

Retail travel

Key concepts

The main concepts covered in the chapter are:

- The different types of retail travel outlet
- The complex product offered by travel agents
- The growing competition for retail travel outlets, including different types of marketing activity
- The different markets served by travel agents.

Introduction

Retail travel, in other words, the travel agency sector, is the distribution element in the tourism marketing system. It is, in general, the interface between the producers – tour operators, hoteliers, airlines and transport operators, for example – and their customers.

In some countries, including Germany and the UK, the main interests of travel agents are in outbound travel, helping their own nationals travel abroad on holiday or for business. However, in other countries, such as Southern Europe, travel agents are also often involved in inbound tourism, arranging excursions and car hire for inbound tourists, for example.

In terms of *ownership and size*, travel agents tend to be of four types as follows:

1. Travel agencies which are part of chains with a number of branches in different locations in one country, which are in turn part of larger corporations which have interest outside

tourism. Such an organisation is the French travel agency group Havas Voyages, which also has substantial media interests, for example.

2. Travel agencies which are part of chains with branches in different locations, which are part of larger corporations with interests in other sectors of tourism. Examples of this in the UK include the Lunn Poly and Going Places chain which are both owned by leading UK tour operators.

It is also possible, in relation to both of these types of chain, for them to have branches in more than one country, in other words, to be truly international. Two examples of this are Thomas Cook and Thomson Travel, which is owned by the German tour operator TUI, and American Express Travel, which is part of the credit card group.

3. Privately owned, independent travel agencies that are not chains but do own several outlets.
4. Privately owned, independent single-outlet travel agencies which are owner-operated.

There has also been a recent growth in the number of online retail travel agents such as Expedia that offer a mix of tourism and leisure products via the Internet. The use of technology has allowed these businesses to grow and has produced a significant threat to retail travel agents on the high street, who are increasingly having to compete on the level of service that they offer.

Finally, the final difference between types of travel agencies is that distinction which can be made between those which specialise in leisure tourism and those which concentrate on business tourism.

Whatever the type of agency, the *product* it offers tends to be similar. Its product is a service, or more to the point, a range of services. These include:

- (i) Providing an opportunity for customers to purchase or book the product offered by tour operators, hoteliers, transport operators and theatres, for instance.
- (ii) Offering advice and information both in relation to the products that are available and other matters such as currency rates, obligatory inoculations and visa requirements.
- (iii) Being an outlet where consumers can obtain the brochures produced by tour operators and other producers in the tourism industry.
- (iv) Collecting payment from the consumer and passing it on to the organisation offering the product (less the agent's commission).
- (v) Operating as the first line of after-sales service to which problems and complaints can be referred.
- (vi) Offering a range of other services such as currency exchange for the convenience of their clients.

Agents do not charge the customer a *price* for their service, usually. Their income comes in generally from the commission they are paid by the industry organisations on the sales of these organisation's products. These are expressed, usually, as a percentage of the purchase price of the product and this may range from 7 or 8 per cent to 15 per cent.

The fact that their income is dependant on commission leads to criticism that the agent may have a vested interest in not selling their client the cheapest appropriate product as this would give them a lower commission.

In terms of the third 'P' in the marketing mix, *place* is concerned, it is not in general relevant to agents for they are in the distribution element in the tourism system. However, the way in which their customers gain access to their service is literally place, in other words, the location of their retail outlet.

Some are located in the high street of major urban areas, particularly those involved in the mass market, where casual passing trade is an important element of their market. Perhaps, this is particularly relevant to the budget end of the market where people may wish to compare special offers which are available at different agencies in an urban centre.

Conversely, in the case of niche-market agents or those which offer higher priced, more specialist products, they can really be located anywhere as people will travel to them because of their expertise. Some agents seek to become the major player in a particular neighbourhood.

It has to be said that, in general, these comments are mainly applicable to Northern Europe. Given that we noted earlier that many Southern European agents also serve inbound tourists, agents in these countries are often located in the heart of the towns and cities which are most popular with tourists, to capture the passing trade.

Methods of *promotion* in retail travel tend to vary depending on the size of the organisation. Major chains of agencies tend to make use of television and press advertising, particularly at the main times of the year when people book holidays. Smaller agents on the other hand have to rely more on local newspaper advertisements.

However, there are other promotional activities which agents can undertake to raise their profile and increase awareness amongst potential customers. These include:

- Running special evenings in a local hotel, for example, to inform customers about particular types of holidays that are available through the agency. These evenings often include some drink and food, and are usually free of charge.
- Services within the agency's premises when representatives of leading tour operators are on hand to advise clients.
- Special offers, where people buying holidays receive a discount or do not have to pay a deposit. Most such offers carry conditions, however, which are often controversial such as the requirement that people buy the agent's own insurance to be eligible for these offers.

Travel agencies also tend to make great use of visual displays in their windows to tempt customers to enter their premises to see what they have to offer.

Personal selling is important for travel agents, otherwise people will simply take away brochures and eventually buy a holiday elsewhere or not buy a holiday at all.

Travel agents service a range of *markets* including:

- Those who use them simply as sources of advice and information. This is particularly true of independent travellers thinking of travelling to lesser-known destinations.
- People who wish to book travel services only such as air tickets or car hire, or who use the agency to make hotel bookings.
- Individual customers who purchase an inclusive tour, who are, in general, the bulk of most leisure travel agents' business.
- Associations and clubs who book group travel services via a travel agency.
- Companies and organisations who use the agency to manage their business tourism needs.
- Individuals who buy ancillary products from the agency such as foreign currency or travel insurance.

The aim of travel-agency marketing has got to be to ensure that the yield per consumer can be maximised by effective personal selling and offering a range of services that meet the needs of the majority of customers.

Most travel agencies rely for the bulk of their business on clients who wish to travel to other countries. In general, selling products based within their own country does not generate a substantial element of their income.

At the present time, *competition* is intense in the retail travel sector in Europe. This competition comes in two forms, namely internal and external.

By *internal competition* we mean competition between different travel agencies which takes several forms as follows:

- that between the major chains based on each one's desire to increase their share of the relevant national market;
- that between the major multiple chains as a whole and the small independent agents;
- that between all the agencies, the multiples and the independents in a particular geographical area.

The large chains tend to use their ability to offer big discounts as their way of achieving competitive advantage, which the small independents cannot afford to do. They therefore have to focus on service and building 'brand' loyalty, so that they attract repeat business.

External competition largely relates to the growth of direct selling in tourism in which products and consumers communicate directly with each other without the need of an intermediary or agent.

This communication takes a number of forms, including:

- the computer reservations systems of some hotel chains which are available via toll-free telephone numbers;
- the GDS such as SABRE, which offers services which can increasingly be accessed by business tourists;
- flight consolidators in the air-travel market who sell discounted tickets directly on behalf of airlines, but who are not travel agents in the usual sense of the word;
- airlines and tour operators which sell their product via newspaper and major advertisements, and direct booking telephone lines to their offices;
- retailers in other industries may seek to offer travel-agency services as part of their overall range of activities;
- home-based information services such as the Minitel in France and 'Teletext' in the UK;
- the media who are increasingly, in some European countries, offering advice that people would possibly have sought from travel agents.

The major competitor though is now the *online travel agencies*, such as Expedia and Lastminute.com, which offer travel-agency services, 24 hours a day, 7 days a week.

Conclusion

In some countries, such as France, travel agents have never become powerful players in tourism to the extent they have been in other countries like the UK. However, many commentators are now saying that technological innovations and changes in consumer behaviour are changing the very nature of the retail travel sector. These writers offer a vision of the future where customers prefer independent travel to package tours and have home- or office-based technology to give them access so that they can book the product they want. If this prediction proves accurate, retail travel marketing in the future will not be about achieving competitive advantage; instead it will be about marketing for survival.

Discussion points and essay questions

1. Identify the different markets which exist for the services of retail travel outlet and compare and contrast the needs of these different markets.
2. Discuss the various forms of external competition which retail travel organisations are increasingly facing and examine the approaches they might adopt in response to this competition.
3. Compare and contrast the service offered by an online travel retailer such as Expedia and a high-street travel agent in your country.

Exercise

Select a local retail travel outlet which you are able to visit and where you can arrange an interview with a manager. For your chosen outlet, you should visit and interview the manager and then undertake the following tasks:

- (i) Evaluate the strengths and weaknesses of the service which it offers.
- (ii) Identify its competitors and see how it might seek to gain competitive advantage over them.
- (iii) Examine the current role of technology within the business and see how technological developments might affect the way it operates in the future, positively and negatively.