

# All-inclusive holiday packages, tourist consumption and spending patterns at tourism destinations

Claudia Cozzio, Oksana Tokarchuk and Oswin Maurer

## Abstract

**Purpose** – *The purpose of this study is to investigate tourist in-destination consumption patterns in the context of bundled holiday packages in different resort categories to identify demand behavior that allows implementing profit-enhancing policies through attractive bundled offers for specific tourist segments.*

**Design/methodology/approach** – *This study relies on data gathered in a quasi-experiment to analyze differences in consumption patterns at resort bars over a two-year period (summer 2018 and 2019) before and after the introduction of an all-inclusive soft drinks package.*

**Findings** – *The findings inform on bundling strategies according to different degrees of price consciousness and resort category. In particular, guests in upscale resorts are more likely to under-consume items included in a pre-paid bundle and significantly engage in additional spending than economy resort guests.*

**Originality/value** – *The quasi-experiment provides the actual in-destination consumption patterns and offering managerial insights and tools to tailor the form and content of bundles according to resort category.*

**Keywords** *Revenue management, Price consciousness, Price bundling, Mental budgeting, Tourist consumption, Holiday package, Resort category*

**Paper type** *Research paper*

旅游目的地全包度假套餐、旅游消费及消费模式

摘要

目的: 本研究的目的是调查游客目的地消费模式在不同度假村类别的捆绑度假套餐的背景调查及研究。本研究旨在通过深入了解市场需求, 来针对特定游客细分市场提供对其具有吸引力的捆绑优惠, 目的是让完善定价决策, 从而达到更优化利润。

设计/方法/途径: 本研究依赖于通过准实验收集的数据, 该准实验侧重于分析度假村客人在两年期间(2018年和2019年夏季)在推出全包无酒饮料套餐前后在度假村酒吧的消费模式的变化。

研究结果: 研究结果为如何根据度假村类别相关的不同价格意识程度来运用捆绑策略。到达目的地后, 高档度假村的客人更有可能对预购捆绑包中包含的物品消费不足, 并且与入住经济型度假村的游客相比, 大幅增加额外支出。

独创性: 我们的准实验审查了几乎没有被研究学习过的客人在目的地的实际消费模式。本研究对有用的管理工具的认识有更进一步的贡献: 捆绑包的内容重点应由经济度假村的从业人员精心设计, 而在高档度假村, 应该以混合捆绑作为捆绑策略的一种形式。

关键词 游客消费; 智力的预算; ; 价格捆绑; ; 度假套餐; ; 价格意识; ; 收入管理; ; 度假村类别,

文章类型 研究型论文

**Paquetes vacacionales todo incluido, consumo turístico y patrones de gasto en los destinos turísticos**

## Resumen

**Objetivo:** *El objetivo de este estudio es investigar los patrones de consumo de los turistas en destino en el contexto de los paquetes vacacionales combinados en diferentes categorías de complejos turísticos. Esta investigación persigue la adquisición de un conocimiento profundo del comportamiento de la*

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demanda que permita la aplicación de políticas de precios que aumenten los beneficios mediante la orientación de ofertas con paquetes atractivos a segmentos específicos de turistas.

**Diseño/metodología/enfoque:** El estudio actual se basa en los datos recogidos a través de un cuasi-experimento centrado en el análisis de las diferencias en los patrones de consumo de los huéspedes del resort en los bares del mismo durante un período de dos años (temporadas de verano 2018 y 2019), antes y después de la introducción de un paquete de refrescos con todo incluido.

**Conclusiones:** Los resultados del estudio informan sobre cómo aprovechar las estrategias de agrupación según los diferentes grados de conciencia de los precios asociados a la categoría del complejo turístico considerado. Una vez que llegan al destino, los huéspedes de los complejos turísticos de categoría superior son más propensos a no consumir los artículos incluidos en un paquete precomprado y a realizar un gasto adicional significativo en comparación con los turistas alojados en complejos turísticos económicos.

**Originalidad:** Nuestro cuasi-experimento examina empíricamente las pautas de consumo reales de los huéspedes en el destino, que apenas han sido examinadas. Este estudio contribuye además al reconocimiento de herramientas de gestión útiles: los profesionales de los complejos turísticos económicos deberían diseñar cuidadosamente el enfoque del paquete en términos de su contenido, mientras que el paquete mixto como forma de estrategia de agrupación debería favorecerse en los complejos turísticos de alto nivel.

**Palabras clave** Consumo turístico, Presupuesto mental, Paquete de precios, Paquete vacacional, Conciencia de precios, Revenue management, Categoría de resort,

**Tipo de papel** Trabajo de investigación

## 1. Introduction

Profit-enhancing strategies in the hospitality industry have mainly focused on personalized room pricing schemes (Viglia and Abrate, 2019), intrinsic tourist resort characteristics, such as location, size and category (Abad *et al.*, 2019) and social media management (Anagnostopoulou *et al.*, 2019; Buhalis and Mamalakis, 2015). However, the profitability potential of in-destination tourist spending, categorized as pre-trip and in-destination spending (Kuokkanen, 2016; Legohérel and Wong, 2006), has thus far been largely overlooked. The profitability potential of in-destination spending is particularly relevant in the context of resorts that compared to traditional hotels provide a number of experiences (e.g. entertainment, shopping, wellness) beyond lodging (Calveras, 2019). In particular, resort guests tend to pursue activities available within rather than outside the resort, hence the importance of monitoring their in-destination spending and the related consumption patterns.

Generally, resorts provide all-inclusive holiday packages with a bundle of pre-paid services that typically include transportation, accommodation, meals and sightseeing, based on the idea of “leaving your wallet at home” (Zopiatis *et al.*, 2020, p. 2). For suppliers, the use of bundling can increase cost-effectiveness (Farmaki *et al.*, 2017), for consumers bundling provides convenience and a certain level of comfort once at the destination as well as reducing uncertainty over the overall costs (Repetti *et al.*, 2015).

However, resort bundling strategies are challenging when scrutinizing tourists' in-destination consumption patterns. First, in a theoretical perspective, consumers purchasing a bundle are less likely to clearly identify the cost-benefit relationship, as it is a one-to-many transaction, and they thus tend to under-consume a pre-paid bundle (Soman and Gourville, 2001; Prelec and Loewenstein, 1998). Second, as the completeness of the offer increases under bundling conditions, guests face fewer spending decisions once at the destination (Kuokkanen, 2016). This reduces disutility for tourists and thus enhances their willingness to spend more once at the destination (Kahneman and Tversky, 1979).

As individual price sensitivity plays a role in driving in-destination spending and the consumption patterns (Nicolau and Masiero, 2013; Nicolau, 2009), this study considers that the degree to which tourists under-consume a pre-paid bundle and their inclination for additional spending once at the destination depend on the resort category considered. Indeed, price-conscious consumers seek lower prices and their price tolerance threshold is

lower (Rabbane *et al.*, 2022; Özyörük, 2022; Alford and Biswas, 2002). Resort category, measured by star ratings, is not only a trustworthy reference point to assess the overall quality of the service (Soler *et al.*, 2019), but is also perceived as a key variable in determining room prices (Abrate *et al.*, 2011; Schamel, 2012). Hence, price conscious consumers are expected to be most price sensitive, hence favoring lower star-rated resorts (Chua *et al.*, 2015). Specifically, price conscious consumers “will look for alternatives that they find cheaper, more reasonable or adapted to their budget, e.g. changing the schedule of their trip, reducing the length of their trip, searching for cheaper hotels or finding other destinations with prices more adapted to their preferences” (Beerli-Palacio *et al.*, 2020, p. 3). Therefore, in this study, we consider resort category as a proxy of the degree of price consciousness (high vs low).

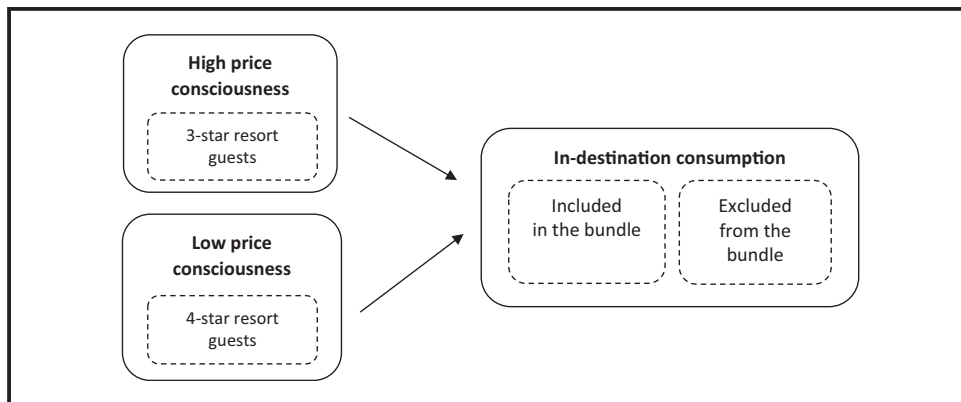
Through a quasi-experiment conducted in two three-star resorts and one four-star resort situated in similar seaside destinations and managed by the same local group offering a standard range of services, we investigate guests’ in-destination consumption patterns according to differing degrees of price consciousness. Although tourists tend to under-consume bundled offers, the patterns of under-consumption differ depending on the resort category and the degree of price consciousness. Our findings indicate that the increase in consumption of bundled items is less pronounced for guests in the four-star resort compared to the three-star resorts after the inclusion of these items in the holiday package. However, guests at four-star resorts increase their consumption of items outside the bundle. As such, our study advocates enhancing the appeal of bundled offers for specific tourist segments (i.e. high vs low price-conscious) through analyzing demand behavior to design the appropriate bundling content and form (Sánchez-Lozano *et al.*, 2021; Stremersch and Tellis, 2002).

## 2. Theoretical background and hypotheses development

Our conceptual model is illustrated in Figure 1. We examine the impact of different degrees of price consciousness on in-destination consumption patterns by focusing on the consumption of bundled items (pre-paid) and those outside the bundle (additional spending). We analyze this relationship in the context of resorts that traditionally adopt bundling strategies and provide guests with a complete holiday package. Bundling strategies encompass two key dimensions:

1. the focus of bundling, namely, the configuration of the content that creates added value; and
2. the form of bundling, whether pure or mixed (Stremersch and Tellis, 2002).

**Figure 1** Conceptual model



In so doing, this study advances current theoretical knowledge of how to leverage the focus and form of bundling according to different degrees of price consciousness and resort category.

Concerning the consumption of bundled items, some tourists are attracted by pre-paid holiday packages that include a broad variety of services at the destination (Calveras, 2019). In a theoretical perspective, consumers tend to under-consume items included in a bundle due to their difficulty to price each single item in the bundle. Soman and Gourville (2001) develop the notion of transaction decoupling, showing that when purchases are made under bundling conditions, consumers perceive a more tenuous association between the transaction costs and benefits. They suggest that in a one-to-one transaction, both the costs and benefits can be easily identified, while in a bundled purchase, costs are more difficult to recognize due to the intrinsic ambiguity in determining how much of the money invested finances each benefit. As consumers purchasing a bundle (in a one-to-many transaction) are less likely to clearly identify the cost-benefit link, they tend to under-consume a pre-paid service (Soman and Gourville, 2001).

Moreover, when payment and actual consumption are separated in time, as is usually the case for package holidays, purchasing in advance is considered an investment, while later consumption of pre-paid goods is perceived as *free* (Shafir and Thaler, 2006). In addition, the physical characteristics of a transaction matter, such as paying by credit card or cash, rendering consumers less sensitive to consuming the purchased items (Soman and Ahn, 2011).

Prior studies show that for price-conscious customers, the price paid is not only associated with economic benefits, but also psychological factors, such as the enjoyment associated with lower prices (Özyörük, 2022; Rabbanee *et al.*, 2022; Eastman *et al.*, 2021). Therefore, in this study, we postulate that the incentive to save money and the resulting positive emotions (e.g. delight, gratification) may weaken the tendency to under-consume a prepaid service for price-conscious consumers (i.e. staying at 3-star resorts), while this tendency may still occur when the degree of price consciousness is low (i.e. staying at 4-star resorts). Thus, we posit:

- H1.* Once at the destination, tourists in upscale resorts tend to under-consume pre-paid bundled items compared to tourists in economy resorts.

Prospect theory (Kahneman and Tversky, 1979) explains deviations from reference prices that consumers perceive as gains or losses. On average, individuals are loss averse, tending to avoid losses whenever possible. Concerning the consumption of items beyond the bundle, the psychological power of selling a bundle assumes that spending money creates disutility that implies a loss, but the marginal loss of spending is greatest for the initial amount of money expended (Kuokkanen, 2016). Moreover, in a bundled purchase, individuals commit to one spending decision only, thus lowering aggregate disutility compared to when items are purchased separately (Shoemaker, 2003). Thus, once the original decision to spend is confirmed, consumers appear more willing to purchase additional items, since the perceived marginal loss decreases.

In addition, selling a bundled package reduces the number of individual buying decisions once at the destination. Therefore, the overall disutility of in-destination spending diminishes as tourists face fewer decisions over expenditure once at the destination, thus encouraged to commit to additional spending (Cozzio *et al.*, 2021; Kuokkanen, 2016). This effect is amplified by the unplanned nature of additional in-destination spending and its deriving hedonic consumption patterns (Botti and McGill, 2011). Holidays are perceived as legitimate opportunities to experience happiness and carefreeness (Gössling and Buckley, 2016), where unpredictable and ad-hoc decisions to purchase items for instant hedonic gratification are key drivers of in-destination consumption (Sameeni *et al.*, 2022; Nguyen, 2016). Hedonic purchases, such as holidays, are feelings-based products categorized as

emotional (Liu *et al.*, 2022; Baltas *et al.*, 2017). By definition, hedonic consumption is intrinsically motivated, inherently rewarding in itself and determined by the consumers' desire for enjoyment and pleasure (Baltas *et al.*, 2017; Holmqvist *et al.*, 2020) through which they "maximize their positive feelings" (Shao and Li, 2021, p. 1252).

Consumers pursuing self-directed pleasure are committed to hedonic consumption comprising emotional benefits that are intrinsic by nature (Deb and Lomo-David, 2020; Vigneron and Johnson, 2004). Although seeking emotional pleasure aligned with the individual self is a common trait in the hedonic context of tourism consumption (Han *et al.*, 2010; Pino *et al.*, 2019), such tendency is more pronounced in settings where the degree of price consciousness is low (Katt and Meixner, 2020).

In addition, according to Brewer's (1991) social identity theory, individuals can be grouped along a continuum of social inclusiveness and distinctiveness that ranges from uniqueness at one extreme (i.e. features that distinguish an individual from any other in the social context) to total submersion in the social context. Social integration is directly linked to the degree of inclusiveness, while self-distinctiveness is inversely related (Stets and Burke, 2000). Therefore, these two competing human needs – for inclusion and differentiation – occur to different extents according to the degree of price consciousness (high vs low). Therefore, as low price-conscious consumers tend to value the need for distinctiveness and self-identity (Rather and Camilleri, 2019; Kang *et al.*, 2004), they are greatly committed to a hedonic consumption experience seeking self-pleasure compared to high price-conscious consumers.

As such, we posit that once at the destination, tourists engage in additional spending for hedonic consumption experiences according to their degree of price consciousness:

- H2.* Once at the destination, tourists in upscale resorts tend to highly engage in additional spending compared to tourists in economy resorts.

### 3. Data and method

The present study relies on data gathered through a quasi-experiment that involved three large seaside resorts where the four-star resort is in the upscale category, and the two three-star resorts are in the economy category. All three resorts are managed by the same hotel group and offer a full range of standardized services consisting of a resort rate (lodging and full board) and a mandatory resort fee (entertainment activities, beach service, sports facilities).

In addition, all three resorts are situated in very similar coastline locations (i.e. not centrally located and distant from well-known touristic spots) and differ in price levels and physical features (Sánchez-Lozano *et al.*, 2021). Prices are on average 15% higher in the upscale resort with additional tangible attributes, such as larger bedrooms, a fitness room, Spa, secure parking and 24-hour reception.

The quasi-experiment focuses on analyzing differences in guests' consumption patterns at the resort bars over a two-year period (summer 2018 and 2019) before and after the introduction of an all-inclusive soft drinks package. In the 2019 season, the mandatory resort fee was increased by €4 per day per person (over three years of age) due to the introduction of an all-inclusive soft drinks package that included a bundle of beverages (i.e. water, cola, lemonade, orange soda) that consumers could consume at the resort bars without restrictions. In contrast, guests had to pay in cash for the bundle of beverages at the resort bars in the 2018 season.

The basic billing features of the resorts were a pre-payment of 30% of the total price (resort rate + mandatory resort fee) payable via bank transfer during the booking phase. The remainder was due on the arrival and usually paid by credit card. All additional consumptions at the resort bars had to be paid in cash on departure.

We compared guests' consumption at the resort bars over the two-year period before and after the introduction of the all-inclusive soft drinks package. The resort rates, guest

composition, bar prices, bar offerings and bar staff did not change. Guests' consumption data relates to 15 weeks each year (i.e. from the beginning of June until mid-September), corresponding to the operating periods of the three resorts. The resorts offer a fixed minimum stay of seven days with almost all arrivals on Sundays, with the weekly bar inventory providing the average consumption per person at the resort bars.

We conducted a Student's *t*-test for independent samples to analyze the consumption data of around 8,000 upscale resort guests and 22,000 economy resort guests in each season. Around 75% of guests were adults (18 years or older) in the upscale resort, while in economy resorts adults accounted for around 65% of all guests. Overall, guests were mostly Italian and only 14% were returning customers. The Student's *t*-test statistic is commonly used for experimental studies in the tourism field (Shafer and Zhang, 2013). Furthermore, to check the robustness of our results, we conducted a Mann–Whitney two-sample statistic test. This non-parametric test is used to examine the hypothesis that the two independent samples (8,000 upscale and 22,000 economy resort guests) are from populations with the same distribution (Wilcoxon, 1945; Mann and Whitney, 1947). We also performed a Kolmogorov–Smirnov test of the quality of distributions, another non-parametric test particularly suitable in our research context (Massey, 1951).

#### 4. Results and discussion

Table 1 shows the descriptive statistics related to the key variables under study: soft drinks included in the bundle in 2019 (i.e. water, cola, lemonade, orange soda), and spirits,

Table 1		Descriptive statistics				
Variables	No. of weeks	Descriptive statistics				
		Mean (€)	Median (€)	SD	Min (€)	Max (€)
<i>UPSCALE RESORT</i>						
Soft drinks						
2018	15	1.35	1.48	0.28	0.91	1.69
2019	15	1.53	1.57	0.21	0.94	1.76
Spirits						
2018	15	1.38	1.14	0.81	0.67	4.08
2019	15	1.63	1.69	0.48	0.69	2.38
Aperitifs						
2018	15	0.07	0.07	0.04	0	0.14
2019	15	0.13	0.12	0.04	0.05	0.18
Craft beers						
2018	15	0.07	0.07	0.04	0	0.15
2019	15	0.32	0.30	0.09	0.14	0.57
<i>ECONOMY RESORT</i>						
Soft drinks						
2018	15	0.69	0.69	0.11	0.50	0.88
2019	15	0.97	0.99	0.21	0.51	1.24
Spirits						
2018	15	0.78	0.76	0.12	0.51	1.01
2019	15	0.90	0.87	0.17	0.71	1.40
Aperitifs						
2018	15	0.05	0.05	0.01	0.03	0.08
2019	15	0.07	0.08	0.02	0.03	0.12
Craft beers						
2018	15	0.12	0.12	0.05	0.03	0.23
2019	15	0.31	0.31	0.06	0.19	0.39

**Notes:** Weekly average consumption per person. Variables: Soft drinks (water, cola, lemonade, orange soda) were included in the pre-paid bundled package in 2019 but not in 2018; spirits, aperitifs and craft beers were not included in the price in 2018 or 2019

aperitifs and craft beers outside the bundle, hence additional expenses defined as hedonic and unplanned (Botti and McGill, 2011). The consumption of soft drinks included in the bundle increased in 2019 compared to 2018 when they had to be paid for extra, substantiating the fact that guests appreciated the introduction of the all-inclusive soft drinks package.

Table 2 shows that the increase in consumption of soft drinks included in the bundle is significantly greater in the economy resorts (€0.28 per person) than the upscale resort (€0.18 per person), thus supporting H1 positing that tourists in upscale resorts tend to under-consume pre-paid bundled items compared to tourists in economy resorts, despite the increase in the mandatory resort fee due to the introduction of the all-inclusive soft drinks package.

Table 3 shows the consumption of items outside the bundle, theoretically perceived as hedonic consumption experiences due to their immediately gratifying properties (Sameeni et al., 2022; Nguyen, 2016). The consumption of spirits, aperitifs and craft beers paid in cash once at the destination exemplifies ad-hoc and unplanned purchasing decisions that lead to additional spending exclusively driven by the desire to maximize enjoyment, pleasure and positive feelings.

In 2019, after the introduction of the soft drinks package, guests at the upscale resort significantly increased their consumption of spirits (€0.25 per person), aperitifs (€0.06 per person) and craft beers (€0.26 per person) compared to the economy resorts (spirits €0.13 per person, aperitifs €0.02 per person, craft beers €0.19 per person). This supports H2, positing that tourists in upscale resorts tend toward additional spending for hedonic consumption at the destination compared to tourists in economy resorts.

**Table 2** Student's *t*-test, Mann–Whitney test and Kolmogorov–Smirnov test

Variables	Difference between 2019 and 2018		T-test		Mann–Whitney test		Kolmogorov–Smirnov test	
	Mean (€)	Median (€)	T-statistics	Sign.	Z-statistics	Sign.	D-statistics	Sign.
<i>Consumption within the bundle</i>								
<i>Soft drinks</i>								
UPSCALE RESORT	0.18	1.12	-1.986	0.03*	-1.846	0.07*	0.466	0.08*
ECONOMY RESORT	0.28	0.78						

**Notes:** Only guests > 3 years of age are considered for the consumption of soft drinks; variable: mean difference in weekly average consumption per person for soft drinks between 2019 and 2018; \* $p < 0.10$ , \*\* $p < 0.01$ , \*\*\* $p < 0.001$

**Table 3** Student's *t*-test, Mann–Whitney test and Kolmogorov–Smirnov test

Variables	Difference between 2019 and 2018		T-test		Mann–Whitney test		Kolmogorov–Smirnov test	
	Mean (€)	Median (€)	T-statistics	Sign.	Z-statistics	Sign.	D-statistics	Sign.
<i>Consumption outside the bundle</i>								
<i>Spirits</i>								
UPSCALE RESORT	0.25	0.34	1.433	0.08*	2.095	0.04*	0.533	0.03*
ECONOMY RESORT	0.13	0.12						
<i>Aperitifs</i>								
UPSCALE RESORT	0.06	0.04	3.067	0.002**	2.675	0.01*	0.533	0.03*
ECONOMY RESORT	0.02	0.02						
<i>Handcrafted beers</i>								
UPSCALE RESORT	0.26	0.24	2.543	0.01*	2.71	0.01*	0.6	0.01*
ECONOMY RESORT	0.19	0.20						

**Notes:** Only guests > 18 years were considered for the consumption of spirits, aperitifs and craft beers; variables: mean difference in weekly average consumption per person for spirits, aperitifs, crafted beers between 2019 and 2018; \* $p < 0.10$ , \*\* $p < 0.01$ , \*\*\* $p < 0.001$

## 5. Conclusion

### 5.1 Theoretical implications

First, this study presents a rare attempt to evaluate tourists' in-destination consumption patterns according to different degrees of price consciousness. We analyze this relationship in the challenging context of resort settings that traditionally provide a complete holiday package and offer a number of activities at the destination. In analyzing tourist demand, we address the call to define more profitable supply pricing policies by designing attractive offers for specific tourist segments (Sánchez-Lozano *et al.*, 2021).

Second, the findings demonstrate that in contexts where price consciousness is low, as in the case of the upscale resort, the likelihood of consuming pre-paid bundled items decreases, thus corroborating that in an advance purchase context, consumers tend to ignore sunk cost pressures and are more willing to relinquish the benefits of a pre-paid bundle (Soman and Gourville, 2001). Indeed, to the best of our knowledge, no research to date has attempted to empirically investigate the tendency of under-consumption in the hospitality industry. Furthermore, our findings enrich the discussion on product bundling strategies defined as "the integration and sale of two or more separate products or services at any price" (Stremersch and Tellis, 2002, p. 57). Guests in upscale resorts seem to underestimate the content of the bundle compared to guests in economy resorts, thus highlighting the need to differentiate the content of the bundle according to the resort category considered.

Third, in line with previous findings, advance payment for a bundled holiday package eliminates the pain of payment at the time of consumption, creating an illusion of more funds available for discretionary in-destination spending (Shafir and Thaler, 2006). Furthermore, as the inclusiveness of the bundled holiday package increases, tourists face fewer spending decisions at the destination, causing less disutility (Kahneman and Tversky, 1979). In addition, our findings illustrate that the perception of more funds available for discretionary spending, combined with a decrease in the disutility of spending decisions at the destination, have a beneficial effect on tourists' additional spending once at the destination. Furthermore, as holidays are perceived as special situations enabling hedonistic behaviors (Gössling and Buckley, 2016), our study shows that tourists tend to engage in additional spending at the destination, namely hedonic and unplanned, according to their degree of price consciousness. In upscale resorts, tourists engage in additional spending for hedonic consumption experiences that are intrinsically pleasurable and immediately gratifying (Shao and Li, 2021; Botti and McGill, 2011). This tendency is less pronounced in economy resorts, while the increase in the consumption of bar items that have to be paid for extra, thus unpredictable purchasing decisions motivated by the need for instant gratification, lead to additional spending in upscale resorts. Despite the traditional view that tourists view bundled offers favorably due to the perceived monetary savings and greater value (Kwon and Jang, 2011; Repetti *et al.*, 2015; Tanford *et al.*, 2011), upscale tourists greatly value the completeness and attractiveness of the offer beyond the bundle compared to tourists in economy resorts. Thus, our study advances our theoretical understanding of mixed bundling strategies that "allow customers to purchase the goods either in a bundle or separately" (Dominique-Ferreira and Antunes, 2019, p. 170).

Fourth, since enhanced profitability relies on offering items that are evaluated differently by distinct consumer segments (Nagle *et al.*, 2014), our study goes a step further by suggesting profit-enhancing strategies in the context of bundled holiday packages leveraging two key dimensions: the focus of bundling (i.e. content) and the form of bundling (Stremersch and Tellis, 2002) according to differing degrees of price consciousness based on resort category (upscale vs economy).

Fifth, this study addresses the calls to develop our understanding of consumer evaluations, reaction to prices and actual consumption behaviors for profitability goals (Sánchez-Lozano *et al.*, 2021; Ramirez and Goldsmith, 2009), which are deemed difficult to forecast (Rabbaneh *et al.*, 2022).

## 5.2 Managerial implications

Our study also has important managerial implications. Practitioners need to consider the implementation of a mixed bundling strategy, accounting for individual degrees of price consciousness. This is especially the case in the context of large chain resorts that provide a standardized and complete holiday package, i.e. guests who do not pursue activities outside the tourist complex during their stay. In contrast to a pure bundling strategy that reduces the firm's ability to differentiate (Weng *et al.*, 2021; Calveras, 2019), this study emphasizes the use of differentiated bundling strategies. For example, in upscale resorts, consumers seem to value the completeness of the offering (beyond the bundle) more than guests in economy resorts. This also implies that upscale guests tend to seek distinctiveness in accordance with Brewer's (1991) social identity theory. Indeed, managers in upscale resorts should carefully design bundled holiday packages while paying particular attention to the attractiveness of the offer beyond the bundle, hence a mixed bundling strategy.

Managers should also meticulously analyze the constituting elements of the bundle, leveraging a thorough product bundling strategy. Our findings suggest that tourists in economy resorts tend to value the content of the bundle more than tourists in upscale resorts. This insight allows managers to determine the services to include in the bundle to achieve the highest profitability (Dominique-Ferreira and Antunes, 2019) by carefully considering the focus of the bundle in terms of its content in economy resorts to maximize the guest experience.

Overall, our findings reveal that the customization of a mixed bundling strategy is a key driver of increasing revenues.

## 5.3 Limitations and future research directions

This research is not exempt from limitations. First, our study is focused on the Italian context where almost all respondents were Italian. It would be promising to extend the study to settings with an international reach to compare the behavior of local and foreign tourists alongside their degree of price consciousness. This would provide valuable insights for customized bundling strategies, as nationality plays a key role in understanding differences in behavioral patterns (Dominique-Ferreira and Antunes, 2019).

Second, our study does not consider the demographic characteristics of resort guests and focuses on beverage consumption at resort bars only. It would also be beneficial to scrutinize the influence of personal characteristics (e.g. income, age, gender, education), as well as other in-destination consumption catalysts beyond beverages (e.g. spa, excursions, shopping). This is also a promising avenue for future research to understand how to design comprehensive bundles that are attractive to more specific target segments.

Third, this study sheds light on the profitability of bundling strategies, thus enriching the discussion about their optimality. Although our findings refer to large resorts only, they show that pure bundling can be optimal in economy resorts, while a mixed bundling strategy can be profitable in upscale resorts. Future research might further address which form of bundling to implement according to a variety of factors (e.g. size, star rating, type of accommodation, property type), an area of increasing interest to academics and practitioners (Stremersch and Tellis, 2002).

Finally, this study addresses a bundling strategy in the limited beach holiday context. Future studies could consider other all-inclusive package holiday, such as skiing, cruises, adventure and city trips, amongst others, to help determine whether bundling effects are universal or context-specific.

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