THE EVOLVED AND MORE COMPLEX ROLE OF TRAVEL AGENCIES AND TOUR OPERATORS IN THE ONLINE ERA. EFFECTS ON THEIR MARKETING MANAGEMENT

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ABSTRACT

It has been more than a decade since several authors predicted the demise of traditional travel agents due to the rapid development of the internet and the online booking systems. However, recent findings from both the academic and professional research clearly indicate that these predictions were exaggerated. It appears that most authors had not taken into account the complexity of the tourism system in general, the diversity of the tourism product and the evolving and demanding needs of a more refined clientele. This paper addresses the varying opinions regarding the current role of travel agents providing evidence that these businesses have maintained their position as intermediaries in the tourism system and continue to offer their expertise applying the internet technology to their everyday business process. The evidence will clearly demonstrate that travel agents and tour operators will continue to offer their services in the younger generations. Travel agents will offer a more refined service and operate as consultants while tour operators will continue to plan and offer fully organized package tours at the best value for money.

Key Words: travel agency, tour operator, online travel agencies (OTA), package tours, intermediaries, marketing

1 INTRODUCTION

The motive for this study was linked to the extensive discussion and the contradicting views and articles regarding the role and the future of classic travel intermediaries, specifically travel agents and tour operators, in our digital era. The issues addressed concern their ability to maintain their position in the travel system, as the main retail selling points for tourism products all over the world (Hagel and Armstrong, 1997, Buhalis and Laws 2001, Chircu and Kauffman, 2001, Buhalis, 2003, Card et al, 2003, Law et al, 2004, Cheyne, Downes and Legg 2005, Pearce and Schott, 2005, Dolnicar and Laesser, 2007, Law, 2009, Law, 2009, Lee, Guillet and Law, 2013).

For the purposes of this study, it would be useful to briefly describe the categories and activities of these enterprises and the main definitions for this kind of businesses. Specifically, there are two main categories of travel enterprises: tour operators and travel agents. Tour operators have a multiple role, as producers of tourism packages, as wholesalers of several tourism products and retailers. Tour operators have a distinct function in the tourism industry. They purchase separate elements of transport, accommodation, transfer, guiding and a multitude of other travel related services and combine them into packages to be sold directly or indirectly to customers. The value of tour operators in the tourism system lies in their ability to secure discounts through bulk purchases, to assemble convenient and well-made packages and facilitate their customers, business or retail, by offering comprehensive packages at attractive rates.

The travel products (several kinds of package tours) which they plan and design are sold to the consumers through their sales departments (directly) or their owned travel agencies (vertical integration). Or through independent travel agents (indirectly) that act as their retailers and are paid with commissions on sales.

The travel agents do not purchase in advance travel products for resale to their clientele. Actually, only when a tourist-consumer has decided on a travel product purchase, the travel agents approach the cooperating tour operators or other tourism service providers on their customer's behalf in order to make a purchase, according to their wishes. Therefore, the travel agents do not carry stock of travel products (tickets, accommodation, tour packages etc). This characteristic could operate as an advantage to the consumer, since it contributes to the impartiality of advice that the agents give their customers (assuming that the commissions on sales are equal). Also, it sets a marketing issue for the tour operators in their need to count on travel agents distribution channels to sell their products. However, travel agents can be considered, on a rare basis, producers when the structure of their business allows the creation of tourism packages.

The extremely competitive nature of the tourism sector, always required for the survival of travel entrepreneurs to apply good management and offer good service. Over the last few years especially the last decade, another issue raised that of technology and the internet as a means to connect with retail buyers and as a selling point.

It is understandable that tour operators, either as wholesalers or producers, are less affected by the changes in technology. Therefore, the main focus of this paper is the retail tourism business and the travel agencies as the most vulnerable component of the tourism system.

2 theoretical background

More than a decade has passed since several authors pointed out that in the time of the internet and e-commerce, traditional travel agencies must go beyond the simple business of hotel bookings and air ticketing and add value to their services (Buhalis and Laws 2001, Cheyne, Downes and Legg, 2005). Several pointed out that the various online systems allowing the tourism product providers to access directly the end customer cause a certain disintermediation of the classic tourism market changing the role and limiting the importance of the traditional travel agency (Hagel and Armstrong, 1997, Chircu and Kauffman, 2001, Buhalis, 2003, Law et al, 2004, Dolnicar and Laesser, 2007, Law, 2009). Some have even argued that the classic travel agency is a relic of the past, facing extinction in an era where the prospective traveller has ample choices via the various online systems (Card et al, 2003).

Airlines have eliminated the commissions for air tickets and most hotels have several outlets to offer their product, including their self-owned sites. This situation, as several studies suggest, is irreversible and most travellers are bound to use the online booking systems instead of the traditional agencies (Law and Wong, 2003, Law et al, 2004, Pearce and Schott, 2005, Law, 2009).

According to Kau et al. (2003), a combination of factors facilitates e-commerce success, such as access to information, the ability to easily compare and the convenience of not physically needing to go out to a shop to purchase an item. These positives are countered by a set of negative factors, such as concerns about privacy, security issues such as credit card fraud and the inability to touch and feel the goods.

However, several years after the first declaration of the travel agent's demise they are still around offering their services. Information from the USA market as presented by the American Society of Travel Agents (ASTA, 2013) clearly indicate that travel agents are in much better situation than it would be expected. Specifically, in a comparative study of ASTA among its members concerning their activities and the increase or decrease in business volume they noticed between the year 2003 and the year 2013, the majority of travel agents claim to have substantial increase in the areas of business travel, groups and tours, hotel bookings and cruises, while they saw a rather steep decline on air tickets sales and car rentals. Another area they have increased sales is the relatively new area of travel insurance that was rather insignificant as a source of income a decade ago.

The American Society of Travel Agents, (2013) studies also indicates that the way of operation for travel agencies has changed with their members concentrating either on the upper scale of sizable agencies with multiple employees and associates or exactly the opposite with independent home based travel agents that operate alone or in collaboration with a large agency. In fact the number of small, independent and home based agencies has increased over 400% over the last decade while the classic retail agent with a "shop" accommodating walk-in clients has decreased considerably. It is obvious that agencies forgo the classic "brick and mortar" centrally located in a market area shop for a more flexible and cost effective model that combines employees, home based associates and the use of technology to save on office space and subsequently operating expenses.

Another interesting element in the ASTA studies is the fact that even though telephone communication remains a standard form of communication between the agent and its clients and between the agent and the various service providers, the use of email, websites and other forms of communication via the internet increases yearly.

In a similar vein the Association of British Travel Agents (ABTA) through their travel industry research for the year 2012 and 2013 claim that the majority of their members saw an increase in their business volume that appears to be directly associated to the fact that an increased percentage of British travellers elected package tours as their means for vacation travel, stating the superior value for money and security as their main reasons of choice in a time of economic crisis. Pearce and Schott (2005) in their study of inbound travel to New Zealand indicate that travel agencies are more likely to be associated with international rather than domestic, and with packaged rather than individual travel. In their study for online shoppers and non-shoppers of travel products Card et al (2003) showed that package tours had the lowest percentage among the travel products purchased online, a mere 13,9 % compared to the 82,4 % of the air tickets.

ABTA also notices a possible reverse to the closing down of traditional "brick and mortar" "high street" agencies with several companies electing to open shops in central locations to serve as a promotional and advertising focal point to the potential clients.

These findings seemingly oppose the literature claims over the future of travel agencies. The information provided by these, industry sponsored, market researches indicate that many traditional travel agencies have paid attention to the changing times and altered their activities serving more as consultants on travel services (Dolnicar and Laesser, 2007), concentrated on offering more complex services like packages and tours and helping the less experienced traveller navigate through the various and often misleading tourism product offer to achieve the best value for money. Another role that many travel agents seem to have embraced is that of the specialist catering to the needs of specific niche markets.

Another explanation for the survival of the travel agency and the agent is the fact that apparently the travel industry has not simplified. While the evolution of online travel distribution made it possible for suppliers to establish a direct link to the customers, it also introduced new complex levels of intermediation. It has been observed that the excessive flow of information, products and services available online, leads to a certain consumer confusion (Matzler and Waiguny, 2005), that impacts negatively on potential online buyers. Unclear information about the services and the terms and conditions is a serious deterrent to online booking.

It appears that in practice many consumers do not have the time, confidence, desire, and most importantly knowledge, to always make informed decisions about their travel choices (Kauffman and Wood 2007), as too often they are '*spoilt for choice*' (Earl and Mandeville, 2009). As a result the market instead of becoming simplified with the tourism product providers accessing their potential clients directly, through their self-owned websites, it was dominated by a new breed of travel agencies, the Online Travel Agencies (OTAs). They serve as intermediaries being the ones establishing direct contact with the clients (Lee, Guillet and Law, 2013) offering them the variety and comparison of services that individual service providers, promoting their sole product, cannot.

Another issue that the predictors of a more simplified tourism market, without the travel agent intermediary, did not take into account was that an on-line business has operational costs as well (Earl and Mandeville, 2009) and so does direct contact with the end customer. The fact that most airlines now add service fees to clients booking directly through their self-owned websites, clients that they originally lured away from the travel agents with the promise of lower rates without commissions, is a testament to the fact that customer service does have a cost.

As a result, travel distribution systems today are more layered and complex structures than ever before (Kracht and Wang, 2009) with various businesses overlapping offering added value to the customer. The current market is like a hybrid with consumers that are increasingly dependent on online search using constantly computers, tablets and smart phones. On average, they are visiting nearly two dozen websites before making their final purchase decision (Thakran and Verma, 2013).

Even though, online booking systems have taken their hold on the market it does not mean that their dealings with providers and customers alike are considered successful. Apart from the obvious competition problems the overflow of information creates, there are always problems with the placement of hotels, commission disputes and agency issues (Thakran and Verma, 2013). It is often the case that the hotels which place their inventory on OTAs cannot have full access to the information that drives the sorting process, which is not fully transparent. This is a major agency issue since an OTA serves its own interests not the ones of its providers and takes advantage of the direct contact established with the client to achieve the more profit possible (Thakran and Verma, 2013).

Several studies conclude that search engine users are unwilling to invest extra effort to improve their strategies and often settle on simple keyword searches, viewing only the first results page (Haglund and Olsson, 2008; Jansen, ET AL., 2008; Griffiths and Brophy, 2005). This implies that information seekers tend to use the most convenient search method. Searches end as soon as minimally acceptable results are found. This emphasizes an inclination on the part of most searchers to use tools that are familiar and easy to use as well as settling with the results that are more easily offered to them.

Hotels and other accommodations are well aware that a high placement, preferably on the first page and the first entries on any intermediary's search "results page" is essential for the realization of bookings since most potential buyers do not go further than the first page (Pereira, 2001). It is this favourable placement that they negotiate with providers, at their benefit, by pushing hotels for rates and commissions. Subsequently though, many hotels retaliate by either, offering the OTAs clients the worse possible hotel rooms, favouring direct bookings or actively attempting to lure clients to make direct bookings with offers of discounts or upgrades (Thakran and Verma, 2013).

Surprisingly, it can be argued that it might be in the best interests of several tourism providers like hotels, cruise companies or even small airlines to cooperate with a multitude of experienced and professional travel agents than fall prey to the aggressive selling programs and control of large online travel agents.

In this far more complicated internet era with an overflow of information it should not come as a surprise that the travel agency shows such resilience. According to Law (2009) customers believe that travel agencies can "provide a better service in terms of human touch, professional counselling, and risk reduction" while Dall Olmo Riley et al (2009) point out the need consumers have for "face to face encounters" with the service provider.

For some time it was assumed that online direct marketing of tour operators and subsequent disintermediation would water down the intimate customer relationship, so cherished by travel agents (Berne, Garcia-Gonzalez and Mugica, 2011). However, in an earlier article Perkins (2006) indicated the obvious, specifically that travel agents possess experience in handling complicated tours, access to professional distribution channels and business websites and can save time and effort to the traveler. As Asonitou and Hassall (2008) suggest in the 21st century the most important product will not be the physical goods or services but rather knowledge and the ability to manage knowledge. The talk now is of the "knowledge age" rather than the "information age". Travel agents possess extensive knowledge and information about destinations and tourism products. They can also provide assistance if a problem occurs during a trip, what appears as the most valuable service to most clients electing to use their services (ABTA, 2013).

Based on these elements from the tourism literature a limited survey was conducted in the campus areas of an Athens University. The specific location was chosen because it offers great advantages, such as its central location within the city nexus and the easy access as well that it attracted respondents mostly from the lower age brackets, with 75% of the respondents on the 18 – 25 age group. Precisely the age group that, supposedly, should have forsaken the classic travel agency, in order to conduct all its tourism business via online booking systems.

3 objectives of the study

This study has the following objectives:

- To concentrate on the young ages, who are the future tourism clientele and the dominant internet users

- To examine the type of modification of the travel agent's role and the conformity, or not, to the literature's indications

- To specify the distinct services that are sought through a contact with a traditional travel agent as opposed to an online booking system

- To indicate the modifications or changes the travel agents must undertake to adapt in the new business environment

4 RESEARCH SAMPLE

Profile of the sample

The total sample contained 221 participants. 59% of the respondents were females and the 41% males. The sample constituted mainly of respondents in the lower age brackets with 3% in the under18 age group, 75% corresponding to the 18 – 25 age groups and 18% to the 26 – 35. The age groups of 36 – 45 had 1% of respondents and 46 – 55, 3%. The large representation of the younger age groups was to be expected due to the location where the research was conducted and it was in the interests of the objective of this study.

56% registered as “student”, 26% as “private sector employee”, 6% claimed to be unemployed, 8% temporarily or part-time employed and 4% public sector employees. The options pensioner and housewife had no participation. Concerning the educational level 33% have secondary level education, 50% tertiary level, 15% have postgraduate studies and 2% have only basic education.

5 QUESTIONNAIRE DESIGN AND FINDINGS

The questionnaire had several types of closed-end questions. The questions were a combination of dichotomous, multiple choice and rating scales. For the multiple choice questions the number of the resulting answers was bigger than the number of the participants, as it was expected. Therefore, the percentages which are presented below are calculated on the total number of answers which exceeded the number of the participants.

Table 1 – Internet usage

Do you use internet?	Yes	100%	No	0%

Table 2 – Frequency of internet usage

How often do you use internet	Daily	4 – 5 times per week	2 – 3 times per week	Once a week	Never
	99%	0%	1%	0%	0%

Table 3 – Use of internet to purchase tourism products and services

Have you used internet to purchase tourism products and/or services online over the last year (at least once)?	Yes	77%	No	23%

Table 4 – Tourism products or services purchased online

Services purchased	%
Air tickets	72%
Hotels/accommodation	35%
Coastal tickets	18%
Travel packages	3%
Car rental	5%
Restaurant bookings	2%

Table 5 – Average websites' visit prior to making a purchase online

How many websites do you visit on average prior to making a purchase online	%
1	2%
2 - 5	17%
6 - 10	46%

11 - 15	31%
More than 15	4%

Table 6 – Safety of online purchases

Do you consider online purchases secure?	%
Very much	2%
Much	19%
Moderate	51%
A little	25%
Not at all	3%

Table 7 – Traditional travel agency usage

Have you used the services of a traditional travel agent over the last year to purchase tourism products and services?	Yes	58%	No	42%

Table 8 – Tourism products or services purchased through a traditional travel agency

Services purchased	**%**
Air tickets	21%

Hotels/accommodation	25%
Coastal tickets	24%
Travel packages	46%
Car rental	3%
Restaurant bookings	0%

Table 9 – Would you create a travel package containing multiple services and products (e.g. air tickets, domestic flights, multiple accommodation, local tours and or transfers etc.) outside of your country of residence by yourself?

Yes	22%	No	55%	Maybe	23%

6 RESULTS and discussion

From the above tables it is evident that the findings are in accordance to the literature. The various online reservation systems have taken the bulk of bookings for simple services like hotel accommodation and especially air tickets.

It is clear that potential travellers will search for travel products from a variety of websites. However, they have issues with purchasing products online, since 51% of respondents consider internet transactions moderately safe and 25% little safe, meaning a total of 76% that consider online purchases not very safe. Only 21% consider online purchases safe. However, it is also evident, that the respondents in this study, mostly young people, thoroughly acquainted with the internet and technology in general would avoid purchasing directly online more complicated travel services, such as a package tour.

Additionally, the majority will avoid creating a complicated package tour abroad on their own using online services. Instead, they prefer a visit to a traditional travel agent. Specifically, 46% of the respondents stated that they have purchased package tours from traditional travel agents. This finding is also in accordance with literature and the opinions that support that the role of the travel agent has transformed to that of a travel consultant that adds value to the individual travel products and as a facilitator of the travel process for the traveller.

Regarding the classic tour operators, it is evident from the findings that their main product, the design and distribution of value for money travel packages, remains basically intact since they continue to provide two basic benefits to the potential traveller, a hassle free travel experience at a known cost, significantly lower, compared to that of an individually created package. Actually, it appears that the lack of geographic boundaries that internet facilitates, allows both travel agents and tour operators to access clients outside their countries.

This study suggests that further research has to be conducted in order to replicate the findings. Future studies could combine qualitative with quantitative research approaches in order to gain a deeper understanding and extract more accurate information on the reasons why young people, who are considered internet dominant, would prefer to use the personal services of a classic travel agency and further more what kind of actions travel agencies can take in order to secure this valuable demographic group that represents their future clients.

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