Travel agency industry

Executive summary

This report is designed to evaluate the most important aspects of the modern travel industry in New Zealand. The development of the internet over recent times has revolutionised the travel industry, and is threatening to cause its demise. Travel agencies have been forced to adapt to these advances, as the likes of airlines and hotels look to eliminate the intermediary role which travel agencies build themselves around.

Studies suggest that there is still demand present in the industry for the services of travel agents, as society, particularly older generations, feel more secure in booking large proportions of their trips in a face-to-faceenvironment. The existing competition in the market of travel agencies is very high, with further competition coming directly from suppliers themselves. In particular, there are airlines who have also branched off to include add-ons in their options. Customerloyaltyis a large factor in the success of a modern travel agency, as building relationships is prioritized to retain and build on customer bases. The changing ways of the new zealand travel agency Travel agencies have been publicised in the media as being a dying profession, as consumers develop a " do it yourself approach" to organising trips. This report is designed to give a general overview of the industry for the modern travel agency. The most important positive and negative aspects will be looked at so that it can be determined whether or not that this is an attractive market in which to establish a business in New Zealand. The impact of echnological advances, particularly with the internet, will be discussed in depth. Also touched upon is the behaviours of customers

during the recent technological revolution and whether or not travel agencies should be concerned about trends and publicised issues. The importance of building customer relationships to establish loyalty from customers will be the final central topic of the report. The increasing significance of the internet in today's society has had a profound effect on the behaviour of tourism consumers (Chakravarthi & Gopel, 2012).

These progressions appear to be reducing the need for the intermediary role upon which the travel agency business model is built (Castillo- Manzano & Lopez- Valpuesta, 2010), and has come to be known as " disintermediation" (Chakravarthi & Gopel, 2012). The competition between agencies has always been based around clients being reached directly and quickly, but the internet is now beginning to satisfy this need of consumers (Chakravarthi & Gopel, 2012). For example, both hotels and, more significantly, airlines, have built their own websites which enable them to connect with consumers directly, as opposed to through an agent.

This removes the additional costs for commissions, and also allows them to easily integrate reward systems for customers into their programmes (Chakravarthi & Gopel, 2012). The influence of airlines will be discussed further later in this piece. It was found that in the year of 2008, 80% of travel agents from the United States reported a decline in annual revenues compared with the previous year (Hayhurst, 2009). For this reason, the modern travel industry must adapt their approach in business to have a business model more service- orientated, rather than the product- orientated approach they had traditionally (Richard & Zhang, 2012).

For a travel agent, it appears that their ability to be active on theircareerpath has a major influence towards their ability to remain sustainable during difficult economic periods (Hayhurst, 2009). 3 The changing ways of the new zealand travel agency " The tendency we all had last year was to pull in the wagons and conserve cash, but it turns out that for travel agents, moving forward aggressively helped them through a tough period. " (Weissman, 2009. Cited in Hayhurst, 2009) It is even felt by some that these sorts of occupations could be facing " extinction" by as soon as 2017 because of technological advances (Eriksen, 2012).

This threat is made even more likely as a generation who are more accustomed to the internet andtechnologyin general begin making large purchases. Studies show that young people (aged 15 to 30) are significantly more likely to order flights online, as they are more trusting of modern technologies than their predecessors (Pearce, Read & Schoot, 2009). As consumers as a whole look towards the internet progressively more for sources similar to those on offer from travel agents, such an occupation will become obsolete (Eriksen, 2012).

Contrary to these findings and theories made, Pearce et. al. (2009) obtained results suggesting there is still significant demand for the services of travel agents. Of a sample of 547 outward bound New Zealand tourists, more than 50% used a travel agent to book their transport to the chosen destination. Of note for travel agencies from these statistics is the proportion of tourists using packaged holidays that used their services to book different aspects of their holiday. An example of one of these percentages is the 82. % of people who bought package holidays purchasing their trip through a travel agent or

travel management company (Pearce et. al. 2009). With those booking their travel plans with a package of some form representing almost one in three of the sample travellers, it appears that there may be sufficient demand within the travel industry for travel agencies. Various studies carried out on consumers in the Asia- Pacific region suggest that the internet is used by consumers only as a search engine (Castillo- Manzano & Lopez- Valpuesta, 2010).

Castillo- Manzano's & Lopez- Valpuesta's (2010) piece goes on to claim that the security that booking major expenses such as flights and accommodation through a travel agent makes it more attractive than online booking. Another study found similar results which showed that cheaper and less important aspects of travel arrangements such as rental cars are more likely to be made online (Cheyne, Downes & Legg, 2006). Supporting this is the belief of Mike van Beezhuizen, 4 The changing ways of the new zealand travel agency a travel agent working for Auckland Flight Centre.

He felt his job is relatively secure, as people " enjoy the face-to-face experience of customer service" (Eriksen, 2012). The competition present between existing competitors in the travel industry is very high and therefore very competitive. Well- known travel agencies such as House of Travel and Expedia are already established and each account for market shares over 10% within the online travel agency websites (Tnooz, 2012). In addition to these, there are also various smaller businesses representing smaller percentages (Tnooz, 2012), adding to the cut - throat nature of the industry.

The technological progressions which are so prevalent in this industry have also disadvantaged local travel agencies by introducing new competitors into what was already a highly competitive market. This occurred through airlines recognising an opportunity in the market place which the development of the internet has presented (Castillo- Manzano & Lopez- Valpuesta, 2010). Websites such as Air New Zealand have placed great emphasis on extending websites to increase business opportunities and be able to serve customers from their own websites (Castillo- Manzano & Lopez- Valpuesta, 2010, Medcalfe, 2005).

By doing this, airlines were able to decrease their costs, which then enabled them to lower their fares. To compete even more, airlines also began to offer complimentary services such as vehicle rentals with their flights (Castillo- Manzano & Lopez- Valpuesta, 2010), further increasing the similarities between the modern airline and travel agency. Customer loyalty plays a massive role in the make- up of demand in the travel industry. With the new customer- orientated approach to business, it is clear that customer satisfaction is almost becoming priority (Richard & Zhang, 2012).

By satisfying customers, travel agencies hope to build relationships and protect their existing customer base. Cameron Wilson, says that the ability of a travel agent to build relationships with their clients was crucial in having a successful career (When Cameron Wilson travels, 2012). As these relationships build, loyal customers tend to show decreased price sensitivity, with a switch to a rival supplier due to price becoming less likely (Richard & Zhang, 2012) . The importance of corporate image cannot also not be stressed enough in this industry. Studies 5

The changing ways of the new zealand travel agency showed that this can affect the value that they in their own mind feel they are receiving (Richard& Zhang, 2012). This report was prepared to present the most significant aspects of the environment for travel agency businesses. The internet has very much forced travel agencies to rethink their business structures, with successful ones adjusting to their market place. It was found t hat package holidays and clients in older age brackets were those who were most likely to request the use of a travel agents services.

There are already a number of well- established travel agencies in this industry, with the likes of airlines also providing competition. Building customer relationships by satisfying their expectations has been allocated the utmost importance for prospective agents, as maintaining a solid customer base is considered crucial. There are many aspects of the travel industry within New Zealand which must be carefully analysed and considered before entering the industry as current circumstances have made this very complex. Word Count: 1541 Please see the assignment instructions.

You must take a word count of your assignment and insert it in the box above. Note that the word limit for this assignment does not include any of the words in your reference list or in your addendum of Research Annotations. 6 The changing ways of the new zealand travel agency

References

1. Castillo-Manzano J. I. and Lopez-Valpuesta L (2010, September). The decline of the traditional travel agent model. Transportation Research Part E: Logistics and Transportation Review.

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5. Positive thinking is key. Travel Trade Gazette UK & Ireland, (2889), 18. Medcalfe, G (2005). Bums on seats. NZ Marketing Magazine Vol. 24 Issue 2, p14-1. Retrieved from Business Source Premier database.

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7. Richard, J. , and Zhang, A. , (2012). Corporate image, loyalty, and commitment in the consumer travel industry. Journal of Marketing Management, Vol. 28, Iss. 5-6 Tnooz (2012, August).

8. House of Travel overtakes Expedia for gold medal – Top New Zealand travel websites, July 2012. Retrieved from http://www. tnooz. com/2012/08/09/data/house-of-travel-overtakes-expedia-for-gold-medaltop-new-zealand-travel-websites-july-2012/

9. When Cameron Wilson travels across Queensland in his (2012, August 9). Queensland Country Life. p. 38. Retrieved from Business Source Premier database. The changing ways of the new zealand travel agency

Research Annotation 1

A source that you cited in your report Reference Castillo-Manzano J. I. and Lopez-Valpuesta L (2010, September). The decline of the traditional travel agent model. Transportation Research Part E: Logistics and Transportation Review. Search Strategy Searched " Travel Agencies" in Business Source Premier on 9 August 2012 Annotation

This article discusses the requirement of travel agencies to adjust to improving levels of technology and examines the differences between the modern travel agency and the traditional model. It also shows the results of investigations with regards to consumers behaviour. I used this resource as it effectively encapsulates the core focus I planned to have for my report. Studies were used as evidence so conclusions could be made for the behaviours of travel consumers. For this reason, I felt comfortable as using this resource as somewhat of a platform for my statements on the subject of consumer behaviour, for example.

Research Annotation 2

A source that you cited in your report Reference Richard, J. , and Zhang, A. , (2012). Corporate image, loyalty, and commitment in the consumer travel industry. Journal of Marketing Management, Vol. 28, Iss. 5-6 Search Strategy Searched ' travel agency' and ' customers' in Business Source Premier Annotation This article details the importance of customer loyalty, corporate image and satisfaction, and shows their impacts on the success of a business as a whole. It shows the importance of each of these aspects in generating and maintaining a strong customer base.

This piece was my main source for the section of my discussion relating to the customers themselves, and their satisfaction. It was of great use to me as it drew useful conclusions from investigations and thoroughly explained each of the essays topics i. e. customer loyalty, corporate image etc 8 The changing ways of the new zealand travel agency Research Annotation 3 – Anacademicsource that you did not use or cite in your report Reference Vinod, B. (2011). The future of online travel. Journal Of Revenue & Pricing Management, 10(1), 56-61. doi: 10. 1057/rpm. 2010. 41 Search Strategy

Searched ' travel agents' in Business Source Premier, with result limited to Academic articles Annotation This piece could be a useful additional reading. It provides support for the section of my report based on competition existing in the industry. It focuses on different aspects of the internet such associal networkingsites, and websites that have reviews from travellers. It therefore gives a somewhat different light in which to view the current market situation. It could also be of use to read as it discusses the importance of using websites effectively by making them as user- friendly as possible.