

## Travel Agents Counter Attack

TRAVEL AGENT associations in the United States and the United Kingdom have reacted to the threat of Internet-related direct bookings with a double-edged strategy designed to a) help members better capitalise on the power of the Internet and b) plant an element of reasonable doubt in the minds of consumers about buying through an unknown, uncertified dot-com company as against a trained, certified and accredited travel agency.

This edition of *Issues & Trends* reports on the strategies of the American Society of Travel Agents and the Association of British Travel Agents to safeguard their members' livelihoods and profitability.

### **ASTA Researches Ways to Make the Internet Work for Agents**

In September 2000, the American Society of Travel Agents (ASTA) released the findings of *ASTA 2000*, a five-part research survey to explore the integration of the Internet into agency businesses and the Society. The research project is the first phase of ASTA's new plan to help its members compete in the technology-driven travel marketplace.

Consumer surveys conducted by U.S.-based Kerr & Downs Research Inc. indicated that although more leisure travellers sought information from 800-numbers and the Internet than from travel agents, travel agents remain the preferred method of booking air and cruise travel.

When researching and booking travel, consumers often researched their options on the Internet, but many ended up making the actual reservations some place else, often with a travel agent. For example, only 51 out of 100 consumers who researched air fares on the Internet actually booked their flights on the Internet. On the other hand, 85 out of 100 consumers who used an agent to research air travel made reservations through the travel agent.

The survey showed that the "look-book" ratio for travel agents exceeds that of the Internet across all travel categories, as follows:

	TRAVEL AGENTS	INTERNET
Air	85%	51%
Hotel	84%	50%
Cruise	88%	3%
Car	85%	55%

The research also found that travel agents were the preferred option when booking family vacations, complex itineraries and international travel.

When comparing travel agents with the Internet, consumers said travel agents were more convenient, did all the work and allowed them to talk to a person. The Internet, on the other hand, was available on nights and weekends, offered more options and gave the consumer greater control.

However, leisure travellers had trust concerns when using the Internet. They cited security, difficulty finding information and not trusting the information online.

The research project utilised member surveys, member group interviews, non-member focus groups, a consumer telephone survey and existing travel industry data to create a complete picture of the technology landscape. This will be the basis for the Society's future plans.

A consumer telephone study was conducted by Kerr & Downs in spring 2000. The agency research was carried out by ASTA's research department and Plog Research in Reseda, California. ASTA also called upon its research family of 500 members to assess the level of technology being used in agencies today.

According to ASTA President and Chief Executive Officer Mr. Richard Copland: "The research shows that frequent travellers value and appreciate the convenience



and expertise an agent offers. We also found that our members are stepping up to the challenge and opportunities afforded by new technology and using the Internet in their daily operations for e-mail, client communications, research and even booking travel with suppliers.

"This research project will be the cornerstone for all the important initiatives we undertake in the coming months. The message is clear. We must waste no time in further integrating the Internet into our businesses and our Society."

### **Automation Survey Shows Big Rise in Agents Using Internet**

In examining agencies' use of technology, one portion of the study, the *ASTA 2000 Automation Survey*, found that the percentage of ASTA agencies using the Internet had grown from 24 percent in 1995 to 89.3 percent by spring 2000. ASTA predicts that if this growth continues at the same pace, almost all ASTA agencies will be online by 2001.

The study also found that more than half of ASTA members (52 percent) had their own agency Web site. (This was up from 49.4 percent in 1999.) Of the agencies that did not have a Web site, 56 percent planned to develop one by year end 2000.

The survey revealed that the vast majority of agencies with Internet access used the Internet for travel- or business-related research. Most popular forms of research included destinations (97.5 percent), travel suppliers (75.9 percent) and information on weather, traffic, etc (70.1 percent). Agents increasingly use the Internet to obtain visa information and travel warnings issued by the U.S. State Department. The Internet is also a good source for information on cruise lines and Rail Europe, as well as a way to obtain maps of customers' destinations.

The report also found that:

- Almost nine out of ten ASTA agencies use e-mail in their offices. This constitutes a 66 percent increase over three years.
- Most agencies (82.4 percent) have at least one personal computer in their office. On average, agencies have three personal computers.
- The vast majority of respondents (85.6 percent) lease their Global Distribution System (GDS) equipment and nearly all agencies use only one type of Computer Reservation System (CRS).
- The well-established five-year standard length for CRS contracts remains in effect. However, more than three in ten agencies are able to negotiate shorter contracts, with 26.4 percent of agencies signing three-year contracts with their GDS vendors. Two years ago only 9.3 percent of respondents signed a three-year contract.

- Of the agencies that report having difficulties meeting their contract segment production, 69.1 percent have contacted their GDS provider concerning their agreement. More than three quarters of agencies (78.9 percent) report that their attempt to either renegotiate the contract or to request a concession had some measure of success while 17 percent say their attempt was completely fruitless.
- More than half (55.1 percent) of agencies plan to seek competing bids from other GDS vendors when their contracts expire. When shopping around for vendors, price is the dominant factor according to 65.3 percent of respondents.
- Nearly all ASTA agencies (98.4 percent) issue electronic tickets to their clients. Agencies selling ticketless travel increased substantially over the past five years. Only about half (53 percent) of agencies issued electronic tickets in 1995, increasing to 70 percent in 1996, 93 percent in 1998 and 98.4 percent in 2000.
- E-ticketing has increased in popularity among travel agencies. In 1998, 59 percent of respondents actively encouraged their clients to use an electronic ticket when making reservations. Now, two years later, over two thirds of agencies (69.6 percent) encourage ticketless travel.
- ASTA agencies report that about 58 percent of tickets issued are electronic with a median of 60 percent.

### **The Value of Travel Agents**

In November 2000, ASTA released the findings of a two-part survey on travel agent expertise and consumers' concerns with booking travel online. The study asked ASTA-member travel agents what services they provide that the Internet cannot and what common complaints their clients had with booking travel online.

"The survey enforced what travel agents and their clients already know," said Mr. Copland. "Which is that the Internet simply cannot perform the range of personalised services travel agents do everyday for their clients. Whether it's help with visa applications or reissuing a ticket, computers don't talk back — and that makes many people uneasy."

Overall, the vast majority of responses had customer service issues in common. One travel agent pointed out that in the past he had written to hotels requesting special amenities for clients. "Because of their status, professional travel agencies often have the ability to get their clients on flights with no clear or assignable seats available," said Ms. Cecilia Smiley of Valerie Wilson Travel, Inc., in New York City. "We serve as advocates for our clients."



### **Three-Year Strategic Plan to Give Value to Members**

In a new process, ASTA has developed a three-year strategic plan for the Society designed exclusively "to give the members what they want from ASTA."

According to Mr. Copland: "We will fight when we have to, negotiate when it's possible, and spend the members' dues money on what's important to them — telling the public about the value of using a travel agent, representing them to the government and suppliers, and providing them with the latest industry information and cutting-edge professional education."

"We asked ourselves where ASTA should be in three years and set some very ambitious goals for the future. Now we have a vision, and we have a direction." Mr Copland added: "Failure is not in trying to change something and being unable to. Failure is not trying at all."

The process used to develop the plan employs the latest technology to encourage maximum participation and assist decision making and consensus building. Utilising a "high-tech" environment, a professional facilitator assisted the Board and chapter presidents in capturing a vast amount of information, suggestions and solutions in a limited time period.

In three years, ASTA hopes to have accomplished the following:

**Consumer Awareness:** Make consumers aware of the value of travel agents and prefer to use ASTA travel agents.

**Supplier Relations:** Make suppliers want to gain the endorsement of ASTA and to do business with ASTA and ASTA travel agents.

**Government Representation:** Encourage the government to adopt pro-travel agent legislation and rulings, and ensure that ASTA is recognised as the leader of consumer advocacy.

**Member Education:** Ensure that ASTA's education programme remains the primary source for ongoing travel agent development.

**Membership Communication and Services:** Ensure that ASTA members are well-informed of industry and Society information and satisfied with the services from national, local and international ASTA offices.

**Chapter Activities:** Ensure that chapters are aware of their responsibilities, are working in tandem with national ASTA, have established a local identity and have satisfied members.

**Future Planning:** ASTA has established a vision and a continuous process to research and make recommendations on issues that affect travel agents and ASTA in the future.

**Special Projects:** ASTA has a mechanism to manage topical issues that fall outside of the standing committee structure.

Under each of these strategic goals, five priorities have been developed and delegated to the new national standing committees.

### **Association of British Travel Agents Goes Big With "Dot-Conned"**

In October 2000, the Association of British Travel Agents (ABTA) launched its biggest publicity campaign ever to highlight the risk of booking with companies operating without regulation or industry supervision.

Against the background of an increasing amount of Internet travel business, the "dot-conned" national press and poster campaign also aimed to draw attention to ABTA's Web site which lists its members. ABTA hopes that Internet users will make its Web site their first point of reference and use the services of the members on the list, with all the safeguards and benefits that ABTA membership guarantees.

S.W.K., the advertising agency behind the campaign developed the visuals for use across a variety of media, from press to posters, insuring that more than 80 percent of the U.K.'s population taking holidays abroad will see the campaign repeatedly throughout the peak booking period of winter 2000-2001.

The advertising campaign was designed to stand out from the crowded advertising environment and demand attention. It also had to be flexible enough to work in large and small space sizes. All the national press media are included on the schedule, along with a 48-poster campaign in the London Underground and on roadside sites in major conurbations around the U.K..

ABTA President, Mr. Stephen Bath, said: "This ambitious advertising campaign is an opportunity to remind holidaymakers about the value and importance of looking for an ABTA member. The travelling public will be left in no doubt about the wisdom and benefits of relying on ABTA members."

He added: "The Association's own Internet site already directs customers to their local ABTA travel agency or relevant ABTA specialist and, as the Internet continues to develop, many of our customers will want reassurance about companies they might deal with online."

### **ABTA's Travel Agent Survey Highlights Industry Trends**

After similar surveys in 1996 and 1998, ABTA's *Travel Agents Benchmarking Survey 2000* questioned the U.K.'s independent travel agents and came up with findings based on 159 properly completed questionnaires and 643 face-to-face interviews.



It concluded that since 1996, travel agencies have undergone radical changes including:

- Significant pressure on profitability
- The development of information technology and the Internet, and
- Major consolidation within the industry

The survey also found that price discounting, low cost airlines and commission capping have all contributed to reduced profitability. The average profit margin in 2000 of 1.15 percent was below that in 1996 of 1.21 percent. Furthermore, the survey found that two thirds of respondents used the Internet regularly compared to just five percent in 1996.

Travel agents now say that while the fast-moving developments in information technology offer considerable opportunities for agents, investment strategies must be carefully planned to reap the benefits and compete effectively with large corporations with deep pockets such as Thomson and Airtours, and new dot-com entrants such as Expedia and Travelstore.

The U.K. has also seen unprecedented consolidation activity within the travel industry both in operating and retailing. The number of independent mid-sized tour operators has dwindled to a handful, the majority having being snapped up by the "big four" in an acquisition frenzy.

These "independents" are now integrated into their parent operations and distribute more proactively through in-house channels. The same big four have driven consolidation in the retail sector. The number of ABTA-registered branches in the U.K. has increased by 10.5 percent since June 1996 compared with a fall in individual head offices of 14.4 percent over the same period.

Independent agents in the U.K. recognise that these shifts in dynamics have turned the Internet into both opportunity and threat. The survey also showed that agents believe the real opportunities over the next five years will be in areas large travel agent conglomerates are not very good at, such as specialisation, providing excellent customer service, offering niche products and developing and retaining quality staff.

Interestingly, when questioned over the main threats for the next five years, these agents saw the activities of big corporates — rather than anything going on in the high street — as their main threat. Areas causing the greatest concern were direct selling, commission capping and digital TV.

Nevertheless, a few agents have achieved results significantly in excess of survey averages. The survey focussed on the 10 respondents generating the highest profit per employee. In summary, the top ten tended to:

- Specialise
- Pay salaries above the survey average
- Offer incentives to employees
- Invest in training, and
- Have their own Web site

These activities were broadly consistent with those highlighted in the 1996 and 1998 reports, and agents undertaking these activities still appear to perform above survey averages.

### The Future

Asked to name the key opportunities and threats to their businesses over the next five years, ABTA's independent agents provided a range of responses. The list below sets out the top ten most popular answers.

#### TOP 10 OPPORTUNITIES (1998 positions in brackets)

- 1 Internet and better IT (1&2)
- 2 Specialisms (5)
- 3 Customer service (3)
- 4 New and niche products (4)
- 5 Brand/name awareness (-)
- 6 Growth in market (6)
- 7=8 Staffing (-); State of economy/increase in disposable incomes (10)
- 9=10 Direct selling (-); Competition (-)

#### TOP 10 THREATS

- 1 Internet and IT (3)
- 2 Direct selling (1)
- 3 Commissions (2)
- 4 Competition from multiples, hypermarkets and call centres (4)
- 5 Digital TV (10)
- 6 Decreased profit margins (-)
- 7 Unable to recruit and retain quality staff (-)
- 8 Legislation (8)
- 9=10 Tour operators (7); Low cost airlines (-)

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