adventure, and 12% participated in the rapidly growing “thematic tour” segment, which includes tours that specialize in a particular theme such as a ghost tour, or a photography tour.

**Figure 1: Activities Undertaken by Travelers in the Last Year for Any/All of Their Trips**




Arival Traveler Insights 2018: 1,001 U.S. active travelers, August 2018

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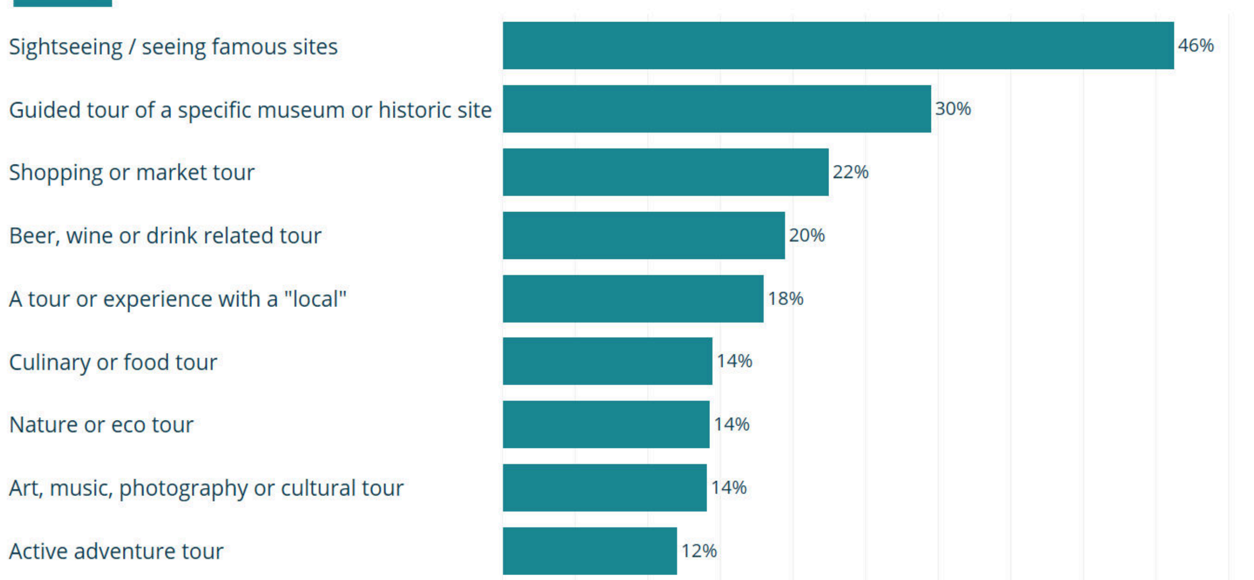
## Tour Takers Book at Least Two Tours per Trip

There is a wide and growing variety of tour types. Traditional sightseeing, museum and historic site tours are the most popular among U.S. travelers.  Visiting famous cultural and natural attractions are the most popular tour-related experiences (46%), followed by shopping and market tours (22%). But tours cover a wide array of in-destination experiences, and several types – culinary and drink tours, nature and eco tours, art and culture – are all popular with anywhere from 14% to 20% of U.S. tour takers.  Given the breadth of the offerings available, U.S. tour takers on average take over two types of day tours per trip.

**Figure 2: The Types of Tours Travelers Take**




Arival Traveler Insights 2018: 1,001 U.S. active travelers, August 2018

While experiential tours are not currently garnering the same market share as traditional sightseeing tours, they are an important component to keeping travelers engaged with their destination. Travelers can go on a historic site tour and a specialized cultural or culinary tour on the same trip and have unique experiences within the same destination.

## Tours Influence Trip Planning & Spend

Tours figure heavily into the trip planning process for U.S. tour takers. Two-thirds of U.S. tour takers say that tours are very or extremely important when planning a trip. The greater the importance of the tour within the planning process, the more likely the traveler is to plan and book well in advance.

Tours are not only prominent in the planning process for U.S. tour takers. They also play a significant role in the overall trip spend and have an outsized influence on overall travel experience.  On average, U.S. tour takers are spending 25% of their trip budget on tours alone. And that money is well spent. Tours figure heavily into what travelers remember most about their trip.  Over 70% of U.S. tour takers had a very memorable tour experience on their recent trip.

**Tour takers spend 25% of their trip budgets on tours**

**Over 70% had a very memorable tour experience**

  
Photo by Context

# DEFINING THE TOUR TAKER

Who is the U.S. tour taker? What defines that traveler and sets them apart? Since a majority of U.S. travelers take tours of one type or another, the answer is not much. The U.S. tour taker generally looks and acts like the average U.S. leisure traveler.  However, there are some segments of the traveler population that are more likely to take certain types of tours. Certain types of trips also tend to drive demand for specific types of tours.

## Tours for Young & Old

Tours figure into the travel plans of both young and older travelers.  Travelers under 35 and 55 or older are far more likely to take tours overall. Tour consumption falls with travelers between the ages of 35 and 54 as traveler patterns change as they begin to raise families during these years. Tour types also vary with age. Younger travelers under 35 are driving the growing interest in thematic, or experiential tours, such as culinary tours, outdoor and adventure tours, and specialist tours on cultural themes (although they too take classic sightseeing tours, especially for long-haul trips and when visiting a destination for the first time).

## Tours for First-Timers & Return Visitors

The types of tours travelers take also varies significantly by the type of trip they take. Travelers visiting a destination for the first time and traveling overseas to Europe or Asia are far more likely to take classic sightseeing tours to see all of the major sites in a new place.  But interest in tours does not diminish when travelers return to a destination – although the type of tour they take changes. Those repeat visitors are more likely to take a smaller, specialized tour that goes deeper into a cultural experience or activity.

## Tours for Cultural Enrichment Travelers

Tours are especially popular with adults who identify as cultural enrichment travelers. Almost half of all U.S. travelers place a higher degree of importance on cultural enrichment when they travel. These travelers are far more likely to take tours; two in three incorporate tours into their travel plans, vs. just over half of all travelers.

The travel motivations of cultural enrichment travelers also stand out. While rest and relaxation are typically the top motivations for a trip, culturally inclined travelers place a higher priority on other experiences than their counterparts. The top four trip drivers for cultural enrichment travelers are the following:

- **Culinary**
- **Cultural experiences**
- **Seeing the famous sites**
- **Exploring a city**

The cultural enrichment traveler is an especially valuable tour customer. On average they take trips that are two nights longer than other travelers. They spend more on their trips and on tours by a significant margin; they spend 50% more on their trips and 33% more on tours (see Figure 3).

**Figure 3: Cultural Enrichment Travelers Are Valuable Tour Takers**

| | Cultural Enrichment Travelers | Non-Cultural Enrichment Traveler |
|---|---|---|
| Average Nights of Trip | 9.4 | 7.1 |
| Average Total Spend on Tours | $966 | $726 |
| Average Total Trip Spend | $4,294 | $2,866 |

Arival Traveler Insights 2018: 1,001 U.S. active travelers, August 2018

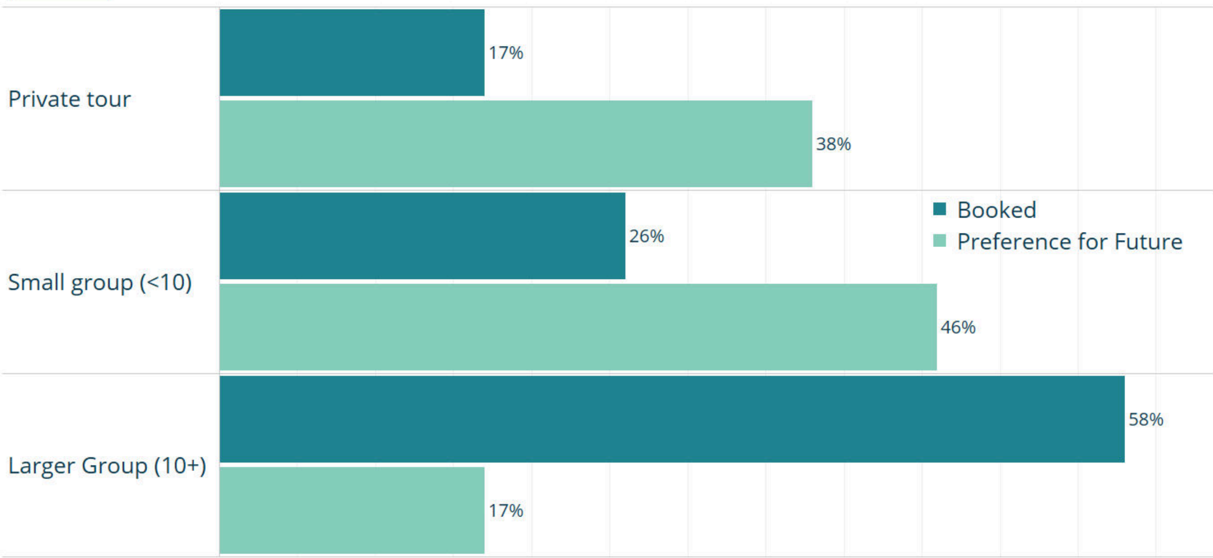
  

# WHAT TOUR-TAKERS WANT (IS NOT WHAT THEY DO)

When it comes to tours, U.S. travelers don't always do what they say they want to do.  More than half of all U.S. tour takers booked a larger group tour (10+ people) on their last trip. However, despite booking larger tour experiences, U.S. tour takers profess a strong desire for smaller more intimate tour experiences in the future.

Most travelers want a more intimate tour experience for their next trip.  U.S. travelers have a clear preference for small group (10 or less people) or private tours in the future.  It does not matter what size tour the traveler took on a previous trip.  While more than half of tour takers previously took a large group tour, only 17% say they prefer a larger group tour in the future (see Figure 4).

**Figure 4: Type of Tours Taken, by Group Size**




Arival Traveler Insights 2018: 1,001 U.S. active travelers, August 2018

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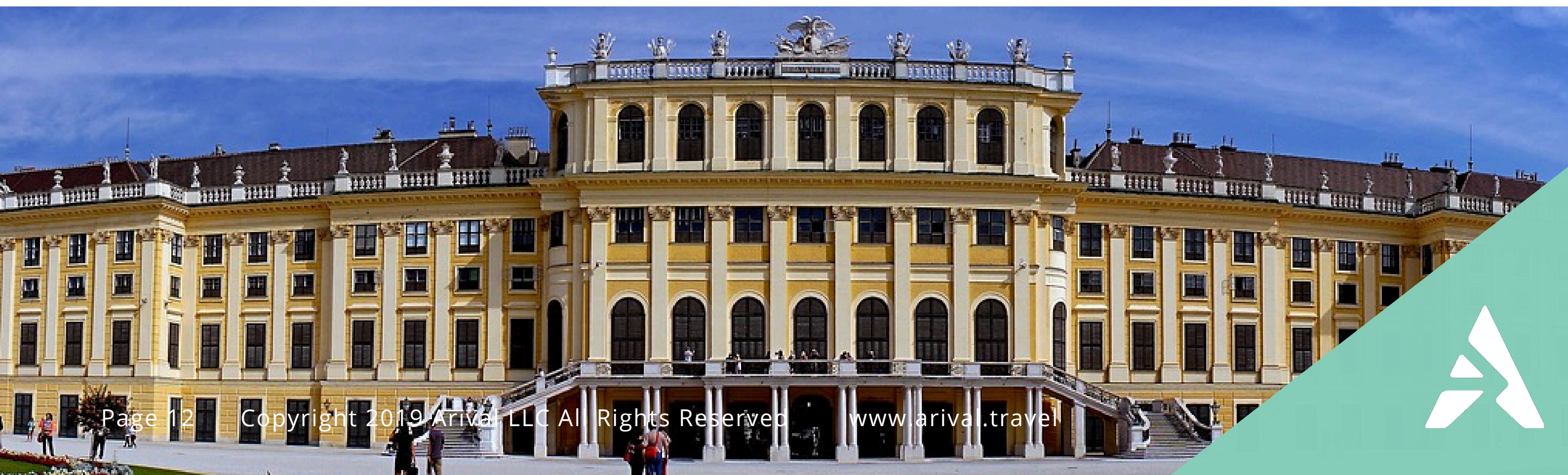


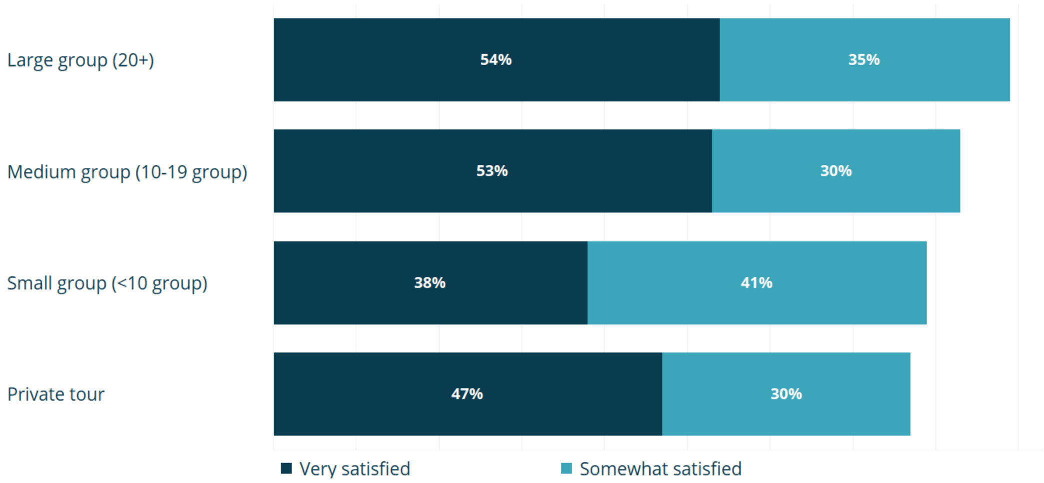
  

## Product/Market Unfit

This extraordinary difference between the aspirations and actions of travelers implies a significant gap between what travelers want and what they actually get or book. There may be several factors underlying this mismatch: availability of smaller group tours and higher price points are two of the most likely.

In another twist to interpreting the wants of tour-takers, travelers who took large group tours are slightly more satisfied with their tour experience. Satisfaction levels are relatively strong across all group sizes, but the higher satisfaction among large group tour-takers presents another challenge to providers of small group and private tours. Travelers do aspire for a more intimate tour experience in the future, and often are willing to pay more for that experience, but that means expectations are higher, as is the bar for guest satisfaction.

**Figure 5: Satisfaction with Tour Experience by Group Size**




Arival Traveler Insights 2018: 1,001 U.S. active travelers, August 2018

Small group tour-takers may be slightly less satisfied, but travelers who took tours of all sizes still say they prefer smaller group tours for future trips.  Amid these seeming contradictions may lie significant opportunity for the day tour operator industry. More travelers want smaller group sizes, and the industry is not yet there to meet that demand – either with sufficient supply or at the right price points.

# FEW STANDARDS, BIG OPPORTUNITY

One distinguishing characteristic of this sector is the lack of established, well-understood brands and clear service-level expectations. While everything from airline service classes and hotel star ratings to price points of restaurants and ubiquity of coffee shop brands convey a clear sense of what a customer should expect, very little like this exists within the day tour sector.  Two similarly structured and priced tours can deliver very different experiences, depending upon the company, the guide, and the expectations set by inconsistent online descriptions.

The future of tours will be tied to addressing both the mismatch between consumer preference and product offering and the absence of service-level standards.  Successful tour operators will figure out how to adapt their product to meet the preferences and expectations of the traveler to drive higher satisfaction.  And more importantly, they will focus on how to deliver the right tour size to meet travelers' desires for a more intimate tour experience.




Photo by Context

# WHAT THE FUTURE OF TOURING LOOKS LIKE

Arival has identified three themes that will shape the future of touring

1. **Growth in experiential tours:** Tours that delve into a topic or activity with a true expert as a guide. Increasingly well-educated and sophisticated travelers want more from their tour. They are already taking over two types of tours and they want to go deeper.

2. **Smaller tour groups that exceed expectations:** The opportunity exists to create smaller and private experiences that go deeper into a theme or area of interest and deliver a more intimate tour experience.

3. **The emergence of standards through the rise of brands:** The profound mismatch in what travelers want vs. what they do indicates a clear gap in the market. The lack of well understood service-level standards is a likely factor. The time may well be right for a branded, multi-destination tour experience to take hold.

How these gaps will be filled – whether by some of the many emerging multi-market branded tour companies, by some of the growing online travel agency brands, or by some new startup yet to make its mark – remains to be seen. But the demand for a new type of tour experience is clear. Travelers are ready and waiting.