

CHAPTER 4

Bringing Travelers and Tourism Service Suppliers Together

There are no such things as service industries. There are only industries whose service components are greater or less than those of other industries. Everybody is in service.

—THEODORE LEVITT, FORMER EDITOR, *HARVARD BUSINESS REVIEW*,
IN *THE MARKETING IMAGINATION*, FREE PRESS, 1986

LEARNING OBJECTIVES

After you have read this chapter, you should be able to:

1. Explain the importance of intermediaries in the distribution of tourism services.
2. Identify and describe the three different types of distribution channels that are used for tourism services.
3. Describe the roles of travel agencies in bringing tourists and tourism providers together.
4. Describe the roles of tour wholesalers in bringing tourists and tourism service providers together.
5. Explain how and why the Internet has changed the distribution of tourism services.
6. Identify and describe how travelers access information for tourism services.

CHAPTER OUTLINE

One Stop Does It All!

Introduction

Serving Traveler Needs

Why Use Intermediaries?

One-Level (Direct) Distribution Channels

Two-Level Distribution Channels

Travel Agencies

Three-Level Distribution Channels

Tour Operators

Tours

Consolidators and Travel Clubs

Event Planners

Tapping the Power of Multiple Distribution

Tourism Boards and Other Intermediaries

Selling Adds a Personal Touch

Acquiring Product Knowledge

Approaching the Client

Qualifying the Client

Making the Sales Presentation

Closing the Sale

Following Up

Building Relationships

Summary

You Decide

NetTour

Discussion Questions

Applying the Concepts

Glossary

References

One Stop Does It All!

Kristin Hatten has just stepped into the office and already the phone is ringing, the message light is blinking, and her computer screen is filled with email messages. This workday will probably be just like every other workday in her life as a travel agent—always different. The demands of the day will require that she be a true multiprocessor, handling several tasks at once, from answering the phone to entering, retrieving, and verifying data from a sophisticated **computer reservation system (CRS)**, searching the Internet, and responding to a multitude of emails and text messages. At the same time, during all these tasks she must focus her attention on the ultimate goal of providing high-quality individualized customer service. As a travel agent, Kristin serves as an important link between suppliers in the tourism industry and her clients.

As a front-line service employee, Kristin faces a demanding public that often does not understand the constantly changing industry rules and prices with which she must work. On any given day, she may receive information about changing regulations and prices as well as invitations for seminars and **familiarization trips** from destinations, airlines, hotels, resorts, cruise lines, rental car companies, and a host of other tourism service suppliers. Kristin must sort through this information to learn more about the services that will meet the needs of her clients.

Kristin will spend most of her day answering the phone, communicating electronically and serving customers who walk through the door seeking help with their travel plans. She will deal with a wide variety of customers, ranging from her regular business clients who know what they want to first-time customers who have little knowledge about travel and tourism in general. The uncertainties that fill each day can make her job stressful, but the opportunity to learn more about the world and help others meet their travel needs keeps Kristin going.

At the end of a particularly hectic day, she takes a moment to think about her list of appointments and calls to be made the next day. Most of the calls are from her typical leisure customers and require only providing information on basic scheduling options. As she continues reviewing the list, Kristin notices one appointment that she



Tour guides add a personal touch to the travel experience. Rough Guides/Dorling Kindersley, Ltd

is particularly looking forward to. Mr. and Mrs. Campbell phoned last week to discuss an upcoming trip they were planning from Lethbridge, Canada, to Vietnam. After obtaining some brief information about the Campbells and their needs, Kristin scheduled an early morning appointment.

Looking at the notes she took during that phone conversation, Kristin begins thinking about the types of information and services the Campbells might want. The Campbells, a recently retired couple, have always wanted to visit Vietnam for a variety of reasons and return home with pictures and stories they could share with friends and relatives. They have been reading extensively and exploring Internet sites to learn more about the history and attractions and have some ideas of where they want to go and what they want to see and do, but they are interested in any suggestions Kristin might offer. Before she leaves for the day, Kristin prints out several different itineraries and gathers brochures, Web addresses, and other information that she thinks will help the Campbells in making their plans for an unforgettable experience.

Introduction

When people travel, they need a whole range of tourism services. These services may include airline tickets, car rentals, places to stay, places to eat, places to shop, tickets and admissions to attractions, and information about things to do and see. In this chapter, we will explore the basic concepts of services and how marketing, management, and finance decisions have an impact on the way travelers access the services of tourism suppliers. The success and profitability of tourism service suppliers depend on their ability to reach and meet targeted customers' needs effectively and efficiently.

As you learned in Chapter 2, by dividing the larger tourism market into distinctive groups, we can plan and provide services that are targeted to the needs of a specific segment of the tourism market. Once these target customers and their needs have been identified, the goal of service suppliers becomes reaching, serving, and satisfying their needs profitably. This is not an easy task because “competition today demands that service be delivered faster, cheaper, and without defects.”¹ By referring to our model of tourism in Figure 1.2, you will see that many different organizations and approaches have been developed to accomplish this task. In this chapter, we will discover how travelers obtain information about and access to tourism services.

Serving Traveler Needs

Remember Thomas Cook, who organized and conducted the first large **tour** in 1841? He used a variety of marketing, management, and financial skills as he packaged, sold, and escorted that first organized tour. Cook negotiated reduced fares on a train trip between Loughborough and Leicester, England, and arranged for picnic lunches and afternoon tea for almost 600 people. He was serving as an **intermediary**. As an intermediary, he did not work for the railroad company or the bakery, but he sold their services and goods. His clients benefited from his efforts because he took care of their needs while saving them money; the suppliers benefited from his efforts because they received increased revenues without having to spend additional monies attracting more customers.

Once an organization has developed a service offering, it must be made available for customer use. Consumers are often unable to sample or even see services before purchasing, so they rely primarily on information to make their purchase decisions. Determining how this information will be made available and how travelers will obtain the services they need involves a variety of decisions. For example, should the organization deal with customers directly, or should it rely on others to attract and inform customers about its services? How much money should be spent on attracting customers? Does the organization have the people and talent to distribute information

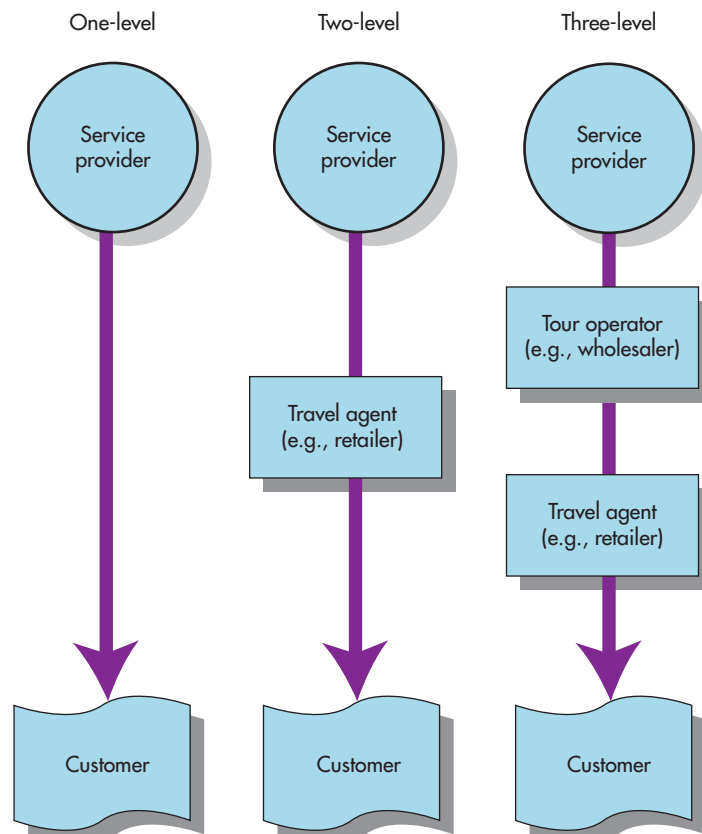
about its services efficiently and effectively, and, at the same time, achieve the desired levels of profit, service quality, and customer satisfaction?

In answering these questions, managers need to consider two key issues. The first deals with who should be involved in bringing travelers and tourism service suppliers together, and the second deals with how to manage these activities. A simple example will help highlight these issues.

Consider for a minute a small coastal resort located in South Carolina. It would probably not have the money or the marketing staff to reach all of its desired target customers effectively. Rather than attempting to accomplish this task alone, the manager of the resort could rely on the help of others. The state tourism office, local visitors bureau, membership in a regional reservations system, cooperative brochures including other local attractions, an interactive website, a Facebook page, hotel-booking sites, and participation in a reservation referral system provide just a few possibilities for informing and attracting potential guests. However, even with all of these efforts, the resort may still not reach enough of its targeted audience to be profitable. To close this information loop, the resort might rely on the professional services of travel agents such as Kristin Hatten, whom we met in the chapter opener. As you will see in this chapter, these are just a few of the alternatives a manager should consider when attempting to reach potential customers.

Travelers need access to a wide variety of tourism services. These services may be as simple as having questions answered about the availability of services or as complex as purchasing a custom-designed **all-inclusive** prepackaged tour. No matter how simple or how complex the needs are, there are several types of distribution channels that can be used to access tourism services and information about these services. These channels may range all the way from one-level direct access to more complex three-level arrangements involving several intermediaries. Figure 4.1 shows typical one-, two-, and three-level distribution channels for tourism services.

FIGURE 4.1
Distribution channels.



Why Use Intermediaries?

Although tourism service suppliers such as airlines, theme parks, and restaurants may reach some of their customers directly, they can also use the distribution services provided by one or more intermediaries. Intermediaries perform a vital function for tourism service suppliers by making the suppliers' services available to large numbers of potential customers in a cost-effective way. These services may be as simple as providing directions for a motorist at a welcome center to more complex service activities such as packaging, selling, and then escorting tour groups.

Intermediaries in tourism distribution channels perform a variety of value-adding functions. Examples of just a few of these distribution functions are:

- Providing information about the types and availability of service offerings,
- Making reservations and other travel arrangements,
- Preparing tickets and/or providing confirmations,
- Encouraging repeat use of supplier channels,
- Contacting current and potential customers,
- Reducing costs of acquiring new customers,
- Assembling services to meet customer needs,
- Risk taking by buying or booking large quantities of services in advance and then reselling them to individuals and groups,
- Marketing excess inventories, and
- Providing extensive marketing data to tourism suppliers through databases containing targeted consumer behavior information.

The expenses of selling services through an intermediary typically occur in the form of **commissions** and do not arise until the services have been sold or used. The company providing the final service such as the cruise line, hotel, resort, or attraction pays the commission on each ticket sold or reservation used. Increasingly, users are paying some type of service fee to compensate for the demise of commissions. Services may also be purchased in large quantities at reduced costs and resold at higher prices called markups.

Credit card companies are becoming important intermediaries in the distribution of tourism services. Companies such as American Express provide an array of services such as reserving theater tickets and golf tee times for groups of travelers that frequently purchase travel services. In addition to these services for travelers, they can provide key marketing information to suppliers through their data-mining capabilities. Specific service offerings can then be targeted to meet customer needs.

The roles of intermediaries are changing with the advancement of technology, but these advances have not reduced the number of intermediaries in the tourism distribution channels. However, the structure of the tourism industry distribution networks has undertaken large transformations evolving into more complex networks.²

One-Level (Direct) Distribution Channels

One-level distribution channels are the simplest form of distribution, providing travelers with direct access to tourism suppliers. In this type of distribution channel, suppliers deal directly with travelers without the assistance of intermediaries. Airlines, car rental companies, passenger railroads, lodging facilities, resorts, restaurants, theme parks, and attractions all rely on online promotions and advertising, including through social media, to encourage people to purchase their products and services directly. These advertising and promotion programs also serve to generate business for other travel intermediaries, such as travel agencies and tour operators.

Information technology offers another promising format for bringing service suppliers and customers together through voice commands, the touch of a keyboard or screen or the click of a mouse. Services such as electronic travel brochures and videos and basic information about airlines, international rail service, passenger bus lines, car rental companies, cruise lines, hotels/motels, and resorts can be accessed through a variety of online services and Internet connections.

The future holds many exciting challenges and opportunities for tourism marketers and service suppliers. How we access and use tourism information is changing radically as information technologies develop and improve. Advances in communication technology have made it possible for travelers to visit faraway places without ever leaving their homes or offices. They can connect to reservation systems through their personal computers or mobile devices; search for related travel information; book flights; make hotel, dinner, and theater reservations; and complete other travel arrangements. We will take a more in-depth look at the transformational role of technology in the tourism industry in Chapter 5.

Airlines, hotels, and other tourism suppliers have encouraged many of these changes because they help reduce operating expenses and develop brand loyalty. “The Internet has brought fundamental change to the economy and to how commerce is conducted. Many businesses use the Internet as a way to bypass product and service intermediaries to deal directly with consumers” (p. 9).³ When travelers make direct purchases from suppliers, the suppliers save the costs of using intermediaries, usually in the form of commissions to retailers and deep discounts to wholesalers. Low-cost carriers, such as Ryanair and Southwest Airlines, almost exclusively use direct distribution to accomplish the tasks of providing information, making reservations, processing payment, and delivering services.

Hotels have also been aggressively marketing direct sales to lower commission costs that can be as high as 20% through some intermediaries. In addition to controlling costs, customer loyalty can be enhanced through direct booking incentives such as better rates, room-selection privileges, speedier check-ins, and free WiFi.

Traditional channels of distribution of tourism services have evolved to incorporate new communication technologies. Although direct channels, especially **call centers**, have been used by many tourism suppliers in the past, the increased use of the Internet and cloud computing makes the direct channel a more feasible and cost-effective option for suppliers to reach their consumers. As travelers have become comfortable with information technology, they view these new forms of connectivity as a do-it-yourself means to search for tourism service information and for the booking and purchase of travel services.

Two-Level Distribution Channels

As much as consumers enjoy searching for information and best deals on the Internet, they may soon become overwhelmed by the amount of information available and the time required to find the most suitable products. At the same time, as much as tourism suppliers would like to save costs on distribution, most of them soon realize that they may not have the necessary human or financial resources to engage in direct distribution effectively. As a result, they enter into relationships with intermediaries who are able to perform the distribution functions more effectively.

Two-level distribution channels are more complex than one-level direct-access channels. In a two-level channel, **travel agents** (often called advisors, counselors, or planners) serve as intermediaries bringing suppliers and consumers together. Bringing another person or organization in between tourism service suppliers and the travelers may at first seem a bit more complex than the one-level approach to distribution that we just described. However, it can simplify the travel process for consumers and it is often more efficient and effective for both consumers and tourism suppliers.

Travel Agencies

The beginning of travel agencies goes back to the glorious years of railroads and steamship lines, when agents sold tickets for these carriers and received a commission for their efforts. Thomas Cook, whom you read about previously, started the concept of the travel agent. By making travel arrangements simple and affordable, he was able to attract growing numbers of people to explore places away from their homes and villages.

By the late 1800s, the idea of seeking help for travel arrangements had made its way from Europe to the United States. A gift shop owner in St. Augustine, Florida, can be credited with starting the idea of a travel agency in the United States. Although he probably never planned to be a travel agent, his knowledge of geography, rail schedules, and hotels soon led him to be the local source for travel information. When anyone had a question about travel, he or she was sent to “Ask Mr. Foster.” In 1888, Ward G. Foster turned his love of geography and his hobby of studying maps, transportation, and destinations into Ask Mr. Foster Travel. Ask Mr. Foster continued to grow and eventually became part of one of the largest travel agencies in the world, Carlson Wagonlit Travel, now Travel Leaders.⁴

Although technology has changed, travel agencies still provide important sales and information links between tourism service suppliers and the traveling public. One of the most popular forms of purchasing tourism services is still through travel agencies led by American Express, Navigant, Travel Leaders, and World Travel Partners.⁵ However, the form of travel agency being used is changing from brick and mortar to online. Whether through a personal touch, social media interaction, or online point-and-click interfaces, travel agencies act as focal points for many of the sales and reservation activities in the travel industry. Although the Internet has created an environment where various transactions bypass them, many travel arrangements, especially those involving high-end or complex arrangements, still involve this intermediary function.⁶ In addition, the phenomenal growth and consolidation that has taken place with online travel agencies (OTAs) has resulted in two massive enterprises—Expedia and Priceline. These two companies have now become the department stores of the tourism industry. Expedia owns Hotels.com, Hotwire.com, Trivago.com, Travelocity.com, and many others. Priceline owns Booking.com, Agoda.com, Kayak.com, OpenTable.com, and many others. Even with tourism suppliers’ efforts to increase direct distribution, travel agents (both traditional and online) continue to represent about half of all travel sales in the United States.⁷

One segment of the tourism industry, cruise lines, has developed and nurtured a close working relationship with travel agents. About three-quarters of cruises are still booked through agents. The multiple steps of a cruise purchase can be daunting. Travel agents can provide advice not only on itinerary, schedule, and price, but also on cruise line, the ship, cabin type, dinner seating, shore excursions, onboard activities and charges, and pre- and post-cruise transportation. An experienced agent can help navigate the complexities and may be able to snag fare discounts, cabin upgrades, on-board credits, and other perks.

Travel agents are no longer just order takers who spend the entire business day making bookings at the client’s direction. In fact, only a small portion of an agent’s day is spent actually making reservations. Travel agents, as consultants, spend much of their time researching travel products and conferring with clients.⁸ Internet and online agencies have forever changed the role of today’s travel agent (see Table 4.1). They have adopted a much more consultative role, serving as a travel concierge, and go to great lengths to influence the travel guest’s overall experience. Travel agents are increasingly expected to be subject experts on destinations, and so we see these travel experts focusing on tourism products that they have the ability to make informed recommendations on shopping, night life, and even where the “locals” eat.

Table 4.1 Travel Agents' Changing Role

Travel Agents	
<i>Pre-Internet Role</i>	<i>Post-Internet Role</i>
<ul style="list-style-type: none"> • Transactional focus • Process transactions and concentrate on travel logistics • Book air, lodging, and car • Majority of compensation from suppliers through commissions • Little or no follow-up with clients 	<ul style="list-style-type: none"> • Travel experience focus • Manage overall travel experience • Book air, car, and hotel • Majority of compensation from markups and service fees <p>Concierge orientation:</p> <ul style="list-style-type: none"> • Door-to-door delivery of sports equipment and luggage • Theater tickets • Restaurant reservations • Golf tee times • Spa treatments, etc.

As we saw in the chapter opener, Kristin will need to learn more about the “variety of reasons” the Campbells desire to visit Vietnam and then tailor an **itinerary** to meet their special needs. Experienced travel agents having specific knowledge of where to find or avoid travel services such as singles-only, LGBT (lesbian, gay, bisexual, transgender), nude, and seniors-only hotels, resorts, and cruises can make or break a vacation. Additional services provided by travel guests could include travel document application, door-to-door luggage delivery, theater and dinner reservations, golf tee times booking, and personal tour guides or spa treatment arrangements. Travel agents also have access to products that are still unavailable directly to travelers, such as multi-carrier air tickets, where travel agents have access to greater number of fare and scheduling options through **global distribution systems (GDSs)**. These interline tickets are usually less expensive than single-carrier itineraries.

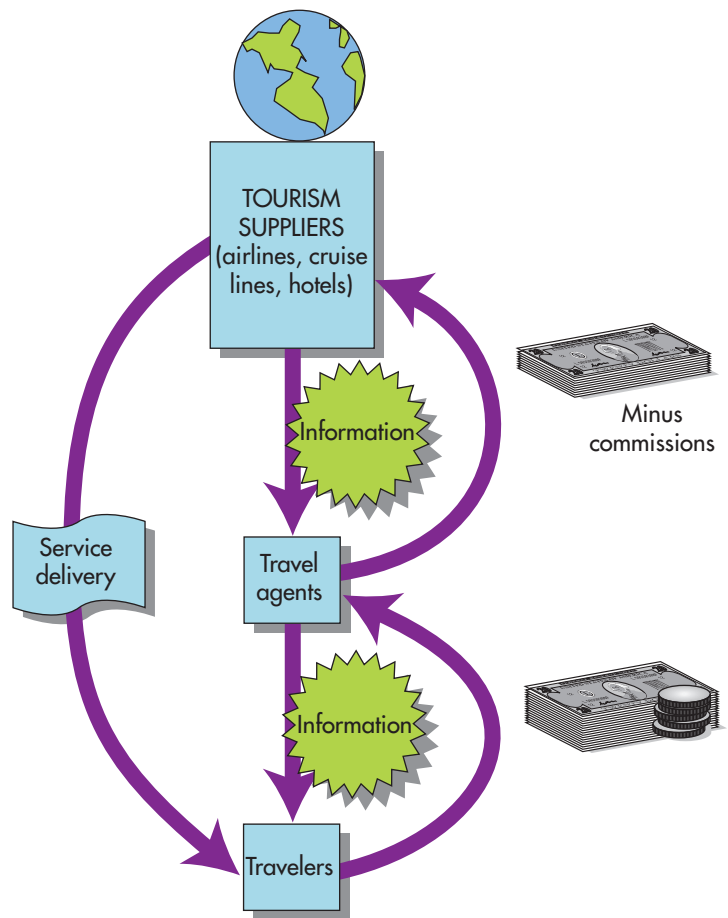
Many travel agencies, brick and mortar as well as online, specialize by focusing their efforts on large target markets such as business or leisure customers, whereas others serve a general group of customers, or a specific market niche such as cruise-only customers. Many travel agents, and some travel agency businesses, have also become more specialized. We see travel agents now focus on high-end luxury travel, adventure travel, and senior travel, just name a few. However, no matter which type of agency is used, these agencies do not take title to (own) the services they are selling. Figure 4.2 shows the flow of payments, information, and delivery of services that are purchased and consumed by travelers through travel agencies.

Even though there are many types of agencies (see Table 4.2) serving different types of customer needs, they all typically provide a common group of services called a “product mix.” These services include providing an **itinerary**; airline, rail, and cruise reservations with ticketing confirmations; car rental, accommodation, and activity reservations; **tour packages**; travel insurance; theater and event ticketing; and general travel information from necessary travel documents to current weather information. As a consumer, recognize the professional status of travel agents and focus your attention on the questions shown in Table 4.3 to get the best possible service.

The growth in OTAs has continued to encroach on the traditional brick-and-mortar customer base. Whereas in the past, a travel agency was largely limited in clientele to its small geographic territory, the Internet has made possible the servicing of clients who are thousands of miles away. Through the use of websites, mobile apps, and electronic mail; agents now compete with virtually all other agents, regardless of where they are

FIGURE 4.2

Flow of payments, information, and service delivery.

**Table 4.2** Travel Agency Types

Independent agencies—small agencies, privately owned, unaffiliated with any larger organization; less than 40% of all travel agencies; traditionally serving clients from a walk-in office location or over the telephone.
Agency chains—wholly owned—mega-agencies that have dozens to hundreds of branch offices throughout a region, country, or worldwide.
Agency chains—franchises—semi-independent agencies affiliated with each other through franchise agreements.
Consortium-affiliated agencies—-independent agencies that link together through a consortium to gain the financial benefits of a chain but have lower fees and commissions.
Specialty agencies—agencies that offer limited services, such as cruise-only agencies.
Corporate travel agencies—agencies that provide services to business clients but not regularly to the general public. A corporate travel agency is a private enterprise that specializes in business clientele and may have branch offices on-site at major clients' locations. These agencies are frequently compensated by management fees rather than commissions on the travel services they sell.
Corporate travel department—similar to a corporate travel agency, but agents are employees of the organization in a department that handles most if not all of the travel needs of the organization's employees.
Home-based agencies—agents who conduct their services from their homes, using electronic technology, rather than from an office location in which clients meet with the agent in person; may be independent or affiliated with some organization (e.g., consortium or chain).
Internet (online) agencies—either opaque (hiding service supplier, e.g., Priceline) or transparent (showing service supplier, e.g., Travelocity). Other agencies in this category may be home based, serving clients primarily through the Internet, and use telephone, fax, and postal communications to a lesser degree than traditional agencies.

Table 4.3 Four Questions to Ask a Travel Agent

1. *What are your qualifications?* Expect an agent to have credentials just as you would an accountant or other advisor. What certifications does the agent have? What industry affiliations does he or she hold? Is the agency part of a greater network of agencies? Is the agent a specialist or expert in a particular industry sector (e.g., cruises) or area of the world (Asia)?
2. *What are your relationships with specific industry members?* Special relationships with a certain airline, cruise line, or hotel chain can work for and against the agency's clients. Links to a cruise line, for example, may result in stateroom upgrades for the agency's clients, these but may also mean that the agency will "push" the cruise line rather than recommending one that better matches your needs or personality.
3. *What will you charge and what will I receive for your fee?* Ask what fees will be charged and determine whether the expertise of the agent is worth the money. An expert on Africa who has booked many trips in the last six months is assuredly worth a \$100 fee.
4. *What are your contact details (e.g., phone numbers, email address, and messaging app ID)?* Agents should return calls promptly and should be available in emergencies to solve problems. The agents who are most worth their salt are those who will go to bat for you when trouble arises while you're halfway around the world from their office.

Source: Based on Loftus, Margaret. (2003, March). The new travel agent. *National Geographic Traveler*, p. 18.

located. And, OTAs are beginning to look a bit more like traditional storefront travel agencies as they attempt to move from promoting the lowest possible prices to planning and customizing trips based on individual interests by adding more planning tools for customers.⁹ The Internet also has made the at-home agent more competitive with the in-office agent because the Web client need never know that there is no office (and all its associated expenses) at the other end of the phone or Internet communication link. Some larger agencies are outsourcing to small home-based agencies to serve clients better by offering after-hours reservations, service recovery assistance, information, and so on.

Maintaining profitability within the highly competitive travel agency business requires a combined effort focused on generating sales, offering high-quality customer service, and controlling operating costs. Remember that travel agencies depend on their marketing abilities and programs to generate sales for other tourism suppliers and receive only a portion of these sales in the form of commissions (based on the level of sales, which are referred to as "bookings") or **markups** (the difference between the price for which travel agencies can obtain the service and the price they can charge when selling the service). So, a small travel agency that generates \$1 million in sales may receive only \$80,000 in commissions and markups to cover operating expenses and earn a profit. As commissions continue to dwindle, brick-and-mortar travel agencies must rely on increasing service fees and transform themselves from simply being intermediaries, to "professional infomediaries" (p. 144).¹⁰ By evolving into infomediaries they can become an indispensable component of the travel distribution system.

Because the most efficient brick-and-mortar travel agencies are able to make only a few pennies of profit on each sales dollar, maintaining the financial health of the business by controlling expenses such as salaries and benefits, rent, CRSs, advertising and promotion, utilities, repairs and maintenance, insurance, and other miscellaneous items becomes an important managerial task. Online agencies may have fewer personnel and office costs, but they have significant marketing expenses and face higher technology costs as systems must be upgraded constantly and maintained 24/7.

Airline deregulation and the subsequent elimination of commissions on airline ticket sales in the United States have brought about many changes in the operation of travel agencies. Although the United States and some European airlines no longer pay commissions, they do allow large-volume travel agencies to earn **overrides** and frequently provide them with "conversion ability" for large volumes of business to their routes. This is the ability to convert a regular full-economy-priced airline reservation to a

discounted fare price when all discounted seats are sold out. These two factors have encouraged agency owners and managers to seek affiliation through a **franchise** or a **consortium** (such as Vacation.com) to gain the necessary volume of business that can lead to improved profitability.

Because the majority of travel agency revenues are derived from overrides; commissions on hotels, tours, and cruise line reservations; and service fees, appointment and accreditation by two key agencies are critical to continued success. The **Airlines Reporting Corporation (ARC)** and the International Airline Travel Agency Network (IATAN) operate the financial networks and clearinghouses that allow travel agencies to sell airline tickets. ARC accreditation is the most important because it handles transactions for U.S. domestic airlines, many international airlines, and Amtrak and Britrail as well. IATAN handles transactions for the international airlines that are not processed through the ARC system. The equivalents to the ARC in the accommodations sector of the tourism industry may be Hotel Clearing Corporation's Pegasus Solutions. Pegasus serves thousands of hotel properties and travel agencies around the world by collecting and consolidating hotel commissions.¹¹

Whereas some airlines have virtually reduced commissions to zero, hotel companies, such as Marriott, seem to be taking a different approach. By passing a product knowledge test and being certified as a Preferred Travel Agency, Marriott guarantees agencies a full 10% commission plus other money-saving and educational benefits. Travel agencies that do not participate in the program will see their commission rates reduced to 8%. The program called Hotel Excellence! is available in ten languages and teaches travel planners how to sell hotel services.

Although many predictions were made about the demise of the travel agent in an Internet era, the reverse has happened. After a prolonged dip in revenues, travel agencies began to grow as customers sought service. Travelers soon discovered they did not have the time or did not care to invest the effort in finding the best deal. They also were seeking to talk to a person rather than punching buttons to work their way through an automated call system only to be put on hold. With airlines scaling back on staffing in call centers, travel agents have gone back to the basics of providing customer service. The result? Many travel agencies are now experiencing double-digit growth.¹²

Three-Level Distribution Channels

Three-level distribution channels involve many of the same activities and characteristics found in the previously described two-level or indirect-access channels. However, in addition to travel retailers, they bring in another layer of intermediaries, travel wholesalers, who assemble and market tours and other tourism products. By doing so, they facilitate the process of bringing travelers and tourism suppliers together.

Tour Operators

Tour operators are, by definition, business organizations engaged in planning, preparing, marketing, and, at times, operating vacation tours. The terms *packager*, *wholesale tour operator*, *tour operator*, *tour wholesaler*, and *wholesaler* often are used interchangeably. For simplicity, we will use the term *tour operator*. Some of the larger well-known wholesalers and operators are listed in Table 4.4.

Tour operators serve to both create and at the same time anticipate demand by purchasing or reserving large blocks of space and services to be resold in the form of tours in packages. Tour operators do not typically work on a commission basis like travel agents but on a markup basis. They buy large blocks of services such as airline seats, hotel rooms, and attraction admission tickets at very favorable prices by guaranteeing minimum levels of revenues or by making nonrefundable deposits and then resell these

Table 4.4 Do You Recognize the Names of Any of These Tour Operators?

Abercrombie & Kent International	Gogo Worldwide Vacations
American Express	Holland America Line–Westours
Certified Vacations	Japan & Orient Tours
Collette Travel Service	Tauck Tours
Dertravel Services	Trafalgar Tours/Contiki Holidays
Globus & Cosmos	TUI AG

services at a higher price. Tour operators are a particularly significant intermediary in the tourism industry because they supply packages for travel agencies to sell as well as buying services from airlines, cruise lines, hotels, resorts, car rental companies, and many other tourism suppliers. They usually buy tourism products more than a year in advance, which relieves suppliers the worry about demand for them to focus on providing quality products. “Traditionally, wholesalers have provided 60% to 70% of all room revenue for tourism-driven destinations such as Hawaii, the Caribbean, and Europe.”¹³

The tour business holds a certain mystique for many people who like to travel and think that they would like to arrange and package travel and tourism services for others. However, the tour business is extremely risky. Both tour operators and wholesalers are an unregulated segment of the industry because there are no entry requirements for licensing, bonding, or insurance for many countries. Although every segment of the tourism industry deals with highly perishable services, the problem of perishability is compounded in the tour business. Once a tour has departed, there is no way to sell additional seats on the tour and receive revenues for services that have already been reserved and, in most cases, paid for in advance.

In addition, tour wholesalers and operators often must commit to prices for services far in advance and are therefore faced with the potential problems of inflation and foreign currency fluctuations that may reduce their profit margins. If that weren’t enough, there are the additional problems of natural disasters, political unrest, and changing consumer tastes, which are all outside the control of the tour operator.

Realizing all of these potential problems, it becomes critical for successful tour operators to control costs, competitively price the packages they offer, and market these packages to the appropriate target market(s). Assembling a package that interests consumers and then pricing it competitively becomes a tricky issue because tour operators must work with a very thin markup, usually 20% or less. Getting out the word on tour packages is also a challenge because most tour operators must develop their marketing campaigns on limited budgets. Therefore, market segmentation and targeting are essential to continued success.

Another specialized layer of the tourism distribution channel is the **receptive service operator (RSO)**. An RSO is a local company that specializes in handling the needs of groups traveling to its location. The RSO coordinates (and is often in charge of booking) the local suppliers serving the needs of the group. In other words, the RSO is in charge of handling the land arrangements for the group and is therefore sometimes termed a ground operator. RSOs may work with travel agents in developing packages for groups, and they also may subcontract with wholesalers in providing better service to tour groups.

Tours

The word *tour*, as defined by the United States Tour Operators Association, “a trip taken by a group of people who travel together and follow a pre-planned itinerary.”¹⁴ Tour packages include at least two of the following elements: transportation, accommodations, meals, entertainment, attractions, and sightseeing activities. Packages vary widely in the number of elements included and in the structure of the itinerary. Listed

below are some of the more common types of tour packages. In almost every case, the company acting as a wholesaler also operates the tours it creates or packages.¹⁵

- **Independent tour**—the least structured tour package. Hotel “escape” weekends featuring accommodations, some meals, and possibly a rental car qualify as independent tours, as does Disney’s Resort Magic package, which includes car rental, accommodations, and entrance to all of the Walt Disney theme and water parks. Purchasers of independent tours set their itineraries themselves.
- **Foreign independent tours (FITs)/domestic independent tours (DITs)**—customized tours including many elements designed and planned to fulfill the particular needs of a traveler. FITs and DITs may be designed by a travel agent or by a wholesaler in consultation with the traveler’s agent.
- **Hosted tour**—provides buyers with a number of tourism supplier elements plus the services of a local host who is available to give advice, make special arrangements, and iron out any problems that may occur.
- **Escorted tour**—the most structured of tour types and usually the most complete in the elements included for the package price. An escorted tour begins and ends on a set date and follows a specific, detailed itinerary. A tour escort accompanies tour members throughout the tour. Most escorted tours use motorcoaches with experienced drivers to transport travelers for all or part of the tour. Escorted tours are very popular with tourists traveling to exotic locations or in areas of the world where few members of the native population are likely to speak the traveler’s language.¹⁶

Why would a traveler prefer to purchase a tour package rather than buy from individual tourism suppliers? The reasons are many but benefits include the following:

1. *Convenience.* Purchasing a package allows the decision-making process to be shortened so that the traveler does not need to spend a lot of time deciding what to do and which supplier to use. Often all the details including **ground transfers**, tipping, and baggage handling are included, alleviating worry about the little things.
2. *One-stop shopping.* The buying process is also made easier; one payment covers the cost and paperwork of two or more services. All-inclusive tours can be virtually cash free and allow the traveler to know how much the trip will cost without the fear of being “nickel and dimed” along the way.
3. *Cost savings.* In most cases, tour packages are less expensive than the cost if the tourist were to purchase all of its elements separately. Tour wholesalers are able to take advantage of volume discounts and usually pass on some of the cost savings to tour purchasers.
4. *Special treatment.* Because of the volume of business tour operators represent to service suppliers, tour members tend to receive preferential treatment. For example, tour group members rarely stand in long lines or park far away from entrances to attractions.
5. *Worry free.* When traveling on a hosted or escorted tour, tourists are able to concentrate on the experiences and new world around them, leaving problems and details in the hands of tour personnel. In addition, as a participant of an escorted tour, travelers have a ready-made group of new friends accompanying them, increasing the fun.¹⁷

Tour packages are usually sold through retail travel agents who are typically paid a 10% commission for the selling efforts they provide the tour wholesaler. Travel agents distribute tour brochures and consult various sources, such as the *Official Tour Directory* and *Jax Fax Travel Marketing Magazine*, published monthly to match client desires to available tours.



Guided tours are still popular among the traveling public. Philip Enticknap/Dorling Kindersley, Ltd

Consolidators and Travel Clubs

Consolidators and **travel clubs** are very special combinations of wholesalers and retailers who perform unique tourism distribution functions. Consolidators buy excess inventory of unsold airline tickets and then resell these tickets at discounted prices through travel agents or, in some cases, directly to travelers. Travel clubs also provide an inexpensive and convenient outlet for members to purchase unused seats at the last minute. Both consolidators and travel clubs perform a win-win function as intermediaries in the distribution channel. They help airlines sell a highly perishable service and often provide consumers with some real bargains in the process.

Where travel agencies are the department stores of the tourism industry, consolidators and travel clubs are to the airline industry what factory outlet stores are to clothing manufacturers. They are an efficient way to move highly perishable inventories of services to shoppers who have the flexibility to adjust their travel schedules to take advantage of lower prices on scheduled flights for which airlines have not been able to sell all of their available seats. Although there may be restrictions and the frequent fare wars that airlines wage may make the savings differential smaller, bargains can be substantial. Travel clubs also perform the additional function of selling accommodations, car rentals, and other tourism services at reduced rates.

The Internet provides consolidators with more market opportunity to sell their inventories. For example, Travelocity's Special Deals icon links Web surfers to consolidators such as Cheap Tickets, Inc. Other service providers such as Priceline and Hotwire offer airlines a simple way to move distressed inventory.

Event Planners

Organizations and individuals who plan, promote, and deliver meetings, incentive travel, conventions, and events (often referred to as MICE) bring together every component of the travel industry. Event planners are responsible for the execution of "temporary and purposive gatherings of people."¹⁸ The event industry is composed of a diverse spectrum of events in terms of their audience and their impact. On one end of the spectrum, there are mega-events such as the Olympic Games that have an international media reach and a planning period that begins nearly a decade before the event is held. In the middle of the spectrum are a variety of national and regional festivals like music festivals or food festivals and those discussed as in Chapter 9. On the other end of the spectrum, there are

TOURISM IN ACTION

DYNAMIC PACKAGING

The Internet has permanently altered the way vacation packages are created, marketed, and priced. The newest technology being leveraged throughout the travel industry is **dynamic packaging**. Consumers can now purchase packages from a variety of sites including online agencies, hoteliers, and airlines. The choices and types of options have never been so broad. Internet travel sales continue to grow rapidly, and package sales have emerged as one of the leading growth categories. The role of dynamic packaging technology is to bundle all the components chosen by the traveler to create one reservation. Regardless of where the inventory originates, the package that is created is handled seamlessly as one transaction and requires only one payment from the consumer. It automatically applies rules defined by the suppliers and the travel marketer to build and price travel packages. This package configuration process determines which components are used, what combinations of components are allowed or required, and handles inclusions such as taxes, fees, or additional package features. Rules also determine how the final retail price is computed.

For suppliers and distributors, dynamic packaging facilitates dynamic pricing. It applies pricing to a “package,” thereby allowing greater margins to be realized by travel marketers and sellers than can be realized by individual pricing of every component within a package for consumer comparison. Comparison shopping forces suppliers into the uncomfortable position of commodity pricing. Dynamic packaging allows travel suppliers and sellers to sell instead on value, features, and benefits.

community based events which are planned to meet the needs of a small group and may focus on a common interest in the arts, heritage, culture, or faith. Depending on the funding source, events can be private, public, or even nonprofit in the case of charity events.

Due to the potential for events to benefit the economy in the host destination, event planning is increasing in its legitimacy as a profession. The International Events Management Body of Knowledge has been developed to better define the role of event managers and includes five domains: administration, design, marketing, operations, and risk management.¹⁹ To be successful, event planners must master skills in each of these domains. There are also a number of certification programs available for planners to signify their knowledge, experience, and commitment to potential clients.

Meeting planners, sometimes called event or convention planners, are another important tourism intermediary. The size and scope of their activities in this \$82.8 billion industry segment may go unnoticed, but their impact is tremendous.¹² For example:

- Meetings represent \$1 out of every \$4 spent on air travel
- In the United States, meetings represent \$23 billion of the hotel industry’s operating revenue (36% of all hotel room income), and an even higher percentage among the business hotels
- Almost four of every ten room nights is used in conjunction with a meeting
- Professional and vocational associations represent 70% of the billions of dollars spent on meetings
- The number-one factor that associations consider when selecting a meeting site is quality of service

Meeting planners are employed by corporations, associations, and others who need their specialized services. The main function of a meeting planner is the detailed planning of business meetings, incentive travel, educational meetings, conventions, trade shows, sales meetings, tournaments, executive retreats, reunions, and association gatherings. Meeting planners, like travel agents, handle many tasks at once. Take a moment to review Table 4.5, which shows just a sample of the decisions that need to be made by meeting planners on a daily basis.

Table 4.5 A Small Sample of Decisions Made by Meeting Planners

How many people will attend the meeting?
What city of destination will you choose to host the meeting?
What types of transportation services will clients need?
What types of food functions must be planned?
<ul style="list-style-type: none"> • Meeting catering • Reception catering • Event/program catering • Banquet catering • Festival catering • Cocktail receptions
What types of support services will be needed?
<ul style="list-style-type: none"> • Message and mass texting service • Welcome banners • Registration assistance • Welcome packets • Room blueprints
What types of facilities equipment and supplies will be needed?
<ul style="list-style-type: none"> • High ceilings (for projections) • Light controls in each space • Variety in table size • Computer/video projection • Flip charts/white boards • Mobile communication devices • Tele-/video-conferencing • Simultaneous translation • WiFi access • Stationery/water on meeting tables • Audio/sound system
What types of activities need to be planned outside of meeting times?
<ul style="list-style-type: none"> • Tennis • Horseback riding • Golf • Shopping • Sightseeing • Tours

One of the most pressing responsibilities of meeting planners is to control costs for the organizations they serve. As a result of corporate “belt tightening,” the need for meeting planners is predicted to expand, and the destinations and number of sites (both domestic and international) they select will continue to grow. Once again, technology is playing a key role in improving efficiencies when it comes to managing these functions strategically. Companies such as StarCite provide a suite of e-products serving the needs of both suppliers and buyers to reduce expenditures and increase return on investment.



Meetings and conferences require coordination of efforts of many tourism suppliers.
Pressmaster/Shutterstock

The meetings planned are usually high profile or of strategic importance to the organization the meeting planner serves, so planning professionals are scrutinized for the level of service, hospitality, and enthusiasm experienced by meeting participants. This means that meeting planner must walk a tightrope, balancing cost constraints with the desires of the meeting attendees.

Research has shown that meeting planners place different weights on supplier selection criteria at different stages of the purchasing process in relation to their supplier selection. At the initial supplier selection stage, meeting planners are more focused on “ability of supplier to meet quality specifications.” However, as they continue to maintain relationships with their suppliers, meeting planners place more importance on “ability to meet specific delivery schedules.” By taking these factors into consideration sales personnel can target their presentations and follow-up relationship building calls to specifically address client needs.²⁰

The concept of incentive travel was introduced in Chapter 2. Incentive tour operators are specialized in this form of travel arrangement and have professional incentive trip planners on staff to take care of the details. Incentive trip planners are basically tour wholesalers. The incentive trip planner is responsible for coordinating the complete itinerary for a variety of activities that many include social gatherings, business meetings, recreational activities, and opportunities for staff development through team building exercises. The objective of an incentive trip is to not only recognize top performers within a company or organization, but to also promote morale and motivation within the attendees. The diverse demographic profile of an incentive group can be a challenge for the planner, as often the attendees range from relatively new employees to those with decades of experience.¹⁸ Often incentive trips will allow each attendee to invite a guest which adds another group whose needs planners must anticipate while designing itineraries. Incentive programs can be designed and purchased through a variety of sources, as shown in Table 4.6.

Table 4.6 How Travel Awards Are Purchased*

Corporate travel agency	17%
Direct purchase—airline, hotel, etc.	27%
Retail travel agency	17%
Incentive company/incentive house	31%
Sales promotion/advertising agency	13%

*Percentages will add to more than 100% as respondents could choose more than one category.

Source: “How Travel Awards Are Purchased,” 2005 Incentive Federation Survey.

Tapping the Power of Multiple Distribution

It is common in the tourism industry to utilize more channel structures to sell their products, a tactic called multiple distribution in marketing. As discussed earlier, the channel between tourism suppliers and travelers include several intermediaries, such as travel agencies, tour operators, and incentive and meeting planners. These intermediaries provide services to both tourism suppliers as well as travelers in the form of delivering information, processing purchases and payments, and providing value added services. Tourism suppliers perform some of these tasks themselves, and at the same time engage multiple intermediaries to maximize the potential of reaching targeted travelers. For example, Carnival is actively developing and using at least five different channels in attempts to generate enough demand to fill its expanding supply of cabins, that are as follows:

1. Direct channel using Carnival’s Internet site
2. Direct channel using mall locations
3. Indirect channel using traditional travel agents
4. Indirect channel using Internet-based cruise-only agents
5. Indirect channel using last-minute fire sale agencies to fill cabins close to sailing dates

In addition, other cruise lines such as Princess and Norwegian are using tour packagers to move their inventory. For example, both are now featured occasionally in direct mail catalogs sent by Grand Circle Tours to its huge list of likely travelers. According to one industry expert, “While the number of brick-and-mortar agencies has continued to decline . . . , the travel generated by the agency community continues to be strong. And although some of the Internet-based agencies are among the largest in the country in terms of sales, there is clearly room in the marketplace for agencies of all types. This will remain the case as the industry continues to evolve” (p. 16).²¹

FYI TRIP-CANCELLATION AND TRIP-INTERRUPTION INSURANCE

Trip-cancellation and trip-interruption insurance policies will provide reimbursement for financial losses you might suffer if you can’t begin and must cancel a trip or it is interrupted while in progress. This insurance will cover such things as missing a flight

due to an automobile accident, a sudden illness, injury, or death, but it doesn’t cover changing your mind. Should you buy trip-cancellation insurance? The answer to this question could be yes, no, or maybe. If you are making a large deposit, if you

are paying in advance for an expensive tour package or cruise, or if you have purchased any type of expensive nonrefundable ticket, then the answer may be yes. In all other situations, read the fine print and decide for yourself.

Tourism Boards and Other Intermediaries

As we have noted, travelers need access to information before and during their trips. When tourists are seeking general information about travel and locations *en route* to their destinations, they often rely on the services of tourism boards. These offices may range from national tourism offices (which we will learn more about in Chapter 11) to local chambers of commerce. These information sources help promote tourism activities on both the individual and the group level by providing information and other services. In addition, national, state, provincial, and local tourist offices can be accessed to obtain information and updates on currency, transportation, restaurants, and more. Many of these offices also provide toll-free telephone access and/or mobile device apps to improve customer service.

Because tourism is an important economic activity, state, provincial, and local governments are often actively involved in providing tourist information. In fact, tourist information centers appear to be one of the more important information sources that visitors use in accessing general information about destinations.²² We will explore more about the roles that governments play in encouraging tourism expenditures in Chapter 11. Trade associations of various segments of the tourism industry also play the role of intermediaries, although the scope of their services and responsibilities vary from association to association, and from country to country. Some trade associations mainly provide tourism supplier information to travelers, while others also provide product purchase-related services. Many trade associations advise tourism suppliers regarding consumer trends or product innovation ideas. Different associations, such as hotel association, travel agency association, and tour operator association, could also work together to maximize the economic benefits of tourism to all segments of the industry.

The amount of money spent by visitors at the local level helps to determine the type of organization that will provide general tourist information. In large metropolitan areas or in cities in the United States where tourism is an important economic activity, you will find convention and visitors bureaus. These offices are often funded by lodging, restaurant, or other tourism-related use taxes. In smaller cities, these same information functions would be provided by the local chambers of commerce. No matter where the operation is located, the primary functions are providing information for visitors and serving as facilitators in bringing together individual tourists and groups of tourists with tourism suppliers.

The best way to gain information and become familiar with a particular location and all it has to offer is actually to visit the location. Familiarization trips (also called “fams” or “fam trips”) are offered to tourism intermediaries by a variety of tourism-related organizations such as governmental agencies, hotels, resorts, convention and visitors bureaus, and tour operators at low, or no, cost. These trips are designed to promote tourism in general and acquaint participants with the specific capabilities of tourism service suppliers. In addition, annual travel trade shows provide continuing education, promotional, and selling opportunities for industry participants. Some, such as U.S. Travel’s International Pow Wow, which is billed as the travel industry’s largest international marketplace, are designed to bring travel organizations together. And Pow Wow does this in a big way, bringing together over 1,000 U.S. travel organizations and close to 1,200 buyers from over 70 countries.²³ Others such as ITB Berlin, the world’s largest travel trade show, are designed to bring service suppliers and consumers together. ITB Berlin does this in a huge way, hosting over 10,000 travel-related companies from 180 countries and well over 170,000 attendees each year.²⁴ Marketing communications through websites, directories, advertising, blogs, public relations, and **personal selling** can all be used to provide travelers and tourism intermediaries with information they need about benefits, prices, and availability.

During the trip planning phase, it has become popular to rely on blogs or social media sites for travel and destination insights. However, a note of caution is in order.

TOURISM IN ACTION

THE INTERNET: IT'S NOT ONE-STOP SHOPPING

Need to book a flight or a hotel room? It's simple—just hop on the Information Superhighway and you're through, right? Better slow down; the Internet isn't the place to practice one-stop shopping. Your first stop might be one of the "omnibus" travel sites (i.e., Expedia, Google, Travelocity, and Orbitz), but these sites often don't offer the best deal out there. Check out sites such as Kayak.com and Sidesstep.com as well as consolidator sites such as Hotels.com and discount sites such as Hotwire.com. Next, try destination sites such as Vegas.com for special deals. Consider airfare/hotel/rental car package deals, too, because suppliers often will price services superlow if they don't have to disclose the actual price of each component being offered. And, if you don't travel much or if you enjoy the personal touch of service, you may still want to maintain a good relationship with a travel agent. Many agents, due to expertise and experience, can find even more and better deals than you can on your own.

Anyone can post to a blog, and governmental entities as well as private organizations often pay to receive positive comments. Some high-profile examples of sponsored bloggers include The Netherlands Board of Tourism & Conventions, Visit Milwaukee, and Pennsylvania's "Roadtripper" project. They are fun to read and provide some useful information to a consumer, but don't rely on the information contained in just one blog. At the same time, if you are a tourism service provider, don't overlook the power of having your organization's name in the blogging world.²⁵

Selling Adds a Personal Touch

No matter which channels are used to distribute tourism services, personal selling skills provide a key ingredient to creating customer satisfaction by adding the personal touch. Personal selling is extensively used by sales representatives of tourism suppliers, travel agents, and tour operators. Personal selling is a communication process that includes discovering customer needs, finding the appropriate services to meet these needs, and then persuading the customer to purchase these services. Effective salespeople are more than just order takers; they cultivate long-term customer relationships as part of a process called **customer relationship management**, creating win-win situations for both customers and suppliers. We will explore more about customer relationship management in the next chapter.

Most airlines, car rental services, hotel chains, resorts, convention centers, and cruise lines maintain their own sales force and reservations staff. These individuals respond to inquiries, actively solicit business, or engage in **missionary sales** efforts. Missionary salespeople call on travel agencies and other tourism service suppliers, such as tour operators, to answer questions, provide brochures, and offer other information services—in short, to educate others about their company's services so those services may be sold more effectively. Let's take a closer look at what it takes to create a successful sales effort.

Close your eyes for a moment and think about some very special place you have visited. Now, think about how you would describe this place to your best friend, using just words, no pictures allowed. Could you paint a vivid verbal picture that would excite your friend's imagination? The ability to connect with customers through visual images is a key ingredient to successful selling and it begins with product knowledge. A Louis Harris Travel Agency Marketing Survey revealed that "consumers want a travel counselor who's an expert, an opinion broker and a trusted ally who can provide insider knowledge and wise counsel that's difficult or impossible for them to match, even through a guidebook or Internet research" (p. 9).²⁶ In addition to being customer oriented and acquiring detailed knowledge of the services they are selling, effective salespeople must be likable, dependable, and honest.



Professional sales training adds knowledge and polish to the sales force. Photo by Ron Hilliard

Acquiring Product Knowledge

The ability to excite, give details, and help others envision places near and far, known or unknown, is one of the first skills you will need in selling tourism services. Customers must have confidence in your ability to assess their needs and make recommendations that will not only satisfy those needs but also delight them so they return again and again. It's hard to sell an experience if you don't have extensive product knowledge. A successful salesperson is constantly gathering additional knowledge that will be useful to existing and potential clients.

Approaching the Client

Armed with the confidence of product knowledge, salespeople are prepared to serve their clients. The approach begins with the salesperson's first contact with a client. This contact may be over the phone, through email, or in person. No matter how the contact is initiated, the salesperson has a responsibility to create a positive and professional impression through common business courtesies. When clients contact or approach you, stop what you are doing and focus all of your attention on them.

Qualifying the Client

Clients come in many varieties, ranging from casual information seekers to qualified buyers. Although a plethora of information is available through the Internet, people continue to seek the personal touch that can come only from human interface. Many of today's clients will have already completed much of their basic homework, thanks to the Internet. They will be familiar with schedules, prices, and service offerings, meaning they will be shopping for a "deal." They know what they want and are only looking for help and, they hope, a better price, using the salesperson as a facilitator in this process. Others will rely on your knowledge, skills, and ability to identify and satisfy their individual wants and needs, taking them through every step of the process.

Whether these contacts are made over the phone, through the Internet, or in person, your task is to identify and serve each client's need. Qualifying the customer entails asking questions to discover his or her specific needs, budgetary considerations, and the necessary personal information that can be used to make the sales presentation. Qualifying clients allows you to determine whether or not you have a product or service to meet their needs and then tailor your presentation to meet those needs. You should not waste time on unqualified clients, but don't be rude. Even if they don't make a purchase today, treating everyone with courtesy today may result in sales or positive comments to potential clients tomorrow.

Making the Sales Presentation

Your assessment of clients' intentions won't always be perfect, but with a little practice, your skills in dealing with clients will improve. Sales presentations provide opportunities for the salesperson to present the features and benefits of a service or package of services that will meet the client's needs. This may be as simple as making a

recommendation as to the best airline schedule or as complex as presenting a complete sales proposal for a major convention. The sales tools used in the presentation may include brochures, PowerPoint presentations, videos, testimonial letters from satisfied clients, reprints of travel articles, social media clips, or virtual tours through websites.

Successful selling means that you will adapt your presentation to meet your clients' needs by selling benefits rather than features. Always deal with clients on the basis that you will make the sale whether today or in the future, building the foundation for long-term relationships.

Closing the Sale

Clients may be ready to purchase when the call arrives or the presentation is made, but it may also be necessary to overcome objections or resistance. Negotiations involve responding to objections or concerns and discovering how to meet client needs. Many objections can be cleared up through active listening and clarification. However, salespeople should anticipate possible objections such as mismatches between brand quality and price perceptions, time of year, or seasonality concerns. Remember, special requests should be met whenever possible.

Be prepared to counter or overcome these resistance points effectively to close the sale. The sale is formally closed when payment is made; the reservation is confirmed; a deposit is made; and/or the contract is signed. Don't make the common mistake of continuing to sell after the sale has been made. This may result in losing the sale. Always look for verbal and nonverbal signals, as shown in Table 4.7, that a client is ready to commit.

Following Up

Follow-up is the final step in the selling process. Providing service after the sale creates customer loyalty and satisfaction. Salespeople can create repeat business by letting their clients know they truly care about them as individuals. Personalization can even be achieved in telephone and electronic interactions. Smile when you talk on the phone and always use your customer's name in all interactions. Your personal warmth will come through to the person on the other end of the call or in your messages.

Follow-up is a team effort, requiring everyone in the organization to pitch in, not just members of the sales staff. Tourism is a people business, and everyone in the industry who has contact with customers is a salesperson, whether he or she knows it or not. Even if your job is not specifically sales related, you are still responsible for building customer relations, which can lead to future sales. The Walt Disney Company epitomizes this philosophy by training all employees (cast members), even park cleaners, that they are always "on stage" as customer service representatives. When they step into the "park" in uniform, they are there not only to do their jobs but also to help customers by answering questions and providing directions. The same roles should be played in every tourism setting by everyone who serves in supporting roles for those who actively sell the experience.

Table 4.7 Common Closing Signals

Stop talking. If the clients don't have any more questions, ask for their business.
When clients begin asking specific questions that personalize the conversation, make the assumption that they are ready to buy!
When clients agree with how your product or service descriptions meet their needs, they are probably ready to buy.
When clients ask about forms of payment, deposit requirements, or making reservations, it is time to close.
Pay particular attention to body language and voice tone. Any of these cues may signal it's time to close: smiles, nods, relaxation, and friendly voice tones.

Building Relationships

In addition to following the steps of the selling process, a good salesperson provides consistent high-quality service to clients. Returning phone calls and emails promptly, solving problems (building relationships), providing thank-you cards, or notifying clients of special sales or special offers serve as simple tokens of appreciation and can all go a long way toward creating customer loyalty.

Research has shown that salespeople who engage in consultative behaviors that demonstrate expertise focused on understanding and meeting customer's needs create strong personal relationships, trust, and loyalty.²⁷ The use of social media also influences value creation both for customers and salespersons. Use of social media by salesperson could help to increase service behaviors (e.g., information communications, customer service, empathy, maintaining relationships, and information sharing) and value creation through improved customer relationships by generating useful content that positions themselves as “experts” in the distribution chain.²⁸

Even if you never plan a career in sales, sooner or later, you will be in a selling situation. From landing your first professional job or asking for a promotion to making a transfer request or asking for a raise, you are selling your most valuable asset—yourself!

Whether you like it or not, you are judged by the way you look and how you present yourself in person, on the phone, and in written communications. Long before you utter a word or extend your hand, opinions have been formed. Paying attention to details in all of these areas no matter what type or in which setting you find yourself, from formal to informal, will set you apart as a professional. For more information and specific recommendations for successfully navigating the complexities of the business landscape, see *Guide to Business Etiquette*.²⁹

Summary

Tourism is a service-oriented industry that focuses on meeting the needs of the traveling public. The success and profitability of tourism service suppliers depend on their ability to reach and meet the needs of selected target markets effectively and efficiently. With changes in technology and challenges to the commission system for intermediaries, the distribution landscape is continuously evolving.

As channel relationships change, suppliers in the tourism industry face many new and unique marketing challenges. The number of options for reaching customers with information about service offerings and booking reservations continues to grow. However, the fact that the services they provide are highly perishable and cannot be placed in inventory remains the same. In addition, with some tourism services often involving a great deal of customer engagement and employee contact, the need for well-trained employees remains a constant management challenge.

Although providing profitable levels of customer service is important, it is equally important to make sure that these services reach the intended markets. There are

several types of distribution channels for providing consumers with access to the suppliers of tourism services, ranging from direct access, travel agents (both traditional and online), and tour operators to more complex multi-level channels involving several intermediaries.

Tourists need information to make informed buying decisions, and there is no shortage of available information thanks to the Internet. This information may range from general facts about a location to specific details concerning schedules and availability. Organizations such as conventions and visitors bureaus and local chambers of commerce have been developed to provide general tourism information. Tourism service suppliers are learning to utilize a combination of information sources from the personal touch of salespeople to the 24/7 availability of online information to supply the specific information needs of the traveling public. With improvements in information technology, the ways we access and use tourism information have changed radically and will continue to evolve.

You Decide

Brenda Baumgardner, manager of Discovery Travel, looked at the letter one more time. The offer sounded too good to pass up! It provided five all-expense-paid days at the Canyon Fire Resort and an opportunity to generate more business for her travel agency. It would be similar to a fam

trip, only she would be hosted by a client rather than a group of tourism service suppliers.

The letter had come from John Smithers, Corporate Director of Marketing at a local manufacturing company. He had invited Brenda to accompany him on

the company's annual incentive award trip. The January date was perfect for Brenda. Business was usually slow at that time of year, and the chance to leave the snow behind for the warmth of the desert was appealing. Besides, the enclosed itinerary of activities looked interesting.

John had indicated in the letter that he was considering having his office coordinate some of the travel and meeting planning activities for this annual event. He had typically turned this task over to an incentive travel company, but recent budget cuts might force him to scale back the program or consider other travel awards. John stated that his staff could handle some of the administrative details, but he might need Brenda's agency to help coordinate travel and accommodation needs for future meetings. John had closed the letter by asking Brenda to call him with an answer by the end of next week.

Brenda had visited Canyon Fire on previous occasions and looked forward to a chance to return and enjoy a little fun in the sun. Although she wanted to experience the pampering of an incentive trip firsthand, she was a bit troubled by the invitation. Brenda's agency handled many of the travel arrangements for John's sales managers, who had told her that the company was considering establishing an in-house travel agency.

Although Brenda wanted to accept the invitation, she was concerned from both a personal and business perspective. How would her staff and friends view the personal invitation? Would accepting the invitation create a sense of obligation and limit her negotiating abilities in future business dealings with John? Would the sales managers for John's company understand that she was on a business trip and not simply there for pleasure? If you were Brenda, what would you do?

Net Tour

To get you started on exploring Internet links for this chapter, please see

www.asta.com
www.arccorp.com
www.ustoa.com
iccaworld.com
www.phocuswright.com/

www.itb-berlin.de/en/
www.conventionindustry.org
www.mpiweb.org
www.amadeus.com
www.ectaa.org/
www.wmph.com

Discussion Questions

1. Explain the functions of intermediaries in tourism distribution channels.
2. What are the differences in one-level, two-level, and three-level tourism distribution channels?
3. Why have travel agents remained an important link in the distribution of tourism services?
4. How has the Internet changed the distribution of tourism services?
5. Explain the functions of tour operators and wholesalers.
6. How is information about tourism services made available to the traveling public?
7. Why have personal selling skills remained important for tourism services professionals?

Applying the Concepts

1. Make an appointment with a travel agent at his or her place of business to discuss the impact of the Internet on his or her travel agency. Also ask what type of education and training will be necessary to be successful in the future. While you are at the agency, ask for a demonstration of how the GDS/CRS is used to make reservations with tourism suppliers.
2. Look for the following headings in the Yellow Pages or business section of your local phone book: "Tourist Information" and "Tours." Call or visit one organization. Prepare a brief outline describing the information you received from your contact.
3. Find an article describing how consumers can use information technology to access tourism information. Prepare a brief (half-page) summary and copy of the article.
4. Using the Internet, perform the necessary steps to make airline and hotel reservations at the destination of your choice. Write down the steps and Web addresses you visited in completing this task.
5. Find a brochure or a website that describes an all-inclusive tour package. List all of the tourism suppliers that have been linked together to make this tour package possible. Visit a travel blog and read postings in the past one week about a particular tourism supplier. Summarize the content of the postings and explain why or why not you would purchase products from this tourism supplier.
6. Visit, call, or chat online with a travel agent as a potential vacationer. Ask about the various possibilities of taking a trip and ask lots of questions about the different packages and destinations. What do you think are the necessary skills and characteristics of an effective travel agent?

Glossary

Airlines Reporting Corporation (ARC) The clearinghouse for receiving commission payments for airline ticket sales.

All-inclusive Single price for all or nearly all major services provided in a tour, resort, or cruise package.

Call centers Centralized locations designed and managed to handle large volumes of incoming telephone inquiries, in many cases on a 24/7 basis.

Commissions The percentage paid to a sales agent (travel agent) by tourism suppliers for booking travel arrangements.

Computer reservation systems (CRSs) Computer hardware and software that allow travel agents to tap into global distribution systems.

Consolidators Wholesalers who buy excess inventory of unsold airline tickets and then resell these tickets at discounted prices through travel agents or, in some cases, directly to travelers.

Consortium An affiliation of privately owned companies to improve business operations and gain the necessary volume of business that can lead to improved profitability.

Customer Relationship Management Understanding customer needs and building relationships by analyzing databases of information from multiple sources including websites, emails, social media, and other customer touch points to increase sales and profitability.

Domestic independent tour (DIT) Customized domestic tour including many elements, designed and planned to fulfill the particular needs of a traveler; may be designed by a travel agent or by a wholesaler in consultation with the traveler's agent.

Dynamic packaging The ability to aggregate multiple tourism service supplier offerings (e.g., air, hotel, and car) in real time into a package.

Escorted tour An all-inclusive tour with a structured itinerary and a guide who accompanies the guests.

Familiarization trips (also called "fams" or "fam trips") Trips offered by governmental tourism agencies, hotels, resorts, and tour operators at low or no cost to acquaint travel salespeople (typically travel agents) with the products and services they offer.

Foreign independent tour (FIT) Customized foreign tour including many elements, designed and planned to fulfill the particular needs of a traveler; may be designed by a travel agent or by a wholesaler in consultation with the traveler's agent.

Franchise A license to operate a tourism service business such as a travel agency or hotel with the benefit of trademarks, training, standardized supplies, operating manual, and procedures of the franchiser.

Global distribution systems (GDSs) Worldwide interorganization information systems that travel agencies use in selling tourism services.

Ground transfers Short-distance transportation between service providers, most frequently provided as part of a tour.

Hosted tour A tour in which a host is available at each major tour destination to welcome guests, solve problems, and answer questions.

Independent tour A tour that allows the flexibility to travel independently while taking advantage of prearranged services and rates based on volume discounts.

Intermediary Firms that help tourism suppliers locate customers and make sales to them, including tour operators and travel agencies.

Itinerary A detailed schedule of a trip.

Markup Adding a percentage to the cost of a good or service to arrive at a selling price.

Meeting planner An individual who specializes in planning and coordinating all the details of meetings, conferences, or events.

Missionary sales Sales calls made by individuals to retail travel agencies and other tourism industry intermediaries to answer questions and educate them about the company's services so that they may be sold more effectively.

One-level distribution channels The simplest form of distribution, in which the supplier deals directly with the consumer without the services of intermediaries.

Overrides Additional bonuses offered to travel agencies beyond their usual commission to encourage the agency to sell more tickets.

Personal selling A communications process that includes discovering customer needs, finding the appropriate services to meet these needs, and then persuading customers to purchase these services.

Receptive service operator (RSO) (ground operator) A local company that specializes in handling the needs of groups traveling to its location.

Three-level distribution channels Distribution channels in which two or more channel members, such as tour operators or wholesalers serve as intermediaries between the supplier and the consumer.

Tour A product that includes at least two of the following elements: transportation, accommodations, meals, entertainment, attractions, and sightseeing activities. It can vary widely in the number of elements included and in the structure of the itinerary.

Tour operator A business entity engaged in the planning, preparing, marketing, making of reservations, and, at times, operating vacation tours.

Tour package Two or more travel services put together by a tour operator, such as air transportation, accommodations, meals, ground transportation, and attractions.

Travel agent A sales specialist in tourism services.

Travel clubs Membership organizations designed to serve the needs of last-minute leisure travelers at bargain prices.

Two-level distribution channels Distribution channels in which an additional channel member, such as a travel agent, serves as an intermediary between the supplier and the consumer.

References

- Goeldner, C. R. (1995, Winter). Conference report: The 1995 travel outlook. *Journal of Travel Research*, 33(3), 45–48.
- Kracht, J., and Wang, Y. (2010). Examining the tourism distribution channel: evolution and transformation. *International Journal of Contemporary Hospitality Management*, 22(5), 736–757.
- Upheaval in travel distribution: Impact on consumers and travel agents. (2002, November 13). *Report to Congress and the President*. National Commission to Ensure Consumer Information and Choice in the Airline Industry, pp. 21–35.
- Name change: Carlson Wagonlit Travel now travel leaders. (2008, August 22). *Atlanta Business Chronicle*. Available at: <http://www.bizjournals.com/atlanta/stories/2008/08/18/daily75.html>.
- Agencies, corporate owned. (2004, May 24). *Business Travel News*, 21(9), p. 4.
- Bellstrom, K. (2007, May 17). Travel agents are staging a comeback. Available at: <http://www.smartmoney.com>.
- Hoffman, C. (2009). The role and value of the global distribution systems in travel distribution. *A PhoCusWright Whitepaper*. Phocuswright, Sherman, CT.
- Schultz, C. (1994, April). Hotels and travel agents: The new partnership. *Cornell Hotel & Restaurant Administration Quarterly*, 35(2), 45–50.
- Higgins, M. (2007, February 11). Practical traveler: Online travel agencies. *New York Times*, 6.
- Dolnicar, S., and Laesser, C. (2007). Travel agency marketing strategy: Insights from Switzerland. *Journal of Travel Research*, 46(2), 133–146.
- Chipkin, H. (2000, March). In search of lodging's Holy Grail. *Lodging*, 56(3), 56–62.
- Ellin, A. (2007, July 3). Happy returns for travel agents. *New York Times Online*. Available at: <http://www.nytimes.com>.
- Hilton Hotels: Friend or foe? (2003, July 7). *eTurboNews Global Travel Industry News*. Amadeus North America, Chicago, IL.
- What are Tours and Vacation Packages?, United States Tour Operators Association, <https://www.ustoa.com/resources/how-to-select-a-tour-vacation>. Accessed: December 2, 2016.
- Meeting industry statistics. (1999, September 27). *Meeting Professional*, 19(9).
- Semer-Purzycki, J. (2000). *Travel Vision*. Upper Saddle River, NJ: Prentice Hall.
- Metelka, C. J. (1990). *Dictionary of Hospitality, Travel and Tourism* (3rd ed.). Albany, NY: Delmar Publishers.
- Bladen, C., Kennell, J., Abson, E., and Wilde, N. (2012). *Events Management*. Routledge: New York.
- Silvers, J. R., Bowdin, G. A., O'Toole, W. J., and Nelson, K. B. (2005). Towards and international event management body of knowledge (EMBOK). *Event Management*, 994, 185–198.
- Kim, M., and Boo, S. (2010). Understanding supplier-selection criteria: Meeting planners' approaches to selecting and maintaining suppliers. *Journal of Travel & Tourism Marketing*, 27(5), 507–518.
- Miller, J. (2004, May 10). Storefront or Internet? *Travel Agent*, 316(10), 16.
- Fesenmaier, D. R. (1994, Summer). Traveler use of visitor information centers: Implications for development in Illinois. *Journal of Travel Research*, 33(1), 44–50.
- Eevents. Retrieved January 5, 2012. Available at: <http://www.ustravel.org/events/international-pow-wow>.
- ITB Berlin. (2007). Retrieved January 16, 2012. Available at: <http://www.itb-berlin.de/en/AboutITBBerlin/ITBAAtAGlance/>.
- Elliott, C. (2007, January–February). Blogs: The caveat. *National Geographic Traveler*, 24(1), 22–24.
- Marriott International, Inc. (1999). *Hotel Excellence!* 9. Marriott International, Inc., Bethesda, MD.
- Newell, S. J., Belonax, J. J., McCardle, M. W., and Plank, R. E. (2011). The effect of personal relationship and consultative task behaviors on buyer perceptions of salesperson trust, expertise, and loyalty. *Journal of Marketing Theory and Practice*, 19(3), 307–316.
- Agnihotri, R., Kothandaraman, P., Kashyap, R., and Singh, R. (2012). Bringing “social” into sales: The impact of salespeople's social media use on service behaviors and value creation. *Journal of Personal Selling & Sales Management*, 32(3), 333–348.
- Cook, R. A., and Cook, G. O. (2010). *Guide to Business Etiquette* (2nd ed.). Upper Saddle River, NJ: Prentice Hall.