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# UNIT 31 TRAVEL AGENCY MARKETING

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## 31.0 OBJECTIVES

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After reading this Unit, you will be able to:

- know about the ways to design the travel agency product,
- understand the product mix of a travel agency,
- know the markets of a travel agency,
- learn about the linkages required for establishing business relations in travel agency business,
- appreciate the impact of technology on the marketing operations, and
- learn about the sales and promotion methods adopted by the travel agency.

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## 31.1 INTRODUCTION

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In Unit-23 of TS-3 you have been familiarised with the management of a travel agency. Most of the management aspects are governed by marketing considerations. There is a certain amount of overlapping between the management and marketing functions. For example, product knowledge, information, customer care, etc. are as much a part of marketing as of managing a travel agency. Since issues like acquiring product knowledge and managing information were dealt in detail in TS-3 (Unit 23), we are not going to repeat them in this Unit. This Unit takes into account themes like product design, product mix, target markets, linkages with principal suppliers, location, sales, promotion, commissions and discounts, etc.

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## 31.2 TRAVEL AGENCY PRODUCT

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You are aware that a travel agency is an intermediary organisation between the producers and consumers of tourism services. All principal suppliers like airlines, tourist transport operators hotels, tour operators, etc. use the services of travel agency for the distribution and delivery of their products and services. The tourists or other travellers use the services of the travel agency for buying the services of the principal suppliers. However, this does not mean that the travel agency's marketing will be totally dependent on or governed by the principal suppliers/consumers.

The travel agencies:

- go for their own market research to decide the target market,
- design their own products and services by value addition to the products/services of the principal suppliers,

- decide on their product mix,
- determine discounts or service charges,
- have their own sales and promotional strategies, etc.

### 31.2.1 Understanding the Market

Unit 2 of this course familiarised you with the concept of market segmentation, its variables and approaches to segmentation. Once in travel agency business you have to decide which market segment to target. For this you should divide the prospective market into identifiable groups. In general all travellers are the market for a travel agency. But for targetting purposes the travellers can be segmented further into various categories. For example:

- those who travel by air,
- within air travel those who travel executive or club class or those who travel economy class.
- customers who require AC coaches,
- customers who require AC taxis, and
- customers who would travel by trains (further which class) etc.

The mode of travel is also linked to the **budget category** (up, middle or low budget) and it can also be segmented on the basis of the **purpose of travel** like:

- tourists, (individual, family, group)
- business travellers, and
- government officials, etc.

The market can also be segmented on the basis of the **timing of the travel decisions**. For example, some plan and book their travel in advance (example tourists) whereas others need reservations instantly (example business travellers).

Another form of segmentation can be on the basis of the **services required by the customers**, like:

- travel consultancy,
- only ticket booking,
- those who want the agency to handle their travel documents (visa, passport, permits, etc.),
- airport pickups or transfers,
- hotel bookings,
- tour packages, etc.

A travel agency has to decide that which market it will target ? Many travel agencies sell their services to any customer who walks in but confine their marketing efforts to particular segments.

### 31.2.2 Product Design

In India the travel agency business by and large is confined to sole proprietorship or partnership and the nature of the business in majority of cases is small scale leaving aside a few leading travel agencies like Balmer and Lawrie, etc.

In **Unit-13 of Block-4** you were familiarised with the various aspects related to product designing. All these aspects are relevant while designing products for a travel agency. Once the target market has been identified on the basis of market segmentation and customer needs, the next task is to generate ideas for developing the product. This also has to take into account the business analysis looking into costs, estimating future sales and profit potential of the product that is to be designed and offered to the customers.

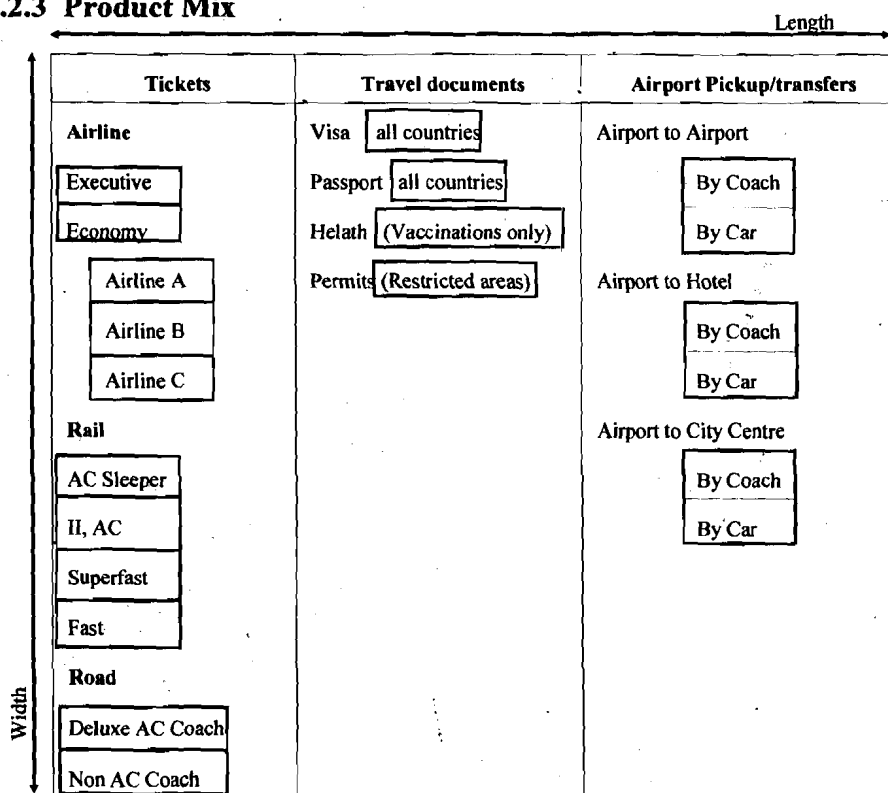
A travel agency may go for **product orientation approach** laying stress on products and services of tourism supply, instead of taking customers needs into account. This is what the travel agencies

do in small towns. However, this approach is successful only in a monopoly situation, say, if there is only one travel agency catering to the customers. In such a situation the travel agency can dictate its own terms in relation to the supply of the product or service. But, this is not possible in case of competition and more so when special requirements are there. A travel agency has to adopt **market orientation approach** keeping in view the customer needs for accordingly designing its products. This leads to market research and surveys. A **market survey** has to be conducted not only to help in understanding the customer needs but also to seek information regarding the services offered by other travel agencies. Once these aspects are known a manager would decide whether to offer the services like others which are commonly available or develop services which are unique and different from others. For example, in the case of walk-in customers the services offered may be different than those to be offered through home delivery services. If the normal product is only ticketing the agency can cater only to the customers who come to the agency or offer free home delivery of tickets or put nominal charges for home delivery. But decision making in such cases will depend on the nature of competition and the services being offered by the competitors. For this, the following questions have to be taken into account:

- How many other travel agencies are there?
- What kind of services do they offer?
- Whether we will be in direct competition with them?
- How have the other travel agencies built their image?
- Can we build a similar image?
- How are we going to build a similar or a better image?
- Can we offer better services?
- What is the market share of other travel agencies?
- How can we take the market away from them? etc.

By analysing such questions one can go for product differentiation in designing ones own services. For example, if the agency has to provide services for handling travel documents then what type of manpower will be required to provide these services and where all liaison work would have to be done? In order to distinguish your own travel agency services, you will also have to design certain meaningful differences from your competitors and it is on this basis only that you will offer a **Product Mix**.

### 31.2.3 Product Mix



Other items which travel agencies can include in their product mix are:

- package tours,
- travel insurance,
- hotel reservations,
- car rental services, etc.

Fig. 2: Sample of the Product Mix of a Travel Agency

**A travel agency can add value to its products by providing home delivery, gifts like bags, etc. You can be innovative in devising methods to add value to your product.**

Product Mix in the case of a travel agency will include all the services and items that the agency would make available to its customers. In other words you can say that the product mix is a step ahead in the process of product design, where a variety of products or services designed individually are grouped together as one package on offer to the customers.

In terms of its length the Product Mix consists of three Product lines i.e., tickets, travel documents, and airport pick up/transfers. Each of these product lines have their own width like airline tickets can be of executive class or economy class and can be from a choice of airlines A, B or C. **Keeping in view its customer needs, volume of business and resources a travel agency can expend or cut down the product lines.** For example, airport to hotel travel may be cut down to coach only or providing visa facilities can be restricted for a few countries only. Similarly, tickets for more number of airlines can be added to expand the product. A number of other products like hotel accommodation or package tours can also be added in the product mix. A travel agency has to be very cautious in deciding to offer the product and services of the principle suppliers to its clients. **It is always better not to include in ones own product mix the services of such principal suppliers who have a negative image or who provide bad services.** This is because, for example, if a customer is provided a bad service by an airline he may ultimately hold the travel agency responsible for putting him on that airline and this would affect the image of the travel agency.

There are certain other factors associated with a product which have to be taken account of while designing the product or offering the product mix. For example, the travel agency has to take into account the presentation aspect, quality, image, brand and warranty, etc. It should also be remembered here that the travel agency products are not static. Changes in fares, government regulations, taxes and tariffs, political climate, etc. have a bearing on a travel agency products. Similar is the situation in case the principal suppliers make changes in their products or services. A travel agency must also take account of the product life cycle concept and accordingly from time to time take decisions regarding strengthening, rejuvenating or dropping the products besides taking decisions about the type of new products to be launched or introduced.

The travel agency management has to give considerable importance to human resource development as customer care is essential in a services product. Due emphasis should be given not only on updating the knowledge and skills of the employees but also on their personality development, mannerism and communication skills.

**Check Your Progress-1**

1) How would you understand the market for a travel agency?

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2) How would you design a travel agency product?

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### 31.3 COMMISSIONS AND DISCOUNTS

Travel agencies receive commission on the sales of the products and services of the principal suppliers. The net profit of a travel agency comes after deducting the fixed and operating costs like rents, salaries, etc. from the earnings through commissions. Normally, the commissions given by the principal suppliers are fixed, but in some cases the principal suppliers may offer the travel agency an **override**. This implies that the higher the sales a travel agency makes of the products of that principal supplier the higher commission rate is offered by him. Depending upon the market situation a travel agency may pass on some of this commission by offering discounts to its customers. Though, ethically this is not a right practise but many travel agencies indulge in this and that is the reason that the customers who are not aware of the business details often complain that the same airline ticket is being offered to them at a less price by another travel agency. Some airlines also indulge in back door discounting which means giving higher commissions than the normal commissions. **Michael M. Coltman** has mentioned that in Britain there are agencies which offer "discount air fares to passengers who are to travel on short notice." They sell these seats at less than the stated price of the airline because, the airline will at least receive some money for such seats that would otherwise go empty. Such agencies are known as **bucket shops**. Many clients (individual as well as companies) negotiate for commissions and discounts with travel agencies and the later willingly do this in order to get more business.

### 31.4 PROMOTION AND SALES )

In order to market their products and services travel agencies depend a lot on promotion and advertising. Advertising in news papers and magazines is the most common practise. However, leading travel agencies are making good use of electronic media also in this regard. Advertisements on television and loading information on internet are a part of it.

The job of designing brochures, advertisements hoardings, displays etc. should be handed over to professional advertising agencies alongwith the necessary information specifying the objectives which the travel agency intends to achieve by spending in this area.

It is also necessary to monitor the effects of such promotion.

Besides promotion in the media personal promotion and sales are vital in travel agency marketing. Here the location of the travel agency as regards its closeness to the market is also important. Large organisations have to be approached for getting bussiness and in this personal meetings with the concerned executives and officers of these organizations can pay rich dividents. The art of public relations is useful in this regard for pursuing the sales sequence. In the words of **J. Christopher Holloway**:

"Travel agencies are no longer order takers; to compete, they must go out and get bussiness. Good social skills build the atmosphere which encourages buying, but closing a sale means knowing how to sell."

A sales sequence consists of four stages in a selling process and if pursued in the right direction it will lead to effective selling. These stages include:

1. **Developing rapport with customers,**
2. **Probing customers needs,**
3. **Presenting the products and services of the agency to the customers, and**
4. **Making the customers committed to buy.**

These stages logically lead to the closing of a sale i.e. making the customer buy.

Participation in **travel marts**, exhibitions and **famtours** is another method of building your image and targetting for more bussiness.

Establishing proper linkages with principal suppliers, keeping update on schedules, fares and tariffs, etc. are other aspects which are essential elements in travel agency marketing.

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## 31.5 ROLE OF TECHNOLOGY

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Travel agency business and operations are becoming heavily dependent on the use of technology (See Unit-7) particularly in the field of reservations. Instant service generates better customer satisfaction and it should be remembered that a satisfied customer is your best sales person for he provides you publicity free of cost.

In Unit-7 of Block-2 you are made aware of the role of technology in tourism marketing. All the aspects mentioned in that Unit are relevant in relation to the travel agency marketing. Computerisation and networking go a long way in this regard. Practically all the principal suppliers, whose services and products are offered in the product mix of a travel agency, rely heavily on technology and communications and have their own reservation networks. Today, any travel agency which wants to provide a better service to the customers has to become a partner in this networking. This makes communication faster with the principal suppliers like the Airlines and the hotels, etc. Even for smaller jobs like airport transfers or pick-ups the use of cellular phones helps in providing better services to the customers. Yet, the travel agency management must be prepared for any emergencies in case of technology failures like the computers going down or disturbances in the network. This means that the staff has to be trained in both types of operations technology based as well as manual.

**Check Your Progress-2**

- 1) Discuss the stages in the selling process.

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- 2) Discuss the role of commissions and discounts.

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